

Connexion Telematics Ltd
Appendix 4D
Interim report

1. Company details

Name of entity:	Connexion Telematics Ltd
ABN:	68 004 240 313
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

				\$
Revenues from ordinary activities	up	>100%	to	4,311,227
Profit from ordinary activities after tax benefit attributable to the owners of Connexion Telematics Ltd	up	>100%	to	1,571,021
Profit for the half-year attributable to the owners of Connexion Telematics Ltd	up	>100%	to	1,571,021

Comments

The profit for the consolidated entity after providing for income tax benefit amounted to \$1,571,021 (31 December 2018 loss: \$267,026).

Total revenues from ordinary activities for the period were \$4,311,227 (2018: \$524,822).

The working capital position of the Company at 31 December 2019 was a surplus of \$2,297,466, which was an increase from a surplus of \$988,683 at 30 June 2019.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.32</u>	<u>0.12</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Connexion Media Inc is incorporated in the United States of America. The accounting for this entity is in compliance with Australian Accounting Standards.

10. Audit review

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

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

11. Signed

Signed 

Guy Perkins
Managing Director and Chief Executive Officer

Date: 21 February 2020

Connexion Telematics Ltd

ABN 68 004 240 313

Interim Report

For the six months ended 31 December 2019

Connexion Telematics Ltd
Corporate directory
31 December 2019

Directors

Mark Caruso (Non-Executive Chairman)
Aaryn Nania (Non-Executive Director)
Robert Downey (Non-Executive Director)
Guy Perkins (Managing Director and Chief Executive Officer)

Company secretary

Peter Torre

Registered office

Level 8, 350 Collins Street
Melbourne, VIC 3000

Principal place of business

Level 8, 350 Collins Street
Melbourne, VIC 3000

Share register

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

Bankers

Commonwealth Banking Corporation Limited
National Australia Bank Limited

Stock exchange listing

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

Website

www.connexionltd.com

Connexion Telematics Ltd
Directors' report
31 December 2019

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the **consolidated entity**) consisting of Connexion Telematics Ltd (referred to hereafter as the **Company** or **parent entity**) and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were Directors of the Company during the half year and up to the date of this report unless otherwise stated:

Mark Caruso (Non-Executive Chairman)
Robert Downey (Non-Executive Director)
Aaryn Nania (Non-Executive Director)
Guy Perkins (Managing Director and Chief Executive Officer) – *appointed 5 August 2019*

Principal activities

During the half-year the principal activities of the consolidated entity consisted of delivering Software as a Service (**SaaS**) revenue streams from its two core SaaS products, General Motors (**GM**) Courtesy Transportation Program (**CTP**)/OnTRAC and General Motors Commercial Link (**CL**) supported by consulting development services.

Review of operations

The profit for the consolidated entity after providing for income tax benefit amounted to \$1,571,021 (31 December 2018 loss: \$267,026).

Total revenues from ordinary activities for the period were \$4,311,227 (2018: \$524,822).

The net assets of the consolidated entity increased during the half-year by \$1,651,199 to a net asset surplus of \$3,393,093.

Operational update:

The Company has maintained a focus on GMs CTP/OnTRAC SaaS software program and delivering software functional updates requested by GM. The key achievements in the last six months have been optimising, maintaining and supporting GMs CTP/OnTRAC SaaS software, whilst increasing consulting revenues through change request enhancements from GMs dealer users. The revenues realised, with strict management cost oversight, maintained a reasonable operational cost in line with revenues expectations to deliver a sustainable profit.

General Motors OnTRAC

GM maintained the OnTRAC program for their 4,000 dealers across the USA using on board telemetric solution through Onstar to Track, Report, Analyse and manage Contracts (TRAC) for GMs CTP vehicles. The Company, through GMs CTP/OnTRAC program has consistently tracked and achieved over 70,000+ vehicles online per month over the last six months. GM's CTP/OnTRAC program, enables GM to manage dealer demonstrator vehicles to support their service and customer care processes under both the CTP and Cadillac Courtesy Transportation Alternative (**CTA**). The CTP and CTA delivers a range of benefits to 4,000 US based GM dealers. GMs CTP/OnTRAC program is a mandated program for GMs dealers to participate in.

