For personal use only

Connexion Telematics Ltd

Appendix 4E

Final Report

1. Company details

Name of entity:	Connexion Telematics Ltd
ABN:	68 004 240 313
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

For and on behalf of the Directors

____
Peter Torre
Company Secretary
Dated: 21 August 2020

2. Results for announcement to the market

		%		**2020 $**
2.1 Revenues from ordinary activities	Increase of	131%	to	**8,201,207**
2.2 Other income	Decrease of	44%	to	**230,216**
2.3 Profit from ordinary activities after tax attributable to the members of Connexion Telematics Ltd	Increase of	587%	to	**3,199,784**
2.4 Profit for the year attributable to the members of Connexion Telematics Ltd	Increase of	587%	to	**3,199,784**

3. Net tangible assets per ordinary security

	Reporting Period (Cents)	Previous Period (Cents)
Net tangible assets per ordinary security	**0.39**	0.11

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

No changes from previous period.

5. Details of individual and total dividends or distributions and dividend or distribution payments

Nil.

6. Details of dividend or distribution reinvestment plans in operation

Nil.

7. Details of associates and joint venture entities

Nil.

8. Foreign entities

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

		Ownership interest	
		2020	2019
Entity name	**Country of incorporation**	**%**	**%**
Connexion Media Inc	United States of America	100	100
1125816 B.C. Ltd	Canada	100	100

9. Accounting Standards Used

Connexion Telematics Ltd's financial statements are prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for for-profit oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ('IASB').

10. Statement relating to the status of the audit

This report is based on audited Annual Report of Connexion Telematics Ltd for the year ended 30 June 2020. The Company received an unqualified audit report, as detailed in the Independent Auditors Report to Members contained within the Annual Report.

For personal use only

Connexion Telematics Ltd

ABN 68 004 240 313

For personal use only

Annual Report

Year ended 30 June 2020

For personal use only

Contents

For personal use only

Corporate Information

Directors
Mark Caruso
Robert Downey
Aaryn Nania

Company secretary
Peter Torre

Registered office
Level 8, 350 Collins Street
Melbourne, VIC 3000
Phone: +61 3 9529 2655

Principal place of business
Level 8, 350 Collins Street
Melbourne, VIC 3000
Phone: +61 3 9529 2655

Share registry
Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Phone: +61 2 9290 9600

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

Bankers
National Australia Bank
193 Wright Street
Belmont WA 6104
Phone: +61 8 9333 4122

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

Website
www.connexionltd.com

For personal use only

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' or the 'Parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

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.

Name:	**Mark Caruso**
Title:	Non-Executive Chairman
Experience and expertise:	Mr Caruso is a successful executive and entrepreneur with a strong, transferrable business acumen. He has substantial corporate experience driving growth and creating value in small companies. Previously, Mr Caruso was the Chairman of Allied Gold Mining PLC ('AGMP') and was responsible for the delivery of the Gold Ridge Project in the Solomon Island and the Simberi Gold Project in Papua New Guinea. Mr Caruso is currently Executive Chairman and Chief Executive Officer of Mineral Commodities Ltd.
Other current directorships[1]:	Executive Chairman of Mineral Commodities Ltd Perpetual Resources Limited *(retired June 2018)*
Interests in shares:	25,319,680 Fully Paid Ordinary Shares
Interests in performance rights:	7,000,000
Name:	**Robert Downey**
Title:	Non-Executive Director
Experience and expertise:	Mr Downey is a qualified solicitor who has practised mainly in the areas of international resources law, corporate law and initial public offerings as well as mergers and acquisitions. He has extensive experience as an advisor, founder and director of various ASX, TSX and AIM companies. Mr Downey is currently a partner at Dominion Legal, a boutique law firm in Perth.
Other current directorships[1]:	Metalsearch Ltd RPM Automotive Group Limited
Interests in shares:	10,000,000
Interests in performance rights:	Nil
Name:	**Aaryn Nania**
Title:	Non-Executive Director / Acting Chief Executive Officer
Experience and expertise:	Mr Nania co-founded Lucerne Investment Partners and is a Director of the Lucerne Composite Fund – an active, long-term investor in both listed and unlisted companies globally. Prior to this, Mr Nania was a Portfolio Manager at Canadian investment bank Canaccord Genuity (Australia) where he founded and managed the Absolute Return Portfolio. Mr Nania holds various other listed and unlisted directorships.
Other current directorships[1]:	Pureprofile Ltd
Interests in shares:	166,772,220 Fully Paid Ordinary Shares
Interests in performance rights:	10,000,000

For personal use only

Directors' Report *(continued)*

Directors *(continued)*

Name:	**Guy Perkins**
Title:	Managing Director (*appointed 5 August 2019, resigned 24 June 2020*)
Experience and expertise:	Mr Perkins is an experienced IT executive with proven Senior Executive roles in ESRI Australia Pty Ltd, Pitney Bowes Inc and NearMap Ltd. Most recently he was one of the Founders of Spookfish Ltd, which was listed on the ASX until July 2018, when it was acquired by US-based EagleView Technologies for $122m.
Other current directorships[1]:	None
Interests in shares:	3,033,491 Fully Paid Ordinary Shares
Interests in performance rights:	Nil

[1] Other current directorships include directorships held for ASX listed companies only in the 3 years immediately before the end of the financial year.

Company Secretary

Mr Peter Torre is the principal of Torre Corporate, a specialist corporate advisory firm which provides corporate secretarial services to a range of listed companies. Prior to establishing Torre Corporate, Peter was a partner and Chairman of the National Corporate Services Committee of an internationally affiliated firm of Chartered Accountants working within its corporate services division for over nine years. Mr Torre is also a Director of ASX Listed Companies Zenith Energy Limited, VEEM Ltd, Mineral Commodities Ltd and Volt Power Group Limited.

Principal activities

The principal activities of the entities within the Group during the year were the development and commercialisation of its smart car technology for the automotive industry.

Review of operations

Group overview

This year built on the positive momentum achieved in the prior year to deliver a strong set of results against a backdrop of economic uncertainty that unfolded during the latter part of the financial year, with COVID-19.

COVID-19 presented an unexpected and significant challenge to the economy and the Company's priority remains ensuring the safety of our staff, suppliers and supporting General Motors ('**GM**') and its Dealership network. Despite the economic impact of COVID-19, the Company continued to perform very well with a strong pipeline of ongoing consulting work and increasing recurring revenues from GM. The Company is uniquely positioned, which has assisted in largely mitigating the impact of COVID-19 through an increase in recurring revenues.

