

Connexion Telematics Ltd
Appendix 4D
Interim report

1. Company details

Name of entity: Connexion Telematics Ltd
ABN: 68 004 240 313
Reporting period: For the half-year ended 31 December 2020
Previous period: For the half-year ended 31 December 2019

2. Results for announcement to the market

					\$
Revenues from ordinary activities	down	28%	to	3,104,033	
Profit from ordinary activities after income tax expense attributable to the owners of Connexion Telematics Ltd	down	88%	to	191,442	
Profit for the half-year attributable to the owners of Connexion Telematics Ltd	down	88%	to	191,442	

Comments

The profit for the consolidated entity after providing for income tax expense amounted to \$191,442 (31 December 2019: \$1,571,021).

Total revenues from ordinary activities for the period were \$3,104,033 (2019: \$4,311,227).

The working capital position of the Company as at 31 December 2020 was a surplus of \$3,687,095, which was an increase from a surplus of \$3,348,031 as at 30 June 2020.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.42</u>	<u>0.32</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

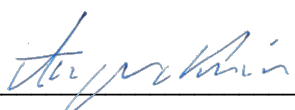
Connexion Media Inc is incorporated in the United States of America. The accounting for this entity is in compliance with Australian Accounting Standards.

10. Audit review

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

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

11. Signed

Signed  _____

Date: 11 February 2021

Aaryn Nania
Managing Director and Chief Executive Officer

Connexion Telematics Ltd
ABN 68 004 240 313

Interim Report

For the six months ended 31 December 2020

Connexion Telematics Ltd
Corporate directory
31 December 2020

Directors	Robert Downey (Non-Executive Chairman) Aaryn Nania (Managing Director and Chief Executive Officer) Peter Torre (Non-Executive Director) Greg Ross (Non-Executive Director) Simon Scalzo (Non-Executive Director)
Company secretary	Peter Torre
Registered office	Level 8, 350 Collins Street Melbourne, VIC 3000
Principal place of business	Level 8, 350 Collins Street Melbourne, VIC 3000
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Phone: +61 2 9290 9600
Auditor	William Buck Level 20, 181 William Street Melbourne VIC 3000
Bankers	National Australia Bank Limited
Stock exchange listing	Connexion Telematics Ltd shares are listed on the Australian Securities Exchange (ASX code: CXZ)
Website	www.connexionltd.com

Connexion Telematics Ltd
Directors' report
31 December 2020

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the **consolidated entity**) consisting of Connexion Telematics Ltd (referred to hereafter as the **Company** or **parent entity**) and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

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

Mark Caruso – *resigned 2 October 2020*

Robert Downey

Aaryn Nania - *appointed as Managing Director and Chief Executive Officer on 2 February 2021*

Peter Torre – *appointed 2 October 2020*

Greg Ross – *appointed as Independent Non-Executive Director on 2 February 2021*

Simon Scalzo – *appointed as Independent Non-Executive Director on 2 February 2021*

Principal activities

During the half-year the principal activities of the consolidated entity consisted of delivering Software as a Service (SaaS) revenue streams from its core SaaS product, OnTRAC, which manages the General Motors (GM) Courtesy Transportation Program (CTP) and Cadillac's Courtesy Transportation Alternative (CTA).

Review of operations

The profit for the consolidated entity after providing for income tax expense amounted to \$191,442 (31 December 2019: 1,571,021).

Total revenues from ordinary activities for the period were \$3,104,033 (2019: \$4,311,227).

The net assets of the consolidated entity as at 31 December 2020 were \$4,872,847, an increase of \$1,479,754 from the comparable period as at 31 December 2019.

Operational update:

Connexion remained focussed on delivering its proprietary OnTRAC SaaS with minimal downtime, and delivering functional software updates, including those requested by GM and its Dealers, to a high standard and in a timely manner.

OnTRAC is an Amazon cloud-based B2B SaaS solution used daily by approximately 4,000 Dealers in the US to Track, Report, Analyse and manage Contracts ("TRAC") as part of GM's CTP and CTA.

The CTP/CTA delivers a range of benefits to Dealers, and Connexion's OnTRAC software is central to both GM and its Dealers delivering an enhanced customer experience in an efficient and cost-effective manner. During the period, Connexion's Development Team was publicly recognised by senior engineers at Amazon Web Services (AWS) as being one of the most agile and effective in Australia.

Connexion enjoys a broad and engaged Daily Active User base across the US, for whom it delivers regular feature enhancements designed to improve the Dealers' own business insights, operational efficiency and their customers' experience.

Connexion's key achievements in the period include maintaining extremely low levels of product downtime, whilst increasing consulting revenues through change request enhancements from GM and its US Dealer network.

The incremental revenue generated, along with strict cost management allowed the Company to continue delivering a sustainable profit despite COVID-affected vehicle subscription and significant currency headwinds caused by the strengthening Australian Dollar.

