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 2022
Previous period:	For the year ended 30 June 2021

For and on behalf of the Directors

Ben Stanyer
Company Secretary
Dated: 24 August 2022

2. Results for announcement to the market

		%		**2021 US$**
2.1 Revenues from ordinary activities	Decrease of	14%	to	**3,810,852**
2.2 Other income	Decrease of	47%	to	**25,554**
2.3 Profit from ordinary activities after tax attributable to the members of Connexion Telematics Ltd	Decrease of	72%	to	**145,156**
2.4 Profit for the year attributable to the members of Connexion Telematics Ltd	Decrease of	72%	to	**145,156**

3. Net tangible assets per ordinary security

	Reporting Period (Cents)	Previous Period (Cents)
Net tangible assets per ordinary security	**0.39**	0.34

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	
		2022	2021
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 2022. The Company received an unqualified audit report, as detailed in the Independent Auditors Report to Members contained within the Annual Report.

Connexion Telematics Ltd

ABN 68 004 240 313

Annual Report

Year ended 30 June 2022

Contents

Corporate Information

Directors
Robert Downey
Aaryn Nania
Greg Ross
Simon Scalzo

Company secretary
Ben Stanyer

Registered office
Level 3, 162 Collins Street
Melbourne, VIC 3000

Principal place of business
Level 3, 162 Collins Street
Melbourne, VIC 3000

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

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

Bankers
National Australia Bank

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

Website
www.connexionltd.com

Directors' Report

Your Directors present their report together with the financial statements of the consolidated entity (referred to hereafter as the 'Group' or the 'consolidated entity'), consisting of Connexion Telematics Ltd (referred to hereafter as the 'Company', the 'Parent entity' or 'Connexion') and the entities it controlled at the end of, or during, the year ended 30 June 2022. 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:	**Robert Downey**
Title:	Non-Executive Chairman
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.
Current and former directorships in the last 3 years[1]:	Zeotech Ltd Cervantes Corporation Ltd Askari Metals Ltd RPM Automotive Group Limited *(resigned)*
Interests in shares:	10,000,000 Fully Paid Ordinary Shares
Interests in performance rights:	Nil

Name:	**Aaryn Nania**
Title:	Managing Director & 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. Aaryn has previously held directorships across a diverse range of public companies, both listed and unlisted. Aaryn holds a Bachelor of Commerce from the University of Melbourne.
Current and former directorships in the last 3 years[1]:	Pureprofile Ltd (*resigned*)
Interests in shares:	13,000,000 Fully Paid Ordinary Shares 10,000,000 Fully Paid Ordinary Shares at 30 June 2022
Interests in performance rights:	4,000,000

Directors' Report *(continued)*

Directors *(continued)*

Name:	**Greg Ross**
Title:	Non-Executive Director
Experience and expertise:	Mr Ross is currently an Investor and Advisor for several Connected Car businesses, working as an independent consultant and as Connected Car Practice Lead for the industry's premier automotive consultancy, motormindz LLC. Mr Ross is widely considered an expert in the Connected Car industry, and the activation of this technology through new and innovative business models. Greg's experience is founded on a 31-year career with General Motors, where he built and managed an extensive, multi-million-dollar global portfolio of strategic alliances for GM's Connected Car business, including Wireless Carriers, Satellite Radio Broadcasters, Insurance Carriers, Streaming Music Providers, Fleet Management companies, Car Rental companies, Car Sharing services, App Developers, and many others. Greg was also instrumental in the growth and scaling of GM's OnStar business. Prior to his work in Connected Car, Greg's General Motors career included leadership roles in Corporate Strategy, Product Development, Product Marketing, and Retail Network Development. Greg holds a Master's Degree in Business Administration and a Bachelor's Degree in Economics from the University of Michigan.
Current and former directorships in the last 3 years[1]:	Nil
Interests in shares:	2,704,600 Nil Fully Paid Ordinary Shares at 30 June 2022
Interests in performance rights:	Nil

Name:	**Simon Scalzo**
Title:	Non-Executive Director
Experience and expertise:	Mr Scalzo has extensive experience both locally and in the USA market, founding multiple successful software businesses in the Automotive sector amongst other related industry verticals. Locally, Mr Scalzo's experience extends to founding Evoke Autopay, he then merged this business into Openpay Ltd where he led the group as CEO. Mr Scalzo was also a director of Credit Clear Ltd, where he led the group as Managing Director. Mr Scalzo holds several director roles across many different technology businesses, including Remitter.com, CarsFast.com, Spetz.app and advisory chairman of TurboPass.com. Prior to this, Mr Scalzo was a Partner & Board member at BDO Australia, leading BDO's national retail advisory practice, specialising in the retail and automotive industries.
Current and former directorships in the last 3 years[1]:	Nil
Interests in shares:	2,038,235 Fully Paid Ordinary Shares 1,038,235 Fully Paid Ordinary Shares at 30 June 2022
Interests in performance rights:	Nil

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

Directors' Report *(continued)*

Company Secretary

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

Principal activities

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

Review of operations

Group overview

Connexion Telematics continued to provide its Software as a Service (SaaS) solutions, the OnTRAC and Connexion platforms, for General Motors' ("GM") Courtesy Transportation Program and Cadillac's Courtesy Transportation Alternative, hereafter referred to collectively as "CTP".

In addition to the provision of SaaS to GM and its US dealerships, Connexion invested significantly in its Team and Product throughout FY22 in accordance with its corporate strategy presented to Shareholders at the most recent AGM in November 2021. Connexion's accounting treatment dictates that virtually all of this discretionary investment in intangibles is expensed ("written off") as it is made.

Strategy

The overarching strategy being executed is described by a16z Partner Chris Dixon as "Come for the tool, stay for the network".

Connexion's "tool" is its telemetry-enabled mobility platform that streamlines fleet & rental management at franchised automotive dealerships.

Connexion's "network" is framed on one side by its Distribution Network of ~22% of all franchised light vehicle dealerships in the US. Beyond its value as a B2B consumer of technology, this network holds a material supply of assets in the form of vehicles (upon which Connexion has direct visibility), real-estate, and knowledgeable personnel, that are available to transact with the demand side of the equation, in the form of consumers (of both vehicle sales, rentals and subscriptions), and other 3rd party hardware, software and service partners.