The Company continued to provide its Software as a Service (SaaS) solution for the Courtesy Transportation Program ('**CTP**') and Cadillac Courtesy Transportation Alternative ('**CTA**'), OnTRAC.

OnTRAC is the only fleet management software used by GM, which includes Buick, GMC, Chevrolet and Cadillac dealers. The inclusion of Cadillac under the CTA has increased overall vehicles subscriptions by approximately 10,000 vehicles.

Following the initial launch of the OnTRAC program, the Company has worked closely with GM on various customisation and feature enhancement work, aimed at optimising the current features. These include enhanced dealership analytics, reporting and other various user functions required by the large GM dealer network.

Directors' Report *(continued)*

Review of operations *(continued)*

Revenue initially commenced with 23k vehicles pre-registered to adopt CTP, which steadily grew since inception to circa 72k vehicles utilising OnTRAC. As a direct result of COVID-19 and the various lockdown measures imposed, vehicle subscriptions decreased from 72k vehicles as at 31 March 2020 to 64k vehicles as at 30 June 2020.

During the year, the Company ceased providing usage of its Commercial Link ('**CL**') subscription solution to GM in the US, Canada and Mexico. The program was phased out during the 3rd quarter with GM's focus turning to OnTRAC. In the interim period, the Company continues to explore other opportunities for this product, offsetting any reduction in future revenue.

Operating result for the year

The consolidated profit for the year ended 30 June 2020, after providing for income tax benefit was $3,199,784 (2019 profit: $466,034).

Total revenues from ordinary activities for the financial year were $8,201,207, a 131% increase in revenue reported for the year ended 30 June 2019 of $3,555,221. In addition to total revenues, the Group also recognised gross receipts of $180,212 (2019: $406,948) relating to Research and Development ('R&D') tax incentives.

Consolidated total assets have increased from $3,355,291 as at 30 June 2019 to $5,746,264 as at 30 June 2020. Consolidated net assets also increased by $3,071,078 from the prior year end, to $4,812,972 as at 30 June 2020. The continued improvement in the positive net asset position was a result of operational performance, strong cash management and the elimination of all debt.

Corporate

Building on the positive momentum achieved during the previous year, where all external debts were eliminated and costs rationalised, the Company focussed on delivering its high-level of service to GM, whilst also assessing other project opportunities and revenue streams.

As announced on 18 May 2020, Guy Perkins resigned as Managing Director and CEO effective 24 June 2020. The Company is currently sourcing a suitable candidate to lead the Company's growth strategy.

Outlook

The Company will continue to build on its flagship OnTRAC fleet management software within the GM dealership network. Ongoing optimisation and customisation work currently in hand will continue to drive net revenue per subscription.

Growth opportunities are also being actively pursued within the current GM dealership network, as well as actively looking at external applications with other OEM vehicle dealerships within the US and Australia.

The Company is well advanced in conducting a strategic review of its business operating model to investigate how best to extract further value of its telematics access and software initiatives.

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 financial year.

For personal use only

For personal use only

Directors' Report *(continued)*

Dividends

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

Significant events after balance date

Other than matters already disclosed elsewhere in this Report, no matter or circumstance has arisen since 30 June 2020 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.

Likely developments and expected results of operations

Other than matters already disclosed in the Review of operations, pursuant to sections 299(3) and 299A(3) of the Corporations Act 2001, this Report omits information relating to likely developments in the Company's operations in the future because to do so will result, in the opinion of the Directors, in unreasonable prejudice to the consolidated entity.

Directors' meetings

The Directors held numerous meetings and discussions on an ongoing and regular basis. The conclusions of such meetings are recorded via circular resolutions of the Board. There were two formal Board meetings held during the year which were attended by all eligible directors.

Interests in the shares, options, performance rights and convertible notes of the Company and related bodies corporate

2020	Fully paid ordinary shares Number	Options Number	Performance rights Number	Convertible notes Number
Mark Caruso	25,319,680	-	7,000,000	-
Robert Downey	10,000,000	-	-	-
Aaryn Nania	166,772,220	-	10,000,000	-
Guy Perkins [1]	-	-	-	-

[1] Mr Perkins' resigned as Managing Director and CEO on 24 June 2020.

2019	Fully paid ordinary shares Number	Options Number	Performance rights Number	Convertible notes Number
Mark Caruso	45,319,680	-	7,000,000	-
Robert Downey	-	-	10,000,000	-
Aaryn Nania	170,033,022	-	10,000,000	-
David Connolly [2]	-	-	-	-
Guy Perkins	1,114,290	-	-	-

[2] Mr Connolly resigned as a Director on 28 September 2018.

Directors' Report *(continued)*

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

As at the date of this report there are no ordinary shares issued by the Company during or since the end of the financial year as a result of the exercise of an option.

Unissued shares under option

As at the date of this report there are no unissued ordinary shares or interests of the Company under option.

Remuneration report

The Remuneration Report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Key Management Personnel of the consolidated entity for the financial year ended 30 June 2020 and is included on page 9.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnification and insurance of Directors and Officers

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnification and insurance of Auditors

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the Auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the Auditor of the Company or any related entity.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 22 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 (including Independence Standards).

For personal use only

For personal use only

Directors' Report *(continued)*

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, William Buck, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 14 and forms part of this Directors' report for the year ended 30 June 2020.

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.

Corporate governance statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Connexion Telematics Ltd and its controlled entities have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2015 and became effective for financial years beginning on or after 1 July 2015.

The Group's Corporate Governance Statement for the financial year ending 30 June 2020 is dated as at 19 August 2020 and was approved by the Board on the same day. The Corporate Governance Statement was announced by the Company on 21 August 2020 and is also available on the Company's website.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Aaryn Nania
Non-Executive Director and Acting Chief Executive Officer

Sydney, 21 August 2020

Remuneration Report

The Remuneration Report, which is Audited, details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the consolidated entity depends on the quality of its Directors and Executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

For personal use only

Remuneration Report *(continued)*

Non-executive Directors remuneration
Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-executive Directors' fees and payments are reviewed annually by the Board. The chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-Executive Directors participation in any Company incentive schemes is subject to shareholder approval in accordance with the Corporation Act 2001 and the ASX Listing Rules.

ASX listing rules require the aggregate Non-Executive Directors remuneration be determined periodically by a general meeting. The current aggregate remuneration limit is $250,000.

Executive remuneration
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments where applicable
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The Company did not offer a short or long-term incentive plan to its Directors and Key Management Personnel during the year. As at the date of this report, plans are being established which will enable short and long-term incentives to be utilised during the 2020/21 financial year.

