

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 2023
 Previous period: For the year ended 30 June 2022

For and on behalf of the Directors



Aaryn Nania
Managing Director
 Dated: 17 August 2023

2. Results for announcement to the market

		%		2023 US\$
2.1 Revenues from ordinary activities	Increase of	74%	to	6,629,284
2.2 Other income	Increase of	2,050%	to	549,364
2.3 Profit from ordinary activities after tax attributable to the members of Connexion Telematics Ltd	Increase of	1,114%	to	1,762,912
2.4 Profit for the year attributable to the members of Connexion Telematics Ltd	Increase of	1,114%	to	1,762,912

3. Net tangible assets per ordinary security

	Reporting Period (Cents)	Previous Period (Cents)
Net tangible assets per ordinary security	<u>0.55</u>	<u>0.39</u>

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:

Entity name	Country of incorporation	Ownership interest	
		2023 %	2022 %
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 2023. The Company received an unqualified audit report, as detailed in the Independent Auditors Report to Members contained within the Annual Report.

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Connexion Telematics Ltd

ABN 68 004 240 313

Annual Report

Year ended 30 June 2023

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Corporate Information

Directors

Robert Downey
Aaryn Nania
Greg Ross
Simon Scalzo

Company secretary

Elizabeth Spooner

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

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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 2023. 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 (<i>appointed 18 October 2016</i>) Reach Resources Ltd (<i>formerly Cervantes Corporation Ltd</i>) (<i>appointed 20 December 2021</i>) Askari Metals Ltd (<i>appointed 20 November 2020</i>) Mt Malcom Mines NL (<i>appointed 9 December 2020</i>)
Interests in shares:	10,000,000 Fully Paid Ordinary Shares
Interests in performance rights:	Nil
Interests in Loan Funded Share Plan:	Nil
Name:	Aaryn Nania
Title:	Managing Director & Chief Executive Officer
Experience and expertise:	Prior to joining Connexion as Managing Director, Mr Nania was co-founder of Lucerne Investment Partners, and remains 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 (<i>appointed 28 August 2019 - resigned 2 September 2020</i>)
Interests in shares:	28,500,000 Fully Paid Ordinary Shares
Interests in performance rights:	Nil
Interests in Loan Funded Share Plan:	20,612,180

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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 years¹: Nil
 Interests in shares: 2,704,600 Fully Paid Ordinary Shares
 Interests in performance rights: Nil
 Interests in Loan Funded Share Plan: 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, 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 years¹: Nil
 Interests in shares: 2,038,235 Fully Paid Ordinary Shares
 Interests in performance rights: Nil
 Interests in Loan Funded Share Plan: 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 Ben Stanyer resigned as Company Secretary effective 21 October 2022, but remains Chief Financial Officer. Ms Elizabeth Spooner was appointed as the Company Secretary on 21 October 2022. Ms Spooner is an admitted lawyer and Company Secretary who works at Automatic Group. Ms Spooner holds a Juris Doctor degree from the Australian National University, a Bachelor of Business Administration with Bachelor of Arts and a Graduate Diploma of Applied Corporate Governance from the Governance Institute.

Elizabeth Spooner is an experienced governance and compliance professional who works closely with a number of boards of both listed and unlisted public companies including 1st Group Limited (ASX: 1st), Beforepay Group Limited (ASX: B4P), BluGlass Limited (ASX: BLG), BPH Global Ltd (ASX: BP8), EDU Holdings Ltd (ASX: EDU), Tinybeans Group Ltd (ASX: TNY) and Mendonca Investors Limited.

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 delivery of SaaS to GM and its US dealerships, Connexion invested significantly in its Team and Product throughout FY23 in accordance with its corporate strategy presented to Shareholders at the most recent AGM in November 2022. 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 can be described 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".

Directors' Report *(continued)***Review of operations** *(continued)***Strategy** *(continued)*

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.

The ongoing delivery of the Connexion platform to franchise dealers underpins Connexion's sales strategy, further growing Economic Value.

The impending launch in FY24 of Connexion's Marketplace, populated by Commercial Partnerships, will be key to commercialising Connexion's Strategic Value. Connexion is in the early stages of commercialising partnerships with complementary automotive software vendors, notably providers of solutions for DMS, toll management, shuttle management and privacy management. There is no guarantee that any level of success will be achieved, although the observed opportunity set amongst automotive software vendors in general is large.

Operations

The Team performed strongly throughout FY23, achieving much with modest staffing resourcing. Notable achievements include but are not limited to:

- Significant team expansion with minimal productivity disruption
- Navigating the global challenges of severe wage inflation ahead of budget, and with zero staff turnover
- Significant feature enhancements to both core platforms
- Identification, scoping and development commencement of new products
- A significant contract expansion with GM's CTP team, including operational execution thereof
- Progress expanding elsewhere within the GM ecosystem
- Onboarding Connexion's first non-GM dealership customers, albeit well below internal targets
- Further 3rd party software vendor API work
- Increased direct-to-dealership outreach and engagement
- Achieving multiple record quarterly gross and net profit results
- Executing meaningful share buybacks at attractive prices

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 FY23 Quarterly Updates.

Capital Allocation

Long-term Shareholder value is a function of:

1. Operational performance
2. Capital allocation

Directors' Report *(continued)***Review of operations** *(continued)***Capital Allocation** *(continued)*

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 “VC-styled” technology companies with a tendency to overweight narrative-validating metrics over more traditional capital allocation sense-checks.

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.

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 FY23:

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 continued to execute its Listed Equity Strategy, comprising a Loan Funded Share Plan (“LFSP”) and an On-market Share Buyback (“Buyback”).

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 a core driver of value. Employee loyalty is a challenge within the software industry, and the LFSP is just one within a suite of initiatives employed to combat this. Connexion experienced zero voluntary staff turnover during FY23.

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Directors' Report *(continued)***Review of operations** *(continued)***Capital Allocation** *(continued)**Listed Equity Strategy (continued)*

The Buybacks are intended to first offset any resulting dilution from the LFSP at a sensible price, and then further 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 released on 8th June 2022 and the June 2022 Quarterly Update.

Financial Performance

Connexion's financial performance in FY23 was driven by the following key trends:

1. Revenue growth from larger 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

Taking the above into account, Connexion delivered improved profitability throughout FY23, with a Net Profit Before Tax of \$2,596,220, versus a Net Profit Before Tax of \$410,017 for FY22.

