30 September 2021

ASX Announcement

EXTENSION OF TIME FOR LODGEMENT OF FINANCIAL REPORTS

Connected IO Limited (**Connected IO** or **Company**) advises that the Board has determined to rely on the Amended ASIC Relief to extend the lodgement date for its audited annual accounts and other documents required to be lodged with ASIC under section 319 of the Corporations Act and that the Company will immediately make a further announcement to the market if there is a material difference between its unaudited annual accounts and its audited annual accounts.

As required by the ASX Class Waiver, the Company has prepared the required unaudited Financial Report. The audited annual accounts and Annual Report for the year ended 30 June 2021 are in the process of being prepared and are in the final stages of review by the Company's auditors and are expected to be lodged with ASX shortly.

The Company has elected to rely on the Amended ASIC Relief and the ASX Waiver due to delays experienced due to the additional logistics imposed on staff and auditors as a result of international travel restrictions. The Board does not consider that the delay in reporting of its audited annual accounts will be detrimental to shareholders, and we thank them for their continued support.

This announcement was approved and authorised for release by the Company's Board of Directors.

For further information regarding this announcement please contact Dougal Ferguson, the Chief Executive Officer of Connected IO Limited on 08 6211 5099.

ABOUT CONNECTED IO

Connected IO Limited is a wireless technology innovator and manufacturer operating in the multi-trillion-dollar "IOT" (Internet of Things) sector. Connected IO specializes in machine to machine ("M2M") connectivity, providing hardware and software solutions to some of the world's largest companies. Connected IO's software solutions also include a customised cloud management interface and a variety of support services.

CONNECTED IO LIMITED
AND ITS CONTROLLED ENTITIES
ABN 99 009 076 233

ANNUAL FINANCIAL REPORT (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 (UNAUDITED)

	Note	Consolidated 2021 $	Consolidated 2020 $
Sales revenue	3	1,196,657	3,817,964
Cost of goods sold		(691,908)	(2,331,466)
Gross profit		504,749	1,486,498
Interest received	3	54	869
Other income	3	174	132,399
Debts forgiven	15	199,529	-
Director fees, salary and wages expense		(1,247,119)	(1,826,867)
Professional fees		(466,902)	(227,240)
Depreciation and amortisation expense	8,9,11	(128,776)	(119,554)
Administration expense		(640,670)	(777,869)
Interest and facility fee expenses		(112,943)	(318,524)
Impairment of goodwill	10	(2,418,610)	-
Impairment of right-of-use assets	9	(86,625)	-
Impairment of other intangibles	11	(43,331)	-
Share based payments	18	(1,252,272)	(742,528)
Loss before tax		**(5,692,742)**	**(2,392,816)**
Income tax expense	4	-	-
Loss for the year from continuing operations		**(5,692,742)**	**(2,392,816)**
Other comprehensive income for the year, net of tax		-	-
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign balances		(160,078)	38,219
Total comprehensive loss for the year		**(5,852,820)**	**(2,354,597)**
Earnings per share for loss attributable to the ordinary equity holders of the company			
		Cents	Cents
Basic and diluted loss per share from continuing operations	19	(1.60)	(1.12)

The accompanying notes form an integral part of this consolidated statement of profit or loss and other comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (UNAUDITED)

	Note	Consolidated 2021 $	Consolidated 2020 $
Current Assets			
Cash and cash equivalents	5	1,550,376	713,079
Trade and other receivables	6	140,171	286,770
Inventory	7	331,709	615,050
Total current assets		2,022,256	1,614,899
Non-current Assets			
Plant and equipment	8	11,094	18,878
Right-of-use assets	9	-	136,147
Goodwill	10	-	2,418,610
Other intangibles	11	-	138,198
Other assets		10,143	10,079
Total non-current assets		21,237	2,721,912
Total Assets		**2,043,493**	**4,336,811**
Current Liabilities			
Trade and other payables	12	1,251,885	1,072,013
Lease liabilities	9	39,418	39,338
Borrowings	13	498,397	450,000
Convertible notes	14	1,321,000	1,321,000
Other payables	15	29,529	-
Total current liabilities		3,140,229	2,882,351
Non-current Liabilities			
Lease liabilities	9	54,526	102,910
Other payables	15	198,633	253,533
Total non-current liabilities		253,159	356,443
Total Liabilities		**3,393,388**	**3,238,794**
Net (Liabilities) / Assets		**(1,349,895)**	**1,098,017**
Equity			
Issued capital	16	73,530,158	70,777,722
Reserves		1,995,832	1,503,438
Accumulated losses		(76,875,885)	(71,183,143)
Total (Deficit) / Equity		**(1,349,895)**	**1,098,017**

The accompanying notes form an integral part of this consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 (UNAUDITED)

Consolidated	Note	Issued Capital $	Convertible Notes $	Share-Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2019		68,827,796	96,456	1,081,349	144,886	(68,790,327)	1,360,160
Net loss for the year		-	-	-	-	(2,392,816)	(2,392,816)
Other comprehensive income for the year		-	-	-	38,219	-	38,219
Total comprehensive loss		-	-	-	38,219	(2,392,816)	(2,354,597)
Shares issued	16(a)	2,015,926	-	-	-	-	2,015,926
Share issue costs	16(a)	(66,000)	-	-	-	-	(66,000)
Convertible notes issued		-	-	-	-	-	-
Share-based payments	18	-	-	142,528	-	-	142,528
Balance at 30 June 2020		70,777,722	96,456	1,223,877	183,105	(71,183,143)	1,098,017
Balance at 1 July 2020		70,777,722	96,456	1,223,877	183,105	(71,183,143)	1,098,017
Net loss for the year		-	-	-	-	(5,692,742)	(5,692,742)
Other comprehensive income for the year		-	-	-	(160,078)	-	(160,078)
Total comprehensive loss		-	-	-	(160,078)	(5,692,742)	(5,852,820)
Shares issued	16(a)	1,786,652	-	-	-	-	1,786,652
Share issue costs	16(a)	(34,216)	-	-	-	-	(34,216)
Unissued capital	16(a) / 18(b)	1,000,000	-	-	-	-	1,000,000
Share-based payments	18	-	-	652,472[1]	-	-	652,472
Balance at 30 June 2021		73,530,158	96,456	1,876,349	23,027	(76,875,885)	(1,349,895)

[1] This represents the fair value of options issued to A.C.N. 627 852 797 Pty Ltd and Directors during the year, being $794,000 and $1,000 respectively, less the fair value of the performance rights, being ($142,528), which were reversed during the year. Refer to Note 18 for further details.