Consolidated entity performance and link to remuneration
Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board.

The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')
At the 2019 AGM, 92.89% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

For personal use only

For personal use only

Remuneration Report *(continued)*

Details of remuneration

2020	Short-term benefits			Post-employment benefits	Long-term benefits	Share- based payments	
Directors	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	**Total** **$**
Non-Executive:							
Mark Caruso	30,000	-	-	8,507	-	-	**38,507**
Robert Downey	30,000	-	-	2,850	-	-	**32,850**
Aaryn Nania	30,000	-	-	2,850	-	-	**32,850**
Executive:							
Guy Perkins [1]	127,843	-	-	11,624	-	-	**139,467**
Total	217,843	-	-	25,831	-	-	**243,674**

[1] Mr Perkins was appointed as Managing Director and CEO on 5 August 2019 and subsequently resigned, effective 24 June 2020. As part of Mr Perkins' remuneration package, he was issued 45m performance rights. However, as the performance shares had not vested as at the date of his resignation they lapsed, and the related share-based payment expense was reversed in full.

2019	Short-term benefits			Post-employment benefits	Long-term benefits	Share- based payments	
Directors	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	**Total** **$**
Non-Executive:							
Mark Caruso	30,000	-	-	2,850	-	70,000	**102,850**
Robert Downey	30,000	-	-	2,850	-	70,000	**102,850**
Aaryn Nania	23,370	-	-	2,220	-	70,000	**95,590**
Executive:							
David Connolly [1]	-	-	-	-	-	-	**-**
Total	83,370	-	-	7,920	-	210,000	**301,290**

[1] Mr Connolly was Executive Director on 1 July 2018, then transitioned to Non-Executive Director on 3 August 2018. He subsequently resigned as a Director on 28 September 2018.

Service agreements

Mr Perkins was appointed as Managing Director and Chief Executive Officer on 5 August 2019 and subsequently resigned on 24 June 2020. Details of his remuneration package are provided below:

Annual salary: $150,000 (excluding superannuation)

For personal use only

Remuneration Report *(continued)*

Service agreements *(continued)*

Short Term Incentive:

Mr Perkins will be entitled to an annual bonus during the year ended 30 June 2020 of up to 5,000,000 (five million) Ordinary Shares, measured against the following criteria:

i. Achieving revenue of AU$10,000,000 (ten million) for the financial year ending 30 June 2020 (75% weighting); and

ii. Achieving EBITDA against Budget taking into account uncontrollable variables, at the discretion of the Board (25% weighting).

The subsequent years following 30 June 2020 will be determined via KPIs set by the Board at the beginning of each year of subsequent employment.

Long Term Incentive:

Mr Perkins will be entitled to receive performance rights under the Employer's Incentive Performance Rights Plan ("Performance Rights").

The number of Performance Rights to be granted shall be based on the following table:

Year	1	2	3
Date	30 June 2020	30 June 2021	30 June 2022
Ordinary Shares on Issue	15,000,000	15,000,000	15,000,000
Share Price	3 cents	4 cents	6 cents

The vesting condition for each tranche of Performance Rights shall be the share price at the date specified above.

Share-based compensation

Issue of shares
There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Options
There were no options issued, held or vested by Directors or Key Management Personnel during the year ended 30 June 2020.

Performance Rights
Details of Performance Rights issued to Directors or Key Management Personnel during the year ended 30 June 2020 and 30 June 2019 are detailed in the below tables.

For personal use only

Remuneration Report *(continued)*

Additional disclosures relating to key management personnel

Shareholdings

The number of ordinary shares in the Company, held by each Director and other members of key management personnel of the consolidated entity, including their related parties, is set out below:

2020	Balance at 1 July 2019	Received as part of remuneration	Conversion of performance rights	Additions	Disposal as a result of resignation	Other Disposals	Balance as at 30 June 2020
Directors							
Mark Caruso	68,280,640	-	-	-	-	(42,960,960)	25,319,680
Robert Downey	-	-	10,000,000	-	-	-	10,000,000
Aaryn Nania	182,571,201	-	-	4,939,198	-	(20,738,179)	166,772,220
Guy Perkins	-	-	-	3,033,491	(3,033,491)	-	-

2019	Balance at 1 July 2018	Received as part of remuneration	Conversion of performance rights	Additions	Disposal as a result of resignation	Other Disposals	Balance as at 30 June 2019
Directors							
Mark Caruso	67,280,640	-	-	1,000,000	-	-	68,280,640
Robert Downey	-	-	-	-	-	-	-
Aaryn Nania [1]	-	-	-	182,571,201	-	-	182,571,201
David Connolly	-	-	-	-	-	-	-

[1] Mr Nania was appointed as a Non-Executive Director on 19 September 2018. As disclosed is Mr Nania's initial Directors interest Notice (Appendix 3X), released to the market on the same day, he held the following relevant interests in securities:

Lucerne Australia Pty Ltd	2,000,000 fully paid ordinary shares
Principis Master Fund SPC – Lucerne Composite Master Fund SPC	180,571,201 fully paid ordinary shares

Mr Nania is a director of the Lucerne Composite Fund.

Performance Rights

The number of Performance Rights in the Company, held by each Director and other members of key management personnel of the consolidated entity, including their related parties, is set out below:

2020	Balance at 1 July 2019	Received as part of remuneration	Conversion of performance rights	Additions	Forfeited as a result of resignation	Other Disposals	Balance as at 30 June 2020
Directors							
Mark Caruso	7,000,000	-	-	-	-	-	7,000,000
Robert Downey	10,000,000	-	(10,000,000)	-	-	-	-
Aaryn Nania	10,000,000	-	-	-	-	-	10,000,000
Guy Perkins	-	45,000,000	-	-	(45,000,000)	-	-

2019	Balance at 1 July 2018	Received as part of remuneration	Conversion of performance rights	Additions	Forfeited as a result of resignation	Other Disposals	Balance as at 30 June 2019
Directors							
Mark Caruso	-	10,000,000	-	-	-	(3,000,000)	7,000,000
Robert Downey	-	10,000,000	-	-	-	-	10,000,000
Aaryn Nania	-	10,000,000	-	-	-	-	10,000,000
David Connolly	-	-	-	-	-	-	-

This concludes the Remuneration Report, which has been audited.

