

LatAm Autos Limited

ABN 12 169 063 414

Consolidated Annual Report - 31 December 2022

LatAm Autos Limited
Contents
31 December 2022

| | |
|---|----|
| Corporate directory | 2 |
| Chairman's letter | 3 |
| Review of operations | 4 |
| Directors' report | 7 |
| Auditor's independence declaration | 13 |
| Consolidated statement of profit or loss and other comprehensive income | 14 |
| Consolidated statement of financial position | 16 |
| Consolidated statement of cash flows | 18 |
| Notes to the consolidated financial statements | 19 |
| Directors' declaration | 53 |

LatAm Autos Limited
Corporate directory
31 December 2022

| | |
|-----------------------------|---|
| Directors | Michael Fitzpatrick (Chairman) Jorge Mejia Ribadeneira (Executive Director & Chief Executive Officer) - resigned on 28 February 2023 Louis Joseph (Non-executive Director) Gareth Bannan (Executive Director) - resigned on 22 February 2023 Cameron Griffin (Alternate Director) |
| Company secretaries | Melanie Leydin - resigned on 3 February 2022 Gareth Bannan - resigned on 22 February 2023 Louis Joseph - appointed on 3 February 2022 |
| Registered office | Level 1, 108 Queen Street Woollahra New South Wales, 2025 Tel: +61 (3) 9692 7222 Fax: +61 (3) 9077 9233 |
| Principal place of business | Latamautos Mexico S de RL de CV Hipolito Taine 244, Oficina 27, Polanco V Sección Mexico City Mexico Tel: +52 55 4161 8830 |
| Share register | Registry Direct Collins Street East Melbourne VIC 8003 |
| Auditor | Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne VIC 3008 |
| Website | www.latamautos.com |



Chairman's Letter

Dear Shareholders,

The 2022 year was another particularly difficult year for the Company with challenging economic conditions leading to a challenging operational environment.

The Classifieds business in Ecuador performed reasonably well thanks to its dominant market position. Classifieds in Mexico remained challenging while the Company sought to maintain market share without a dominant brand. Advertising revenues saw material headwinds from the broader application of programmatic advertising models which had a negative impact on the supplementary revenue streams.

The key contributors to the Company's challenges were the insolvency of Motorfy's primary finance partner Credito Real, elevated used car prices reducing inventory held by dealers and new car shortages which reduced advertising budgets and company revenue across the platforms in Mexico and Ecuador.

The mid-year loss of Credito Real was particularly difficult for the Company. Credito Real had served as crucial partner for the Company's Motorfy division during the previous 5 years. This resulted in a large drop in revenue as the commission payments to Motorfy for loan originations ceased. Conscious of the near-existential threat posed by the insolvency of Credito Real as Motorfy's key lender, the Company was left with little choice but to embark on a large restructuring with the aim of achieving a cost structure that reflected the reality of the revenue currently available from the market.

The restructuring saw the departure of long-serving executives who had served the Company since its inception as founding members of the team. I would like to thank Jorge Ribadeneira, Gareth Bannan and Jacobo Moreno for their many years of service and dedication to the Company. They also departed the company with good grace and demonstrated a commitment to their team members and the interests of the long-term prospects of the Company.

As part of the restructuring, the Company promoted from within and was very fortunate to have excellent and committed executives with Patricia Cordon promoted from COO to CEO and Jairo Ante promoted to the role of CFO in February 2023. I welcome Patricia Cordon and Jairo Ante who have stepped up and performed with distinction since taking on their new leadership roles within the Company. We are fortunate to have them and their team.

Since their promotion, the new leadership team has sought to reset the focus of the business to profitable products and relationships, alongside a material cost down initiative that I am confident will set the foundation for a positive future.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Mike Fitzpatrick'.

Mike Fitzpatrick
Chairman

Group Overview

Latam Autos Limited had a challenging time in 2022. When compared with 2021 (measured in 2021 constant currency terms)the key items for consideration are as follows:

- Revenues from external customers decreased by -35% or \$1.7 million
- Operating Expenses were reduced by \$0.9 million (-8%) to \$6.3 million
- Negative EBITDA increased by \$0.8 million (+39%) to -\$2.9 million
- Negative Operating and Investing Cash flows increased by \$0.9 million (-58%) to -\$2.4 million
- Motorfy Credit unit sales in Mexico decreased by 875 units (-28%) due to the failure of Credito Real
- Motorfy Credit unit sales in Mexico from financial institutions other than Crédito Real increased by 834 units (+180%)
- Organic/free traffic to the Company's Mexican classified site (seminuevos.com) decreased by 4.9 million sessions (-23%)

Chart 1: Quarterly historical revenues from external customers¹

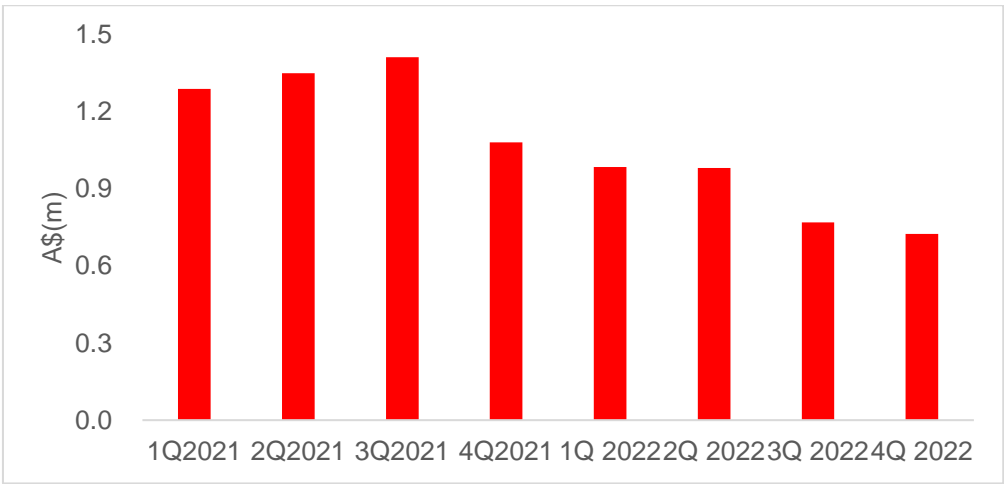
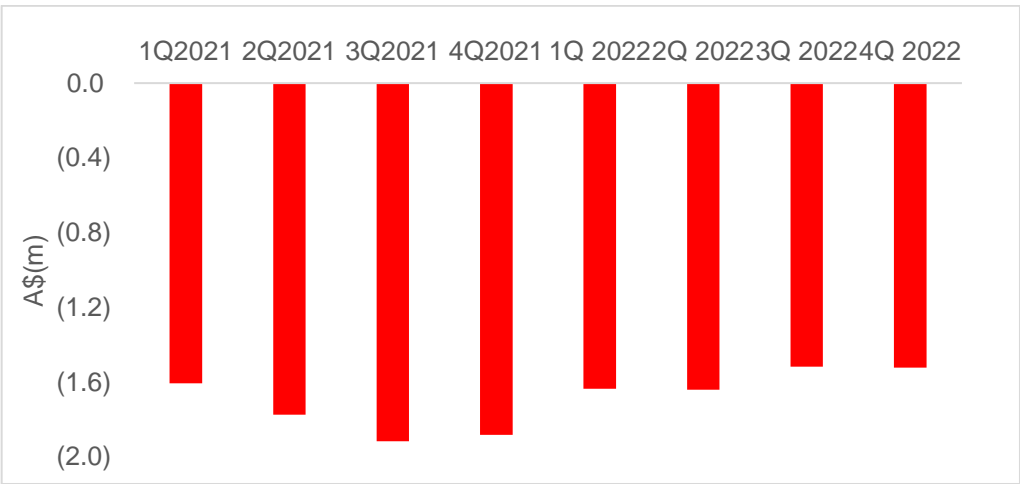