The accompanying notes form an integral part of this consolidated statement of changes in equity.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 (UNAUDITED)

	Note	Consolidated 2021 $	Consolidated 2020 $
Cash flows from operating activities			
Receipts from customers		1,308,926	3,514,172
Payments to suppliers and employees		(2,624,893)	(4,701,391)
Interest received		54	869
Finance costs		(34,100)	(116,460)
Income tax paid		(19,324)	(1,856)
Net cash used in operating activities	20(b)	(1,369,337)	(1,304,666)
Cash flows from investing activities			
Payments for plant and equipment		(1,080)	(3,940)
Payments for other intangibles		-	(64,721)
Net cash used in investing activities		(1,080)	(68,661)
Cash flows from financing activities			
Proceeds from issue of shares		1,637,048	1,250,000
Payments for share issue costs		(34,216)	-
Proceeds from borrowings	13	502,986	820,000
Repayment of borrowings	13	(54,589)	(656,705)
US Federal funding assistance	15	193,767	253,533
Payments of lease liabilities		(37,282)	(25,415)
Net cash provided by financing activities		2,207,714	1,641,413
Net change in cash and cash equivalents held		837,297	268,086
Cash and cash equivalents at beginning of the financial year		713,079	435,524
Effect of exchange rate fluctuation on cash held		-	9,469
Cash and cash equivalents at end of financial year	20(a)	1,550,376	713,079

The accompanying notes form an integral part of this consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Connected IO Limited and its controlled entities. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial report has been prepared on an accruals basis and is based on historical costs.

The financial report is presented in Australian dollars.

Connected IO Limited is incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are marketing and product development.

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2021

For the year ended 30 June 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2020.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and therefore no material change is necessary to the Group's accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2021.

As a result of this review the Directors have determined that there are no new and revised Standards and Interpretations that may have a material effect on the application in future periods and therefore, no material change is necessary to the Group's accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on 30 September 2021.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

For the year ended 30 June 2021 the Group recorded a loss of $5,692,742 (2020: $2,392,816) and had net cash outflows from operating and investing activities of $1,370,417 (2020: $1,373,327). At 30 June 2021, the Group had a working capital deficit of $1,117,973 (2020: deficit of $1,267,452).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Going concern (continued)

Furthermore, the full impact of the COVID-19 pandemic continues to evolve at the date of this report. The Company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity and future results of operations during 2021. Management continues to actively monitor the global situation and its impact on the Company's financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for the 2021 financial year.

In context of this operating environment, the ability of the Group to continue as a going concern is dependent on securing additional funding through debt or equity to continue to fund its operational activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- Subsequent to year end, an amount of $3.5 million (before costs) was raised to fund working capital (refer to Note 26);
- The Group believe they can raise additional funding through debt or equity which is actively pursued;
- The Group has a recent proven history of successfully raising capital; and
- Cash spending can be reduced or slowed below its current rate if required in order to minimise capital raising requirements.

Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report. Should the Group be unsuccessful in obtaining additional loan financing or raising additional funds through the issue of new equity, there is a material uncertainty which may cast significant doubt on whether the entity will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

(e) Basis of consolidation

The consolidated financial statements comprise of the financial statements of Connected IO Limited ("the Company") and its controlled entities ("the Group") as at 30 June 2021.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Basis of consolidation (continued)

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group has directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(f) Revenue recognition

The Group is in the business of providing certain hardware including routers, cellular enabled products and other related hardware products.

The Group generates revenue largely in the United States of America.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

In determining the amount of revenue and profits to record, and related statement of financial position items (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Group incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised.

Revenue is recognised either when the performance obligation in the contract has been performed ('point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract.

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. Where the Group recognises revenue over time for long term contracts, this is in general due to the Group performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

(f) Revenue recognition (continued)

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method consistently to similar performance obligations in other contracts.

When using the output method the Group recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract. Where the output method is used, in particular for long term service contracts where the series guidance is applied, the Group often uses a method of time elapsed which requires minimal estimation. Certain long term contracts use output methods based upon estimation of number of users, level of service activity or fees collected.

If performance obligations in a contract do not meet the over time criteria, the Group recognises revenue at a point in time. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

The Group disaggregates revenue from contracts with customers by type of good or service as management believe this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows.

The nature of contracts or performance obligations categorised within this revenue type includes sales of hardware. The service contracts in this category include contracts with either a single or multiple performance obligations.

The Group considers that the services provided meet the definition of a series of distinct goods and services as they are (i) substantially the same and (ii) have the same pattern of transfer as the series constitutes services provided in distinct time increments and therefore treats the series as one performance obligation.

Sale of goods
The Group's contracts with customers for the sale of hardware generally include one performance obligation. The Group has concluded that revenue from sale of equipment should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. Therefore, the adoption of AASB 15 did not have an impact on the timing of revenue recognition.

Interest income
Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(g) Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(h) Cash and cash equivalents

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

(i) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for expected credit loss. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit loss, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost less any allowance for expected credit losses.

(j) Foreign currency translation

The presentation currency of the Company and its controlled entities in these financial statements is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(k) Income tax

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 differences and to unused tax losses.

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 goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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.

(l) Other taxes

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

(m) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis; and
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(n) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

Plant and equipment – over 3 to 50 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

(n) Plant and equipment (continuted)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the cost of sales line item.

(ii) Derecognition and disposal
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(o) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:
- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 8 *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(p) Intangible assets

Intangible assets acquired separately
Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

(p) Intangible assets (continued)

Internally generated intangible assets – research and development expenditure

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortisation:

Certifications – 3 years
Tooling costs – 3 years

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(q) Financial instruments
Recognition and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

(q) Financial instruments (continued)

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- amortised cost;
- fair value through profit or loss (FVTPL);
- equity instruments at fair value through other comprehensive income (FVOCI); or
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets
Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit or loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Equity instruments at fair value through other comprehensive income (Equity FVOCI)
Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI.

(q) Financial instruments (continued)

Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

This category includes unlisted equity securities that were previously classified as ‘available-for-sale’ under AASB 139.

Any gains or losses recognised in other comprehensive income (OCI) are not recycled upon derecognition of the asset.

Debt instruments at fair value through other comprehensive income (Debt FVOCI)
Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI.

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is to “hold to collect” the associated cash flows and sell financial assets; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets
AASB 9’s impairment requirements use more forward-looking information to recognise expected credit losses – the ‘expected credit loss (ECL) model’. This replaced AASB 139’s ‘incurred loss model’.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15, loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Level 1’);
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Level 2’); and
- ‘Level 3’ would cover financial assets that have objective evidence of impairment at the reporting date.

‘12-month expected credit losses’ are recognised for the first category while ‘lifetime expected credit losses’ are recognised for the second category.