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 year ended 30 June 2020 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

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

A. A. Finnis
Director

Melbourne, 21 August 2020

ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

For personal use only

For personal use only

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

	Note	Consolidated 2020 $	2019 $
Continuing operations			
Revenue	5	**8,201,207**	3,555,221
Cost of Sales		**(4,519,683)**	(1,414,284)
Gross Profit		**3,681,524**	2,140,937
Other income	5	**230,216**	408,397
Expenses			
Corporate and administrative expenses	6	**(1,361,687)**	(1,542,621)
Share based payment expenses		**-**	(266,000)
Depreciation and amortisation expenses	12	**(395,292)**	(229,933)
Impairment charge	12	**(105,577)**	-
Profit from operating activities		**2,049,184**	510,780
Finance costs		**-**	(44,746)
Profit before income tax benefit		**2,049,184**	466,034
Income tax benefit	7	**1,150,600**	-
Profit after income tax benefit for the year attributable to the owners of Connexion Telematics Ltd		**3,199,784**	466,034
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas subsidiaries		**(128,706)**	(28,196)
Total comprehensive income attributable to the owners of Connexion Telematics Ltd		**3,071,078**	437,838
		Cents	Cents
Basic earnings per share	9	**0.37**	0.06
Diluted earnings per share	9	**0.35**	0.06

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

For personal use only

Consolidated Statement of Financial Position
As at 30 June 2020

	Note	Consolidated 2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	10	**2,443,088**	938,612
Trade and other receivables	11	**1,818,875**	1,612,964
Inventory		**3,962**	3,962
Total current assets		**4,265,925**	2,555,538
Non-current assets			
Plant and equipment		**12,462**	5,270
Capitalised development costs	12	**298,129**	794,483
Deferred tax asset	7	**1,169,748**	-
Total non-current assets		**1,480,339**	799,753
Total assets		**5,746,264**	3,355,291
Liabilities			
Current liabilities			
Trade and other payables	13	**827,192**	1,562,893
Employee benefits		**86,740**	50,504
Total current liabilities		**913,932**	1,613,397
Non-current liabilities			
Employee benefits		**19,360**	-
Total non-current liabilities		**19,360**	-
Total liabilities		**933,292**	1,613,397
Net assets		**4,812,972**	1,741,894
Equity			
Issued capital	14	**16,531,069**	16,405,069
Reserves	15	**(5,861)**	248,845
Accumulated losses		**(11,712,236)**	(14,912,020)
Total equity		**4,812,972**	1,741,894

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

For personal use only

Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

	Issued Capital $	Share based payment reserve $	Consolidated Foreign currency translation reserve $	Accumulated losses $	**Total equity $**
Balance as at 1 July 2019	16,405,069	245,000	3,845	(14,912,020)	**1,741,894**
Profit for the year	-	-	-	3,199,784	**3,199,784**
Other comprehensive loss for the year, net of income tax	-	-	(128,706)	-	**(128,706)**
Total comprehensive income for the year	-	-	(128,706)	3,199,784	**3,071,078**
Exercise of performance rights	126,000	(126,000)	-	-	**-**
Balance as at 30 June 2020	**16,531,069**	**119,000**	**(124,861)**	**(11,712,236)**	**4,812,972**

	Issued Capital $	Share based payment reserve $	Consolidated Foreign currency translation reserve $	Accumulated losses $	**Total equity $**
Balance as at 1 July 2018	15,748,539	-	32,041	(15,378,054)	**402,526**
Profit for the year	-	-	-	466,034	**466,034**
Other comprehensive loss for the year, net of income tax	-	-	(28,196)	-	**(28,196)**
Total comprehensive income for the year	-	-	(28,196)	466,034	**437,838**
Shares issued	656,160	-	-	-	**656,160**
Share issue costs	(20,630)	-	-	-	**(20,630)**
Share based payments	-	266,000	-	-	**266,000**
Exercise of performance rights	21,000	(21,000)	-	-	**-**
Balance as at 30 June 2019	**16,405,069**	**245,000**	**3,845**	**(14,912,020)**	**1,741,894**

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

For personal use only

Consolidated Statement of Cash Flows
For the year ended 30 June 2020

	Note	Consolidated 2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		**7,953,661**	2,064,725
Payments to suppliers and employees		**(6,660,436)**	(1,623,434)
Research & Development and other government incentives		**230,212**	406,948
Interest received		**4**	1,449
Interest paid		**-**	(7,500)
Income tax paid		**(19,148)**	-
Net cash inflow from operating activities	10	**1,504,293**	842,188
Cash flows from investing activities			
Payments for plant and equipment		**(11,708)**	(6,590)
Payments for capitalised development costs		**-**	(414,279)
Net cash outflow from investing activities		**(11,708)**	(420,869)
Cash flows from financing activities			
Proceeds from issues of shares, net of costs	14	**-**	635,530
Repayment of borrowings, net of costs		**-**	(300,000)
Net cash inflow from financing activities		**-**	335,530
Net increase in cash and cash equivalents		**1,492,585**	756,849
Cash and cash equivalents at the beginning of the financial year		**938,612**	168,052
Foreign exchange gains and losses		**11,891**	13,711
Cash and cash equivalents at the end of the financial year	10	**2,443,088**	938,612

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

For personal use only

Notes to the Financial Statements

Note 1: Basis of preparation

(a) Basis of preparation and statement of compliance

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for-profit orientated entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. ("IASB").

The financial statements are presented in Australian dollars. 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 financial report was authorised for issue on 21 August 2020.

(b) Adoption of New and Revised Standards

Standards and Interpretations applicable to 30 June 2020
In the year ended 30 June 2020, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. Those which have a material impact on the Group are set out in Note 3.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June 2020.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

For personal use only

Notes to the Financial Statements

Note 1: Basis of preparation *(continued)*

(c) Basis of consolidation *(continued)*

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non- controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(d) Foreign currency translation

Both the functional and presentation currency of Connexion Telematics Ltd and its Australian subsidiaries 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.

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. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

For personal use only

Notes to the Financial Statements

Note 1: Basis of preparation *(continued)*

(d) Foreign currency translation *(continued)*

The functional currency of the foreign operations, Connexion Media Inc is USD (U$). As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of Connexion Telematics Ltd at the rate of exchange ruling at the balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to the partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences are recognised in other comprehensive income

Notes to the Financial Statements

Note 2: Significant accounting policies

(a) Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price, which takes into account estimates of variable consideration and the time value of money;
- allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognises revenue when each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration with the transaction price, if any, reflects concessions provided to the customer such as discounts, any potential add-ons or bonuses from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur.

The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate liability.

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or hourly rate.