Total revenues from ordinary activities for the financial year were \$6,629,284, a 74% increase in revenue reported for the year ended 30 June 2022 of \$3,810,852. Consolidated net assets have increased from \$5,264,188 as at 30 June 2023 to \$3,915,266 as at 30 June 2022.

Gross Profit in FY23 of \$5,349,640, being a 98% increase on the prior year's Gross Profit of \$2,706,421. This can primarily be attributed to the key trends listed above. Other income totals \$549,364 for the financial year, an increase of 2,050%, due to an R&D Tax incentive refund and the realised gain on the investment in financial assets, details can be found in note 11. Corporate and administrative expenses total \$1,425,128 for the financial year, an increase of 32%. Sales and marketing expenses total \$696,704 for the financial year, an increase of 73%. Research and development expenses total \$1,143,293 for the financial year, an increase of 58%. 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 \$190,428 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".

Directors' Report *(continued)***Review of operations** *(continued)***Financial Performance** *(continued)*

Consistent with the prior period, the Company minimised the extent to which volatility in the AUD/USD impacted 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. Maintaining the presentational currency of the Company as 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, complexity and execution risk 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 relating to an R&D tax incentive. Due to the Group's current year accounting profit as at 30 June 2023, the carried forward tax losses portion of the Deferred Tax Asset has been fully utilised, and there is now an income tax expense and income tax liability as at 30 June 2023. The minor balance of Deferred Tax Asset in the balance sheet relates to taxable timing differences between assets and liabilities.

Business Risk

Connexion relies on one major customer, which represents approximately 99% of the Company's total revenue for the year ended 30 June 2023. A loss of, or significant reduction from this customer would have a material adverse effect on the Company's financial condition, results of operations, and cash flows.

This concentration of business with a single customer exposes the Company to significant risks. Economic, business, regulatory, or other factors affecting this customer could have a direct impact on the Company's revenue and profitability. Furthermore, any disagreements or difficulties in our relationship with this customer, a change in the customer's business focus, financial condition, or a decision by this customer to reduce or terminate its relationship with the Company, could significantly reduce our revenue.

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 carefully 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 first 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.

Dividends

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

Directors' Report (continued)**Significant events after balance date**

Other than matters already disclosed elsewhere in this Report, no matter or circumstance has arisen since 30 June 2023 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	7	7
Aaryn Nania	7	7
Greg Ross	7	7
Simon Scalzo	7	7

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

2023	Fully paid ordinary	Performance rights	Loan Funded Share Plan
	shares Number		
Robert Downey	10,000,000	-	-
Aaryn Nania	28,500,000	-	20,612,180
Greg Ross	2,704,600	-	-
Simon Scalzo	2,038,235	-	-

2022	Fully paid ordinary	Performance rights	Loan Funded Share Plan
	shares 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.

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.

Directors' Report (continued)

Unissued shares under option

As at the date of this report there are 28,277,657 unissued ordinary shares of the Company under option pursuant to the US Equity Option Plan. Further details can be found in note 16 to the Financial Statements.

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 2023 and is included on pages 13 to 19.

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.

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 20 and forms part of this Directors' report for the year ended 30 June 2023.

Directors' Report *(continued)***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 three of four vesting conditions met for year 2 being during the year ended 30 June 2023. The amount of performance rights eligible to Key Management Personnel and staff for year 2 totalled 11,525,000. During the year, of the year 2 total, 7,025,000 performance right shares were exercised, with the remaining 4,500,000 exercisable as at 30 June 2023. During the year, combining year 1 and year two, 14,325,000 performance right shares were exercised.

Employee Share Scheme

The Company established an Employee Share Scheme ("ESS"), detailed in note 16 to the financial statements, which was approved by shareholders at the Company's AGM, held on 17 November 2022. This ESS includes a Loan Funded Share Plan for Australian based participants and the US Equity Option Plan for participants based in the USA. During the period to 30 June 2023 119,133,454 loan shares were issued to Key Management Personnel and staff pursuant to the Loan Funded Share Plan (LFSP) and none exercised under the US Equity Option Plan. No shares have vested to date under this ESS under both schemes.

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 2023 is dated as at 17 August 2023 and was approved by the Board on the same day. The Corporate Governance Statement was announced by the Company on 17 August 2023 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, 17 August 2023

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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 via the Loan Funded Shares scheme. 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. A cash bonus of U\$123,750 was paid at the discretion of the Board during the period ending 30 June 2023.

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 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Revenue US\$	2,542,765	5,494,018	4,420,883	3,810,852	6,629,284
Profit after tax US\$	333,317	2,161,374	510,118	145,156	1,762,912
EPS US\$	0.04	0.25	0.06	0.02	0.19
Share Price A\$	0.013	0.015	0.015	0.010	0.020

Remuneration Report (continued)

Voting and comments made at the Company's 2022 Annual General Meeting ('AGM')

At the 2022 AGM, 96.92% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

2023	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total US\$
	Cash salary and fees US\$	Cash bonus US\$	Non-monetary US\$	Super-annuation US\$	Long service leave US\$	Equity-settled US\$	
<i>Non-Executive Directors:</i>							
Robert Downey	24,472	-	-	2,570	-	-	27,042
Greg Ross ¹	28,000	-	-	-	-	-	28,000
Simon Scalzo ¹	28,000	-	-	-	-	-	28,000
<i>Executive Directors and other KMP:</i>							
Aaryn Nania	129,124	23,963	-	16,654	1,289	67,268	238,297
Ben Stanyer	122,609	-	-	12,238	1,212	24,012	160,071
Total	332,205	23,963	-	31,462	2,501	91,280	481,410

¹ Mr Ross and Mr Scalzo are contracted Non-Executive Directors and are not entitled to Superannuation.