(q) Financial instruments (continued)

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis and as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities
The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(r) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholder's equity, net of income tax effects.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Onerous contracts
Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Warranties
Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

(t) Employee leave benefits

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

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

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(u) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(v) Impairment of intangible assets other than goodwill

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying

(v) Impairment of intangible assets other than goodwill (continued)

amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Leases

The Group assesses at the start of a contract whether or not it contains a lease, by deciding if the contract provides the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group currently uses a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use underlying assets.

i) *Right-of-use assets*
The Group recognises right-of-use assets at the start of the lease and are measured at costs, less accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

ii) *Lease liabilities*
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives received, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such payments) or a change in the assessment of an option to purchase the underlying asset.

iii) *Short-term leases and leases of low-value assets*
The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(x) Trade and other payables

Trade payables and other payables are carried at amortised costs 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.

(y) Share-based payment transactions

Equity settled transactions:

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees and consultants render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with employees and consultants, where the fair value of the services is not readily determinable, 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 binomial 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 Connected IO Limited (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 reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Statement of Profit or Loss and Other Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 19).

(z) 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.

(aa) 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 the Company.

(bb) Parent entity financial information

The financial information for the parent entity, Connected IO Limited, disclosed in Note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Share-based payments
The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(cc) Earnings/loss per share
Basic earnings/loss per share is calculated as net profit/loss 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/loss per share is calculated as net profit/loss 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.

(dd) Critical accounting estimates and judgments
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 effects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of intangibles with indefinite useful lives and goodwill
The Group determines whether intangibles with indefinite useful lives and goodwill are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

(dd) Critical accounting estimates and judgments (continued)
Impairment
In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Inventories
Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

be affected by future technology or other market-driven changes that may reduce future selling prices.

Capitalisation of internally developed assets
Distinguishing the research and development phases of new equipment certifications 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.

Useful lives of certifications and tooling costs
Management reviews its estimate of the useful lives of certifications and tooling costs at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees and consultants, where the fair value of the services is not readily determinable, by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, using the assumptions detailed in Note 18.

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

NOTES TO THE FINANCIAL STATEMENTS

2. INVESTMENTS

The consolidated financial statements include financial statements of Connected IO Limited and the following subsidiaries:

Name	*Country of Incorporation*	*% Equity Interest 2021*	*% Equity Interest 2020*
CIO Technology, Inc	Texas, USA	100%	100%

Connected IO Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Balances between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note.

3. REVENUE

	Consolidated 2021 $	**Consolidated 2020 $**
Revenue from contracts with customers	1,196,657	3,817,964
Interest received	54	869
Other income	174	132,399
Debt forgiven	199,529	-
	1,396,414	**3,951,232**

Disaggregation of Revenue

The Group derives its revenue from the sale of goods at a point in time. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8, refer Note 24.

	Consolidated 2021 $
At a point in time	
Product sales	1,196,657
Total revenue	**1,196,657**

Reconciliation of revenue from contracts with customers with the amounts disclosed in segment information

	Consolidated 2021 $
Segment revenue	1,196,657
Inter-segment adjustments and eliminations	-
Total revenue from contracts with customers	**1,196,657**

(i) Segment revenues represent revenue generated from external customers. There were no inter-segment revenues in the current period.

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX

	Consolidated 2021 $	Consolidated 2020 $
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense	-	-
Deferred tax expense	-	-
Total tax expense relating to continuing operations	-	-
The prima face income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Loss from continuing operations	(5,692,742)	(2,392,816)
Income tax benefit calculated at 26% (2020: 27.5%)	(1,480,113)	(658,024)
Add/(Less):		
- Non-deductible items	986,714	245,685
- Unused tax losses and tax offset not recognised as deferred tax assets	198,842	(995,087)
- Other deferred tax assets and tax liabilities not recognised	294,077	1,551,752
- Difference in tax rate of subsidiaries	61,555	55,412
- Change in tax rate	(61,075)	(199,738)
Income Tax Expense	-	-

(b) Unrecognised deferred tax balances

The following deferred tax assets and liabilities have not been brought to account:

	Consolidated 2021 $	Consolidated 2020 $
Deferred tax assets comprise:		
Accrued expenses and liabilities	10,400	22,939
Share issue expenses	22,988	39,379
Depreciation timing differences	12,873	15,173
Foreign exchange	-	-
Losses available for offset against future taxable income – revenue	3,598,104	3,399,261
Losses available for offset against future taxable income – capital	-	-
Total deferred tax assets	3,644,365	3,476,752

Deferred tax assets have not been recognised in respect of the above items because it is not considered probable that future taxable profit will be available against which the Group can utilise the benefits thereof. Deferred tax liabilities have not been recognised in respect of these taxable temporary differences as the entity is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

	Consolidated 2021 $	Consolidated 2020 $
(c) Income tax expense not recognised directly in equity during the year:		
Share issue costs	8,896	1,881
	8,896	1,881

NOTES TO THE FINANCIAL STATEMENTS

5. CASH AND CASH EQUIVALENTS

	Consolidated 2021 $	Consolidated 2020 $
Cash at bank	1,550,376	713,079
Closing Balance	**1,550,376**	**713,079**

6. TRADE AND OTHER RECEIVABLES

	Consolidated 2021 $	Consolidated 2020 $
Current		
Trade receivables	1,805	115,112
Prepaid inventory	84,215	141,058
Other receivables	54,151	30,600
Closing Balance	**140,171**	**286,770**

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

Expected credit losses
The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The current expected loss rates are based on the payment profile for sales over the past 24 months before 30 June 2021 and 30 June 2020 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking factors affecting the customer's ability to settle the amount outstanding. The expected credit loss at 30 June 2021 and 2020 was nil.

7. INVENTORY

	Consolidated 2021 $	Consolidated 2020 $
Finished goods – at cost	331,709	615,050
Closing Balance	**331,709**	**615,050**

8. PLANT AND EQUIPMENT

	Consolidated 2021 $	Consolidated 2020 $
Opening balance	18,878	21,845
Additions	1,080	3,940
Impairment	-	-
Depreciation	(7,268)	(6,907)
Foreign currency differences	(1,596)	-
Closing balance	**11,094**	**18,878**

9. LEASES – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Right-of-use assets		
Premises	162,527	178,039
Accumulated amortisation	(76,484)	(41,892)
Impairment	(86,043)	-
Net carrying value of right-of-use assets	**-**	**136,147**
Lease liabilities		
Current	39,418	39,338
Non-current	54,526	102,910
Total lease liabilities	**93,944**	**142,248**

Reconciliation of right-of-use assets:

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Opening balance	136,147	-
Initial adoption	-	174,405
Foreign currency differences	(11,022)	4,566
Acquisitions through business combinations	-	-
Disposals	-	-
Disposals – discontinued operation	-	-
Disposals or classified as held for sale	-	-
Impairment expense	(86,625)	-
Depreciation expense	(38,500)	(42,824)
Closing balance	**-**	**136,147**

Recognition of lease liabilities:

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Opening balance	142,248	-
Initial adoption	-	174,405
Foreign currency differences	(11,604)	4,566
Principal repayments	(28,945)	(25,415)
Interest expense	(7,755)	(11,308)
Disposals	-	-
Disposals – discontinued operation	-	-
Disposals or classified as held for sale	-	-
Closing balance	**93,944**	**142,248**

9. LEASES – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Depreciation charge of right-of-use assets		
Buildings	(38,500)	(42,824)
Total	**(38,500)**	**(42,824)**
Interest expense (included in interest and facility fee expenses)	(7,755)	(11,308)
Impairment expense	(86,625)	-

10. GOODWILL

	Consolidated 2021 $	Consolidated 2020 $
Opening balance	2,418,610	2,418,610
Impairment	(2,418,610)	-
Closing balance	**-**	**2,418,610**

Goodwill represents an acquisition via a business combination.