When playing this long game, the "tool" is like the kindling. It is first the distribution and stickiness of the tool that is critical, rather than early (or, in some cases, any) optimisation of its profitability. There is typically room for optimisation later, particularly if the product generates revenue for its User, as is intended with the Company's long-term ambition of being a critical "Connexion" between Dealers and Consumers.

In many industries, it is common for software companies to price their "tool" as a loss-leader or, in some cases, even distribute it for free to rapidly build a valuable network. Connexion is fortunate to already be profitable based on its initial "tool".

It is in this context that we have previously described Connexion as benefitting from two main drivers of value:

- Economic Value (OEM Sales Strategy and Dealership Sales Strategy)
- Strategic Value (building and commercialising the strategic value of our OEM and Dealership Networks)

Connexion's Economic Value grows over time through the successful execution of its "Embed, Integrate, Generate" operating model, as applied to its core mobility platforms, OnTRAC and Connexion.

Directors' Report *(continued)*

Review of operations *(continued)*

Strategy *(continued)*

The launch and ongoing provision of the Connexion platform (formerly "CXZTRAC") to franchise, and multi-franchise, dealers underpins Connexion's sales strategy, further growing Economic Value.

Commercial Partnerships will be key to commercialising Connexion's Strategic Value. The Company is in the early stages of exploring numerous commercial partnerships. The names of some of these have been disclosed to the market, namely Infomedia, Carsfast and Tollaid. There is no guarantee that any level of success will be achieved, although the observed opportunity set amongst automotive software vendors is large.

Operations

During FY22 the Team performed very strongly, achieving much with limited resources. Notable achievements include but are not limited to:

- The high-volume rollout of the Connexion platform
- The successful pilot and subsequent product launch of a Toll Management solution
- Further 3rd party software vendor API work
- Significant feature enhancements to both core platforms
- Continued expansion within the GM ecosystem
- Approved Vendor status from Ford & Lincoln in respect of their CTP
- Increased direct-to-dealership outreach and engagement
- Navigating the macroeconomic challenges of severely depleted dealership vehicle inventories
- Navigating the macroeconomic challenges of severe wage inflation

Whilst the shortest section of this report by word count, Operations is the fundamental driver of value for the Connexion, and where most of Management's focus is placed. Naturally, it is also the part of the Company subject to the most commercial sensitivity. Further detail on the achievements listed above is found in the various FY22 Quarterly Updates.

Capital Allocation

Long-term Shareholder value is a function of:

1. Operational performance

2. Capital allocation

Too often, the latter is glossed over, at best, despite being critical to long-term wealth creation. And this is especially common in the modern era of "go hard or go home" technology companies with a tendency to really roll the dice with Shareholder capital.

Another misconception is that these are mutually exclusive disciplines, i.e. that if a company is buying back shares, then its Management is twiddling its thumbs. This is likely not true for many companies, and certainly not true at Connexion. Connexion's Team spends virtually all its time on its Operations, as we have consistently and meaningfully grown our investment in Team and Product since the onset of COVID-19, and believe this is already contributing well to our growth in underlying profitability.

However, this "return on investment" typically takes time for any business, which is why we are careful not to attribute these positive results too quickly to our recent growth expenditure. Whilst everything is indeed pointing to our GP growth deriving from our investment initiatives, it is simply too early for us to have a genuinely reliable signal that would allow us to confidently deploy large amounts of Shareholder capital. History is littered with companies ramping too eagerly based on false signals, and subsequently destroying Shareholder capital.

Directors' Report *(continued)*

Review of operations *(continued)*

Capital Allocation *(continued)*

So, for now, we continue to self-impose a "growth spend budget" of that amount which, when fully expensed, takes us down to a roughly neutral P&L.

With a strong balance sheet relative to both its market capitalisation and operational size, Connexion undertook the following capital allocation initiatives during FY22:

Investment into Team and Product

The Company continued to invest meaningfully in its human capital, including securing numerous technical hires mandated specifically to improve and expand Connexion's product capabilities. Naturally, and as foreshadowed by Management for some time, the Company's investment in human capital will continue to impact its profitability in the near term as it pursues what is a material long-term growth opportunity in the US. Generally speaking, the amount of capital allocated to these "growth" initiatives is such that the Company's Net Profit Before Tax ("NPBT") remains close to "neutral" (i.e. nil) for the foreseeable future, until a more reliable return-on-investment signal can be generated. Critically, a favourable return must be earned on this expenditure, as measured by sustainable changes in Gross Profit, for the discretionary part of the budget to increase. Shareholders are encouraged to read the commentary regarding the flywheel effect discussed in various FY22 Quarterly Updates.

Listed Equity Strategy

During the financial year, the Company also announced its Listed Equity Strategy, comprising a Loan Funded Share Plan ("LFSP") and both an Off-market and On-market Share Buyback ("Buybacks").

The LFSP is material in size and designed to attract, retain and align the Team over the long-term which, for any software company, is the core driver of value. Employee loyalty is an increasing challenge within the software industry, and the LFSP is just one within a suite of initiatives employed to combat this.

The Buybacks are intended to first offset any resulting dilution from the LFSP at a sensible price, and then permanently improve the Company's Earnings Per Share via a material reduction in the number of shares on issue. The tool is not used as a signal, but with the genuine desire to purchase in volume at the prevailing price. It is also worth noting that picking what would otherwise be the absolute "bottom" of a share price very rarely results in meaningful volume being traded at that price. Often it is better to be roughly right than precisely wrong. The ongoing implementation of the Buyback initiative will continually consider Connexion's existing and anticipated profitability as measured by Gross Profit, the strength of its balance sheet, and the pricing of its shares on the ASX. Importantly, the execution of any Buyback should not jeopardise the Company's growth strategy. Whilst the two are certainly not mutually exclusive, the Company commits to prioritising capital deployment within its Operations ahead of any Buyback, as required. Shareholders are encouraged to read the commentary found in both the original Listed Equity Strategy announcement and the June 2022 Quarterly Update.

Financial Performance

Connexion's financial performance in FY22 was driven by the following key trends:

1. Revenue deterioration from lower global vehicle inventories
2. Revenue growth from Connexion subscriptions
3. Revenue growth from feature-enhancement delivery
4. Expenditure growth from reinvestment into our Team and Products

Directors' Report *(continued)*

Review of operations *(continued)*

Financial Performance *(continued)*

Taking the above into account, Connexion delivered reduced profitability throughout FY22, with a Net Profit Before Tax of $410,017, versus a Net Profit Before Tax of $620,056 for FY21.