Chart 2: Operating Expenses²



¹ FX rates for all time periods used as per the 2022 annual report to show consistent A\$ values

² FX rates for all time periods used as per the 2022 annual report to show consistent A\$ values

Chart 3: EBITDA³

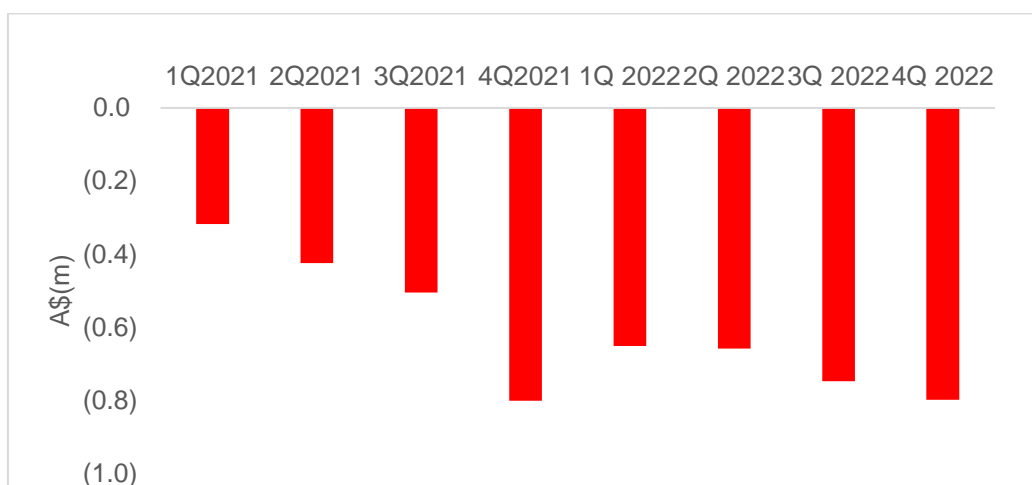


Chart 4: Operating and Investing Cash Flows⁴

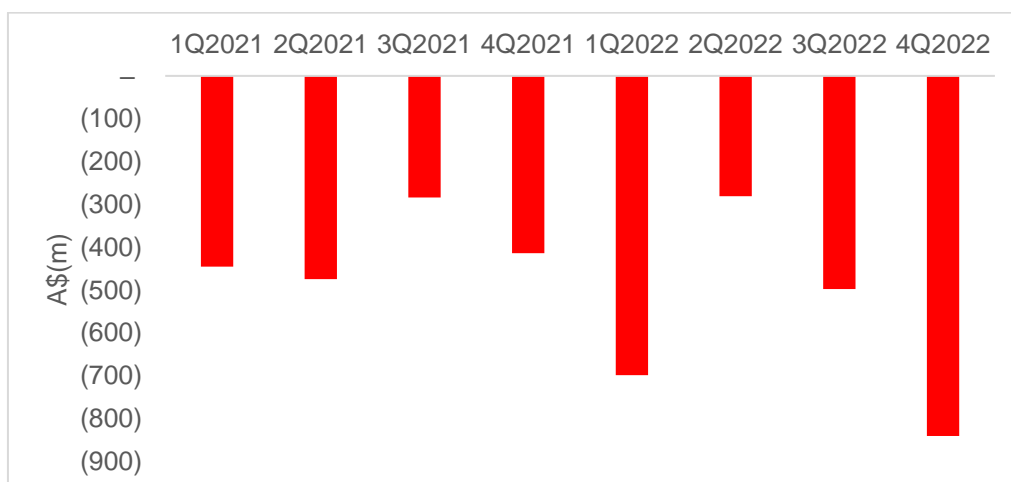
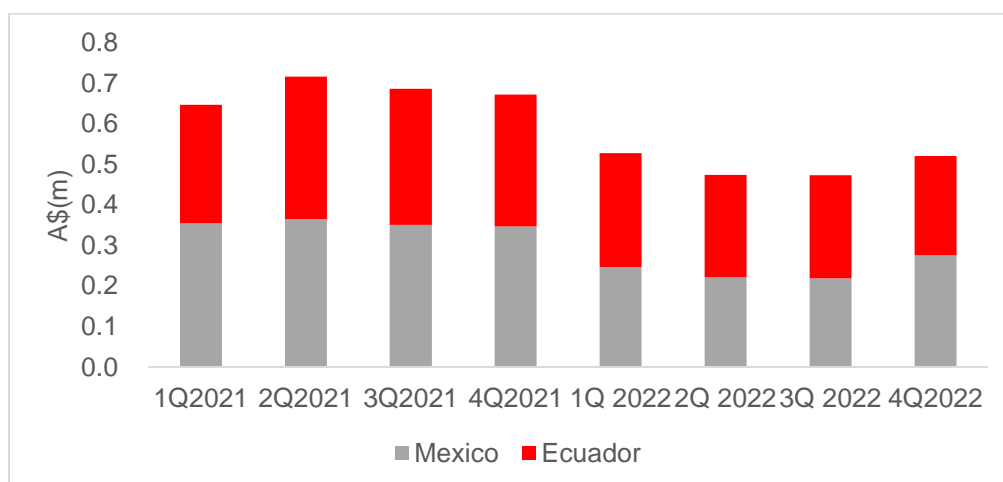


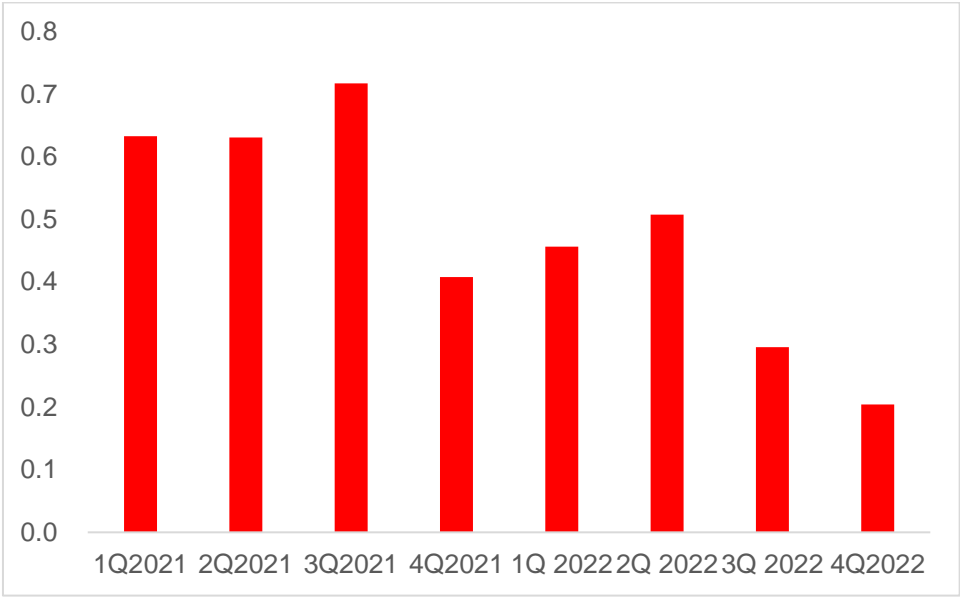
Chart 5: Classified revenue by subsidiary



³ FX rates for all time periods used as per the 2022 annual report to show consistent A\$ values

⁴ FX rates for all time periods used as per the 2022 annual report to show consistent A\$ values

Chart 6: Mexico Motorfy revenue



LatAm Autos Limited
Directors' report
31 December 2022

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of LatAm Autos Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2022.