2022	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total US\$
	Cash salary and fees US\$	Cash bonus US\$	Non-monetary US\$	Super-annuation US\$	Long service leave US\$	Equity-settled US\$	
<i>Non-Executive Directors:</i>							
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
<i>Executive Directors and other KMP:</i>							
Aaryn Nania	153,692	-	-	14,443	550	58,931	227,616
Ben Stanyer	50,448	-	-	4,661	358	-	55,467
Total	282,891	-	-	22,179	908	58,931	364,909

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Remuneration Report (continued)**Details of remuneration (continued)**

The proportion of remuneration linked to performance and the fixed proportion are as follows:

2023	Fixed remuneration		At risk – STI		At risk - LTI	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<i>Non-Executive Directors:</i>						
Robert Downey	100%	100%	-	-	-	-
Greg Ross ¹	100%	100%	-	-	-	-
Simon Scalzo ¹	100%	100%	-	-	-	-
<i>Executive Directors and other KMP:</i>						
Aaryn Nania	72%	74%	18%	26%	10%	-
Ben Stanyer	85%	100%	-	-	15%	-

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. Mr Nania's employment contract is Full-Time with a three month notice period.

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. Mr Stanyer resigned as Company Secretary effective 21 October 2022, but remains Chief Financial Officer. Mr Stanyer's employment contract is Full-Time with a three month notice period.

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

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 ²	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 were exercised in the year ending 30 June 2023.

² The Performance Rights Plan had a maximum 8,000,000 ordinary shares on issue. Three of the four vesting conditions below were met, resulting in only 6,000,000 ordinary shares available. All 6,000,000 were exercised in the year ending 30 June 2023.

Remuneration Report (continued)**Service agreements (continued)**

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.

No other Key Management Personnel have been granted Performance Rights.

Employee Share Scheme

At the 2022 Annual General Meeting (AGM), shareholders approved the establishment of an Employee Share Scheme, specifically a Loan Funded Share Plan. This plan provides employees with the opportunity to receive shares and a corresponding loan to fund the acquisition of those shares. These shares are considered to meet the definition of AASB 2 Share Based Payments and have been measured and recognised during the year to 30 June 2023.

Mr. Nania and Mr. Stanyer were among the participants in the Loan Funded Share Plan, with their participation separately approved by shareholders at the 2022 AGM.

Under the Plan, Mr. Nania was issued 20,612,180 fully paid ordinary shares, financed by a loan of A\$200,000. Similarly, Mr. Stanyer received 17,801,400 fully paid ordinary shares, backed by a loan of A\$172,727.

These loans, provided for the express purpose of acquiring shares under the Loan Funded Share Plan, were subject to several key terms and conditions, as outlined below:

- i. The loans are non-recourse, meaning they are secured solely by the shares issued under the Plan;
- ii. The loans are interest-free, providing Mr. Nania and Mr. Stanyer with a cost-effective means of participating in the Plan;
- iii. The loans have a term of five years from the date of issue of the shares, subject to earlier repayment in line with the terms of the Loan Funded Share Plan.

The implementation of this Plan illustrates our commitment to aligning the interests of our key management personnel with those of our shareholders, ensuring that their efforts contribute directly to enhancing shareholder value. We believe that this structure not only benefits our employees but also our shareholders, creating a clear link between remuneration and company performance.

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Remuneration Report (continued)**Employee Share Scheme (continued)**

The terms and conditions of the loan funded shares affecting remuneration of key management personnel in this financial year or future reporting years are as follows:

	Number of loan funded shares issued	Issue price AUD\$	Issue date	Vesting date and exercisable date	Expiry date	Fair value per share at issue date AUD\$
<i>KMP</i>						
Aaryn Nania	20,612,180	0.009703	18 November 2022	7 July 2027	7 July 2028	0.008940
Ben Stanyer	17,801,400	0.009703	7 July 2022	7 July 2027	7 July 2028	0.010018

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 2023.

Options

There were no options issued, held or vested by Directors or Key Management Personnel during the year ended 30 June 2023.

Performance Rights

Details of Performance Rights issued to Directors or Key Management Personnel during the year ended 30 June 2023 and 30 June 2022 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:

2023	Balance at 1 July 2022	Received as part of remuneration	Exercise of performance rights	Additions	Disposal as a result of resignation	Other Disposals	Balance as at 30 June 2023
<i>Directors</i>							
Robert Downey	10,000,000	-	-	-	-	-	10,000,000
Aaryn Nania	10,000,000	20,612,180	10,000,000	8,500,000	-	-	49,112,180
Greg Ross	-	-	-	2,704,600	-	-	2,704,600
Simon Scalzo	1,038,235	-	-	1,000,000	-	-	2,038,235
<i>Other KMP</i>							
Ben Stanyer	-	17,801,400	-	2,290,000	-	-	20,091,400
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
<i>Directors</i>							
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	-	-
<i>Other KMP</i>							
Ben Stanyer	-	-	-	-	-	-	-

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:

2023	Balance at 1 July 2022	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 2023
<i>Directors</i>							
Robert Downey	-	-	-	-	-	-	-
Aaryn Nania	4,000,000	-	(10,000,000)	8,000,000	-	(2,000,000)	-
Greg Ross	-	-	-	-	-	-	-
Simon Scalzo	-	-	-	-	-	-	-
<i>Other KMP</i>							
Ben Stanyer	-	-	-	-	-	-	-
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
<i>Directors</i>							
Robert Downey	-	-	-	-	-	-	-
Aaryn Nania	-	-	-	8,000,000	-	(4,000,000)	4,000,000
Greg Ross	-	-	-	-	-	-	-
Simon Scalzo	-	-	-	-	-	-	-
Peter Torre	-	-	-	-	-	-	-
<i>Other KMP</i>							
Ben Stanyer	-	-	-	-	-	-	-

This concludes the Remuneration Report, which has been audited.

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 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.

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William Buck

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



R. P. Burt

Director

Melbourne, 17 August 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2023

	Note	Consolidated 2023 US\$	2022 US\$
Revenue	4	6,629,284	3,810,852
Cost of Sales		(1,279,644)	(1,104,431)
Gross Profit		5,349,640	2,706,421
Other income	4	549,364	25,554
Expenses			
Research and development expenses		(1,143,293)	(723,502)
Sales and marketing expenses		(696,704)	(402,299)
Corporate and administrative expenses		(1,425,128)	(1,080,538)
Depreciation and amortisation expenses		(37,659)	(115,619)
Profit before income tax		2,596,220	410,017
Income tax expense	6	(833,308)	(264,861)
Profit after income tax for the year attributable to the owners of Connexion Telematics Ltd		1,762,912	145,156
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(190,428)	(237,199)
Total comprehensive income attributable to the owners of Connexion Telematics Ltd		1,572,484	(92,043)
		Cents	Cents
Basic earnings per share	8	0.19	0.02
Diluted earnings per share	8	0.18	0.02