During the year ended 30 June 2021, the Company conducted an impairment assessment in relation to goodwill. The recoverable amount was based on a net present value calculation and was determined at the cash-generating unit level (CIO Technology, Inc CGU)

As the Company's assessment of future cashflow forecasts at the cash-generating unit level resulted in a negative net present value, the Board has resolved to impair the entire carrying value of the goodwill for the year ended 30 June 2021.

11. OTHER INTANGIBLES

	Consolidated 2021 $	Consolidated 2020 $
Certifications		
Opening balance	101,140	143,300
Additions	-	16,839
Amortisation	(68,412)	(58,999)
Impairment	(23,869)	-
Foreign currency differences	(8,859)	-
Closing balance	**-**	**101,140**
Tooling costs		
Opening balance	37,058	-
New tooling costs incurred	-	47,882
Amortisation	(14,596)	(10,824)
Impairment	(19,462)	-
Foreign currency differences	(3,000)	-
Closing balance	-	37,058
Total other intangibles	**-**	**138,198**

11. OTHER INTANGIBLES (continued)

Certifications represent costs incurred in obtaining certification that the Group's products conform to the regulations of the Federal Communications Commission (USA). Costs of obtaining a certification are amortised over the useful life of the certification, which management has assessed as being 3 years.

Tooling costs represent costs incurred by the Company in relation to the mould that is installed within the manufacturers' machines so as to produce routers that are to the Company's specifications. Tooling costs are amortised over the useful life of 3 years based on Management's assessment.

The certifications and tooling costs were fully impaired at 30 June 2021.

12. TRADE AND OTHER PAYABLES

	Consolidated 2021 $	Consolidated 2020 $
Current		
Payables [1]	66,589	392,832
Other payables	361,999	144,016
Accruals – director fees	304,448	184,982
Accruals – other	279,425	40,000
Accrued interest – borrowings and convertible notes	239,424	310,183
Closing balance	**1,251,885**	**1,072,013**

[1] Payables are non-interest bearing and are normally settled on 30 day terms. All amounts are short term.

13. BORROWINGS

	Consolidated 2021 $	Consolidated 2020 $
Australia		
Loan – Tyche Investments Pty Ltd	400,000	450,000
Loan – A.C.N. 627 852 797 Pty Ltd	-	-
United States		
Loan – Other unrelated parties	98,397	-
Closing balance	**498,397**	**450,000**
Opening balance	450,000	286,706
Advances	502,986	820,000
Repayments - cash	(54,589)	(656,706)
Repayments - issue of shares and options post year end	(400,000)	-
Closing balance	**498,397**	**450,000**

Tyche Investments Pty Ltd

During the year ended 30 June 2020, the Company secured a line of credit facility of $500,000 with Tyche Investments Pty Ltd to drive manufacturing acceleration. This facility was increased to an available limit of $700,000 on 21 November 2019. The facility is debt-only and does not dilute the existing shareholders. Interest is calculated at 5% p.a. from the date that funds are initially drawn down. Additional interest of 1% per month is payable on funds which remain outstanding in excess of 90 days from the date of initial drawdown. Any outstanding accrued interest on the facility will be required to be repaid in cash.

On 31 July 2020, the Company repaid $50,000 of the facility. On 30 June 2021, the Company obtained shareholder approval to convert accrued interest of approximately $107,573 into fully paid ordinary shares at $0.02 per share. Subsequent to year end, 5,378,630 fully paid ordinary shares were issued to Tyche Investments Pty Ltd in satisfaction of the accrued interest on the loan to 31 March 2021.

13. BORROWINGS (continued)

A.C.N. 627 852 797 Pty Ltd
On 3 December 2020, the Company entered into a loan agreement with A.C.N. 627 852 797 Pty Ltd (A.C.N.) for the provision of a loan facility to advance funds of up to $400,000 to be used for assisting in the payment of the Company's inventory production.

The interest free loan was provided in three tranches with the final drawdown date on or around 28 February 2021.

On 28 May 2021, the Company issued a Notice of General Meeting seeking shareholder approval to repay the loan via the issue of 200,000,000 shares and 200,000,000 options. On 30 June 2021, the Company obtained shareholder approval and subsequent to year end, issued the shares and options to A.C.N. in satisfaction of repayment of the loan.

Although the administrative process of issuing the shares and options occurred subsequent to year end, as the Company had obtained shareholder approval and the Directors had agreed to issue the shares and options to A.C.N. prior to year end, the Company had a contractual obligation and therefore the Directors have resolved to recognise the transaction in the Company's accounts for the year ended 30 June 2021. Refer to Note 18(b) for further details.

Other Unrelated Parties
During the year ended 30 June 2021, the Company's wholly owned subsidiary, CIO Technology, Inc., received an advance from an unrelated party of approximately USD $77,000. There is currently no commercial terms agreed for the advance received by the subsidiary and the advance is repayable by the subsidiary.

14. CONVERTIBLE NOTES

At the 2018 Annual General Meeting, shareholders approved the conversion of the Company's $1.37m loan facility with Gorilla Pit Pty Ltd into convertible notes. On 28 February 2019 the Company issued convertible notes with a face value of $1,351,000. Each note entitled the holder to convert to ordinary shares at $0.003 per share. Since 28 February 2019, the Company has undertaken two 1:10 consolidations, making the effective conversion price as at the date of this report, $0.30 per share.

During the year ended 30 June 2020, convertible notes with a face value of $30,000 plus accrued interest of $4,185 were converted into ordinary shares.

On 30 June 2021, all but three (3) convertible noteholders elected to waive their interest entitlements for the year ended 30 June 2021. As such, total interest expense recognised by the Company for the year ended 30 June 2021 was $10,560. Subsequent to the year ended 30 June 2021, all the outstanding convertible notes (plus accrued interest) was paid out in cash (refer below).