Directors

The following persons were directors of LatAm Autos Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Michael Fitzpatrick (Chairman)
Jorge Mejia Ribadeneira (Executive Director & Chief Executive Officer) - resigned on 28 February 2023
Louis Joseph (Non-executive Director)
Gareth Bannan (Executive Director) - resigned on 22 February 2023
Cameron Griffin (Alternate Director)

Principal activities

The Consolidated Entity is an online auto classifieds and fintech business with operations in Mexico and Ecuador and with portals in Argentina, Peru, Panama and Bolivia. In these key Latin American markets ('LatAm Markets'), the Consolidated Entity provides a dedicated online auto classifieds platform to commercial sellers, private sellers and buyers of vehicles. The Consolidated Entity also offers premium automotive related content to automotive buyers and enthusiasts, advertising services and solutions, and originates car loans on behalf of its financial partners.

Dividends

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

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to \$3,869,000 (31 December 2021: \$21,776,000).

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial year.

Matters subsequent to the end of the financial year

At the end of November 2022, the Consolidated Entity commenced a restructuring process in order to reduce expenses and cash burn. The restructuring plan is intended to allow the company to achieve cash flow breakeven in the mid-term. The plan included elimination of the following C-level positions: Chief Financial Officer (CFO), Chief Technology Officer (CTO) and Chief Executive Officer (CEO). Those positions were replaced by current LatamAutos' employees with the appropriate expertise.

In November 2022 the Chief Financial Officer (CFO) resigned following the restructuring process previously mentioned.

In March 2023, both the Chief Technology Officer (CTO) and Chief Executive Officer (CEO) concluded their relationship with the company.

From January to December 2023, the company received financial support from the Chairman to meet its obligations with employees and third parties totalling \$2,025,000. This funding carries an annual interest rate of 12% with quarterly compounding.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this report because the directors believe it may result in unreasonable prejudice to the Consolidated Entity.

Environmental regulation

The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name: Michael Fitzpatrick
Title: Non-Executive Chairman
Qualifications: Bachelor of Engineering with honours from the University of Western Australia and a Masters of Arts from Oxford University, where he was the 1975 Rhodes Scholar from Western Australia.

Experience and expertise: Mike Fitzpatrick has over 40 years' experience in the financial services sector. Committed to sustainability, Mike and his associated interests have made a range of investments in renewable energy and related technology development. Current investments include electric vehicles (California based Proterra), high purity quartz for use in silicon manufacture (Creswick Quartz) and Third Equation, a developer of transformers designed to stabilise electricity grids.

Mike holds a number of non-executive directorships, including Infrastructure Capital Group, Carnegie Clean Energy Limited and LatAm Autos Limited. Mike is also a Trustee of the Rhodes Trust.

Infrastructure Capital Group is a leading Australian based mid-market infrastructure fund manager with over \$2 billion in equity investments and with almost \$500 million allocated to renewable energy in its recently launched Australian Renewable Infrastructure Fund (ARIF).

In 1994 Mike founded Hastings Funds Management Ltd (Hastings), the pioneering infrastructure asset management company where he was Managing Director until he sold his interest in 2005. Hastings was then one of the largest managers of infrastructure and alternative assets in Australia (including infrastructure, high yield debt, private equity and timberland) managing investments of approximately \$3.8 billion. Hastings' related directorships included Pacific Hydro, Australian Infrastructure Fund, Utilities Trust of Australia and Hastings Diversified Utilities Fund.

Prior to establishing Hastings, Mike was a director of CS First Boston. He also previously held positions with Merrill Lynch and First Boston in New York, the Victorian Treasury and Telecom Australia.

Mike is a former Chairman of Pacific Current Group Limited, Victorian Funds Management Corporation, the Australian Football League and the Australian Sports Commission, a former director of Rio Tinto Limited and Rio Tinto plc, a former member of the Melbourne Park Tennis Centre Trust, a former director of the Carlton Football Club and a former director of the Walter & Eliza Hall Institute of Medical Research.

Other current directorships: Infrastructure Capital Group and Carnegie Clean Energy Limited
Former directorships (last 3 years): Carnegie Wave Limited (appointed 2012)
Special responsibilities: Chair of the Audit Committee
 Member of Remuneration Nomination and Nomination Remuneration Committee
Interests in shares: 176,051,350 fully paid ordinary shares
Interests in options: None
Interests in rights: 3,574,002 Convertible notes

LatAm Autos Limited
Directors' report
31 December 2022

Name: Jorge Mejia Ribadeneira
Title: Executive Director & Chief Executive Officer
Qualifications: Jorge holds a Bachelor and a Master's in Human Resources Development, both from the Palm Beach Atlantic University, USA. He is a founding member and President of Internet Advertising Bureau Ecuador.
Experience and expertise: Jorge has served as the Chief Executive Officer of LatAm Autos Limited since October 2014 and has overseen the Company's business acquisitions, ASX listing and significant development.

Jorge is an experienced Latin America digital media executive. He is the founder and ex-CEO of Grupo Centrico, the Ecuadorian-based holding company for Vive1.com, Evaluar.com, and Seguros123.com, and previously PatioTuerca.com.

Jorge began his career in the technology sector after founding and managing multitrabajos.com, Ecuador's foremost job search engine. After multitrabajos.com was acquired by Bumeran.com/Navent, Jorge acted as the company's country manager before becoming Regional Vice President where he was responsible for all new business development and operations. During his time at Navent, Jorge led the successful acquisitions of five different Latin American based online classified sites.

As CEO of Grupo Centrico Jorge founded Evaluar.com, Latin America's leading HR evaluation company with operations in Chile, Peru, Ecuador and Mexico, as well as Seguros123.com, an online insurance comparison portal. Jorge also led the successful acquisition and integration of PatioTuerca.Com and Vive1.com.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 16,516,447 fully paid ordinary shares
Interests in options: None
Interests in rights: None

Name: Gareth Bannan
Title: Alternate Director, Chief Financial Officer
Qualifications: Bachelor of Economics and Master of Finance, both from the University of New South Wales
Experience and expertise: Gareth Bannan is co-founder, joint company secretary and Chief Financial Officer of the Company. Gareth has 17 years' financial management, mergers & acquisitions and capital markets experience (including 10 years in Latin America), and previously worked at Chestnut Partners (São Paulo), KPMG Corporate Finance (Sydney) and Rabobank (Sydney). Gareth has extensive operating and advisory experience in online classified companies in Latin America.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chief Financial Officer; Joint Company Secretary
Interests in shares: 22,084,827 fully paid ordinary shares
Interests in options: None
Interests in rights: None