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 2023

	Note	Consolidated 2023 US\$	2022 US\$
Assets			
Current assets			
Cash and cash equivalents	9	641,843	1,178,098
Trade and other receivables	10	2,634,549	963,681
Financial assets at fair value through profit or loss	11	2,811,183	1,493,754
Total current assets		6,087,575	3,635,533
Non-current assets			
Plant and equipment		1,092	3,990
Capitalised development costs	12	31,649	68,661
Deferred tax asset	6	46,015	439,597
Total non-current assets		78,756	512,248
Total assets		6,166,331	4,147,781
Liabilities			
Current liabilities			
Trade and other payables	13	310,962	122,711
Current Tax Liability	6	433,451	-
Employee benefits		143,337	88,387
Total current liabilities		887,750	211,098
Non-current liabilities			
Employee benefits		14,393	21,417
Total non-current liabilities		14,393	21,417
Total liabilities		902,143	232,515
Net assets		5,264,188	3,915,266
Equity			
Issued capital	14	11,202,610	11,526,721
Reserves	15	(153,847)	(51,861)
Accumulated losses		(5,784,575)	(7,559,594)
Total equity		5,264,188	3,915,266

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 2023**

	Issued Capital US\$	Share based payment reserve US\$	Loan Funded Share Plan Reserve US\$	Consolidated Foreign currency translation reserve US\$	Accumulated losses US\$	Total equity US\$
Balance as at 1 July 2022	11,526,721	245,338	-	(297,199)	(7,559,594)	3,915,266
Profit for the year	-	-	-	-	1,762,912	1,762,912
Other comprehensive loss for the year, net of income tax	-	-	-	(190,428)	-	(190,428)
Total comprehensive loss for the year	-	-	-	(190,428)	1,762,912	1,572,484
Share based payments	-	82,663	159,079	-	-	241,742
Lapse of performance rights	-	(12,107)	-	-	12,107	-
Exercise of performance rights	141,193	(141,193)	-	-	-	-
On-market Share Buyback	(465,304)	-	-	-	-	(465,304)
Foreign Exchange translation cost	-	(11,594)	(988)	12,582	-	-
Balance as at 30 June 2023	11,202,610	163,107	158,091	(475,045)	(5,784,575)	5,264,188

	Issued Capital US\$	Share based payment reserve US\$	Loan Funded Share Plan 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 loss for the year	-	-	-	(237,199)	145,156	(92,043)
Share based payments	-	186,768	-	-	-	186,768
Lapse of performance rights	-	-	-	-	-	-
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

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 2023

	Note	Consolidated 2023 US\$	2022 US\$
Cash flows from operating activities			
Receipts from customers		5,407,622	4,049,818
Payments to suppliers and employees		(4,291,000)	(3,439,175)
Research & Development and other government incentives		24,489	88,746
Interest received		50	74
Income tax paid		(2,874)	-
Net cash inflow from operating activities	9	<u>1,138,287</u>	<u>699,463</u>
Cash flows from investing activities			
Payments for plant and equipment		-	-
Payments for investment portfolio		(1,169,039)	(1,636,040)
Net cash outflow from investing activities		<u>(1,169,039)</u>	<u>(1,636,040)</u>
Cash flows from financing activities			
Proceeds from issues of shares, net of costs		-	-
Payments for Share Buyback		(467,875)	(69,147)
Net cash inflow from financing activities		<u>(467,875)</u>	<u>(69,147)</u>
Net increase in cash and cash equivalents		(498,627)	(1,005,724)
Cash and cash equivalents at the beginning of the financial year		1,178,098	2,330,463
Effect of exchange rates on cash and cash equivalents		(37,628)	(146,641)
Cash and cash equivalents at the end of the financial year	9	<u>641,843</u>	<u>1,178,098</u>

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 Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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 during the year were the development and commercialisation of its fleet management software for the automotive industry. Its registered office and principal place of business is:

Level 3, 162 Collins Street
Melbourne
Victoria, 3000
Australia

The accounting policies applied by the Group 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 17 August 2023.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June 2023.

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.

The Company has progressed in securing its position in the US market with majority of revenue received in US Dollars. On this basis, the parent entity and all the subsidiaries have changed their presentation currency from Australian Dollars to US Dollars, effective 1 July 2020.

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation to presentation currency

The assets and liabilities of entities with a functional currency different to presentation currency are translated into US Dollars using the exchange rates at the reporting date. The revenues and expenses of these entities are translated into US Dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the entity or net investment is disposed of.

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 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 asset's 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) 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.

(j) 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. There has been no development costs capitalised during the financial year.

Impairment of non-financial assets

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

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

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

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(k) Investments and other financial assets

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

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

Financial assets at fair value through profit or loss

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

(l) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(m) Trade and other payables

Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

Employee leave benefits

Wages, salaries, annual leave and sick leave Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

(m) Trade and other payables *(continued)*

Employee leave benefits (continued)

Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

(n) Borrowings

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

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

(o) Finance costs

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

(p) Share-based payments

Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). There are currently three plans in place to provide these benefits, being the Performance Rights Plan ('PRP') and Employee Share Scheme ('ESS'), which comprises of a Loan Funded Share Plan and US Equity Option Plan. These plans in place provide benefits to Employees, 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 Hybrid model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of profit or loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

Notes to the Financial Statements

Note 2: Significant accounting policies *(continued)*

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification. If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(q) Parent entity disclosures

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

(r) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 3: Significant accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Capitalisation of internally developed software

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Hybrid model, using the assumptions detailed in Note 16.