Total revenues from ordinary activities for the financial year were $3,810,852, a 14% decrease in revenue reported for the year ended 30 June 2021 of $4,420,883. Consolidated net assets have increased from $3,915,266 as at 30 June 2022 to $3,889,688 as at 30 June 2021.

Gross Profit in FY22 of $2,706,421, being a 57% increase on the prior year's Gross Profit of $1,728,803. This can primarily be attributed to the key trends listed above. Corporate and administrative expenses total $2,006,793 for the financial year, which includes $723,502 for research and development. Research and development includes internal allocation of operational employee's salaries and wages, as well as external resources when working on new products and feature enhancements

The Company incurred a negative impact to its Net Profit Before Tax of $237k due to an adverse movement in the AUD/USD currency pair during the year. Specifically, this consists of a revaluation of assets, being mostly AUD cash. Shareholders should note, however, that as a USD earner with a meaningful AUD cost base, Connexion's ongoing operating profitability is improved by a weaker AUD. By contrast, the immediate balance sheet revaluation is an offsetting "one-off".

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

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

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

The high effective tax rate is attributable to Connexion's non-deductible expenses, primarily relating to the Share Based payment expenses, and adjustments recognised in relation to prior years' tax calculations. The effective tax rate has decreased significantly from the Interim Financial Report for the six months ended 31 December 2021. Due to the Group's existing Deferred Tax Asset, no income tax is actually paid in cash. Instead, the Deferred Tax Asset is amortised by an equivalent amount.

Corporate

From a reporting perspective, the Company will continue to voluntarily publish Quarterly Updates to keep Shareholders regularly informed of its progress. Shareholders are encouraged to careful examine these reports and contact Management directly for any further clarification.

In recent years, Connexion has developed a consistent track record of tightly managing, and delivering satisfactory returns on, invested capital. This ethos will not change. The Company's progress remains consistent with the multi-year plan presented at the 2021 AGM.

Significant changes in the state of affairs

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

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 2022 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. The number of meetings of Directors held and the number of meetings attended by each Director were as follows:

Director	Board meetings	
	Eligible	Attended
Robert Downey	6	6
Aaryn Nania	6	6
Greg Ross	6	6
Simon Scalzo	6	6
Peter Torre	3	3

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

2022	Fully paid ordinary shares Number	Performance rights Number
Robert Downey	10,000,000	-
Aaryn Nania	10,000,000	4,000,000
Greg Ross	-	-
Simon Scalzo	1,038,235	-
Peter Torre [1]	3,001,000	-

[1] Mr Torre resigned as a Director on 17 November 2021.

2021	Fully paid ordinary shares Number	Performance rights Number
Robert Downey	10,000,000	-
Aaryn Nania	10,000,000	-
Greg Ross	-	-
Simon Scalzo	1,038,235	-
Peter Torre	3,001,000	-
Mark Caruso [1]	32,319,680	-

[1] Mr Caruso resigned as a Director on 2 October 2020.

Directors' Report *(continued)*

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

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 2022 and is included on pages 12 to 17.

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 23 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* (including Independence Standards). issued by the Accounting Professional & Ethical Standards Board.

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 18 and forms part of this Directors' report for the year ended 30 June 2022.

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.

Performance Rights Plan

The Performance Rights Plan ("PRP"), detailed in note 16 to the financial statements, had two of four vesting conditions met for year 1. The amount of performance rights eligible to staff totalled 4,666,667. During the year 866,667 performance right shares were exercised, with the remaining 3,800,000 exercisable as at 30 June 2022.

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 fourth edition of the Corporate Governance Principles and Recommendations which 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 2022 is dated as at 24 August 2022 and was approved by the Board on the same day. The Corporate Governance Statement was announced by the Company on 24 August 2022 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
Managing Director and Chief Executive Officer

Sydney, 24 August 2022

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.

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 A$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 offer a long-term incentive plan to its Key Management Personnel during the year. The Company did not offer a short incentive plan to its Directors and Key Management Personnel during the 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 key criteria. 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 positive 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.

All amounts are presented in US Dollars unless specified.

The Groups performance and share price over the past five periods are as follows:

Year	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Revenue US$	857,194	2,542,765	5,494,018	4,420,883	3,810,852
Profit after tax US$	255,698	333,317	2,161,374	510,118	145,156
EPS US$	0.05	0.04	0.25	0.06	0.02
Share Price A$	0.004	0.013	0.015	0.015	0.010

Remuneration Report *(continued)*

Voting and comments made at the Company's 2021 Annual General Meeting ('AGM')

At the 2021 AGM, 89.18% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

2022	Short-term benefits			Post-employment benefits	Long-term benefits	Share- based payments	
	Cash salary and fees US$	Cash bonus US$	Non-monetary US$	Super-annuation US$	Long service leave US$	Equity-settled US$	**Total US$**
Non-Executive Directors:							
Robert Downey	21,664	-	-	2,166	-	-	**23,830**
Greg Ross	24,000	-	-	-	-	-	**24,000**
Simon Scalzo	24,000	-	-	-	-	-	**24,000**
Peter Torre	9,087	-	-	909	-	-	**9,996**
Executive Directors and other KMP:							
Aaryn Nania	153,692	-	-	14,443	-	58,931	**227,066**
Ben Stanyer [1]	50,448	-	-	4,661	-	-	**55,109**
Total	282,891	-	-	22,179	-	58,931	**364,001**

[1] Mr Stanyer is Company Secretary and was appointed as Chief Financial Officer on 1 March 2022. The KMP benefits are from the appointment date until 30 June 2022. Prior to the appointment, Mr Stanyer was Financial Controller.

2021	Short-term benefits			Post-employment benefits	Long-term benefits	Share- based payments	
Directors	Cash salary and fees US$	Cash bonus US$	Non-monetary US$	Super-annuation US$	Long service leave US$	Equity-settled US$	**Total US$**
Non-Executive:							
Robert Downey	22.418	-	-	2,130	-	-	**24,548**
Aaryn Nania	12,779	-	-	1,214	-	-	**13,993**
Greg Ross	10,000	-	-	-	-	-	**10,000**
Simon Scalzo	10,000	-	-	-	-	-	**10,000**
Peter Torre	17,055	-	-	1,620	-	-	**18,676**
Mark Caruso	5,363	-	-	509	-	-	**5,872**
Executive:							
Aaryn Nania [1]	102,906	-	-	9,776	-	33,341	**146,023**
Total	180,522	-	-	15,249	-	33,341	**229,112**

[1] Mr Nania was a Non-Executive Director and was appointed as Managing Director and Chief Executive Officer on 2 February 2021. Prior to the appointment, Mr Nania was Interim Chief Executive Officer.