LatAm Autos Limited
Directors' report
31 December 2022

| | |
|--------------------------------------|---|
| Name: | Cameron Griffin |
| Title: | Alternate Director |
| Qualifications: | Bachelor of Commerce, CA |
| Experience and expertise: | Cameron has 22 years of finance and investment industry experience having worked in Australia, the United Kingdom and the United States of America. Cameron currently runs the direct investment portfolio at Squitchy Lane Holdings, the private investment vehicle of the Fitzpatrick family office. Cameron previously held investment and advisory roles at Hastings Funds Management Ltd and EY (Corporate Finance). Cameron's other external appointments include a directorship at AgCap Pty Ltd (which is an unlisted company), as well as a board observer role at Proterra, Inc, a US manufacturer of zero emission electric buses. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | None |
| Interests in shares: | None |

| | |
|--------------------------------------|---|
| Name: | Louis Joseph |
| Title: | Non-Executive Director |
| Qualifications: | Bachelor of Commerce, Member Turnaround Management Association of Australia |
| Experience and expertise: | Louis Joseph has been involved directly in business in both the commercial sector and in the securities industry. His experience has been developed within Australia and in overseas locations, including Latin America and Asia. His expertise includes international horticulture trade and logistics, business management, financial markets and securities analysis. |
| Other current directorships: | London City Equities Limited and Imperial Pacific Limited |
| Former directorships (last 3 years): | London City Equities Limited (appointed 2022), Imperial Pacific Limited (appointed 2022) |
| Special responsibilities: | Company Secretary of Imperial Pacific Limited and London City Equities since 2016 |
| Interests in shares: | 5,165,585 Fully paid ordinary Shares |
| Interests in options: | None |
| Interests in rights: | None |
| Interests in rights: | None |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

Melanie Leydin resigned on 3 February 2022 and was replaced by Louis Joseph as joint company secretary. Details of his qualifications and experience are set out in the Directors' information above.

Gareth Bannan was joint company secretary and resigned on 3 February 2022. Details of his qualifications and experience are set out in the Directors' information above.

LatAm Autos Limited
Directors' report
31 December 2022

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2022, and the number of meetings attended by each director were:

| | Full Board Held | Full Board Attended | Audit Committee Held | Audit Committee Attended | Nom & Rem Committee Held | Nom & Rem Committee Attended |
|------------------|--------------------|------------------------|----------------------------|--------------------------------|--------------------------------|------------------------------------|
| Mike Fitzpatrick | 10 | 10 | - | - | - | - |
| Jorge Mejia | 10 | 10 | - | - | - | - |
| Gareth Bannan | 10 | 9 | - | - | - | - |
| Cameron Griffin | 10 | 10 | - | - | - | - |
| Louis Joseph | 10 | 10 | - | - | - | - |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Shares under option

The Consolidated Entity does not have Shares under option as at 31 December 2022.

Shares under performance rights

The Consolidated Entity does not have Shares under performance rights as at 31 December 2022.

Shares issued on the exercise of options

There were no ordinary shares of LatAm Autos Limited issued on the exercise of options during the year ended 31 December 2022 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of LatAm Autos Limited issued on the exercise of performance rights during the year ended 31 December 2022 and up to the date of this report.

Indemnity and insurance of officers

The Company has entered into deeds of access, insurance and indemnity with each Director which confirm each Director's right of access to certain books and records of LatAm Autos for a period of seven years after the Director ceases to hold office. This seven-year period may be extended where certain proceedings or investigations commence before that seven-year period expires.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd

There are no officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

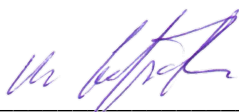
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Fitzpatrick
Chairman

22 Dec 2023

Grant Thornton Audit Pty Ltd

Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001
T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of LatAm Autos Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of LatAm Autos Limited for the year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



Michael Climpson
Partner – Audit & Assurance
Melbourne, 22 December 2023

www.grantthornton.com.au
ACN-130 913 594

Grant Thornton Audit Pty Ltd ACN 130 913 594 a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389. 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

LatAm Autos Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

| | Note | Consolidated 2022 \$'000 | 2021 \$'000 |
|---|------|--------------------------------|-----------------|
| Revenue from continuing operations | 5 | 3,322 | 4,585 |
| Interest revenue calculated using the effective interest | | 2 | - |
| Expenses | | | |
| Commissions and related expenses | | (1,162) | (1,647) |
| Printing costs | | (51) | (51) |
| Advertising expenses | | (153) | (244) |
| Employee benefits expense | 6 | (3,823) | (3,147) |
| Depreciation and amortisation expense | 6 | (31) | (828) |
| Impairment of assets | 6 | (69) | (18,739) |
| Operating lease expense | 6 | (87) | (92) |
| Professional and consulting fees expense | | (446) | (620) |
| Travel expense | | (24) | (39) |
| Technology expenses | | (431) | (432) |
| Other expenses | | (289) | (382) |
| Finance costs and related costs | 6 | (627) | (555) |
| Loss before income tax (expense)/benefit from continuing operations | | (3,869) | (22,191) |
| Income tax (expense)/benefit | 7 | - | 415 |
| Loss after income tax (expense)/benefit from continuing operations | | (3,869) | (21,776) |
| Loss after income tax expense from discontinued operations | | - | (1) |
| Loss after income tax (expense)/benefit for the year attributable to the owners of LatAm Autos Limited | | (3,869) | (21,777) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation - exchange differences on translating foreign operations and subsidiaries | | 180 | 1,023 |
| Other comprehensive income for the year, net of tax | | 180 | 1,023 |
| Total comprehensive income for the year attributable to the owners of LatAm Autos Limited | | <u>(3,689)</u> | <u>(20,754)</u> |
| Total comprehensive income for the year is attributable to: | | | |
| Continuing operations | | (3,689) | (20,753) |
| Discontinued operations | | - | (1) |
| | | <u>(3,689)</u> | <u>(20,754)</u> |

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

LatAm Autos Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

| | Note | Consolidated 2022 \$'000 | 2021 \$'000 |
|---|-------------|---|------------------------|
| | | Cents | Cents |
| Earnings per share for loss from continuing operations attributable to the owners of LatAm Autos Limited | | | |
| Basic earnings per share | 32 | (0.51) | (2.85) |
| Diluted earnings per share | 32 | (0.51) | (2.85) |
| Earnings per share for loss from discontinued operations attributable to the owners of LatAm Autos Limited | | | |
| Basic earnings per share | 32 | (0.00) | (0.00) |
| Diluted earnings per share | 32 | (0.00) | (0.00) |
| Earnings per share for loss attributable to the owners of LatAm Autos Limited | | | |
| Basic earnings per share | 32 | (0.51) | (2.85) |
| Diluted earnings per share | 32 | (0.51) | (2.85) |

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

LatAm Autos Limited
Consolidated statement of financial position
As at 31 December 2022

| | Note | Consolidated 2022 \$'000 | 2021 \$'000 |
|---|------|--------------------------------|------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 669 | 273 |
| Trade and other receivables | 9 | 591 | 785 |
| Prepayments | 10 | 70 | 123 |
| Total current assets | | <u>1,330</u> | <u>1,181</u> |
| Non-current assets | | | |
| Plant and equipment | 11 | <u>50</u> | <u>86</u> |
| Total non-current assets | | <u>50</u> | <u>86</u> |
| Total assets | | <u>1,380</u> | <u>1,267</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 12 | 1,687 | 1,541 |
| Employee benefits | 13 | 131 | 189 |
| Provisions | 14 | 23 | 24 |
| Contract liabilities - deferred revenue | 15 | 492 | 440 |
| Financial liabilities | 17 | 10,062 | 6,440 |
| Total current liabilities | | <u>12,395</u> | <u>8,634</u> |
| Non-current liabilities | | | |
| Deferred tax | 7 | - | 11 |
| Employee benefits | 16 | <u>131</u> | <u>154</u> |
| Total non-current liabilities | | <u>131</u> | <u>165</u> |
| Total liabilities | | <u>12,526</u> | <u>8,799</u> |
| Net assets deficiency | | <u>(11,146)</u> | <u>(7,532)</u> |
| Equity | | | |
| Issued capital | 18 | 90,621 | 90,621 |
| Other contributed equity | 19 | 2,086 | 2,011 |
| Reserves | 20 | 67 | 47 |
| Accumulated losses | | <u>(103,920)</u> | <u>(100,211)</u> |
| Total equity | | <u>(11,146)</u> | <u>(7,532)</u> |