Notes to the Financial Statements

Note 4: Revenue and other income

	Consolidated	
	2023	2022
	US\$	US\$
Revenue		
Revenue from contracts with customers	6,629,284	3,810,852
Other income		
Interest income	50	74
Governments grants – R&D refund	357,345	64,723
Government incentive – EMDG	24,489	24,023
Realised gain/(loss) on investment portfolio	63,709	(91,828)
Income net of taxes and fees on investment portfolio	103,771	28,562
	549,364	25,554

Note 5: Expenses

Expenses include the following specific expenses:

	Consolidated	
	2023	2022
	US\$	US\$
Wages and salaries	1,180,458	1,026,396
Share based payments expense – performance rights	82,663	199,546
Loan Funded Share Plan expense	159,079	-
Superannuation expense	125,200	102,026

Note 6: Income tax expense

	Consolidated	
	2023	2022
	US\$	US\$
(a) Income tax expense		
Current tax expense – Australia	827,033	261,987
Current tax expense – United States	6,275	2,874
Current tax expense	833,308	264,861

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

Profit from continuing operations before income tax	2,596,220	410,017
Tax at the Australian tax rate of 25% (2022: 25%)	649,055	102,504
Non-deductible expenses	57,409	49,887
R&D refundable rebate	(89,336)	(16,181)
Non-assessable income	-	-
Initial recognition of previously unrecognised deferred tax assets	(12,635)	-
Other deferred tax assets and tax liabilities not recognised	-	36,016
Tax expenditure of subsidiaries operating in different jurisdictions	6,275	3,730
Differences in tax rates of subsidiaries operating in different jurisdictions	-	(2,450)
Adjustments recognised in the current year in relation to the current tax of prior years	222,540	91,355
Current tax expense	833,308	264,861

Notes to the Financial Statements

Note 6: Income tax expense (continued)

	Consolidated	
	2023	2022
	US\$	US\$
(c) Tax losses		
Tax losses for which a deferred tax asset has been recognised	-	1,758,386
Tax benefit at 25% (2022: 25%)	-	439,597
(d) Deferred tax asset		
Deferred tax asset	46,015	439,597
(e) Current tax liability		
Current tax liability	433,451	-

The deferred tax asset comprises of taxable timing differences of assets and liabilities.

Note 7: Segment reporting

Identification of reportable operating segments

During the year ended 30 June 2023 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 2023 99% of sales revenue was from one customer located in the USA (2022: 100% revenue from one customer). All revenue is recorded over time for rendering of services.

Note 8: Earnings per share

Basic and diluted earnings per share

	Consolidated	
	2023	2022
From continuing operations		
• Basic earnings per share (cents per share)	0.19	0.02
• Diluted earnings per share (cents per share)	0.18	0.02

Earnings

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

	Consolidated	
	2023	2022
	US\$	US\$
Earnings from continued operations used in the calculation of basic earnings per share	1,762,912	145,156

Notes to the Financial Statements

Note 8: Earnings per share (continued)

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 2023 Number	2022 Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	919,251,768	880,485,164
Shares deemed to be issued for no consideration in respect of: <ul style="list-style-type: none"> • Performance shares (including US options plan) 	43,252,862	43,945,972
Weighted average number of ordinary shares for the purpose of diluted earnings per share	962,504,631	924,431,139

Note 9: Cash and cash equivalents

	Consolidated 2023 US\$	2022 US\$
Cash at bank and on hand	641,843	1,178,098

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.

Notes to the Financial Statements

Note 9: Cash and cash equivalents (continued)

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

	Consolidated	
	2023	2022
	US\$	US\$
Profit after income tax expense for the year	1,762,912	145,156
Non cash foreign exchange movement	(128,888)	(17,829)
Equity settled share-based payment	241,742	199,546
Depreciation and amortisation	37,659	115,619
Investment portfolio movement	(167,480)	63,266
Inventory write-off	-	2,915
<i>(Increase) / decrease in assets:</i>		
Trade and other receivables	(1,670,868)	105,462
Deferred tax asset	393,582	261,131
<i>Increase / (decrease) in liabilities:</i>		
Trade and other payables	188,251	(202,123)
Employee benefits	47,926	26,320
Tax Provisions	433,451	-
Net cash from operating activities	1,138,287	699,463

Note 10: Trade and other receivables

	Consolidated	
	2023	2022
	US\$	US\$
Trade receivables	2,572,946	918,050
Less: allowance for credit losses	-	-
	2,572,946	918,050
Other receivables	61,603	45,631
	2,634,549	963,681

- (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.

Notes to the Financial Statements

Note 10: Trade and other receivables (continued)

Aged receivables

The aging of trade receivables as at 30 June 2023 and 30 June 2022 is detailed in the table below:

	Consolidated	
	2023	2022
	US\$	US\$
Current	1,090,805	308,703
1 month	736,138	322,138
2 months	746,003	287,209
3 months	-	-
Older	-	-
	<u>2,572,946</u>	<u>918,050</u>

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

	2023	2022
	US\$	US\$
<i>Current Assets</i>		
Investment in financial assets	<u>2,811,183</u>	<u>1,493,754</u>

Reconciliation

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

Opening Fair value	1,493,754	-
Net additions	1,169,039	1,636,040
Net disposals	-	-
Revaluation taken to profit or loss	167,480	(142,286)
Net exchange difference on translation	(19,090)	-
Closing fair value	<u>2,811,183</u>	<u>1,493,754</u>

The revaluation taken to profit or loss number above of \$167,480 is comprised of \$63,709 realised gain of investments and \$103,771 of income net of taxes and fees. Refer to note 18 for further information on fair value measurement.

Notes to the Financial Statements

Note 12: Capitalised development costs

Carrying value

	Consolidated	
	2023	2022
	US\$	US\$
Development asset – cost	500,938	519,762
Development asset – accumulated amortisation	(469,289)	(451,101)
Carrying value	31,649	68,661

Reconciliation

Cost

Opening balance as at 1 July	519,762	563,732
Additions	-	-
Removal of fully amortised Capital Development	-	-
Net exchange difference on translation	(18,824)	(43,970)
Closing balance as at 30 June	500,938	519,762

Amortisation

Opening balance as at 1 July	451,101	375,882
Amortisation charge	34,879	110,299
Removal of fully amortised Capital Development	-	-
Net exchange difference on translation	(16,691)	(35,080)
Closing balance as at 30 June	469,289	451,101

Carrying value

	31,649	68,661
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Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the assets; the Group 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. During the financial year, there were no development costs that were capitalised.