Remuneration Report *(continued)*

Service agreements

Mr Nania was a Non-Executive Director of the Company until 1 February 2021 and was appointed as Managing Director and Chief Executive Officer on 2 February 2021.

Annual salary: A$200,000 (excluding superannuation)

Mr Stanyer was the Financial Controller and Company Secretary until 28 February 2022 and was appointed as Chief Financial Officer and Company Secretary on 1 March 2022.

Annual salary: A$172,727 (excluding superannuation)

Long Term Incentive:

As approved by shareholders at the 2021 AGM, Mr Nania is entitled to receive performance rights under the Employer's Incentive Performance Rights Plan ("Performance Rights"). These have generated a vesting charge for the current year.

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

Year	1	2	3
Date	30 September 2021	30 September 2022	30 September 2023
Ordinary Shares	8,000,000 [1]	8,000,000	8,000,000

[1] The Performance Rights Plan had a maximum 8,000,000 ordinary shares on issue. Only two of the four vesting conditions below were met, resulting in only 4,000,000 ordinary shares available. All 4,000,000 remain exercisable as at 30 June 2022.

The vesting condition for each tranche of Performance Rights shall be measured against the following performance criteria, with a 25% weighting for each of the below:

i. Renewal and subsequent maintenance of the GM OnTRAC contract of commercial terms equal to or better than the Original Contract;

ii. Signed commercial contract with a Non-GM OEM Client;

iii. The Company achieving NPBT against Budget for the relevant just-concluded financial year, taking into account uncontrollable items at the discretion of the Board; and

iv. Upon the CXZ 30-day VWAP trading at or above the Performance Price in the six months preceding each respective eligible vesting date. Performance Prices are as follows:

    a. AUD$0.025 for a vesting date of 30 September 2021;
    b. AUD$0.035 for a vesting date of 30 September 2022; and
    c. AUD$0.045 for a vesting date of 30 September 2023.

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 2022.

Options
There were no options issued, held or vested by Directors or Key Management Personnel during the year ended 30 June 2022.

Remuneration Report *(continued)*

Share-based compensation *(continued)*

Performance Rights
Details of Performance Rights issued to Directors or Key Management Personnel during the year ended 30 June 2022 and 30 June 2021 are detailed in the below table and the terms are described above.

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:

2022	Balance at 1 July 2021	Received as part of remuneration	Exercise of performance rights	Additions	Disposal as a result of resignation	Other Disposals	Balance as at 30 June 2022
Directors							
Robert Downey	10,000,000	-	-	-	-	-	10,000,000
Aaryn Nania	10,000,000	-	-	-	-	-	10,000,000
Greg Ross	-	-	-	-	-	-	-
Simon Scalzo	1,038,235	-	-	-	-	-	1,038,235
Peter Torre	3,001,000	-	-	-	3,001,000	-	-
Other KMP							
Ben Stanyer	-	-	-	-	-	-	-

2021	Balance at 1 July 2020	Received as part of remuneration	Exercise of performance rights	Additions	Disposal as a result of resignation	Other Disposals	Balance as at 30 June 2021
Directors							
Robert Downey	10,000,000	-	-	-	-	-	10,000,000
Aaryn Nania	166,772,220	-	10,000,000	-	-	(166,772,220)	10,000,000
Greg Ross	-	-	-	-	-	-	-
Simon Scalzo	1,038,235	-	-	-	-	-	1,038,235
Peter Torre	3,001,000	-	-	-	-	-	3,001,000

Remuneration Report *(continued)*

Additional disclosures relating to key management personnel *(continued)*

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:

2022	Balance at 1 July 2021	Received as part of remuneration	Exercise of performance rights	Additions	Forfeited as a result of resignation	Forfeited due to vesting condition not met	Balance as at 30 June 2022
Directors							
Robert Downey	-	-	-	-	-	-	-
Aaryn Nania[1]	-	-	-	8,000,000	-	(4,000,000)	4,000,000
Greg Ross	-	-	-	-	-	-	-
Simon Scalzo	-	-	-	-	-	-	-
Ben Stanyer	-	-	-	-	-	-	-
Peter Torre	-	-	-	-	-	-	-
Other KMP							
Ben Stanyer	-	-	-	-	-	-	-

[1] Mr Nania's Performance Rights Plan were granted in March 2021, but approved at the 2021 AGM, held in November 2021.

2021	Balance at 1 July 2020	Received as part of remuneration	Exercise of performance rights	Additions	Forfeited as a result of resignation	Forfeited due to vesting condition not met	Balance as at 30 June 2021
Directors							
Robert Downey	-	-	-	-	-	-	-
Aaryn Nania	10,000,000	-	(10,000,000)	-	-	-	-
Greg Ross	-	-	-	-	-	-	-
Simon Scalzo	-	-	-	-	-	-	-
Peter Torre	-	-	-	-	-	-	-
Mark Caruso	7,000,000	-	(7,000,000)	-	-	-	-

This concludes the Remuneration Report, which has been audited.

WilliamBuck
ACCOUNTANTS & ADVISORS

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 2022 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, 24 August 2022

Level 20, 181 William Street, Melbourne VIC 3000
+61 3 9824 8555
vic.info@williambuck.com
williambuck.com.au

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2022

	Note	Consolidated **2022 US$**	2021 US$
Revenue	4	**3,810,852**	4,420,883
Cost of Sales		**(1,104,431)**	(2,692,080)
Gross Profit		**2,706,421**	1,728,803
Other income	4	**25,554**	48,384
Expenses			
Corporate and administrative expenses	5	**(2,206,339)**	(1,000,066)
Depreciation and amortisation expenses		**(115,619)**	(157,065)
Profit before income tax		**410,017**	620,056
Income tax expense	6	**(264,861)**	(109,278)
Profit after income tax for the year attributable to the owners of Connexion Telematics Ltd		**145,156**	510,778
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**(237,199)**	(1,660)
Total comprehensive income attributable to the owners of Connexion Telematics Ltd		**(92,043)**	509,118
		Cents	Cents
Basic earnings per share	8	**0.02**	0.06
Diluted earnings per share	8	**0.02**	0.06