On 31 July 2020, accrued interest of $149,604 (relating to the period ending 30 June 2020) was converted into 4,986,811 ordinary shares at a conversion price of $0.03 per share (pre-July 2021 consolidation). A further amount of accrued interest of $23,873 was paid in cash in March 2021.

The net proceeds received from the issue of the convertible notes have been split between the financial liability and an equity component, representing the residual attributable to the option to convert the financial liability into equity of the Company. The convertible notes had an original maturity date of 30 June 2019 which was extended to 30 June 2020. On or about 30 June 2020, the Company again successfully extended the maturity date of the convertible notes to 30 June 2021 under a letter of amendment. On 28 May 2021, the Company issued a Notice of General Meeting seeking shareholder approval to utilise funds raised under a share placement to repay the convertible notes on issue plus any accrued interest owing on the convertible notes. The repayment of the convertible notes and any accrued interest was subject to the Company raising the full amount prescribed by the share placement and the obtaining of shareholder approval which was granted on 30 June 2021. Subsequent to year end, the convertible notes and accrued interest was repaid in full.

14. CONVERTIBLE NOTES (continued)

The allocation between financial liability and equity has been undertaken by the Company in relation to both the issue of the convertible notes and their subsequent extensions as follows.

	Consolidated 2021 $	Consolidated 2020 $
28 February 2019 issue of convertible notes		
Proceeds of issue	1,351,000	1,351,000
Liability component at date of issue	1,325,199	1,325,199
Unwinding – interest expense	25,801	25,801
Liability component at repayment date of 30 June 2019	1,351,000	1,351,000
Equity component at date of issue	25,801	25,801
Extension of repayment date to 30 June 2020		
Liability at date of extension	1,351,000	1,351,000
Liability component at date of extension	1,280,345	1,280,345
Equity component at date of extension	70,655	70,655
Total equity component at balance date	96,456	96,456
Extension of repayment date to 30 June 2021		
Liability at date of extension	1,321,000	1,321,000
Liability component at date of extension	1,321,000	1,321,000
Equity component at date of extension	-	-

As at 30 June 2021, the fair value of the outstanding convertible notes was the equivalent to its face value of $1,321,000. Therefore there were no adjustments to the equity component of $96,456 that was credited to equity during the year ended 30 June 2019. Total interest accrued on the convertible notes as at 30 June 2021 was $75,990.

15. OTHER PAYABLES

	Consolidated 2021 $	Consolidated 2020 $
Current		
Other payables – Tranche 1	29,529	-
Non-current		
Other payables – Tranche 2	198,633	253,533
	228,162	**253,533**
Opening balance	253,533	-
Advances	198,633	253,533
Repayments	(4,866)	-
Debt forgiveness	(199,529)	-
Foreign currency differences	(19,609)	-
Closing balance	**228,162**	**253,533**

15. OTHER PAYABLES (continued)

The other payables of USD $171,532 (AUD $228,162) at 30 June 2021 (2020: USD $174,000 (AUD $253,533)) represents funding assistance provided by the US Department of Treasury to CIO Technology, Inc. as a result of COVID-19 to assist with meeting employee wages, rent and general costs associated with the Company.

Tranche 1
During the year ended 30 June 2020, the US Department of Treasury provided funding assistance of USD $174,000 to the Company in the form of a promissory note (i.e. short term loan) of which there is an initial interest free period of 6 months before interest is charged at a fixed rate of 1% p.a. on any unpaid principal balance. The promissory note has a term of 2 years from the date that funding was provided before full repayment is required.

During the year ended 30 June 2021, the US Department of Treasury forgave USD $149,000 (AUD $199,529) of the Tranche 1 promissory note as part of its COVID-19 incentives and the Company repaid USD $2,800 (AUD $4,866).

Tranche 2
In February 2021, the US Department of Treasury provided further funding assistance of USD $149,332 to the Company in the form of a promissory note of which interest is to be charged at a fixed rate of 1% p.a. The promissory note has a term of 5 years from the date that funding was provided before full repayment is required.

16. ISSUED CAPITAL

	Consolidated 2021 $	Consolidated 2020 $
Issued and paid up capital		
Ordinary shares fully paid (a)	73,530,158	70,777,722
	73,530,158	**70,777,722**

Movements in issued and paid up capital

	Number	Consolidated $
(a) Ordinary shares fully paid		
Balance as at 1 July 2019	1,813,085,059	68,827,796
Conversion of convertible notes (20 Sep 2019, $0.003 per share)	11,394,998	34,185
Director shares – in lieu of fees (20 Dec 2019, $0.004 per share)	16,435,333	65,741
Director shares – reward compensation (20 Dec 2019, $0.004 per share) (refer to Note 18(a))	150,000,000	600,000
Placement of fully paid ordinary shares (20 Dec 2019, $0.003 per share)	416,666,667	1,250,000
Consolidation on a 1:10 basis (23 Apr 2020)	(2,166,824,839)	-
Placement broker fee shares (5 May 2020, $0.03 per share)	2,200,000	66,000
Costs directly attributable to issue of share capital	-	(66,000)
Balance as at 30 June 2020	**242,957,218**	**70,777,722**

16. ISSUED CAPITAL (continued)

Movements in issued and paid up capital (continued)

	Number	Consolidated $
(a) Ordinary shares fully paid (continued)		
Balance as at 1 July 2020	242,957,218	70,777,722
Conversion of convertible notes accrued interest (31 Jul 2020, $0.003 per share)	4,986,811	149,604
Placement (Stage 1) (25 Jan 2021, $0.002 per share)	37,191,604	75,000
Rights Offer (Stage 1) (18 Feb 2021, $0.002 per share)	128,597,018	257,194
Rights Offer – Shortfall Shares (Stage 1) (18 Feb 2021, $0.002 per share)	31,423,381	62,847
Rights Offer – Shortfall Shares (Stage 1) (26 Feb 2021, $0.002 per share)	87,923,630	175,847
Rights Offer (Stage 2) (28 Jun 2021, $0.002 per share)	355,366,115	710,732
Rights Offer – Shortfall Shares (Stage 2) (29 Jun 2021, $0.002 per share)	177,713,547	355,428
Costs directly attributable to issue of share capital	-	(34,216)
	1,066,159,324[2]	**72,530,158**
Unissued capital		
Repayment of loan subject to shareholder approval[1]	200,000,000	1,000,000
Balance as at 30 June 2021	**1,266,159,324**	**73,530,158**

[1] On 30 June 2021, at a General Meeting of the Company, shareholders approved the issue of 200,000,000 shares and 200,0000,000 options (pre-July 2021 consolidation) in satisfaction of repayment of the loan owing to A.C.N. 627 852 797 Pty Ltd which were issued subsequent to year end. Refer to Note 18(b) for further details.

[2] In July 2021, the issued capital was consolidated on a 1:10 basis. The number of shares on issue immediately after the consolidation was 106,615,835.