(b) Other income and expenses

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

Government grants
Grants from the government, including Research and Development (R&D) tax incentive income, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

For personal use only

For personal use only

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(c) Income tax expense

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 difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 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.

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.

For personal use only

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(d) Income tax expense *(continued)*

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.

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.

(e) 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 Connexion Telematics Ltd.

(f) Earnings per share

Basic earnings per share is calculated as net profit 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 per share is calculated as net profit 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.

(g) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

For personal use only

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(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. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowances for expected credit loss ("ECL"). Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime credit loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. As the Group only has one customer and has historically always received payment in full no ECL has been recorded in this report.

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each balance date to reflect changes in credit risk since initial recognition of the financial asset. AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime ECL if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

The amount of the impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(j) Inventories

Inventory consists of sophisticated telemetry devices and is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Property, plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives which are in between 3 - 10 years.

For personal use only

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(l) Capitalised development costs

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Company is able to use or sell the assets; the Company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years. Research costs are expensed in the period in which they are incurred.

Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review as to whether an indicator of impairment exists at each balance date. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset’s recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset’s fair value less costs to dispose or its value in use. Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(m) Trade and other payables

Trade and other payables
Trade payables and other payables are carried at amortised cost 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.

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 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.

(n) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the balance date, the loans or borrowings are classified as non-current.

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(o) Finance costs

Finance costs are expensed in the year that they are incurred.

(p) Share-based payments

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). There is currently one plan in place to provide these benefits, being the Performance Rights Plan ('PRP'), which provides benefits to Directors and other Key Management Personnel.

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 Black-Scholes 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 the Company (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 balance 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 profit or loss and other 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. 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.

(q) Parent entity disclosures

The financial information for the parent entity, Connexion Telematics Ltd, has been prepared on the same basis as the consolidated financial statements.

For personal use only

For personal use only

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(r) 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.

Note 3: New Standard adopted

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019.

The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Directors have assessed the impact of AASB 16 and note that the entity has no material leases as at 30 June 2020. The standard therefore does not currently impact the consolidated entity.

Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2020 are outlined in the table below.

Standard	**Mandatory date for annual reporting periods beginning on or after)**	**Reporting period standard adopted by the company**
The revised Conceptual Framework for Financial Reporting	1 January 2020	1 July 2020
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	1 July 2020
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	1 July 2020
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of liabilities as Current or Non-Current	1 January 2023	1 July 2023

For personal use only

Notes to the Financial Statements

Note 4: Significant accounting estimates and judgements

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 affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Capitalisation of internally developed software
Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees 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 Black-Scholes model, using the assumptions detailed in Note 16.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

Note 5: Revenue and other income

	Consolidated	
	2020	2019
	$	$
Revenue		
Revenue from contracts with customers	**8,201,207**	3,555,221
Other income		
Interest income	**4**	1,449
Governments grants – R&D refund	**180,212**	406,948
Government incentives – Covid-19 cashflow boost	**50,000**	-
	230,216	408,397

For personal use only

Notes to the Financial Statements

Note 6: Expenses

Corporate and administrative expenses include the following specific expenses:

	Consolidated 2020 $	2019 $
Wages and salaries	**389,590**	539,909
Consulting fees	**160,876**	231,696
Rental expense	**66,691**	80,000
Superannuation expense	**84,921**	49,353

Note 7: Income tax expense

	Consolidated 2020 $	2019 $
(a) Income tax benefit		
Current tax benefit	**(1,150,600)**	-
(b) Numerical reconciliation of income tax benefit to prima facie tax benefit		
Profit from continuing operations before income tax benefit	**2,049,184**	466,034
Tax at the Australian tax rate of 27.5% (2019: 27.5%)	**563,526**	128,159
Non-deductible expenses	**1,237**	74,712
R&D refundable rebate	**(49,558)**	(111,911)
Non-assessable income	**(13,750)**	-
Recoupment of tax losses not previously recognised	**(600,362)**	(206,824)
Initial recognition of deferred tax assets on tax losses	**(1,173,769)**	-
Other deferred tax assets and tax liabilities not recognised	**137,906**	35,461
Eliminations on consolidation	**(33,749)**	59,729
Differences in tax rates of subsidiaries operating in different jurisdictions	**(1,229)**	20,674
Adjustments recognised in the current year in relation to the current tax of prior years	**19,148**	-
Current tax benefit	**(1,150,600)**	-
(c) Tax losses		
Tax losses for which a deferred tax asset has been recognised	**4,268,251**	
Tax benefit at 27.5%	**1,173,769**	-
(d) Deferred tax asset		
Deferred tax asset	**1,173,769**	-
Set-off current tax liability against deferred tax asset	**(4,021)**	-
Net deferred tax asset	**1,169,748**	-

Notes to the Financial Statements

Note 8: Segment reporting

Identification of reportable operating segments
During the year ended 30 June 2020 the group operated in one segment, specialising in developing global information technology solutions for automotive industries in Australia, the United States of America, Canada and Mexico. For the year ended 30 June 2020 all of its sales revenue was from one customer located in the USA (2019: one customer). All revenue is recorded over time for rendering of services.

Note 9: Earnings per share

Basic and diluted earnings per share

	Consolidated	
	2020	2019
From continuing operations		
• Basic earnings per share (cents per share)	**0.37**	0.06
• Diluted earnings per share (cents per share)	**0.35**	0.06

Earnings

Earnings used in the calculation of basic and diluted earnings per share is as follows:

	Consolidated	
	2020	2019
	$	$
Earnings from continued operations used in the calculation of basic earnings per share	**3,199,784**	466,034

Weighted average number of ordinary shares

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

	Consolidated	
	2020	2019
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	**858,515,797**	821,065,715
Shares deemed to be issued for no consideration in respect of:		
• Performance shares	**49,512,329**	21,715,068
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**908,028,126**	842,780,783

For personal use only

For personal use only

Notes to the Financial Statements

Note 10: Cash and cash equivalents

	Consolidated	
	2020	2019
	$	$
Cash at bank and on hand	**2,443,088**	938,612

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Reconciliation to the Statement of Cash Flows

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position.