From a product perspective, given GMs CTP/OnTRAC is an Amazon Cloud based SaaS software solution using the latest software and the Company's own unique innovative implementation and architecture, the Company will continue to improve and add more customer requested features in support of the 4,000+ dealer base with over 15,000 unique users. The user base provides a foundation for continuing to enhance CTP/OnTRAC functionality to meet growing dealer and customer needs.

Outlook

The Company anticipates revenue growth due to the increasing functionality requirements through the CTP/OnTRAC program contract and also increasing functionality development and recurring revenues additional to the original OnTRAC contract.

The Company will also seek to productise GMs CTP/OnTRAC program and offer the solutions to other Original Equipment Manufacturers (**OEM**) in the automotive Industry as a whitelisted product to reduce the amortised cost per enterprise.

Furthermore, the Company will continue to seek acquisition opportunities (companies or assets) to balance the revenue portfolio with GM's contract that falls into a Platform as a Service-operating model.

CORPORATE

Board Changes

The following changes to the Board of Directors have occurred since the publication of the 30 June 2019 Annual Financial Statements.

Guy Perkins (Managing Director and Chief Executive Officer) – appointed 5 August 2019

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Events after the reporting period

No other matter or circumstance has arisen since 31 December 2019 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.

Auditor's independence declaration

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

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

On behalf of the Directors



Guy Perkins
Managing Director and Chief Executive Officer

21 February 2020

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

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2019 there have been:

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

William Buck

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

A. A. Finnis

A. A. Finnis
Director

Melbourne, 21 February 2020

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Connexion Telematics Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

		Consolidated	
	Note	31 December 2019	31 December 2018
		\$	\$
Sales revenue		4,311,227	524,822
Cost of sales		(2,196,861)	(68,484)
Gross profit		2,114,366	456,338
Other income		-	406,948
Expenses			
Administrative and corporate expenses		(391,715)	(342,051)
Director and employee benefits expenses		(384,345)	(471,050)
Depreciation and amortisation expense		(196,850)	(152,545)
Marketing expenses		(6,630)	(5,545)
Travelling expenses		(98,290)	(91,021)
Finance costs		-	(27,600)
Occupancy costs		(33,215)	(40,500)
Profit/(loss) before income tax benefit		1,003,321	(267,026)
Income tax benefit	4	567,700	-
Profit/(loss) after income tax benefit for the half-year attributable to the owners of Connexion Telematics Ltd		1,571,021	(267,026)
Other comprehensive (expense)/income for the half-year, net of tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign exchange differences		(21,095)	24,686
Total comprehensive income /(loss) for the half-year attributable to the owners of Connexion Telematics Ltd		1,549,926	(242,340)
Earnings/(loss) per share:			
Basic profit/(loss) per share for the period attributable to ordinary equity holders of the parent	8	0.184	(0.033)
Diluted profit/(loss) per share for the period attributable to ordinary equity holders of the parent	8	0.176	(0.033)

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

Connexion Telematics Ltd
Consolidated statement of financial position
As at 31 December 2019

		Consolidated	
	Note	31 December	30 June
		2019	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,629,658	938,612
Trade and other receivables		2,312,332	1,612,964
Inventory		3,962	3,962
Current tax assets		176,351	-
Total current assets		<u>4,122,303</u>	<u>2,555,538</u>
Non-current assets			
Plant and equipment		8,203	5,270
Capitalised development asset		599,099	794,483
Deferred tax assets	4c	<u>391,349</u>	<u>-</u>
Total non-current assets		<u>998,651</u>	<u>799,753</u>
Total assets		<u>5,120,954</u>	<u>3,355,291</u>
Liabilities			
Current liabilities			
Trade and other payables		1,644,524	1,562,893
Employee benefits		<u>66,444</u>	<u>50,504</u>
Total current liabilities		<u>1,710,968</u>	<u>1,613,397</u>
Non-Current liabilities			
Employee benefits		<u>16,893</u>	<u>-</u>
Total non-current liabilities		<u>16,893</u>	<u>-</u>
Total liabilities		<u>1,727,861</u>	<u>1,613,397</u>
Net assets		<u>3,393,093</u>	<u>1,741,894</u>
Equity			
Issued capital	5a	16,531,069	16,405,069
Reserves	5b	203,023	248,845
Accumulated losses		<u>(13,340,999)</u>	<u>(14,912,020)</u>
Total equity		<u>3,393,093</u>	<u>1,741,894</u>