(b) Options

As at 30 June 2021, 7,500,000 unlisted options were on issue. The options are exercisable at $0.10 and expire on 20 December 2022.

On 30 June 2021, at a General Meeting of the Company, shareholders approved the issue of 200,000,000 shares and 200,0000,000 options (pre-July 2021 consolidation) in satisfaction of repayment of the loan owing to A.C.N. 627 852 797 Pty Ltd which were issued subsequent to year end. The options are exercisable at $0.003 and expire on 1 July 2024. Refer to Note 18(b) for further details.

(c) Performance Rights

	Number	Consolidated $
Balance as at 1 July 2019	-	-
Additions during the year	200,000,000	142,528
Consolidation on a 1:10 basis	(180,000,000)	-
Balance as at 30 June 2020	**20,000,000**	**142,528**
Balance as at 1 July 2020	20,000,000	142,528
Additions during the year	-	-
Reversal of expense previously recognised	-	(142,528)
Balance as at 30 June 2021	**20,000,000**	**-**

As at 30 June 2021, 10,000,000 Class A Performance Rights and 10,000,000 Class B Performance Rights (pre-July 2021 consolidation) were on issue, which were granted to Mr Temov as an incentive to provide ongoing dedicated services to the Company. Refer to Note 18(a) for further details.

17. RESERVES

Nature and purpose of reserves

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operation.

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. Refer to Note 18 for further details of these plans.

Equity component of convertible note
The option premium on convertible notes represents the equity component (conversion rights) of the $1,351,000 of convertible notes issued during the year ended 30 June 2019.

18. SHARE-BASED PAYMENTS

During the year ended 30 June 2021, the following transactions were recognised as shares based payments by the Group:

	Value $
Performance incentive (Note 18(a))	(142,528)
Loan repayment (Note 18(b))	1,393,800
Director options (Note 18(c))	1,000
	1,252,272

(a) In December 2019, following shareholder approval granted at the Company's 2019 Annual General Meeting, 100,000,000 Class A Performance Rights and 100,000,000 Class B Performance Rights were granted to Mr Temov as an incentive to provide ongoing dedicated services to the Company. The performance rights were subsequently consolidated on a 1:10 basis during the year ended 30 June 2020.

The Performance Rights were granted at nil consideration, did not have an exercise price, expire on 31 December 2023, and were subject to the satisfaction of certain Performance Milestones, completion of a vesting period of 12 months and Mr Temov's continued engagement as Managing Director.

The total fair value of the rights granted to Mr Temov was $800,000 based on the Company's closing share price of $0.04 as at the date of the Company's 2019 Annual General Meeting. Based on the vesting conditions of the rights, $142,528 had been recognised as a share based payment for the period of 27 November 2019, being the date that the rights were granted, to 30 June 2020.

During the year ended 30 June 2021, Mr Temov resigned as Managing Director of the Company. As a result of his resignation, the conditions associated with the Performance Rights have not been satisfied and therefore the Performance Rights will not vest to Mr Temov. Therefore, an amount of $142,528 previously expensed in respect of these rights were reversed.

	Class A Performance Rights	**Class B Performance Rights**	**Total**
Number Issued	10,000,000	10,000,000	
Grant Date	27 November 2019	27 November 2019	
Expected Vesting Date	31 December 2022	31 December 2023	
Vesting Period (days)	1,130	1,495	
Value per Right	$0.04	$0.04	
Total Value of Rights	$400,000	$400,000	$800,000
Amount Expensed in Prior Year	$81,173	$61,355	$142,528
Amount Reversed in Current Year	($81,173)	($61,353)	($142,528)

18. SHARE-BASED PAYMENTS (continued)

(b) On 3 December 2020, the Company entered into a loan agreement with A.C.N. 627 852 797 Pty Ltd (A.C.N.) for the provision of a loan facility to advance funds of up to $400,000 to be used for assisting in the payment of the Company's inventory production.

The interest free loan was provided in three tranches with the final drawdown date on or around 28 February 2021.

On 28 May 2021, the Company issued a Notice of General Meeting seeking shareholder approval to repay the loan via the issue of 200,000,000 shares and 200,000,000 options (pre-July2021 consolidation). On 30 June 2021, the Company obtained shareholder approval and subsequent to year end, issued the shares and options to A.C.N. in satisfaction of repayment of the loan.

Although the administrative process of issuing the shares and options occurred subsequent to year end, as the Company had obtained shareholder approval and the Directors had agreed to issue the shares and options to A.C.N. prior to year end, the Company had a contractual obligation and therefore the Directors have resolved to recognise the transaction in the Company's accounts for the year ended 30 June 2021.

The total fair value of the shares and options granted to A.C.N. was $1,794,000 of which $1,000,000 and $794,000 represented the fair value of the shares and options granted respectively.

The fair value of the equity-settled shares granted is based on the Company's closing share price of $0.005 as at the date of the Company's General Meeting. The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black-Scholes option valuation model taking into account the terms and conditions upon which the options were granted.

Weighted average exercise price	$0.003 (pre-consolidation)
Weighted average life of the options	3.01 years
Weighted average underlying share price	$0.005 (pre-consolidation)
Expected share price volatility	127%
Risk-free interest rate	0.20%
Grant date	30 June 2021
Expiry date	1 July 2024
Value per option	$0.00397 (pre-consolidation)

The following table summarises the equity-settled securities approved to be issued in lieu of repayment of the loan to A.C.N. on 30 June 2021:

	Shares	Options	Total
Number Issued	200,000,000	200,000,000	
Grant Date	30 June 2021	30 June 2021	
Issue Date	26 July 2021	27 July 2021	
Value per Security	$0.005	$0.00397	
Total Value of Securities	$1,000,000	$794,000	$1,794,000
Less: Carrying Value of Loan			($400,000)
Less: Issue Price of Options			($200)
Total Share Based Payment			$1,393,800

The fair value of the shares granted was capitalised to issued capital as at 30 June 2021. Refer to Note 16(a).

(c) On 30 June 2021, the Company obtained shareholder approval to issue 90,000,000 unlisted options (pre-July 2021 consolidation) to Mr Ferguson, Mr Sierakowski and Mr Bosio, in consideration of services provided to the Company.

The total fair value of the options granted to the Directors was $357,300. Based on the vesting conditions of the options, $1,000 has been recognised as a share based payment as at 30 June 2021, being the date that the options were granted.

18. SHARE-BASED PAYMENTS (continued)

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black-Scholes option valuation model taking into account the terms and conditions upon which the options were granted.