Reconciliation of profit for the year to net cash flows from operating activities

	Consolidated	
	2020	2019
	$	$
Profit after income tax expense for the year	**3,199,784**	466,034
Foreign currency translation reserve	**(140,596)**	(16,974)
Equity settled share-based payment	**-**	266,000
Depreciation and amortisation	**395,292**	229,933
Impairment charge	**105,577**	-
(Increase) / decrease in assets:		
Trade and other receivables	**(205,911)**	(1,390,845)
Inventory	**-**	17,999
Deferred tax asset	**(1,169,748)**	-
Increase / (decrease) in liabilities:		
Trade and other payables	**(735,701)**	1,227,723
Employee benefits	**55,596**	42,318
Net cash from operating activities	**1,504,293**	842,188

For personal use only

Notes to the Financial Statements

Note 11: Trade and other receivables

	Consolidated 2020 $	2019 $
Trade receivables	**1,754,413**	1,583,135
Less: allowance for credit losses	**-**	(14,196)
	1,754,413	1,568,939
Other receivables	**64,462**	44,025
	1,818,875	1,612,964

(i) Trade receivables are non-interest bearing and are generally on terms of 30 days to 90 days. All amounts are short term. The carrying value of trade receivables is considered a reasonable approximation of fair value.

(ii) Note 18 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

Aged receivables

The aging of trade receivables as at 30 June 2020 and 30 June 2019 is detailed in the table below:

	Consolidated 2020 $	2019 $
Current	**1,090,602**	488,972
1 month	**588,773**	563,557
2 months	**-**	480,882
3 months	**9,989**	2,708
Older	**65,049**	47,016
	1,754,413	1,583,135

Note 12: Capitalised development costs

Carrying value

	Consolidated 2020 $	2019 $
Development asset – cost	**1,172,330**	1,172,330
Development asset – accumulated amortisation	**(768,624)**	(377,847)
Development asset – impairment charge [1]	**(105,577)**	-
Carrying value	**298,129**	794,483

[1] As noted in the Directors Report, during the year the Company ceased providing usage of its CL subscription solution to GM in the US, Canada and Mexico. The program was phased out during the 3rd quarter with GM's focus turning to OnTRAC. Consequently, the remaining capitalised development costs relating the CL product, which totalled $105,577 as at 31 March 2020, were fully impaired.

For personal use only

Notes to the Financial Statements

Note 12: Capitalised development costs *(continued)*

Reconciliation

	Consolidated	
	2020	2019
	$	$
Cost		
Opening balance as at 1 July	**1,172,330**	758,051
Additions	**-**	414,279
Closing balance as at 30 June	**1,172,330**	1,172,330
Amortisation		
Opening balance as at 1 July	**377,847**	151,404
Amortisation charge	**390,777**	226,443
Closing balance as at 30 June	**768,624**	377,847
Impairment charge		
Opening balance as at 1 July	**-**	-
Impairment charge	**105,577**	-
Closing balance as at 30 June	**105,577**	-
Carrying value	**298,129**	794,483

From 1 July 2017, the Company recognised developed intangible assets in terms of its AusIndustry and Australian Tax Office Research & Development tax incentive programme. These intangible assets comprised the key technologies developed for use in the Company's operations – telematics and wireless communications.

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Company is able to use or sell the assets; the Company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years. Research costs are expensed in the period in which they are incurred.

The total R&D tax incentive receivable is apportioned between other income and the capitalised development asset based on the split of expenditure in the claim.

Note 13: Trade and other payables

	Consolidated	
	2020	2019
	$	$
Trade payables	**726,261**	1,410,614
Other payables	**100,931**	152,279
	827,192	1,562,893

(i) Trade payables are non-interest bearing and are normally settled on a 30 to 90-day term. All amounts are short term. The net carrying value of trade payables is considered a reasonable approximation of fair value.

(ii) For terms and conditions relating to related party payables refer to Note 19.

For personal use only

Notes to the Financial Statements

Note 14: Issued capital

Ordinary shares on issue

	Consolidated	
	2020	2019
	$	$
Ordinary shares issued and fully paid	**16,531,069**	16,405,069

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Movement in ordinary shares on issue

Date	**Detail**	**Number**	**Issue price (cents)**	**$**
1 July 2018	Opening balance	732,805,112		15,748,539
11 September 2018	Issue of Shares	109,360,000	0.006	656,160
28 March 2019	Conversion of performance rights	3,000,000	0.007	21,000
30 June 2018	Costs of Issuing Equity	-		(20,630)
30 June 2019	**Closing balance**	**845,165,112**		**16,405,069**
5 July 2019	Conversion of performance rights	5,000,000	0.007	35,000
7 November 2019	Conversion of performance rights	13,000,000	0.007	91,000
30 June 2020	**Closing balance**	**863,165,112**		**16,531,069**

Notes to the Financial Statements

Note 14: Issued capital *(continued)*

Share options

On 6 July 2016, 7,133,617 unlisted options were issued with an exercise price of $0.25 expiring on the second anniversary of their issue date. The options have been included in the below table for completeness purposes, as they were issued as free-attaching options to other equity instruments. All 7,133,167 options expired on 6 July 2018, unexercised.

Movement in share options

Date	Detail	Number	Issue price (cents)	$
1 July 2018	Closing balance	7,133,617		-
6 July 2018	Expiration of share options	(7,133,617)	-	-
30 June 2019	**Closing balance**	**-**		**-**
30 June 2020	**Closing balance**	**-**		**-**

Performance rights

The Company has established a Performance Rights Plan ('PRP') under which ordinary shares may be issued to certain Directors, Key Management and Employees, on conversion of the Performance Rights.

Movement in performance rights

Date	Detail	Number	Fair value at grants date (cents)	$
1 July 2018	Opening balance	-		-
26 November 2018	Issue of performance rights	38,000,000	0.007	266,000
28 March 2019	Conversion of performance rights	(3,000,000)	0.007	(21,000)
30 June 2019	**Closing balance**	**35,000,000**		**245,000**
5 July 2019	Conversion of performance rights	(5,000,000)	0.007	(35,000)
7 November 2019	Conversion of performance rights	(13,000,000)	0.007	(91,000)
30 June 2020	**Closing balance**	**17,000,000**		**119,000**

The establishment of the above PRP was approved by shareholders at the Company's AGM held on 26 November 2018. Each performance right vests on the closing share price reaching $0.008 and remaining at or above this price for a period of 5 consecutive trading days. The performance rights expire on 26 November 2023.

Mr Perkins was appointed as Managing Director and CEO on 5 August 2019 and subsequently resigned, effective 24 June 2020. As part of Mr Perkins' remuneration package, he was issued 45m performance rights. However, as the performance shares had not vested as at the date of his resignation, they lapsed in the same period that they were issued.

For personal use only

For personal use only

Notes to the Financial Statements

Note 15: Reserves

Nature and purpose of reserves

Share-based payments reserve
This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration.

Foreign currency translation reserve
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 operations.