Note 13: Trade and other payables

	Consolidated	
	2023	2022
	US\$	US\$
Trade payables	187,006	58,586
Other payables	123,956	64,125
	310,962	122,711

- (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	
	2023	2022
	US\$	US\$
Ordinary shares issued and fully paid	11,202,610	11,595,868
Less: Treasury Shares	-	(69,147)
	<u>11,202,610</u>	<u>11,526,721</u>

Movement in ordinary shares on issue

Date	Detail	Number	Issue price (cents)	US\$
1 July 2021	Opening 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	483,334	0.011	5,378
30 June 2022	Closing balance	881,031,779		11,595,868
26 August 2022	Conversion of performance rights	3,000,000	0.010	31,068
4 November 2022	Conversion of performance rights	10,000,000	0.010	96,671
21 November 2022	Cancellation of ordinary shares	(40,124,817)	0.007	(264,508)
24 November 2022	Tranche A – Loan Shares	80,268,575	-	-
24 November 2022	Tranche B – Loan Shares	20,612,180	-	-
8 December 2022	Conversion of performance rights	750,000	0.010	7,612
23 December 2022	Cancellation of ordinary shares	(21,446,912)	0.007	(143,918)
30 December 2022	Tranche C – Loan Shares	9,475,248	-	-
1 March 2023	Conversion of performance rights	300,000	0.010	3,044
7 March 2023	Cancellation of ordinary shares	(29,160)	0.007	(192)
13 April 2023	Conversion of performance rights	275,000	0.010	2,798
15 May 2023	Cancellation of ordinary shares	(10,422,476)	0.012	(125,833)
16 June 2023	Tranche E – Loan Shares	8,777,451	-	-
30 June 2023	Closing balance	<u>942,466,868</u>		<u>11,202,610</u>

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Notes to the Financial Statements

Note 14: Issued capital (continued)

Movement in treasury shares on issue

Date	Detail	Number	Issue price (cents)	US\$
1 July 2021	Opening 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)
July 2022	Purchase of shares through Treasury Reserve	(10,000,000)	0.007	(67,894)
August 2022	Purchase of shares through Unmarketable Parcel buyback	(6,213,909)	0.007	(43,697)
October 2022	Purchase of shares through Treasury Reserve	(20,000,000)	0.006	(127,709)
November 2022	Purchase of shares through Treasury Reserve	(10,000,000)	0.007	(66,802)
November 2022	Cancellation of ordinary shares	40,124,817	0.007	264,508
December 2022	Purchase of shares through Treasury Reserve	(10,000,000)	0.007	(67,178)
December 2022	Cancellation of ordinary shares	21,446,912	0.007	143,918
March 2022	Cancellation of ordinary shares	29,160	0.007	192
April 2022	Purchase of shares through Treasury Reserve	(5,809,456)	0.016	(94,595)
May 2022	Cancellation of ordinary shares	10,422,476	0.012	125,833
June 2022	Net exchange difference on translation	-		2,571
30 June 2023	Closing balance	-		-

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.

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.

Notes to the Financial Statements

Note 15: Reserves

Nature and purpose of reserves

Share-based payments reserve

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

Foreign currency translation reserve

The foreign currency translation reserve is used to record the exchange differences arising from the translation of entities 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 2021	Opening 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	(483,334)	0.011	(5,378)
30 June 2022	Vesting charge of performance rights	-		212,403
30 June 2022	Closing balance	38,033,334		245,338
26 August 2022	Conversion of performance rights	(3,000,000)	0.010	(31,068)
4 November 2022	Conversion of performance rights	(10,000,000)	0.010	(96,671)
21 February 2022	Forfeiture of performance rights	(3,841,667)		(12,107)
8 December 2022	Conversion of performance rights	(750,000)	0.010	(7,612)
1 March 2023	Conversion of performance rights	(300,000)	0.010	(3,044)
13 April 2023	Conversion of performance rights	(275,000)	0.010	(2,798)
30 June 2023	Vesting charge of performance rights	-		71,069
30 June 2023	Closing balance	19,866,667		163,107

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 2023 financial year.

As approved by shareholders, the Company has issued 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).

Notes to the Financial Statements

Note 16: Share-based payment plans (continued)

Performance Rights Plan ("PRP") (continued)

AASB 2 – *Share based payments* requires the Company to estimate the expected fair value of the performance rights on issue date 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 ³

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. All 8,166,667 performance rights have been converted to ordinary shares by 30 June 2023.

² The Performance Rights Plan had a maximum 15,366,666 ordinary shares on issue, a decrease of 966,667 due to staff resignations. Three of the four vesting conditions below were met, resulting in only 11,525,000 ordinary shares available. 7,025,000 performance rights were converted to ordinary shares, while 4,500,000 remain exercisable as at 30 June 2023.

³ The maximum Performance Rights Plan for 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 2023, vesting conditions i, ii, and iii. were met for year two and the performance rights had vested. The performance rights which were converted are detailed above in note 14, with 4,500,000 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 16: Share-based payment plans (continued)

Employee Share Scheme ("ESS")

The Company established an ESS, which was approved by shareholders at the Company's AGM, held on 17 November 2022. This ESS includes a Loan Funded Share Plan for Australian based participants (see (a) below) and the US Equity Option Plan for participants based in the USA (see (b) below).

(a) Movement in Loan Funded Share Plan shares

During the period 119,133,454 loan shares were issued to one executive and staff pursuant to the Loan Funded Share Plan (LFSP). The loan shares have been valued by an independent expert as of issue date and have vesting criteria based on achieving employment service periods. Details are as follows:

Date	Detail	Number	Fair value per share at issue date AUD\$	2023 US\$
1 July 2022	Opening balance	-		-
7 July 2022	Tranche A – Loan Shares	80,268,575	0.010018	101,494
18 November 2022	Tranche B – Loan Shares	20,612,180	0.008940	24,561
18 November 2022	Tranche C – Loan Shares	9,475,248	0.009028	7,601
18 November 2022	Tranche D – Option Shares	28,277,657	0.009028	22,684
16 June 2023	Tranche E – Loan Shares	8,777,451	0.017963	1,751
30 June 2023	Closing balance	147,411,111		158,091

Tranche	Number of loan shares	Service based vesting conditions	Fair value per share at issue date AUD\$	Total fair value at vesting date AUD\$
Tranche A	80,268,575	Vesting on 7 July 2027	0.010018	804,130
Tranche B	20,612,180	Vesting on 7 July 2027	0.008940	184,273
Tranche C	9,475,248	Vesting on 18 November 2027	0.009028	85,543
Tranche E	8,777,451	Vesting 16 June 2028	0.017963	157,669
Total	110,356,003			1,231,615

(b) Movement in US Equity Option Plan options

During the period 28,277,657 option shares were issued to staff pursuant to the US Equity Option Plan. This plan is only offered to USA based staff, as they are ineligible for the LFSP. The shares have been valued by an independent expert as of issue date and have vesting criteria based on achieving employment service periods. Details are as follows.