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

LatAm Autos Limited
Consolidated statement of changes in equity
For the year ended 31 December 2022

| Consolidated | Issued capital \$'000 | Share based payments reserve \$'000 | Foreign currency translation reserve \$'000 | Other contributed equity \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|--|----------------------------------|--|--|--|--|------------------------------------|
| Balance at 1 January 2022 | 90,621 | 160 | (113) | 2,011 | (100,211) | (7,532) |
| Loss after income tax benefit for the year | - | - | - | - | (3,869) | (3,869) |
| Other comprehensive income for the year, net of tax | - | - | 180 | 75 | - | 255 |
| Total comprehensive income for the year | - | - | 180 | 75 | (3,869) | (3,614) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Share-based payments (note 33) | - | (160) | - | - | 160 | - |
| Transfer of reserve | - | - | - | - | - | - |
| Balance at 31 December 2022 | <u>90,621</u> | <u>-</u> | <u>67</u> | <u>2,086</u> | <u>(103,920)</u> | <u>(11,146)</u> |

| Consolidated | Issued capital \$'000 | Share based payments reserve \$'000 | Foreign currency translation reserve \$'000 | Other contributed equity \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|--|----------------------------------|--|--|--|--|------------------------------------|
| Balance at 1 January 2021 | 90,621 | 167 | (1,136) | 2,010 | (78,515) | 13,147 |
| Loss after income tax benefit for the year | - | - | - | - | (21,777) | (21,777) |
| Other comprehensive income for the year, net of tax | - | - | 1,023 | 1 | - | 1,024 |
| Total comprehensive income for the year | - | - | 1,023 | 1 | (21,777) | (20,753) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Share-based payments (note 33) | - | 74 | - | - | - | 74 |
| Transfer of reserve | - | (81) | - | - | 81 | - |
| Balance at 31 December 2021 | <u>90,621</u> | <u>160</u> | <u>(113)</u> | <u>2,011</u> | <u>(100,211)</u> | <u>(7,532)</u> |

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

LatAm Autos Limited
Consolidated statement of cash flows
For the year ended 31 December 2022

| | Note | Consolidated 2022 \$'000 | 2021 \$'000 |
|--|-------------|---|------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST and equivalents) | | 4,184 | 5,244 |
| Payments to suppliers and employees (inclusive of GST and equivalents) | | (6,900) | (6,449) |
| | | (2,716) | (1,205) |
| Interest received | | 2 | - |
| Interest and other finance costs paid | | (12) | (9) |
| Net cash used in operating activities | 33 | (2,726) | (1,214) |
| Cash flows from investing activities | | | |
| Payments for plant and equipment | | (4) | - |
| Payments for intangibles | | - | (337) |
| Net cash used in investing activities | | (4) | (337) |
| Cash flows from financing activities | | | |
| Proceeds from short term debt facility | | - | 335 |
| Loan from related parties | | 3,012 | - |
| Net cash from financing activities | | 3,012 | 335 |
| Net increase (decrease) in cash and cash equivalents | | 282 | (1,216) |
| Cash and cash equivalents at the beginning of the financial year | | 273 | 1,533 |
| Effects of exchange rate changes on cash and cash equivalents | | 114 | (44) |
| Cash and cash equivalents at the end of the financial year | 8 | <u>669</u> | <u>273</u> |

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

LatAm Autos Limited
Notes to the consolidated financial statements
31 December 2022

Note 1. General information

The financial statements cover LatAm Autos Limited as a Consolidated Entity consisting of LatAm Autos Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is LatAm Autos Limited's functional and presentation currency.

LatAm Autos Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

| Registered office | Principal place of business |
|--|--|
| Level 1 108 Queen Street Woollahra New South Wales, 2025 Tel: +61 429 659 512 | Latamautos Mexico S de RL de CV Av. Hipolito Taine 244, Polanco Mexico City, Mexico Tel: +52 55 4161 8830 |

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 December 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Going concern

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

During the financial year ended 31 December 2022, the Consolidated Entity incurred a loss after tax of \$3,869,000 (2021: \$21,776,000). During the same periods, the Consolidated Entity had net cash outflows from operating activities of \$2,726,000 (2021: \$1,214,000).

As at 31 December 2022, the net asset deficiency was \$11,146,000, (\$13,104,000 at the end of September 2023 - unaudited). The Directors with the Company's Management are exploring all options available to the Company that will help address the net deficiency. These options include a partial or full sale of the Company's operations across its operations alongside continued restricting efforts that would allow the Company to operate profitably.

This financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors consider this appropriate having regard to the following factors:

- Signed confirmations have been received confirming the convertible notes of \$6,100,000 will not be called on for a period of 12 months from the date of this financial report
- Signed confirmations have been received from directors who will not call on their short-term debt facility for a period of at least 12 months from the date of this financial report
- The consolidated entity has received financial support from the directors for the past several years and believe it is reasonable to assume that this financial support will continue to ensure that the Consolidated Entity can continue to pay its debts as and when they fall due

Should the group be unable to obtain sufficient support as indicated above, there is a material uncertainty as to whether the Group will be able to continue as a going concern.

Note 2. Significant accounting policies (continued)

The financial report does not include any adjustment relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Consolidated Entity be unable to continue as a going concern.

New Accounting Standards and Interpretations adopted as at 1 January 2022

The financial statements have been prepared on the basis of accounting consistent with prior year, with the exception of new Accounting Standards, Amendments and Interpretations which became effective for the Consolidated Entity from 1 January 2022. The adoption of these new Standards, Amendments and Interpretations did not have a material impact of the amounts recognised in the current or prior periods.

New Accounting Standards and Interpretations not yet mandatory or early adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 December 2022 and the results of all subsidiaries for the period then ended. The Company and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power the investee. Control is achieved when the company:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affects its returns.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Note 2. Significant accounting policies (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification

The Consolidated Entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the entity's normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting date, or when,
- Cash or a cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting date, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after reporting date.

Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Consolidated Entity presents all other liabilities as non-current.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The consolidated financial statements are presented in Australian dollars, which is LatAm's functional and presentation currency. Items included in the financial statements of each of the Consolidated Entity's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 2. Significant accounting policies (continued)

Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the consolidated statement of comprehensive income, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue recognition

Revenue from contracts with customers

The Consolidated Entity predominantly derives revenue from the provision of services. Significant contracts with customers depict various performance obligations, such as:

- Classifieds;
- Financial product (Motorfy);
- Advertising;

To determine whether to recognise revenue, the Consolidated Entity follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Consolidated Entity satisfies performance obligations by transferring the promised services to its customers.