Note 16: Share-based payment plans

Performance Rights Plan ("PRP")

The Company established a PRP, which was approved by shareholders at the Company's AGM, held on 26 November 2018.

Following approval by shareholders, the Company granted the following performance rights under the PRP:

- 10,000,000 performance rights to Mark Caruso (or his nominee/s);
- 10,000,000 performance rights to Robert Downey (or his nominee/s);
- 10,000,000 performance rights to Aaryn Nania (or his nominee/s); and
- 8,000,000 performance rights to other Officers and Employees of the Company.

The above performance rights each convert into one (1) ordinary share for no consideration on exercise by the holder once vested, prior to the expiry date which is five (5) years from the grant date. The performance rights will vest upon the closing share price of the Company reaching A$0.008 and remaining at or above A$0.008 for a period of five (5) consecutive trading days.

As at 30 June 2020 all the performance rights had vested. The fair value of each performance right was 0.7 cents, being the share price on the day of issue. This value was confirmed by an independent valuation.

Note 17: Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains largely unchanged from the previous period.

The capital structure of the Group consists of cash and cash equivalents, borrowings (paid off in full during the year ended 30 June 2019) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings/accumulated losses.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as general administrative outgoings.

For personal use only

Notes to the Financial Statements

Note 17: Financial instruments *(continued)*

Financial risk management objectives

The Group is exposed to (i) market risk (which includes foreign currency exchange risk and interest rate risk), (ii) credit risk, and (iii) liquidity risk.

The consolidated entity's overall risk management program focuses on the management of these risks through cashflow forecasting capital management.

Risk management is carried out by the Board and Management informally on a frequent periodic basis. The process includes identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Group does not enter into any derivative financial instruments, including foreign exchange forward contracts, to manage its exposure to or to hedge against foreign currency exchange rate fluctuations. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

Interest rate risk

Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk. Borrowings that were held as at 30 June 2018 were at a fixed interest rate, and no interest rate risk applies, however, these borrowings were paid off during the year ended 30 June 2019.

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The group is exposed to credit risk from financial assets including cash and cash equivalents held at banks and trade and other receivables.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via holding funds only with major reputable financial institutions.

The Group continuously monitors the credit quality of customers and to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. The ongoing credit risk is managed through regular review of ageing analysis. Trade receivables mainly consist of debts due from its largest customer.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group 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.

For personal use only

Notes to the Financial Statements

Note 17: Financial instruments *(continued)*

Non-derivative financial liabilities

The following tables detail the Group's expected contractual maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay. The below tables include both interest and principal cash flows:

2020	Weighted average interest rate %	Between 0 – 6 months $	Between 6 – 12 months $	Between 1 – 2 years $	Between 2 – 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives							
Non-interest bearing							
Trade and other payables	0%	827,192	-	-	-	-	827,192
Total non-derivatives		827,192	-	-	-	-	827,192

2019	Weighted average interest rate %	Between 0 – 6 months $	Between 6 – 12 months $	Between 1 – 2 years $	Between 2 – 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives							
Non-interest bearing							
Trade and other payables	0%	1,562,893	-	-	-	-	1,562,893
Total non-derivatives		1,562,893	-	-	-	-	1,562,893

Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2020 and 30 June 2019:

	Consolidated	
	2020	2019
	$	$
Assets		
Cash and cash equivalents	**2,443,088**	938,612
Trade and other receivables	**1,818,875**	1,612,964
Total assets	**4,261,963**	2,551,576
Liabilities		
Trade and other payables	**827,192**	1,562,893
Total liabilities	**827,192**	1,562,893

For personal use only

Notes to the Financial Statements

Note 18: Contingent liabilities and assets

The Group has no contingent liabilities and assets as at 30 June 2020 (2019: nil).

Note 19: Related party disclosure

Key Management Personnel

The following persons were Directors of Connexion Telematics Ltd during the financial year and are also identified as Key Management Personnel ("KMP"):

- Mark Caruso
- Robert Downey
- Aaryn Nania
- Guy Perkins *(appointed 5 August 2019, resigned 24 June 2020)*

Transactions with KMP

The aggregate compensation made to Directors and other KMP of the Group is set out below:

	Consolidated	
	2020	2019
	$	$
Short-term employee benefits	**217,843**	83,370
Post-employment benefits	**25,831**	7,920
Share-based payments	**-**	210,000
	243,674	301,290

Other transactions with KMP

No member of KMP appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

The Group used the legal services of Dominion Legal Pty Ltd during the year, a legal firm associated with Robert Downey. The amounts billed related to this legal service amounted to $17,896 excluding GST (2019: $27,591 excluding GST), based on normal market rates and no amounts remained unpaid at the balance date.

The Group also used CFO consulting and general accounting services of Mine Site Construction Services Pty Ltd during the year, a company associated with Mark Caruso. The amounts billed related to this service amounted to $8,000 excluding GST (2019: $56,000 excluding GST), based on normal market rates and no amounts remained unpaid at the balance date.

The Group used the consulting services of Puggle Media Holdings during the year, a consulting firm associated with Mark Caruso. The amounts billed related to these consulting services amounted to $19,780 excluding GST (2019: nil), based on normal market rates and no amounts remained unpaid at the balance date.

There were no loans to/from related parties during the current or previous reporting period.

Notes to the Financial Statements

Note 20: Interest in subsidiaries

Connexion Telematics Ltd is the ultimate Australian parent entity and ultimate parent of the Group. The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the accounting policy described in Note 1:

		Ownership interest	
		2020	2019
Entity name	**Country of incorporation**	**%**	**%**
Flexvs Pty Ltd	Australia	100	100
miRoamer Pty Ltd	Australia	100	100
Connexion Media Inc	United States of America	100	100
Connexion LLC	United States of America	100	100
1125816 B.C. Ltd	Canada	100	100
CXZ Mexico	Mexico	100	100

Note 21: Parent entity disclosures

Statement of profit or loss and other comprehensive income

	Consolidated	
	2020	2019
	$	$
Profit for the year	**1,908,908**	758,403
Other comprehensive income	**-**	-
Total comprehensive income	**1,908,908**	758,403

Statement of financial position

	Consolidated	
	2020	2019
	$	$
Current assets	**2,705,073**	1,810,352
Non-current assets	**2,760,814**	2,200,176
Current liabilities	**(906,419)**	(1,379,328)
Non-current liabilities	**(19,360)**	-
Net assets	**4,540,108**	2,631,200
Equity		
Issued capital	**16,531,069**	16,405,069
Share-based payment reserve	**119,000**	245,000
Accumulated losses	**(12,109,961)**	(14,018,869)
Total equity	**4,540,108**	2,631,200

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities of the parent entity

As at 30 June 2020 Connexion Telematics Ltd has no contingent liabilities (2019: nil).