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

Connexion Telematics Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Issued Capital \$	Share based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	15,748,539	-	32,041	(15,378,054)	402,526
Profit after income tax benefit for the half-year	-	-	-	(267,026)	(267,026)
Other comprehensive loss for the half-year, net of tax	-	-	24,686	-	24,686
Total comprehensive income / (loss) for the half-year	-	-	24,686	(267,026)	(242,340)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares (note 5a)	658,201	-	-	-	658,201
Issue of share-based payments (note 9)	-	266,000	-	-	266,000
Balance at 31 December 2018	16,406,740	266,000	56,727	(15,645,080)	1,084,387

Consolidated	Issued Capital \$	Share based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	16,405,069	245,000	3,845	(14,912,020)	1,741,894
Profit after income tax benefit for the half-year	-	-	-	1,571,021	1,571,021
Other comprehensive loss for the half-year, net of tax	-	-	(21,095)	-	(21,095)
Total comprehensive income for the half-year	-	-	(21,095)	1,571,021	1,549,926
<i>Transactions with owners in their capacity as owners:</i>					
Issue of share-based payments (note 9)	-	101,273	-	-	101,273
Conversion of performance rights	126,000	(126,000)	-	-	-
Balance at 31 December 2019	16,531,069	220,273	(17,250)	(13,340,999)	3,393,093

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

Connexion Telematics Ltd
Consolidated statement of cash flows
For the half-year ended 31 December 2019

	Consolidated	
	31 December	31 December
	2019	2018
	\$	\$
Cash flows from operating activities		
Receipts from customers	3,711,046	381,016
Payments to suppliers and employees	(2,998,271)	(639,383)
Interest received	-	1,449
Net cash inflow / (outflow) from operating activities	712,775	(256,918)
Cash flows from investing activities		
Payments for capitalised development	-	(314,472)
Payments for property, plant and equipment	(4,399)	-
Net cash outflow from investing activities	(4,399)	(314,472)
Cash flows from financing activities		
Proceeds from issue of shares	-	658,201
Finance costs on borrowings	-	(22,500)
Net cash inflow from financing activities	-	635,701
Net increase in cash and cash equivalents	708,376	64,311
Cash and cash equivalents at the beginning of the financial half-year	938,612	168,052
Effect of movements in foreign exchange	(17,330)	3,202
Cash and cash equivalents at the end of the financial half-year	1,629,658	235,565

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

Connexion Telematics Ltd
Notes to the consolidated financial statements
31 December 2019

Note 1. General information

The financial statements cover Connexion Telematics Ltd (the **Company**) and the entities it controlled at the end of, or during, the period (the **consolidated entity**). The financial statements are presented in Australian dollars, which is the functional and presentation currency of all entities in this consolidated entity.

Connexion Telematics Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 8, 350 Collins Street
Melbourne, VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on the date of signing the Directors' Declaration, which forms part of this report.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

New, revised or amending Accounting Standards and Interpretations adopted

AASB 16 Leases ('AASB 16')

AASB 16 replaces AASB 117 Leases. AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee – effectively treating all leases as finance leases. AASB 16 is applicable to annual reporting periods beginning on or after 1 July 2019. However, the impact to the consolidated entity is immaterial as it only has one lease relating to its business premises in Melbourne, Australia. The lease is for a twelve-month term, with four months remaining as at 31 December 2019.

Note 3. Operating segments

Identification of reportable operating segments

During the period ended 31 December 2019 the consolidated entity operated in one segment, specialising in developing global information technology solutions for automotive industry.