During the period, the Company also formulated and advised the market of, a clear Operating Model and Growth Strategy.

The Operating Model consists of three components; Embed, Integrate and Generate. The Growth Strategy consists of two components; OEM Sales (lead by CXZTRAC - being a whitelabel version of OnTRAC) and Dealership Sales (lead by various tools sold directly to Connexion's large Dealer distribution network).

Outlook

Execution of both the Operating Model and Growth Strategy continues with vigour, notwithstanding the naturally long sales cycles inherent in the Automotive industry. Pursuit of material growth will require a modest level of investment which may dampen earnings in the near term. On balance, the Directors believe that the material size of the addressable market for Connexion's products warrants such an investment. Alongside its investment in growth, the Company's disciplined approach to both cost control and capital allocation will remain.

By 30 June 2021, the Company expects to change its functional currency to the US Dollar, reflecting both its current and expected revenue and cost profile. The shift to US Dollar reporting is expected to improve the ability of both internal and external parties to assess the operating performance of the Company.

CORPORATE

Board Changes

As announced on 27 July 2020, Mr Aaryn Nania was appointed as Interim Chief Executive Officer following the resignation of Mr Guy Perkins on 24 June 2020.

As announced on 2 October 2020, Mr Mark Caruso resigned as Chairman of the Company due to personal reasons. Mr Peter Torre was appointed as Non-Executive Director and Mr Robert Downey, an existing director of the Company, was appointed to the position of Non-Executive Director.

Significant changes in the state of affairs

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

Events after the reporting period

As announced on 2 February 2021, Mr Greg Ross and Mr Simon Scalzo were appointed as Independent Non-Executive Directors of the Company, and Mr Aaryn Nania was appointed as Managing Director and Chief Executive Officer.

Details of the key terms of Mr Nania's employment contract are detailed in the ASX announcement on 2 February 2021.

Auditor's independence declaration

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

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

On behalf of the Directors



Aaryn Nania
Managing Director and Chief Executive Officer

11 February 2021

**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 31 December 2020 there have been:

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

William Buck

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

A. A. Finnis

A. A. Finnis
Director

Melbourne, 11 February 2021

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
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Connexion Telematics Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

		Consolidated	
	Note	31 December	31 December
		2020	2019
		\$	\$
Sales revenue		3,104,033	4,311,227
Cost of sales		(1,884,733)	(2,196,861)
Gross profit		1,219,300	2,114,366
Other income		50,010	-
Expenses			
Administrative and corporate expenses		(554,346)	(391,715)
Director and employee benefits expenses		(130,511)	(384,345)
Depreciation and amortisation expense		(102,882)	(196,850)
Marketing expenses		(3,950)	(6,630)
Travelling expenses		-	(98,290)
Occupancy costs		(33,413)	(33,215)
Profit before income tax (expense)/benefit		444,208	1,003,321
Income tax (expense)/benefit		(252,766)	567,700
Profit after income tax (expense)/benefit for the half-year attributable to the owners of Connexion Telematics Ltd		191,442	1,571,021
Other comprehensive (expense)/income for the half-year, net of tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation on foreign operations		(131,567)	(21,095)
Total comprehensive income for the half-year attributable to the owners of Connexion Telematics Ltd		59,875	1,549,926
Earnings per share:			
Basic earnings per share for the period attributable to ordinary equity holders of the parent	7	<u>0.022</u>	<u>0.184</u>
Diluted earnings per share for the period attributable to ordinary equity holders of the parent	7	<u>0.022</u>	<u>0.176</u>

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

Connexion Telematics Ltd
Consolidated statement of financial position
As at 31 December 2020

	Consolidated	
	31 December	30 June
Note	2020	2020
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,695,721	2,443,088
Trade and other receivables	1,568,292	1,818,875
Inventory	3,962	3,962
Total current assets	4,267,975	4,265,925
Non-current assets		
Plant and equipment	11,685	12,462
Capitalised development asset	274,802	298,129
Deferred tax assets	922,384	1,169,748
Total non-current assets	1,208,871	1,480,339
Total assets	5,476,846	5,746,264
Liabilities		
Current liabilities		
Trade and other payables	499,718	827,192
Employee benefits	77,200	86,740
Total current liabilities	576,918	913,932
Non-Current liabilities		
Employee benefits	27,081	19,360
Total non-current liabilities	27,081	19,360
Total liabilities	603,999	933,292
Net assets	4,872,847	4,812,972
Equity		
Issued capital	4a 16,650,069	16,531,069
Reserves	4b (256,428)	(5,861)
Accumulated losses	(11,520,794)	(11,712,236)
Total equity	4,872,847	4,812,972