Weighted average exercise price	$0.003 (pre-consolidation)
Weighted average life of the options	3.01 years
Weighted average underlying share price	$0.005 (pre-consolidation)
Expected share price volatility	127%
Risk-free interest rate	0.20%
Grant date	30 June 2021
Expiry date	1 July 2024
Value per option	$0.00397 (pre-consolidation)

The following table summarises the equity-settled share options approved to be issued to Directors on 30 June 2021:

	Mr Ferguson	Mr Sierakowski	Mr Bosio	Total
Number Issued	50,000,000	20,000,000	20,000,000	90,000,000
Grant Date	30 June 2021	30 June 2021	30 June 2021	
Expected Vesting Date	30 June 2022	30 June 2022	30 June 2022	
Vesting Period (days)	365	365	365	
Value per Option	$0.00397	$0.00397	$0.00397	
Total Value per Option	$198,500	$79,400	$79,400	$357,300
Amount Expensed in Current Year	$556	$222	$222	$1,000
Amount to be Expensed in Future Years if Vesting Conditions are met	$197,944	$79,178	$79,178	$356,300

(d) The following share-based payment arrangements were in place during the current and prior periods:

	Number [1]	Grant date	Expiry date	Exercise price $	Fair value at grant date $	Vesting date
Options 10 cents	7,500,000	28-11-2018	20-12-2022	$0.10	$0.015	28-11-2018
Director Options 0.3 cents	90,000,000	30-06-2021	01-07-2024	$0.003	$0.00397	30-06-2022
A.C.N. Options 0.3 cents	200,000,000	30-06-2021	01-07-2024	$0.003	$0.00397	30-06-2021

[1] The number of options are pre-July 2021 consolidation on a 1:10 basis.

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the period:

	2021		2020	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding at the beginning of the year	7,500,000	0.10	75,000,000	0.01
Granted during the year	290,000,000	0.003	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Consolidation on a 1:10 basis	-	-	(67,500,000)	0.09
Outstanding at the end of the period	297,500,000	0.0054	7,500,000	0.10
Exercisable at the end of the period	**297,500,000**	**0.0054**	**7,500,000**	**0.10**

18. SHARE-BASED PAYMENTS (continued)

The share options outstanding at the end of the year had a weighted average exercise price of $0.0054 (2020: $0.10) and a weighted average remaining contractual life of 3 years (2020: 2.5 years).

The weighted average fair value of options granted during the year was $0.004 (2020: $nil).

No options were exercised during the year (2020: nil).

19. EARNINGS/LOSS PER SHARE (EPS)

	Consolidated 2021 cents	Consolidated 2020 cents
Basic and diluted loss per share	(1.60)	(1.12)

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

	Consolidated 2021 $	Consolidated 2020 $
Loss for the year	(5,692,742)	(2,392,816)
	Number	**Number**
Weighted average number of ordinary shares	355,845,864	213,445,049

20. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	Consolidated 2021 $	Consolidated 2020 $
Cash at bank	1,550,376	713,079
Balance at 30 June	**1,550,376**	**713,079**

(b) Reconciliation of loss for the period to net cash flows from operating activities

	Consolidated 2021 $	Consolidated 2020 $
Loss after income tax	(5,692,742)	(2,392,816)
Non-Cash Items:		
Depreciation and amortisation	128,776	119,554
Impairment of goodwill (refer Note 10)	2,418,610	-
Impairment of right-of-use assets (refer Note 9)	86,625	-
Impairment of other intangibles (refer Note 11)	43,331	-
Share based payments (refer Note 18)	1,252,272	874,269
Debt forgiven (refer Note 15)	(199,529)	-

20. NOTES TO THE CASH FLOW STATEMENT (continued)

(b) Reconciliation of loss for the period to net cash flows from operating activities (continued)

	Consolidated 2021 $	Consolidated 2020 $
Changes in Assets and Liabilities		
(Increase)/decrease in trade and other receivables	157,792	93,224
(Increase)/decrease in inventory	283,341	(349,757)
(Increase)/decrease in other assets	(63)	13,045
(Decrease)/increase in trade and other payables	152,250	337,815
Net cash used in operating activities	**(1,369,337)**	**(1,304,666)**

(c) Non-cash financing and investing activities

Year ended 30 June 2021
During the year the Group engaged in the following non-cash financing and investing activities:

- On 31 July 2020, 4,986,811 ordinary shares were issued upon the conversion of convertible notes accrued interest of $149,604 at a conversion price of $0.03 per share (pre-July 2021 consolidation).
- On 30 June 2021, the Company obtained shareholder approval to repay the loan from A.C.N. 627 852 797 Pty Ltd of $400,000 via the issue of shares and options. Refer to Note 18(b) for further details.
- On 30 June 2021, the Company obtained shareholder approval to issue 90,000,000 unlisted options (pre-July 2021 consolidation) to Mr Ferguson, Mr Sierakowski and Mr Bosio in consideration of services provided to the Company. Refer to Note 18(c) for further details.

Year ended 30 June 2020
During the year the Group engaged in the following non-cash financing and investing activities:

- On 20 September 2019, 1,139,499 ordinary shares (post-consolidation) were issued upon the conversion of convertible notes with a face value of $30,000 plus accrued interest of $4,185.
- On 5 May 2020, broker fees of $66,000 associated with the Company's share placement were satisfied via the issue of 2,200,000 ordinary shares.

21. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

Key management personnel compensation

The aggregate compensation made to key management personnel of the Company is set out below:

	Consolidated 2021 $	Consolidated 2020 $
Short term employee benefits	376,150	267,179
Post-employment benefits	-	-
Share based payments (Note 18(a) & 18(c))	(141,528)	742,528
	234,622	**1,009,707**

21. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel and related parties

Transactions with key management personnel related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2021 $	2020 $
(i) Payments to Trident Management Services Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder, for accounting and company secretarial services provided.	48,000	61,580
(ii) Payments to Price Sierakowski Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder, for legal services provided.	46,373	11,769
(iii) Payments to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a Director and Shareholder, for consultancy services provided.	100,000	-
Amounts outstanding at reporting date		
Aggregates amount payable to key management personnel and their related entities at reporting date.		
(i) Director remuneration	231,291	37,000
(ii) Other transactions	289,913	49,255
	521,204	86,255

22. AUDITORS' REMUNERATION

	Consolidated 2021 $	Consolidated 2020 $
Remuneration of the auditor of the Company (HLB Mann Judd) for:		
- auditing or reviewing the financial report	56,642	112,942
- taxation compliance	-	2,750
- ASIC industry funding levy	1,563	1,373
	58,205	**117,065**

23. FINANCIAL INSTRUMENTS

(a) 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 unchanged from 2020.

The capital structure of the Group consists of cash and cash equivalents, borrowings and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

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 tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

23. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management policies

The Group is exposed to market risk (which includes interest rate risk and foreign currency risk) credit risk and liquidity risk. The main purpose of these financial instruments is to manage the working capital needs of the Group's operations. It is the Group's policy that no trading in financial instruments shall be undertaken. The board reviews and agrees policies for managing this risk is summarised below.