Note 2. Significant accounting policies (continued)

| Type of revenue | Services | Recognition criteria |
|-----------------------------|--|--|
| Classifieds | Provision of fixed-period vehicle advertising services to both dealer and non-dealer customers | Revenue is recognised over the agreed period of advertising for each identified vehicle. Revenue with dealer customers arises from annual contracts subject to renewal. Revenue from non-dealer customers are short-term and typically for a period of service of 30 days. Dealer customers' credit terms are typically 30 days from commencement of service. Non-dealer customers advertising is prepaid. |
| Financial product (Motorfy) | Revenue is generated from the provision of qualified leads to financial institutions. The right to payment occurs upon a loan being written by that financial institution to the qualified lead. | Revenue is recognised at the point in time at which the service is performed, subject to the principles of constraint. Revenue is constrained until it is highly probable that there will not be a significant reversal of revenue, which, in relation to the product, is the time at which the loan is written. |
| Advertising | Revenue is generated from the provision of advertising services | Revenue is recognised as and when the advertising services are provided. |

The Consolidated Entity recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as liabilities in the Statement of financial position.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Interest income

Interest income is recognised on a time proportionate basis using the effective interest method.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 2. Significant accounting policies (continued)

Discontinued operations

A discontinued operation is a component of the Consolidated Entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial assets

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The Consolidated Entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Consolidated Entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment 3 to 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination whether an arrangement is a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that asset is not explicitly in an arrangement.

Note 2. Significant accounting policies (continued)

The Consolidated Entity as a lessee AASB 16

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

At the commencement date of a lease, the Consolidated Entity recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement 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 life of the assets.

The Consolidated Entity separately recognises the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Consolidated Entity will remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term and a change in the future lease payments resulting from a change in an index or rate used to determine those payments). The Consolidated Entity will generally recognise the amount of the remeasurement of the lease liability as an adjustment of the right-of-use asset.

The Consolidated Entity has chosen to account for short-term leases and leases of low-value assets using practical exemptions, so instead of recognizing a right-of-use asset and a lease liability, the payments in relation to these are recognized as an expense in results on a linear basis during the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition.

Intangible assets acquired separately are initially recognised at cost.

Intangible assets with indefinite useful lives are not amortised, but treated for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. Amortisation expense is included in depreciation and amortisation expense in the Statement of profit or loss and other comprehensive income.

The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Note 2. Significant accounting policies (continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Consolidated Entity's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the LatAm Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the 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 circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis generally over 3-5 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Consolidated Entity has an intention and ability to use the asset.

Content, domain names and trademarks / software

When these assets are acquired as part of a business combination they are recognised separately from goodwill. The assets are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, as follows:

Domain names and trademarks – 10 to 15 years

Software – 3 to 5 years

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Consolidated Entity's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Note 2. Significant accounting policies (continued)

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Consolidated Entity 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

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. 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).

Subsequent measurement of financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Equity instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments at fair value through other comprehensive income (FVTOCI)

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.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Consolidated Entity's trade and most other receivables fall into this category of financial instruments that were previously classified as loans and receivables under AASB 9.

The Consolidated Entity does not have any financial instrument in the categories FVTPL, Equity FVTOCI and Debt FVTOCI.

Impairment of financial assets

The Consolidated Entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Consolidated Entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Note 2. Significant accounting policies (continued)

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Trade and other receivables and contract assets

The Consolidated Entity uses a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Consolidated Entity uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

The Consolidated Entity's financial liabilities include trade and other payables and convertible note.

Financial liabilities are initially measured at fair value, and, where and to the extent applicable, adjusted for transaction costs unless the Consolidated Entity designate 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 charges in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions

Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled wholly within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Note 2. Significant accounting policies (continued)

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial Option Valuation model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of LatAm Autos Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Note 2. Significant accounting policies (continued)

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables (Note 9)

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Estimation of useful lives of assets (Note 11)

The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax (Note 7)

The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets (Note 7)

Deferred tax assets are recognised for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on the Consolidated Entity's current obligations with third parties.

Note 4. Operating segments

Identification of reportable operating segments

The Consolidated Entity operates in one industry, being the provision of online auto classified services and other related activities, and there are two operating business segments that are determined on the basis of geographic locations.

The operating segments are analysed by the Chief Executive Officer and the Board of Directors (collectively identified as the Chief Operating Decision Makers ('CODM')), based on the internal reports that are reviewed and used by the CODM in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews revenues, relevant expenses and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

The reportable segments are:

Mexico
Ecuador

Business activities are also carried out in Bolivia, however these are not material and, for the purposes of reporting to the CODM, this financial information is included in the Ecuador reportable segment.

Intersegment transactions

There were no material intersegment transactions during the reporting period.

Major customers

The Mexican segment had two major customers from whom greater than 10% of revenue was derived during the year \$1,205,000 collectively (\$747,000 and \$458,000 respectively) (2021: one client with \$1,936,000).

Operating segment information, including reconciliation to Group totals

| | Ecuador \$'000 | Mexico \$'000 | Total \$'000 |
|-----------------------------|---------------------------|--------------------------|-------------------------|
| Consolidated – 2022 | | | |
| Revenue | | | |
| Sales to external customers | 998 | 2,286 | 3,284 |
| Operating expenses | (1,512) | (4,197) | (5,709) |
| EBITDA | (514) | (1,911) | (2,425) |
| | | | |
| Consolidated - 2021 | | | |
| Revenue | | | |
| Sales to external customers | 1,205 | 3,315 | 4,520 |
| Operating expenses | (1,366) | (4,267) | (5,633) |
| EBITDA | (161) | (952) | (1,113) |

Note 4. Operating segments (continued)

The segment report above has been prepared on a local statutory basis. Mexico is invoiced for various expenses of other countries for operational reasons. In 2022 Mexico had approximately \$115,000 (2021: \$343,000) worth of operating expenses that relate to other countries that the Company operates in. If this amount was to be reallocated Mexico's operating expenses would decrease by approximately \$115,000 (2021: \$343,000) and other countries operating expenses would increase by the same value.

The total Revenue and Loss after income tax presented in the Consolidated Entity's operating segments reconcile to the corresponding key financial figures as presented in its Statement of profit or loss and other comprehensive income as follows:

| | Consolidated | |
|---|---------------------|-----------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Revenue | | |
| Total reportable segment revenues | 3,284 | 4,520 |
| Interest income | 2 | - |
| Other revenue | 38 | 65 |
| | <u>3,324</u> | <u>4,585</u> |
| Group revenues | <u>3,324</u> | <u>4,585</u> |
| | | |
| | Consolidated | |
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Profit or loss | | |
| Total reportable segment EBITDAs | (2,425) | (1,113) |
| Interest income | 2 | - |
| Other revenue | 38 | 65 |
| Foreign exchange loss | 1 | 11 |
| Financial expenses | (627) | (555) |
| Depreciation and amortisation expenses | (31) | (828) |
| Share-based payments expense | - | (74) |
| Impairment of assets including goodwill | (69) | (18,739) |
| Other non-reportable segment expenses | (758) | (958) |
| Income tax (expense)/benefit | - | 415 |
| | <u>(3,869)</u> | <u>(21,776)</u> |

Geographical information

| | Sales to external customers | | Geographical non-current assets | |
|-----------|------------------------------------|---------------|--|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Australia | - | - | - | - |
| Ecuador | 998 | 1,205 | 15 | 40 |
| Panama | - | - | - | - |
| Mexico | 2,286 | 3,315 | 35 | 46 |
| Peru | - | - | - | - |
| | <u>3,284</u> | <u>4,520</u> | <u>50</u> | <u>86</u> |

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 5. Revenue

| | Consolidated | |
|--|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| From continuing operations | | |
| <i>Revenue from contracts with customers</i> | | |
| Sales revenue | 3,284 | 4,520 |
| Interest revenue | 2 | |
| Other revenue | 38 | 65 |
| Revenue from continuing operations | <u>3,324</u> | <u>4,585</u> |

Sales revenue recognised during the financial year ended 31 December 2022 includes \$440,000 (2021: \$432,000) that was included in the opening balance of Contract liabilities - deferred revenue at the beginning of the corresponding period.