Notes to the Financial Statements

Note 16: Share-based payment plans (continued)

Movement in options (continued)

Tranche	Number of option shares	Service based vesting conditions	Fair value per share at issue date AUD\$	Total fair value at vesting date AUD\$
Tranche D	28,277,657	<u>Vesting on 18 November 2027</u>	0.009028	<u>255,291</u>
Total	28,277,657			255,291

Expenses arising from share-based payments

Net charges arising from share-based payment transactions recognised during the period were US\$241,742 (2022: US\$186,768). The expenses were comprised of US\$82,633 for PRP and US\$159,079 for LFSP and the US Equity Options Plan.

The valuation model inputs used by the independent valuer were as follows:

Tranche	Grant Date	Option Expiry Date	Share price at grant date (cents) AUD\$	Exercise price	Marketability discount	Expected Volatility	Risk-free interest rate
Tranche A	07/07/2022	07/07/2028	0.011	0.009703	0.00%	132.41%	3.19%
Tranche B	18/11/2022	07/07/2028	0.010	0.009703	0.00%	131.48%	3.43%
Tranche C	18/11/2022	18/11/2028	0.010	0.0101	0.00%	131.48%	3.43%
Tranche D	18/11/2022	18/11/2028	0.010	0.0101	0.00%	131.48%	3.43%
Tranche E	16/06/2023	16/06/2029	0.010	0.020336	0.00%	129.12%	3.94%

The independent valuer assumed the dividend yield to be nil, due to no history of dividends paid to shareholders.

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.

Notes to the Financial Statements

Note 17: Financial instruments (continued)

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 \$473,161.

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

2023	AUD	USD	CAD	Total
	US\$	US\$	US\$	
Cash and cash equivalents	544,841	66,303	30,699	641,843
Trade and other receivables	2,634,549	-	-	2,634,549
Trade and other payables	(296,310)	(14,652)	-	(310,962)
Balance sheet exposure	<u>2,883,080</u>	<u>51,651</u>	<u>30,699</u>	<u>2,965,430</u>
2022	AUD	USD	CAD	Total
	US\$	US\$	US\$	
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	<u>1,940,639</u>	<u>45,063</u>	<u>33,366</u>	<u>2,019,068</u>

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

	Average rate		Year-end date spot rate	
	12 months ended	12 months ended	30 June	30 June
	30 June 2023	30 June 2022	2023	2022
AUD	1.4854	1.3789	1.5006	1.4462
CAD	1.3395	1.2659	1.3235	1.2872

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.

Notes to the Financial Statements

Note 17: Financial instruments (continued)

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.

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:

2023	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							
<i>Non-interest bearing</i>							
Trade and other payables	0%	310,962	-	-	-	-	310,962
Total non-derivatives		310,962	-	-	-	-	310,962
2022							
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							
<i>Non-interest bearing</i>							
Trade and other payables	0%	122,711	-	-	-	-	122,711
Total non-derivatives		122,711	-	-	-	-	122,711

Notes to the Financial Statements

Note 17: Financial instruments (continued)

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 2023 and 30 June 2022:

	Consolidated	
	2023	2022
	US\$	US\$
Assets		
Cash and cash equivalents	641,843	1,178,098
Trade and other receivables	2,634,549	963,681
Investments	2,811,183	1,493,754
Total assets	<u>6,087,575</u>	<u>3,635,533</u>
Liabilities		
Trade and other payables	310,962	122,711
Total liabilities	<u>310,962</u>	<u>122,711</u>

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.

Notes to the Financial Statements

Note 18: Fair value measurement (continued)

Fair value hierarchy (continued)

Consolidated – 30 June 2023

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Listed ordinary shares	2,811,183	-	-	2,811,183
Unlisted ordinary shares	-	-	-	-
Total assets	2,811,183	-	-	2,811,183

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

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 2023 (2022: nil).

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

Notes to the Financial Statements

Note 20: Related party disclosure (continued)

Transactions with KMP

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

	Consolidated	
	2023	2022
	US\$	US\$
Short-term employee benefits	356,167	282,891
Post-employment benefits	31,462	22,179
Long-term benefits	2,501	908
Share-based payments	91,280	58,931
	481,410	364,909

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\$682 excluding GST (2022: \$399 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:

Entity name	Country of incorporation	Ownership interest	
		2023	2022
		%	%
Flexvs Pty Ltd	Australia	100	100
miRoamer Pty Ltd	Australia	100	100
Connexion Media Inc	United States of America	100	100
Connexion LLC	United States of America	100	100
1125816 B.C. Ltd	Canada	100	100
CXZ Mexico	Mexico	100	100

Note 22: Parent entity disclosures

Statement of profit or loss and other comprehensive income

	Consolidated	
	2023	2022
	US\$	US\$
Profit for the year	3,185,411	1,060,973
Other comprehensive income	(190,428)	(375,493)
Total comprehensive income	2,994,983	685,480

Notes to the Financial Statements

Note 22: Parent entity disclosures (continued)

Statement of financial position

	Consolidated	
	2023	2022
	US\$	US\$
Current assets	5,990,573	3,552,424
Non-current assets	1,529,222	1,221,672
Current liabilities	(439,647)	(206,418)
Non-current liabilities	(14,393)	(21,417)
Net assets	7,065,755	4,546,261
Equity		
Issued capital	11,202,610	11,595,868
Share-based payment reserve	163,107	245,338
Accumulated losses	(4,299,962)	(7,294,945)
Total equity	7,065,755	4,546,261

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 2023 and 30 June 2022.

Contingent liabilities of the parent entity

As at 30 June 2023 Connexion Telematics Ltd has no contingent liabilities (2022: 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	
	2023	2022
	US\$	US\$
<i>Audit services - William Buck</i>		
Audit or review of the financial statements	29,907	30,107
<i>Other services - William Buck</i>		
Other non-assurance services, including taxation	23,859	4,534
Total auditor's remuneration	53,766	34,641

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 Australian 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 2023 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, 17 August 2023

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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 at 30 June 2023, the consolidated statement of profit or loss and other 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 2023 and of its financial performance for the year ended on that date; 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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.