(i) Credit risk management

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 is managed on a group basis based on the Group's credit risk management policies and procedures.

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

The Group continuously monitors the credit quality of customers. Where available, external credit ratings and/or reports on customers are obtained and used. The group's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Trade receivables consist of multiple customers in the technology industry, primarily in the United States of America.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company 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.

	Interest Rate	1 year or less $	1 to 5 years $	Total $
Consolidated				
30 June 2021				
Financial assets				
Cash and cash equivalents	0.00%	1,550,376	-	1,550,376
Trade and other receivables		140,171	-	140,171
Total financial assets		**1,690,547**	**-**	**1,690,547**
Financial liabilities				
Trade and other payables		(1,251,885)	-	(1,251,885)
Borrowings	13.22%	(498,397)	-	(498,397)
Convertible notes	0.80%	(1,321,000)	-	(1,321,000)
Total financial liabilities		**(3,071,282)**	**-**	**(3,071,282)**

23. FINANCIAL INSTRUMENTS (continued)

(ii) Liquidity risk management (continued)

	Interest Rate	1 year or less $	1 to 5 years $	Total $
Consolidated				
30 June 2020				
Financial assets				
Cash and cash equivalents	0.07%	713,079	-	713,079
Trade and other receivables		286,770	-	286,770
Total financial assets		**999,849**	**-**	**999,849**
Financial liabilities				
Trade and other payables		(1,072,013)	-	(1,072,013)
Borrowings	35.80%	(450,000)	-	(450,000)
Convertible notes	9.0%	(1,321,000)	-	(1,321,000)
Total financial liabilities		**(2,843,013)**	**-**	**(2,843,013)**

(iii) Interest rate risk

The financial instruments which primarily expose the Company to interest rate risk are cash and cash equivalents, borrowings and convertible notes. The Company's exposure to interest rate risk and the effective interest rate for classes of financial assets and financial liabilities are detailed in the table above.

Sensitivity Analysis
The Group does not consider this to be material to the Group, as interest rates on financial liabilities are subject to fixed interest rates, and have therefore not undertaken any further analysis.

(iv) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from exposures to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

Sensitivity Analysis
The sensitivity analyses below detail the Group's sensitivity to an increase/decrease in the Australian dollar against the United States dollar. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation balance date for a 25 basis point change in foreign currency rates.

At balance date, if foreign exchange rates had been 25 basis points higher or lower and all other variables were held constant, the Group's:

- Profit or loss would increase/decrease by $1,159 (2020: $1,082); and
- Equity reserves would increase/decrease by $1,159 (2020: $1,082).

(v) Fair value of financial instruments

AASB 7 *Financial Instruments* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

23. FINANCIAL INSTRUMENTS (continued)

The carrying value less impairment allowance of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

The Group's principal financial instruments consist of cash and deposits with banks (Level 1), accounts receivable, trade payables and loans payable (Level 2). The main purpose of these non-derivative financial instruments is to finance the Group's operations.

24. OPERATING SEGMENTS

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision Maker to make decisions regarding the Company's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the Chief Operating Decision Maker.

Based on the quantitative thresholds included in AASB 8, there is only one reportable segment, being the development and manufacture of wireless technologies in the United States of America.

The revenues and results of this segment are those of the Group as a whole and are set out in the consolidated statement of profit and loss and other comprehensive income. The segment assets and liabilities of this segment are those of the Group and are set out in the consolidated statement of financial position.

Revenues from major customers which each account for 10% or more of total revenues as reported in the financial statements:

	Consolidated 2021 $	**Consolidated 2020 $**
US Customers		
Customer A	267,811	1,191,565
Customer B	441,864	-
Customer C	-	1,229,868
Customer D	141,947	546,868
	851,622	2,968,301

25. CONTINGENT LIABILITIES

The Directors of the Group are not aware of any contingent liabilities which require disclosure in the financial year ended 30 June 2021.

26. SUBSEQUENT EVENTS

(a) On 8 July 2021, following shareholder approval granted at the General Meeting held on 30 June 2021, the Company completed a consolidation of its issued capital on the basis that every ten (10) shares be consolidated into one (1) share. The total shares on issue post consolidation was 106,615,835.

(b) On 26 and 27 July 2021, following shareholder approval granted at the General Meeting on 30 June 2021, the Company successfully completed the restructuring of its debts through the issue of the following securities, on a post consolidation basis:

- 20,000,000 shares at a deemed issue price of $0.02 per share and 20,000,000 options to A.C.N. 627 852 797 Pty Ltd in lieu of repayment of $400,000 advanced to the Company. The options are exercisable at $0.03 per share and expire on 1 July 2024. The financial effect of this transaction has been brought to account as at 30 June 2021 (refer to Note 18(b));
- 5,378,630 shares to Tyche Investments Pty Ltd at an issue price of $0.02 per share in lieu of repayment of accrued interest of approximately $107,573;
- 10,925,000 shares to Directors at an issue price of $0.02 per share in lieu of outstanding director and company secretarial fees accrued of approximately $218,500; and
- 9,000,000 options, exercisable at $0.03 per share and expiring 1 July 2024, in relation to services provided by each Director to the Company. The options are subject to a vesting period of 12 months.

(c) In July and August 2021, the Company successfully completed a capital raising of approximately $3.5 million (before costs) through the issue of 175,000,000 shares, on a post consolidation basis, at an issue price of $0.02 per share to sophisticated and institutional investors. In addition, 42,000,000 options, exercisable at $0.03 per share and expiring 1 July 2024, were issued in relation to the underwriting of the rights issue and placement.

(d) Subsequent to the Company's successful capital raising, the Company repaid approximately $1.3 million of convertible notes that matured on 30 June 2021 plus any accrued interest.

No other matters or circumstance has arisen since 30 June 2021 that has affected, or may significantly affect the Group's operations, the result of those operations, or the Group's state of affairs in future financial years.

27. PARENT ENTITY INFORMATION

The following detailed information is related to the parent entity, Connected IO Limited, as at 30 June 2020 and 30 June 2021.

	2021 $	2020 $
Current assets	1,426,787	32,074
Non-current assets	-	3,373,868
Total assets	**1,426,787**	**3,405,942**
Current liabilities	2,542,713	2,307,925
Non-current liabilities	-	-
Total liabilities	**2,542,713**	**2,307,925**
Contributed equity	73,530,158	70,777,722
Reserves	1,972,805	1,327,996
Accumulated losses	(76,618,889)	(71,007,701)
Total equity	**(1,115,926)**	**1,098,017**
Loss for the year	(5,611,188)	(2,362,260)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	**(5,611,188)**	**(2,362,260)**