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

| Consolidated - 2022 | Classifieds | Motorfy | Total |
|-----------------------------|--------------------|----------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| <i>Geographical regions</i> | | | |
| Mexico | 906 | 1,380 | 2,286 |
| Ecuador | 998 | - | 998 |
| | <u>1,904</u> | <u>1,380</u> | <u>3,284</u> |
| Consolidated - 2021 | Classifieds | Motorfy | Total |
| | \$'000 | \$'000 | \$'000 |
| <i>Geographical regions</i> | | | |
| Mexico | 1,220 | 2,095 | 3,315 |
| Ecuador | 1,186 | 19 | 1,205 |
| | <u>2,406</u> | <u>2,114</u> | <u>4,520</u> |

The Consolidated Entity revenue disaggregated by pattern of revenue recognition is as follows:

| Consolidated - 2022 | Mexico | Ecuador | Total |
|--------------------------------------|---------------|----------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| Services provided at a point in time | 1,513 | 689 | 2,202 |
| Services transferred over time | 773 | 309 | 1,082 |
| | <u>2,286</u> | <u>998</u> | <u>3,284</u> |
| Consolidated - 2021 | Mexico | Ecuador | Total |
| | \$'000 | \$'000 | \$'000 |
| Services provided at a point in time | 2,499 | 901 | 3,400 |
| Services transferred over time | 816 | 304 | 1,120 |
| | <u>3,315</u> | <u>1,205</u> | <u>4,520</u> |

LatAm Autos Limited
Notes to the consolidated financial statements
31 December 2022

Note 6. Expenses

| | Consolidated | |
|---|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Loss before income tax from continuing operations includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Plant and equipment and total depreciation | 31 | 46 |
| <i>Amortisation</i> | | |
| Software | - | 624 |
| Domain names and trademarks | - | 158 |
| Total amortisation | - | 782 |
| Total depreciation and amortisation | 31 | 828 |
| <i>Impairment</i> | | |
| Plant and equipment | 14 | - |
| Receivables | 55 | 77 |
| Deferred tax asset | - | 572 |
| Goodwill, other intangibles and software | - | 16,710 |
| Sales tax receivables | - | 1,380 |
| Total impairment | 69 | 18,739 |
| <i>Finance costs</i> | | |
| Interest expense | 616 | 547 |
| Commissions, bank fees and transaction fees | 11 | 8 |
| Finance costs expensed | 627 | 555 |
| Leases | 87 | 92 |
| <i>Employee benefits</i> | | |
| Defined contribution superannuation expense | - | 200 |
| Share-based payments expense - equity-settled | - | 74 |
| Employee benefits expense excluding superannuation and share-based payments | 3,823 | 2,873 |
| Total employee benefits | 3,823 | 3,147 |

Note 7. Deferred tax and Income tax (expense)/benefit

| | Consolidated 2022 \$'000 | 2021 \$'000 |
|---|--------------------------------|----------------|
| <i>Income tax (expense)/benefit</i> | | |
| Current tax | - | - |
| Deferred tax - origination and reversal of temporary differences | - | 415 |
| Aggregate income tax (expense)/benefit | - | 415 |
| Deferred tax included in income tax (expense)/benefit comprises: | | |
| Decrease/(increase) in deferred tax assets | - | (29) |
| Increase/(decrease) in deferred tax liabilities | - | 444 |
| Deferred tax - origination and reversal of temporary differences | - | 415 |
| <i>Numerical reconciliation of income tax (expense)/benefit and tax at the statutory rate</i> | | |
| Loss before income tax (expense)/benefit from continuing operations | (3,869) | (22,191) |
| Loss before income tax expense from discontinued operations | - | (1) |
| | (3,869) | (22,192) |
| Tax at the statutory tax rate of 25% | (967) | (5,548) |
| Income tax (expense)/benefit | - | 415 |

Deferred taxes arising from temporary differences are summarised as follows:

| | 1 January 2022 \$'000 | Recognised in profit or loss \$'000 | Consolidated Recognised in equity \$'000 | Impairment /Adjustment \$'000 | FX Adjustment \$'000 | 31 December 2022 \$'000 |
|----------------------------------|-----------------------------|--|---|-------------------------------------|----------------------------|-------------------------------|
| <i>Deferred tax liabilities:</i> | | | | | | |
| Provisions | (11) | - | - | 11 | - | - |
| | (11) | - | - | 11 | - | - |
| | | | | | | |
| | 1 January 2021 \$'000 | Recognised in profit or loss \$'000 | Consolidated Recognised in equity \$'000 | Impairment /Adjustment \$'000 | FX Adjustment \$'000 | 31 December 2022 \$'000 |
| <i>Deferred tax asset:</i> | | | | | | |
| Provisions | 45 | (3) | - | (43) | 1 | - |
| Other temporary differences | 155 | (26) | - | (133) | 4 | - |
| Transaction costs on share issue | 229 | - | - | (229) | - | - |
| | 429 | (29) | - | (405) | 5 | - |
| <i>Deferred tax liabilities:</i> | | | | | | |
| Provisions | - | (11) | - | - | - | (11) |
| Intangibles | (286) | 455 | - | (167) | (2) | - |
| | (286) | 444 | - | (167) | (2) | - |

Note 8. Discontinued operations (continued)

As the Consolidated Entity has not generated profits since inception, and the temporary differences were recorded under the assumption that the Consolidated Entity considered probable to generate future taxable amounts to utilise those differences, the whole amount has been impaired.

Note 8. Cash and cash equivalents

| | Consolidated | |
|--------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Cash at bank | 669 | 273 |

Note 9. Trade and other receivables

| | Consolidated | |
|--|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Trade receivables | 787 | 979 |
| Less: Allowance for expected credit losses | (400) | (333) |
| Less: Impairment of trade receivables | - | (24) |
| | <u>388</u> | <u>622</u> |
| Other accounts receivable | 139 | 115 |
| Taxes receivable - current | <u>64</u> | <u>48</u> |
| | <u>591</u> | <u>785</u> |

Allowance for expected credit losses

The Consolidated Entity has recognised an allowance of expected credit losses of trade receivables of \$62,000 in profit or loss in respect the year ended 31 December 2022 (31 December 2021: \$102,000).

Impairment of trade receivables

The Consolidated Entity has recognised impairment of \$25,000 for accounts receivables invoiced in 2021 and are due more than a year at the date of this report.

Note 22 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the AASB 9 expected loss model

Taxes receivable - current

Represents the following:

- Income tax paid in advance to the tax authority, as the Consolidated Entity has not generated profits the amount is 100% claimable.
- VAT and Income tax withheld by clients according to the Ecuadorian tax requirements.

LatAm Autos Limited
Notes to the consolidated financial statements
31 December 2022

Note 9. Trade and other receivables (continued)

Movements in the allowance for expected credit losses are as follows:

| | Consolidated | |
|----------------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Opening balance | 333 | 331 |
| Additional provisions recognised | 62 | 102 |
| Written off | (29) | (108) |
| Foreign exchange | 33 | 8 |
| | <hr/> | <hr/> |
| Closing balance | 400 | 333 |
| | <hr/> | <hr/> |

Note 10. Prepayments

| | Consolidated | |
|-----------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Prepayments - current | 70 | 123 |
| | <hr/> | <hr/> |

Note 11. Plant and equipment

| | Consolidated | |
|--------------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Plant and equipment - at cost | 644 | 704 |
| Less: Accumulated depreciation | (594) | (618) |
| | <hr/> | <hr/> |
| | 50 | 86 |
| | <hr/> | <hr/> |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Plant & equipment \$'000 |
|-----------------------------|---|
| Balance at 1 January 2021 | 126 |
| Additions | 1 |
| Disposals | (8) |
| Exchange differences | 5 |
| Depreciation expense | (38) |
| | <hr/> |
| Balance at 31 December 2021 | 86 |
| Additions | 4 |
| Disposals | (16) |
| Exchange differences | 7 |
| Depreciation expense | (31) |
| | <hr/> |
| Balance at 31 December 2022 | 50 |
| | <hr/> |

LatAm Autos Limited
Notes to the consolidated financial statements
31 December 2022

Note 12. Trade and other payables

| | Consolidated | |
|-------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Trade payables | 1,295 | 1,370 |
| Sales tax payable | 370 | 145 |
| Other payables | 22 | 26 |
| | <u>1,687</u> | <u>1,541</u> |

Refer to note 22 for further information on financial instruments.