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

Consolidated Statement of Financial Position
As at 30 June 2022

	Note	Consolidated 2022 US$	2021 US$
Assets			
Current assets			
Cash and cash equivalents	9	**1,178,098**	2,330,463
Trade and other receivables	10	**963,681**	1,066,171
Inventory		**-**	2,972
Financial assets at fair value through profit or loss	11	**1,493,754**	-
Total current assets		**3,635,533**	3,399,606
Non-current assets			
Plant and equipment		**3,990**	9,822
Capitalised development costs	12	**68,661**	187,850
Deferred tax asset	6	**439,597**	700,728
Total non-current assets		**512,248**	898,400
Total assets		**4,147,781**	4,298,006
Liabilities			
Current liabilities			
Trade and other payables	13	**122,711**	324,834
Employee benefits		**88,387**	68,210
Total current liabilities		**211,098**	393,044
Non-current liabilities			
Employee benefits		**21,417**	15,274
Total non-current liabilities		**21,417**	15,274
Total liabilities		**232,515**	408,318
Net assets		**3,915,266**	3,889,688
Equity			
Issued capital	14	**11,526,721**	11,586,366
Reserves	15	**(51,861)**	8,072
Accumulated losses		**(7,559,594)**	(7,704,750)
Total equity		**3,915,266**	3,889,688

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2022

	Issued Capital US$	Share based payment reserve US$	Consolidated Foreign currency translation reserve US$	Accumulated losses US$	**Total equity US$**
Balance as at 1 July 2021	11,586,366	68,072	(60,000)	(7,704,750)	**3,889,688**
Profit for the year	-	-	-	145,156	**145,156**
Other comprehensive loss for the year, net of income tax	-	-	(237,199)	-	**(237,199)**
Total comprehensive income for the year	-	-	(237,199)	145,156	**(92,043)**
Share based payments	-	186,768	-	-	**186,768**
Exercise of performance rights	9,502	(9,502)	-	-	-
On-market Share Buyback	(69,147)	-	-	-	**(69,147)**
Balance as at 30 June 2022	**11,526,721**	**245,338**	**(297,199)**	**(7,559,594)**	**3,915,266**

	Issued Capital US$	Share based payment reserve US$	Consolidated Foreign currency translation reserve US$	Accumulated losses US$	**Total equity US$**
Balance as at 1 July 2020	11,503,558	82,808	(58,340)	(8,215,528)	**3,312,498**
Profit for the year	-	-	-	510,778	**510,778**
Other comprehensive loss for the year, net of income tax	-	-	(1,660)	-	**(1,660)**
Total comprehensive income for the year	-	-	(1,660)	510,778	**509,118**
Share based payments	-	68,072	-	-	**68,072**
Exercise of performance rights	82,808	(82,808)	-	-	-
On-market Share Buyback	-	-	-	-	-
Balance as at 30 June 2021	**11,586,366**	**68,072**	**(60,000)**	**(7,704,750)**	**3,889,688**

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2022

	Note	Consolidated 2022 US$	2021 US$
Cash flows from operating activities			
Receipts from customers		**4,049,818**	4,762,841
Payments to suppliers and employees		**(3,439,175)**	(3,987,066)
Research & Development and other government incentives		**88,746**	48,301
Interest received		**74**	83
Income tax paid		**-**	-
Net cash inflow from operating activities	9	**699,463**	824,159
Cash flows from investing activities			
Payments for plant and equipment		**-**	(6,474)
Payments for capitalised development costs		**-**	(116,561)
Payments for investment portfolio		**(1,636,040)**	-
Net cash outflow from investing activities		**(1,636,040)**	(123,035)
Cash flows from financing activities			
Proceeds from issues of shares, net of costs		**-**	-
Payments for Share Buyback		**(69,147)**	-
Repayment of borrowings, net of costs		**-**	-
Net cash inflow from financing activities		**(69,147)**	-
Net increase in cash and cash equivalents		**(1,005,724)**	701,124
Cash and cash equivalents at the beginning of the financial year		**2,330,463**	1,679,383
Effect of exchange rates on cash and cash equivalents		**(146,641)**	(50,044)
Cash and cash equivalents at the end of the financial year	9	**1,178,098**	2,330,463

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

Notes to the Financial Statements

Note 1: Basis of preparation

(a) Basis of preparation and statement of compliance

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 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 3, 162 Collins Street
Melbourne
Victoria, 3000
Australia

The accounting policies applied by the Company in these consolidated Finance Statements are consistent with those applied by the Group in the previous year. The financial statements are presented in US dollars, except where otherwise indicated.

The financial report was authorised for issue on 24 August 2022.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June 2022.

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.

Notes to the Financial Statements

Note 1: Basis of preparation *(continued)*

(b) 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.

(c) Foreign currency translation

The functional currency of Connexion Telematics Ltd and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and is transferred to the presentational currency of US Dollars.

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.

Notes to the Financial Statements

Note 1: Basis of preparation *(continued)*

(c) Foreign currency translation *(continued)*

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

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.

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(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.

(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.

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(c) Income tax expense *(continued)*

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

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

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

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

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

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

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

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(h) Trade and other receivables *(continued)*

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied. 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.

(i) 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.

(j) 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.

(k) 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.

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(k) Capitalised development costs *(continued)*

Impairment of non-financial assets (continued)

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.

(l) 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.

(m) 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.

(n) Finance costs

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

(o) 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.

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(o) Share-based payments *(continued)*

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.

(p) 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.

(q) 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: 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.

Notes to the Financial Statements

Note 3: Significant accounting estimates and judgements *(continued)*

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 18.

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 4: Revenue and other income

	Consolidated	
	2022	2021
	US$	US$
Revenue		
Revenue from contracts with customers	**3,810,852**	4,420,883
Other income		
Interest income	**74**	83
Governments grants – R&D refund	**64,723**	-
Government incentive – EMDG	**24,023**	-
Realised gain/(loss) on investment portfolio	**(91,828)**	-
Income net of taxes and fees on investment portfolio	**28,562**	-
Government incentives – Covid-19 cashflow boost	**-**	48,301
	25,554	48,384

Note 5: Expenses

Corporate and administrative expenses include the following specific expenses:

	Consolidated	
	2022	2021
	US$	US$
Wages and salaries	**1,026,396**	291,063
Marketing & advertising expenses	**136,493**	10,615
External Research and Development expenses	**168,370**	-
Share based payments	**199,546**	68,072
Superannuation expense	**102,026**	71,883

Share based payments of $199,546 differ to the amount $186,768 in the Statement of Changes in Equity due to movements in foreign exchange as the instruments were issued in Australian dollars.