RECOGNITION OF REVENUE AND RECOGNITION OF RECEIVABLES

Area of focus

Refer also to note 4

The Company has service agreements with its customers. These service contracts have invoicing and payment milestones included within their terms, which may or may not be directly aligned with the performance of services under the contract in accordance with *AASB 15 Revenue from Contracts with Customers* ('AASB 15').

Revenue has significantly grown in the current financial year due to the increased volume of transactions with its key customer. The Company's revenue stream has a tailored revenue recognition model to account for revenue in accordance with AASB 15.

This area is a key audit matter as revenue requires:

- Applying judgement to when the performance milestone is achieved in respect of the contracted performance obligations;
- The significance of revenue to the Group's financial results; and
- Level of subjectivity involved in determining the satisfaction of the performance obligations over time or at a point in time.

How our audit addressed it

Our audit procedures included:

- Determining whether revenue recognised is in compliance with the Company's accounting policies for all material sources of revenue and is in accordance with AASB 15;
- Examining and verifying a sample of contract agreements for the achievement of performance milestones relevant to key customer contracts;
- Examining a sample of customer contracts to support the existence and completeness of revenue in the period recognised by agreeing to contract, invoices and subsequent receipts from customers
- Performing detailed cut-off testing to assess revenue transactions at the year-end had been recorded in the correct financial period; and
- Examining a sample of aged trade debtors for evidence of collectability and/or for disputes with the services provided.

We also assessed the appropriateness of financial statement disclosures at note 4 with respect to the requirements of AASB 15.

ACCOUNTING FOR SHARE BASED PAYMENT ARRANGEMENTS

Area of focus

Refer also to note 16

During the year, the Company issued loan funded shares and employee options to Key Management Personnel and employees.

The loan funded shares and employee share options were assessed by management to meet the definition of *AASB 2 Share Based Payments* and included non-market vesting criteria, including service (employment) conditions.

How our audit addressed it

Our audit procedures included:

- Assessing the nature of the loan funded share arrangements and employee share awards with respect to meeting the requirements of AASB 2;
- Agreeing the material terms and conditions of the new share-based payment arrangements to plan documentation;
- Assessing the appropriateness of the determination of the grant date for each share based payment issued;

ACCOUNTING FOR SHARE BASED PAYMENT ARRANGEMENTS

Area of focus Refer also to note 16	How our audit addressed it
<p>The valuation of loan funded shares and employee share options required significant judgement and expertise, particularly in determining the likelihood of achieving the non-market-based conditions and satisfying all vesting conditions.</p> <p>The Group engaged an independent specialist to appraise the fair value of the share-based payment arrangements and recognised the vesting charge apportioned over the service condition.</p> <p>This area was considered a Key Audit Matter due to the complexity of arrangements and judgements applied in valuing the share-based payment instruments issued.</p>	<ul style="list-style-type: none"> – Examining the appropriateness of the amortisation model for accreting share-based payment expense to the profit or loss over the vesting period; – Assessing support for likely outcome of vesting conditions used to measure share-based payments; and – Assessed the competence and qualification of management's independent specialist. <p>We also assessed the adequacy of financial statement disclosures in note 16 in relation to the loan funded share options in the Remuneration Report and notes to the financial report.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023 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 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 2023.

In our opinion, the Remuneration Report of Connexion Telematics Ltd, for the year ended 30 June 2023, 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



R. P. Burt

Director

Melbourne, 17 August 2023

Shareholder Information

The shareholder information set out below was applicable as at 11 August 2023.

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	H&G HIGH CONVICTION LIMITED	83,122,546	8.39%
2	SECOND LAGOON PTY LTD	57,112,180	5.77%
3	GRAHAM NEWMAN PTY LTD	47,000,000	4.74%
4	WESTFERRY OPERATIONS PTY LTD	42,312,136	4.27%
5	EMIRENE PTY LTD	39,709,625	4.01%
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	31,118,256	3.14%
7	ANTHONY VIGILETTI	28,277,657	2.85%
8	BNP PARIBAS NOMINEES PTY LTD	28,071,453	2.83%
9	MR NICHOLAS MICHAEL KEPHALA & MRS VIRGINIA LOUISE WALLACE	25,000,000	2.52%
10	BEN STANYER	20,091,400	2.03%
11	SPRING HARVEST PTE LTD	20,000,000	2.02%
12	MR ROBERT CAMERON GALBRAITH	16,455,057	1.66%
13	MR GREGORY PETER WILSON	16,200,000	1.64%
14	MR DOUG MCPHEE	14,159,700	1.43%
15	DR DAVID GEORGE M WELSH	14,000,000	1.41%
16	MR JIING KUEH	13,257,595	1.34%
17	MR TAN CHING KHOON	12,198,517	1.23%
18	KASSETT PTY LTD	12,000,000	1.21%
19	PMDD SUPER PTY LTD	11,321,500	1.14%
20	SHIH KANG THEN	11,254,250	1.14%
	Total Securities of Top 20 Holdings	542,661,872	54.78%
	Total of Securities	990,611,193	

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Shareholder Information (continued)**Distribution of equity securities**

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

	Number of holders of ordinary shares	Total units of ordinary shares	% Issued of Share Capital
1 to 1,000	32	5,801	>0.01%
1,001 to 5,000	13	32,764	>0.01%
5,001 to 10,000	8	60,658	0.01%
10,001 to 100,000	335	22,742,287	2.30%
100,001 and over	625	967,769,683	97.69%
	<u>1,013</u>	<u>990,611,193</u>	<u>100%</u>

Holding less than a marketable parcel

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Distribution of Option holders

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

	Number of holders of ordinary shares	Total units of ordinary shares	% Issued of Share Capital
1 to 1,000	-	-	0.00%
1,001 to 5,000	-	-	0.00%
5,001 to 10,000	-	-	0.00%
10,001 to 100,000	-	-	0.00%
100,001 and over	1	28,277,657	100%
	<u>1</u>	<u>28,277,657</u>	<u>100%</u>

Unquoted Securities

	Number of holders	Number on issue
Options	1	28,277,657

Substantial holders

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

Holder	Shares	% IC
H&G HIGH CONVICTION LIMITED	83,122,546	8.39%
GRAHAM NEWMAN PTY LTD	72,000,000	7.27%
SECOND LAGOON PTY LTD	57,112,180	5.77%

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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.

On-market buy-back

The Company is currently conducting an on-market buy-back.

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