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

Connexion Telematics Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2020

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

Consolidated	Issued Capital \$	Share based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance as at 1 July 2020	16,531,069	119,000	(124,861)	(11,712,236)	4,812,872
Profit after income tax expense for the half-year	-	-	-	191,442	191,442
Other comprehensive loss for the half-year, net of tax	-	-	(131,567)	-	(131,567)
Total comprehensive income for the half-year	-	-	(131,567)	191,442	59,875
<i>Transactions with owners in their capacity as owners:</i>					
Exercise of performance rights	119,000	(119,000)	-	-	-
Balance as at 31 December 2020	16,650,069	-	(256,428)	(11,520,794)	4,872,847

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

Connexion Telematics Ltd
Consolidated statement of cash flows
For the half-year ended 31 December 2020

	Consolidated	
	31 December	31 December
	2020	2019
	\$	\$
Cash flows from operating activities		
Receipts from customers	3,194,381	3,711,046
Payments to suppliers and employees	(2,574,370)	(2,998,271)
Interest received	10	-
Income tax paid	(5,344)	-
Government grants and tax incentives	50,000	-
	<hr/>	<hr/>
Net cash inflow from operating activities	664,677	712,775
Cash flows from investing activities		
Payments for capitalised development	(79,211)	-
Payments for property, plant and equipment	(2,999)	(4,399)
	<hr/>	<hr/>
Net cash outflow from investing activities	(82,210)	(4,399)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Finance costs on borrowings	-	-
	<hr/>	<hr/>
Net cash inflow from financing activities	-	-
	<hr/>	<hr/>
Net increase in cash and cash equivalents	582,467	708,376
Cash and cash equivalents at the beginning of the financial half-year	2,443,088	938,612
Effect of movements in foreign exchange	(329,834)	(17,330)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year	2,695,721	1,629,658
	<hr/> <hr/>	<hr/> <hr/>

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

Connexion Telematics Ltd
Notes to the consolidated financial statements
31 December 2020

Note 1. General information

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

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

Level 8, 350 Collins Street
Melbourne, VIC 3000

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

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

Note 2. Significant accounting policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Basis of Preparation

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

New, revised or amending Accounting Standards and Interpretations adopted

The accounting policies adopted in the preparation of the interim half-yearly financial statements are consistent with those followed in the preparation of the consolidated entity's annual consolidated financial statements for the year ended 30 June 2020, except for the adoption of new standards effective as of 1 July 2020. The consolidated entity has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the half yearly financial statements of the consolidated entity.

Note 3. Operating segments

Identification of reportable operating segments

During the half year ended 31 December 2020 the consolidated entity 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 half year ended 31 December 2020 all of its sales revenue was from one customer located in the USA (2019: one customer). All revenue is recorded over time for rendering of services.

Connexion Telematics Ltd
Notes to the consolidated financial statements
31 December 2020

Note 4a - Issued capital

	Consolidated			
	31 Dec 2020	31 Dec 2020	30 Jun 2020	30 Jun 2020
	Number	\$	Number	\$
Fully paid ordinary shares	<u>880,165,112</u>	<u>16,650,069</u>	<u>863,165,112</u>	<u>16,531,069</u>

Movements in ordinary share capital

Details	Date	Number	Issue price	\$
Balance at the beginning of the period	1 July 2020	863,165,112		16,531,069
Conversion of performance rights	23 November 2020	17,000,000		119,000
Balance at the end of the period	31 December 2020	<u>880,165,112</u>		<u>16,650,069</u>

Note 4b - Reserves

	31 Dec 2020	30 Jun 2020
	\$	\$
Foreign currency translation reserve	(256,428)	(124,861)
Share based payments reserve	-	119,000
	<u>(256,428)</u>	<u>(5,861)</u>

Note 5. Fair value measurement

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

Note 6. Events after the reporting period

As announced on 2 February 2021, Mr Greg Ross and Mr Simon Scalzo were appointed as Independent Non-Executive Directors of the Company, and Mr Aaryn Nania was appointed as Managing Director and Chief Executive Officer.

Details of the key terms of Mr Nania's employment contract are detailed in the ASX announcement on 2 February 2021.

Connexion Telematics Ltd
Notes to the consolidated financial statements
31 December 2020

Note 7. Earnings per share

	Consolidated	
	31 December	31 December
	2020	2019
	\$	\$
Profit after income tax expense/benefit attributable to the owners of Connexion Telematics Ltd	<u>191,442</u>	<u>1,571,021</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>866,675,982</u>	<u>853,844,460</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>880,165,112</u>	<u>892,393,373</u>
	Cents	Cents
Basic earnings per share	0.022	0.184
Diluted earnings per share	0.022	0.176

Connexion Telematics Ltd
Directors' declaration
31 December 2020

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Aaryn Nania
Managing Director and Chief Executive Officer

11 February 2021

Connexion Telematics Ltd

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Connexion Telematics Ltd (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

Responsibility of Management for the Half-Year Financial Report

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

ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136



A. A. Finnis

Director

Melbourne, 11 February 2021