Notes to the Financial Statements

Note 6: Income tax expense

	Consolidated 2022 US$	2021 US$
(a) Income tax expense		
Current tax expense	**264,861**	109,278
(b) Numerical reconciliation of income tax to prima facie tax benefit		
Profit from continuing operations before income tax	**410,017**	620,056
Tax at the Australian tax rate of 25% (2021: 26%)	**102,504**	161,215
Non-deductible expenses	**49,887**	17,699
R&D refundable rebate	**(16,181)**	-
Non-assessable income	**-**	(10,400)
Recoupment of tax losses not previously recognised	**-**	-
Other deferred tax assets and tax liabilities not recognised	**36,016**	(75,610)
Tax expenditure of subsidiaries operating in different jurisdictions	**3,730**	-
Differences in tax rates of subsidiaries operating in different jurisdictions	**(2,450)**	4,426
Adjustments recognised in the current year in relation to the current tax of prior years	**91,355**	11,948
Current tax benefit	**264,861**	109,278
(c) Tax losses		
Tax losses for which a deferred tax asset has been recognised	**1,758,386**	2,802,911
Tax benefit at 25% (2021: 25%)	**439,597**	700,728
(d) Deferred tax asset		
Deferred tax asset	**439,597**	700,728
Set-off current tax liability against deferred tax asset	**-**	-
Net deferred tax asset	**439,597**	700,728

The deferred tax asset comprises of carried forward tax losses.

Note 7: Segment reporting

Identification of reportable operating segments

During the year ended 30 June 2022 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 2022 all of its sales revenue was from one customer located in the USA (2021: one customer). All revenue is recorded over time for rendering of services.

Notes to the Financial Statements

Note 8: Earnings per share

Basic and diluted earnings per share

	Consolidated	
	2022	2021
From continuing operations		
• Basic earnings per share (cents per share)	**0.02**	0.06
• Diluted earnings per share (cents per share)	**0.02**	0.06

Earnings

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

	Consolidated	
	2022	2021
	US$	US$
Earnings from continued operations used in the calculation of basic earnings per share	**145,156**	510,778

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	
	2022	2021
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	**880,485,164**	873,393,134
Shares deemed to be issued for no consideration in respect of:		
• Performance shares	**546,613**	6,771,978
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**881,031,780**	880,165,112

Notes to the Financial Statements

Note 9: Cash and cash equivalents

	Consolidated	
	2022	2021
	US$	US$
Cash at bank and on hand	**1,178,098**	2,330,463

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	
	2022	2021
	US$	US$
Profit after income tax expense for the year	**145,156**	510,778
Non cash foreign exchange movement	**(17,829)**	30,719
Equity settled share-based payment	**199,546**	68,072
Depreciation and amortisation	**115,619**	157,065
Investment portfolio movement	**63,266**	-
Inventory write-off	**2,915**	-
(Increase) / decrease in assets:		
Trade and other receivables	**105,462**	186,984
Deferred tax asset	**261,131**	105,375
Increase / (decrease) in liabilities:		
Trade and other payables	**(202,123)**	(245,202)
Employee benefits	**26,320**	10,368
Net cash from operating activities	**699,463**	824,159

Notes to the Financial Statements

Note 10: Trade and other receivables

	Consolidated 2022 US$	2021 US$
Trade receivables	**918,050**	1,028,244
Less: allowance for credit losses	**-**	-
	918,050	1,028,244
Other receivables	**45,631**	37,927
	963,681	1,066,171

(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 17 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 2022 and 30 June 2021 is detailed in the table below:

	Consolidated 2022 US$	2021 US$
Current	**308,703**	323,728
1 month	**322,138**	348,991
2 months	**287,209**	355,525
3 months	**-**	-
Older	**-**	-
	918,050	1,028,244

Note 11: Financial assets at fair value through profit or loss

	2022 US$	2021 US$
Current Assets		
Investment in shares	**1,493,754**	-

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

	2022	2021
Opening Fair value	**-**	-
Net additions	**1,636,040**	-
Net disposals	**-**	-
Revaluation taken to profit or loss	**(142,286)**	-
Closing fair value	**1,493,754**	-

The revaluation taken to profit or loss number above of $142,286 is comprised of $63,266 realised loss of investments. The remaining revaluation of $76,048 relates to movement in foreign exchange rates. Refer to note 18 for further information on fair value measurement.

Notes to the Financial Statements

Note 12: Capitalised development costs

Carrying value

	Consolidated	
	2022	2021
	US$	US$
Development asset – cost	**519,762**	563,732
Development asset – accumulated amortisation	**(451,101)**	(375,882)
Carrying value	**68,661**	187,850

Reconciliation

Cost		
Opening balance as at 1 July	**563,732**	842,927
Additions	**-**	116,561
Removal of fully amortised Capital Development	**-**	(432,030)
Net exchange difference on translation	**(43,970)**	36,274
Closing balance as at 30 June	**519,762**	563,732
Amortisation		
Opening balance as at 1 July	**375,882**	576,552
Amortisation charge	**110,299**	151,824
Removal of fully amortised Capital Development	**-**	(371,103)
Net exchange difference on translation	**(35,080)**	18,609
Closing balance as at 30 June	**451,101**	375,882
Carrying value	**68,661**	187,850

Development costs were historically capitalised when it was 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	
	2022	2021
	US$	US$
Trade payables	**58,586**	255,437
Other payables	**64,125**	69,397
	122,711	324,834

(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 20.

Notes to the Financial Statements

Note 14: Issued capital

Ordinary shares on issue

	Consolidated 2022 US$	2021 US$
Ordinary shares issued and fully paid	**11,595,868**	11,586,366
Less: Treasury Shares	**(69,147)**	-
	11,526,721	11,586,366

Movement in ordinary shares on issue

Date	Detail	Number	Issue price (cents)	US$
1 July 2020	Opening balance	863,165,112		11,503,558
23 November 2020	Conversion of performance rights	17,000,000	0.005	82,808
30 June 2021	**Closing balance**	**880,165,112**		**11,586,366**
8 December 2021	Conversion of performance rights	200,000	0.011	2,150
10 December 2021	Conversion of performance rights	183,333	0.011	1,974
11 April 2022	Conversion of performance rights	483,434	0.011	5,378
30 June 2022	**Closing balance**	**881,031,779**		**11,595,868**

Movement in treasury shares on issue

Date	Detail	Number	Issue price (cents)	US$
1 July 2020	Opening balance	-		-
30 June 2021	**Closing balance**	**-**		**-**
June 2022	Purchase of shares through Treasury Reserve	(10,000,000)	0.007	(69,147)
30 June 2022	**Closing balance**	**(10,000,000)**		**(69,147)**

Ordinary shares
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.