Note 4. Income tax benefit

Consolidated
31 Dec 2019
\$

(a) Income tax benefit

Current tax benefit

567,700

(b) Numerical reconciliation of income tax benefit to prima facia tax benefit

Profit from continuing operations before income tax benefit

1,003,321

Tax at the Australian tax rate of 27.5%

(275,913)

Non-deductible expenses

(34,041)

Initial recognition of deferred tax assets on tax losses

763,342

Other deferred tax assets and tax liabilities not recognised

(67,039)

Income tax benefit relating to R&D claim

180,212

Difference in overseas tax rates

1,139

567,700

(c) Tax losses

Tax losses for which a deferred tax asset has been recognised

1,423,087

Tax benefit at 27.5%

391,349

Unused tax losses for which no deferred tax asset has been recognised

3,675,594

Potential tax benefit at 27.5%

1,010,788

Note 5a - Issued capital

	Consolidated			
31 Dec 2019	31 Dec 2019	30 Jun 2019	30 Jun 2019	
Number	\$	Number	\$	

Fully paid ordinary shares

863,165,112	16,531,069	845,165,112	16,405,069
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Movements in ordinary share capital

Details	Date	Number	Issue price	\$
Balance at the beginning of the period	1 July 2019	845,165,112		16,405,069
Conversion of performance rights	5 July 2019	5,000,000	0.007	35,000
Conversion of performance rights	7 November 2019	13,000,000	0.007	91,000
Balance at the end of the period	31 December 2019	863,165,112		16,531,069

Connexion Telematics Ltd
Notes to the consolidated financial statements
31 December 2019

Note 5b - Reserves

	31 Dec 2019	30 Jun 2019
	\$	\$
Foreign currency translation reserve	(17,250)	3,845
Share based payments reserve	220,273	245,000
	<hr/>	<hr/>
	203,023	248,845

Note 6. Fair value measurement

The fair value of the consolidated entity's financial assets and financial liabilities approximates the carrying values.

Note 7. Events after the reporting period

No other matter or circumstance has arisen since 31 December 2019 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.

Note 8. Profit/(loss) per share

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Profit/(loss) after income tax attributable to the owners of Connexion Telematics Ltd	1,571,021	(267,026)
	<hr/>	<hr/>
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	853,844,460	799,966,416
Weighted average number of ordinary shares used in calculating diluted loss per share	892,393,373	799,966,416
	<hr/>	<hr/>
	Cents	Cents
Basic profit/(loss) per share	0.184	(0.033)
Diluted profit/(loss) per share	0.176	(0.033)

During the half-year ended 31 December 2018, the options held by option holders were not included in the weighted average number of ordinary shares used in calculating dilutive earnings per share as they did not meet the requirements for inclusion as outlined in AASB 133 "Earnings per Share".

Note 9. Share-based payments

During the period, the Company issued the following performance shares:

- 45,000,000 performance shares issued to Guy Perkins, as approved by the shareholders at 2019 Annual General Meeting.

For the performance shares issue during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Tranche	Number of Rights	Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
Tranche 1	15,000,000	11 Nov 2019	30 June 2020	\$0.025	\$0.030	153.5%	-	0.82%	\$0.0188
Tranche 2	15,000,000	11 Nov 2019	30 June 2021	\$0.025	\$0.040	143.9%	-	0.88%	\$0.0197
Tranche 3	15,000,000	11 Nov 2019	30 June 2022	\$0.025	\$0.060	140.8%	-	0.86%	\$0.0202

A total share-based payment expense of \$880,500 will be recognised in the consolidated statement of profit or loss and other comprehensive income over the maximum vesting period to 30 June 2022 in relation to the above performance shares issued. However, for the half-year ended 31 December 2019 a share-based payment expense of \$101,273 has been recognised.

Mr Perkins is also entitled to an annual bonus for the year ending 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.

No share-based payment expense has been recognised for the half-year ended 31 December 2019 in relation to short-term performance shares granted and described above. This is under the expectation that the shares are unlikely to vest.

Connexion Telematics Ltd
Directors' declaration
31 December 2019

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Guy Perkins
Managing Director and Chief Executive Officer

21 February 2020

Connexion Telematics Ltd

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Connexion Telematics Ltd (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Responsibilities of the Directors' for the Half-Year Financial Report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555
williambuck.com

As the auditor of Connexion Telematics Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

William Buck

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

A. A. Finnis

A. A. Finnis
Director

Melbourne, 21 February 2020