For personal use only

For personal use only

Notes to the Financial Statements

Note 22: Auditors remuneration

The Auditor of Connexion Telematics Ltd is William Buck.

During the financial year the following fees were paid or payable for services provided by William Buck:

	Consolidated	
	2020	2019
	$	$
Audit services - William Buck		
Audit or review of the financial statements	**37,000**	38,000
Other services - William Buck		
Other assurance services, including taxation	**-**	21,700
Preparation of Research & Development tax incentive claim	**-**	69,732
	37,000	129,432

Note 23: Significant events after balance date

Other than disclosed elsewhere in the Annual 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.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 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.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Aaryn Nania
Non-Executive Director and Acting Chief Executive Officer

Sydney, 21 August 2020

For personal use only

For personal use only

William Buck

Connexion Telematics Ltd

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Connexion Telematics Ltd (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as a 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that we have complied with the independence requirements of the *Corporations Act 2001*.

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

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.

ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

For personal use only

CAPITALISATION OF DEVELOPMENTS COSTS	
Area of focus **Refer also to notes 2 and 12**	**How our audit addressed it**
During the year to 30 June 2020 the Group has capitalised development costs of $0.3 million which are held on the Groups statement of financial position. Determining that the requirements of AASB 138 *Intangible Assets* could be met was complex and required significant judgement by the Directors and Group management, specifically in determining that the specific criteria, for capitalisation, stipulated by AASB 138 were addressed. As a consequence, we have determined this to be a key area of focus in the current year.	Our audit procedures included: — Reviewing management's internal documentation and policy in respect of development costs; — Assessing that only development costs are captured in accordance with Group policies; — Performing detailed testing over the development cost balance at 30 June 2020; and — Assessing that the impairment and amortisation charge recorded for the year was consistent with the Group policy. We also assessed the adequacy of the Group's disclosures in respect of the capitalised development costs in the financial report.

RECOGNITION OF DEFERRED TAX ASSET	
Area of focus **Refer also to notes 2 and 7**	**How our audit addressed it**
Prior to the 30 June 2018 financial year, the Group incurred significant trading losses. In subsequent financial years, the Group generated a trading profit before tax in respect of its continuing operations. A deferred tax asset ('DTA') for tax loses earned in respect of these trading losses were not recognised in prior periods, as it was unclear when the Group would enter into a tax payable position and be able to utilise these losses. During the current year the Group has recognised a DTA in respect of tax losses carried forward of $1.17 million at 30 June 2020. As a consequence, we have determined this to be a key area of focus in the current year.	Our audit procedures included: — Reviewing management's internal documentation to support the recognition and carrying value of the DTA; — Reviewing the workpapers of the Independent tax advisor engaged by the Group to confirm that the Group meets the requirements to utilise these losses; and — Performing detailed testing over the DTA balance at 30 June 2020, to confirm that the amount recognised is in accordance with *AASB 112 – Income Taxes.* We also assessed the adequacy of the Group's disclosures in respect of the DTA in the financial report.

For personal use only

Other Information

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 2020 but does not include the financial report and the auditor's report thereon.

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

For personal use only

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 2020.

In our opinion, the Remuneration Report of Connexion Telematics Ltd, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

William Buck

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

A. A. Finnis
Melbourne, 21 August 2020

For personal use only

Shareholder Information

The shareholder information set out below was applicable as at 13 August 2020.

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

No.	Holder	Shares	%
1	CITICORP NOMINEES PTY LIMITED	165,549,472	19.18%
2	NATIONAL NOMINEES LIMITED	42,994,487	4.98%
3	J F BYRNES SUPER PTY LTD <ARGOON AVENUE S/F A/C>	25,435,528	2.95%
4	MR CHING KHOON TAN	23,911,617	2.77%
5	RATIO NOMINEES PTY LTD	22,000,000	2.55%
6	ZURICH BAY HOLDINGS PTY LTD	20,000,000	2.32%
7	ROCSANGE PTY LTD <S SUPERANNUATION FUND A/C>	18,588,942	2.15%
8	BARBRIGHT AUSTRALIA PTY LTD <INTERQUARTZ SUPER FUND A/C>	17,500,000	2.03%
9	SHYMEA PTY LTD	15,670,425	1.82%
10	HAMMOND ROYCE CORPORATION PTY LTD <LEN DAVID SUPER FUND A/C>	15,604,895	1.81%
11	COACH DEVELOPMENTS PTY LTD <BARNETT SUPER FUND A/C>	13,504,210	1.56%
12	MR MARINUS ADRIAN STRYBOSCH & MRS PENELOPE K STRYBOSCH <STRYBOSCH SUPER FUND A/C>	12,390,813	1.44%
13	MR ROBERT CAMERON GALBRAITH	12,296,296	1.42%
14	KASSETT PTY LTD <JR ZITO DISCRETIONARY NO 2>	12,000,000	1.39%
15	MR MICHAEL ANTHONY SMITH	11,302,347	1.31%
16	S A HILLMAN SMSF PTY LTD <SALLY A HILLMAN S/F A/C>	10,725,939	1.24%
17	MS ELIZABETH ANN WHITE	10,490,218	1.22%
18	MRS STELLA EMILY DOWNEY	10,000,000	1.16%
19	MR MAURICE FORTE & MRS MARISA FORTE <MAURICE FORTE S/F A/C>	9,000,000	1.04%
20	MR LEONARD ROBERT SMITH & MRS LYNETTE NANCY SMITH <SMITH SUPERANNUATION A/C>	7,878,158	0.91%
20	KEITH SEABROOK NOMINEES PTY LTD <SEABROOK & SEABROOK ESF A/C>	7,878,158	0.91%
	Total Securities of Top 20 Holdings	484,721,505	56.16%
	Total of Securities	**863,165,112**	

Shareholder Information *(continued)*

Distribution of equity securities

Analysis of number of equity security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	7,696
1,001 to 5,000	89,523
5,001 to 10,000	229,725
10,001 to 100,000	14,336,490
100,001 and over	848,501,678
	850,165,112
Holding less than a marketable parcel	39

Substantial holders

There following two shareholders are considered substantial holders in the Company.

Holder	Shares	% IC
Lucerne Australia Pty Ltd and its Associates	165,549,472	19.18%

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Restricted securities

There are no restricted securities.

For personal use only