Notes to the Financial Statements

Note 14: Issued capital *(continued)*

Treasury shares
Treasury shares are used to record the purchase of shares by the Company in the open market. The shares are bought back on-market value. The account is recognised at purchase price.

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.

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 the exchange differences arising from the translation of subsidiaries with a functional currency other than USD.

Note 16: Share-based payment plans

Movement in performance rights

Date	Detail	Number	Fair value at grants date (cents)	US$
1 July 2020	Opening balance	17,000,000		82,808
23 November 2020	Conversion of performance rights	(17,000,000)	0.005	(82,808)
3 March 2021	Issue of performance rights	49,000,000		68,072
30 June 2021	**Closing balance**	**49,000,000**		**68,072**
8 December 2021	Conversion of performance rights	(200,000)	0.011	(2,150)
10 December 2021	Conversion of performance rights	(183,333)	0.011	(1,974)
21 February 2022	Forfeiture of performance rights	(10,099,999)		(25,635)
11 April 2022	Conversion of performance rights	(483,434)	0.011	(5,378)
30 June 2022	Vesting charge of performance rights	-		212,403
30 June 2022	**Closing balance**	**38,033,334**		**245,338**

Performance Rights Plan ("PRP")

The Company established a PRP, which was approved by shareholders at the Company's AGM, held on 25 November 2020. There are no new Performance Rights granted in the 2022 financial year.

Notes to the Financial Statements

Note 16: Share-based payment plans *(continued)*

Performance Rights Plan ("PRP") (continued)

As approved by shareholders, the Company is issuing the following performance rights under the PRP:

- 25,000,000 performance rights to other Officers and Employees of the Company; and
- 24,000,000 performance rights to Aaryn Nania (or his nominee/s).

AASB 2 – Share based payments requires the Company to estimate the expected fair value of the performance rights that will be recorded on the formal grant date. Upon formal grant date the Company will perform a reassessment of the fair value of the performance rights with any subsequent difference being recorded through the statement of profit or loss and other comprehensive income.

The above performance rights each convert into one (1) ordinary share for no consideration on exercise by the holder once vested. The total number of Performance Rights to be granted shall be based on the following table:

Year	1	2	3
Date	30 September 2021	30 September 2022	30 September 2023
Ordinary Shares	16,333,334[1]	15,366,666[2]	15,366,666[2]

[1] The Performance Rights Plan had a maximum 16,333,334 ordinary shares on issue. Only two of the four vesting conditions below were met, resulting in only 8,166,667 ordinary shares available. 866,667 performance rights were converted to ordinary shares, while 7,300,000 remain exercisable as at 30 June 2022.

[2] The maximum Performance Rights Plan for year 2 and year 3 has decreased by 966,667 to 15,366,666 due to staff resignations and no longer eligible for Performance Rights.

The vesting condition for each tranche of Performance Rights shall be measured against the following performance criteria, with a 25% weighting for each of the below:

i. Renewal and subsequent maintenance of the GM OnTRAC contract of commercial terms equal to or better than the Original Contract;

ii. Signed commercial contract with a Non-GM OEM Client;

iii. The Company achieving NPBT against Budget for the relevant just-concluded financial year, taking into account uncontrollable items at the discretion of the Board; and

iv. Upon the CXZ 30-day VWAP trading at or above the Performance Price in the six months preceding each respective eligible vesting date. Performance Prices are as follows:

    a. AUD$0.025 for a vesting date of 30 September 2021;
    b. AUD$0.035 for a vesting date of 30 September 2022; and
    c. AUD$0.045 for a vesting date of 30 September 2023.

As at 30 June 2022, vesting conditions i. and iii. were met for year one and the performance rights had vested. The performance rights which were converted are detailed above in note 14, with 7,300,000 performance rights eligible to be converted. Employees who resigned and had performance right options forfeited upon their resignation; these amounts were included in the cessation of performance rights in note 14. The fair value of each performance right was AUD 1.5 cents, being the share price on the day of issue. This value was confirmed by an independent valuation.

Notes to the Financial Statements

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 (currently none) 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.

Exposure to currency risk

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The consolidated entity is most exposed to fluctuations in the USD to AUD foreign exchange rate. Should this rate increase or decrease by 10% it would increase or decrease the profit after tax for the year by $141,979.

The group's exposure to foreign currency risk at the reporting date was as follows, based on notional amounts:

2022	AUD US$	USD US$	CAD US$	Total
Cash and cash equivalents	1,094,989	49,743	33,366	1,178,098
Trade and other receivables	963,681	-	-	963,681
Trade and other payables	(118,031)	(4,680)	-	(122,711)
Balance sheet exposure	1,940,639	45,063	33,366	2,019,068

2021	AUD US$	USD US$	CAD US$	Total
Cash and cash equivalents	1,880,074	413,497	36,892	2,330,463
Trade and other receivables	1,066,171	-	-	1,066,171
Trade and other payables	(324,564)	(270)	-	(324,834)
Balance sheet exposure	2,621,681	413,227	36,892	3,071,800

The following significant exchange rates (US$1.00) applied during the period.

	Average rate		Year-end date spot rate	
	12 months ended 30 June 2022	12 months ended 30 June 2021	30 June 2022	30 June 2021
AUD	1.3789	1.3382	1.4462	1.3335
CAD	1.2659	1.2407	1.2872	1.2812

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 through the instruments above. The Group has reduced its foreign exchange risk through initiatives mentioned in the Review of operations in the Directors Report.

Interest rate risk

The Group is not exposed to any interest rate risk.

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.

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:

2022	Weighted average interest rate %	Between 0 – 6 months US$	Between 6 – 12 months US$	Between 1 – 2 years US$	Between 2 – 5 years US$	Over 5 years US$	Remaining contractual maturities US$
Non-derivatives							
Non-interest bearing							
Trade and other payables	0%	122,711	-	-	-	-	122,711
Total non-derivatives		122,711	-	-	-	-	122,711

2021	Weighted average interest rate %	Between 0 – 6 months US$	Between 6 – 12 months US$	Between 1 – 2 years US$	Between 2 – 5 years US$	Over 5 years US$	Remaining contractual maturities US$
Non-derivatives							
Non-interest bearing							
Trade and other payables	0%	324,834	-	-	-	-	324,834
Total non-derivatives		324,834	-	-	-	-	324,834

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 2022 and 30 June 2021:

	Consolidated	
	2022	2021
	US$	US$
Assets		
Cash and cash equivalents	**1,178,098**	2,330,463
Trade and other receivables	**963,681**	1,066,171
Investments	**1,493,754**	-
Total assets	**3,635,533**	3,396,634
Liabilities		
Trade and other payables	**122,711**	324,834
Total liabilities	**122,711**	324,834

Notes to the Financial Statements

Note 18: Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset of liability.

Consolidated – 30 June 2022

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Listed ordinary shares	1,493,754	-	-	1,493,754
Unlisted ordinary shares	-	-	-	-
Total assets	1,493,754	-	-	1,493,754

Consolidated – 30 June 2021

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

There were no transfers between levels during the financial period.

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

Note 19: Contingent liabilities and assets

The Group has no contingent liabilities and assets as at 30 June 2022 (2021: nil).

Notes to the Financial Statements

Note 20: 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"):

- Robert Downey
- Aaryn Nania
- Greg Ross
- Simon Scalzo
- Ben Stanyer *(appointed* Chief Financial Officer *1 March 2022)*
- Peter Torre *(resigned 12 November 2021)*

Transactions with KMP

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

	Consolidated	
	2022	2021
	US$	US$
Short-term employee benefits	**282,891**	180,552
Post-employment benefits	**22,179**	15,250
Share-based payments	**58,931**	33,341
	364,001	229,113

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 US$399 excluding GST (2021: $16,170 excluding GST), 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.

Note 21: 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	
		2022	2021
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

Notes to the Financial Statements

Note 22: Parent entity disclosures

Statement of profit or loss and other comprehensive income

	Consolidated	
	2022	2021
	US$	US$
Profit for the year	**1,060,973**	477,240
Other comprehensive income	**(375,493)**	-
Total comprehensive income	**685,480**	477,240

Statement of financial position

	Consolidated	
	2022	2021
	US$	US$
Current assets	**3,552,424**	2,949,217
Non-current assets	**1,221,672**	1,130,505
Current liabilities	**(206,418)**	(390,435)
Non-current liabilities	**(21,417)**	(15,274)
Net assets	**4,546,261**	3,674,013
Equity		
Issued capital	**11,595,868**	11,586,366
Share-based payment reserve	**245,338**	68,072
Accumulated losses	**(7,294,945)**	(7,980,425)
Total equity	**4,546,261**	3,674,013

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 2022 and 30 June 2021.

Contingent liabilities of the parent entity

As at 30 June 2022 Connexion Telematics Ltd has no contingent liabilities (2021: nil).

Note 23: 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	
	2022	2021
	US$	US$
Audit services - William Buck		
Audit or review of the financial statements	**30,107**	28,770
Other services - William Buck		
Other assurance services, including taxation	**4,534**	374
	34,641	29,144

Notes to the Financial Statements

Note 24: 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 2022 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
Managing Director and Chief Executive Officer

Sydney, 24 August 2022

William Buck
ACCOUNTANTS & ADVISORS

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 2022, the consolidated statement of profit or loss and 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 2022 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.

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williambuck.com.au

William Buck
ACCOUNTANTS & ADVISORS

CAPITALISATION OF DEVELOPMENTS COSTS	
Area of focus **Refer also to notes 2 & 12**	**How our audit addressed it**
At 30 June 2022 the Group has capitalised development costs of $68,661 which are held on the consolidated statement of financial position. Determining that the requirements of *AASB 138 Intangible Assets* are met is complex and requires significant judgement by the Directors and Group management, specifically in determining that the specific criteria, for capitalisation, stipulated by AASB 138 are 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 2022; 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.

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 2022 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.

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 2022.

In our opinion, the Remuneration Report of Connexion Telematics Ltd, for the year ended 30 June 2022, 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
Director
Melbourne, 24 August 2022

Shareholder Information

The shareholder information set out below was applicable as at 22 August 2022.

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	MR VAUGHAN THALES KENT	55,000,000	6.29%
2	GRAHAM NEWMAN PTY LTD	47,000,000	5.37%
3	BNP PARIBAS NOMINEES PTY LTD	26,065,013	2.98%
4	MR NICHOLAS MICHAEL KEPHALA & MRS VIRGINIA LOUISE WALLACE	25,000,000	2.86%
5	SPRING HARVEST PTE LTD	20,000,000	2.29%
6	MR ROBERT CAMERON GALBRAITH	19,227,092	2.20%
7	MR GREGORY PETER WILSON	16,200,000	1.85%
8	CONNEXION TELEMATICS LTD	16,030,205	1.83%
9	DR DAVID GEORGE M WELSH	14,000,000	1.60%
10	SECOND LAGOON PTY LTD	13,000,000	1.49%
11	MR TAN CHING KHOON	12,198,517	1.39%
12	KASSETT PTY LTD	12,000,000	1.37%
13	MR DANIEL KING SENG CHAN	11,103,625	1.27%
14	H&G HIGH CONVICTION LIMITED	10,094,950	1.15%
15	MRS STELLA EMILY DOWNEY	10,000,000	1.14%
16	MR MARTIN DOWLING	9,871,380	1.13%
17	PMDD SUPER PTY LTD	9,321,500	1.07%
18	MR ROBERT GALBRAITH	9,300,000	1.06%
19	MR MICHAEL ANTHONY SMITH	8,102,347	0.93%
20	INTERNATIONAL MINING SERVICES LIMITED	7,660,000	0.88%
	Total Securities of Top 20 Holdings	351,174,629	40.14%
	Total of Securities	**874,817,871**	

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	4,825
1,001 to 5,000	32,764
5,001 to 10,000	41,441
10,001 to 100,000	24,693,172
100,001 and over	850,045,669
	874,817,871
Holding less than a marketable parcel	88

Substantial holders

The following two shareholders are considered substantial holders in the Company based on their holding and interest in other holdings.

Holder	Shares	% IC
Graham Newman Pty Ltd & Associates	72,000,000	8.23%
Mr Vaughan Thales Kent	55,000,000	6.29%

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.