Note 13. Employee benefits

| | Consolidated | |
|-------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Employee benefits | <u>131</u> | <u>189</u> |

Note 14. Provisions

| | Consolidated | |
|--|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Provisions - labour and regulatory costs | <u>23</u> | <u>24</u> |

Labour and regulatory costs

The provision represents management's estimate of labour-related and regulatory-related costs arising from past activities which are not currently payable and in relation to which no confirmation of liability has yet been ascertained but which may become payable in the future upon provision of relevant documentation.

Movements in provisions

Movements in each class of provision during the current financial period are set out below:

| | Labour and regulatory costs \$'000 |
|--|---|
| Consolidated - 2022 | |
| Carrying amount at the start of the year | 24 |
| Provision realized | <u>(1)</u> |
| Carrying amount at the end of the year | <u>23</u> |

Note 15. Contract liabilities - deferred service income

| | Consolidated | |
|--|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Contract liabilities - deferred revenue service income | <u>492</u> | <u>440</u> |

Note 16. Employee benefits

| | Consolidated | |
|-------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Employee benefits | 131 | 154 |

Note 17. Financial liabilities

| | Consolidated | |
|--|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Convertible note carried at amortised cost | 6,589 | 6,105 |
| Short-Term Debt Facility | 342 | 335 |
| Bridging Facility | 3,131 | - |
| | 10,062 | 6,440 |

The key terms of the Notes as at 31 December 2022 were:

- 3 year term
- 8% p.a. interest rate paid quarterly or capitalised
- Fixed conversion price of 16 cents before Oct-2019 redemption
- Fixed conversion price of 10 cents after Oct-2019 redemption
- The convertible notes are secured over the Company's Mexican and Ecuadorean wholly owned subsidiaries
- The convertible notes can be repaid at any time by LatAm Autos, where noteholders can elect to receive the money owing in either cash or ordinary shares in LatAm Autos at 10 cents. Conversion into ordinary shares will be subject to requisite regulatory and shareholder approvals

The convertible note is a compound financial instrument which contains debt and equity components.

- In October 2018 the company applied a partially early redemption. The total amount redeemed was \$3.8 million paid \$2.9 million in cash and \$855,000 in shares. This payment did not change the original conditions of the convertible note in terms of time, interest or conversion price.

- In October 2019 the company applied a partially early redemption. The total amount redeemed was \$3.2 million paid 100% in shares. After this redemption some conditions changed. The conversion price moved from \$16 cents to \$10 cents and the maturity date moved from April 2020 to July 2021.

- In February 2022, the Noteholders have agreed to extend the Maturity Date of the Convertible note, which was due to expire in July 2021, to March 2023. There were no changes in conversion price neither in interest rate.

- In November 2023, as part of the financial support provided to the company, the Note Holders agreed not to call the Convertible Note for a period of 12 months from the date of this financial report. There were no changes in conversion price neither in interest rate.

The key terms of the Short-Term Debt Facility as at 31 December 2022 were:

- Facility Limit: \$400,000. Utilized as at 31-Dec-2022 \$335,000
- 2% interest rate p.a.
- Maturity date 1 February 2022
- In February 2022, the Company agreed with the lender to extend the Maturity Date from 1 February 2022 to 1 March 2023
- In November 2023, the lender has agreed not to call the Short-Term Debt Facility for a period of 12 months from the date of this financial report. There were no changes in interest rate.

LatAm Autos Limited
Notes to the consolidated financial statements
31 December 2022

Note 19. Financial liabilities (continued)

The key terms of the Bridging Facility as at 31 December 2022 were:

- Credit line used as at 31-Dec-2022 \$3,008,300
- Funding received during 2022 per quarter as follows: 1Q \$630,000; 2Q \$228,000; 3Q \$679,000; 4Q \$1,471,000
- 12% interest rate p.a. paid quarterly or capitalized
- Maturity date 31 March 2023
- In November 2023, the lender agreed not to call the Bridging Facility for a period of 12 months from the date of this financial report. There were no changes in the interest rate neither in the interest capitalisation.

| | Consolidated | |
|-------------------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Convertible notes at amortised cost | 5,559 | 5,559 |
| Interest expense | 1,030 | 546 |
| | <u>6,589</u> | <u>6,105</u> |

Note 18. Issued capital

| | 2022 | Consolidated | |
|------------------------------|--------------------|---------------------|---------------|
| | Shares | 2021 | 2021 |
| | | Shares | \$'000 |
| | | \$'000 | \$'000 |
| Ordinary shares - fully paid | <u>763,004,820</u> | <u>763,004,820</u> | <u>90,621</u> |

Movements in ordinary share capital

| | Shares | | \$'000 |
|---------|--|--------------------|---------------|
| | | | |
| Balance | 31 December 2021 & 31 December 2022 | <u>763,004,820</u> | <u>90,621</u> |

There were no capital-affecting movements in the company during 2021 and 2022.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Consolidated Entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

LatAm Autos Limited
Notes to the consolidated financial statements
31 December 2022

Note 19. Other contributed equity

| | Consolidated | |
|--------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Convertible note | 1,394 | 1,394 |
| Other contributed equity | 692 | 617 |
| | <u>2,086</u> | <u>2,011</u> |

Note 20. Reserves

| | Consolidated | |
|------------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Foreign currency reserve | 67 | (113) |
| Share-based payments reserve | - | 160 |
| | <u>67</u> | <u>47</u> |

Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

| Consolidated | Share based payments reserve \$'000 | Foreign currency Translation reserve \$'000 | Total \$'000 |
|---|--|--|-------------------------|
| Balance at 1 January 2021 | 167 | (1,136) | (969) |
| Foreign currency translation | - | 1,023 | 1,023 |
| Share based employee incentives expense | 74 | - | 74 |
| Adjustment previous year | (81) | - | (81) |
| Balance at 31 December 2021 | 160 | (113) | 47 |
| Share based employee incentives | (160) | - | (160) |
| Foreign currency translation | - | 180 | 180 |
| Balance at 31 December 2022 | <u>-</u> | <u>67</u> | <u>67</u> |

Note 21. Dividends

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

Note 22. Financial instruments

Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Consolidated Entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

Foreign exchange risk arises from commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Consolidated Entity derives approximately 100% of its revenue, incurs the majority of its costs, and has the majority of its assets and liabilities located in, or arising from activities carried out via subsidiary companies incorporated in countries outside of Australia, namely Mexico, Ecuador and Peru. The activities of the subsidiary companies in these countries are denominated in their respective functional currencies as follows:

- Mexico - Mexican peso (MXN)
- Ecuador US dollar (USD)

This exposure could have a material effect on the results of the Consolidated Entity, in particular the exchange differences arising from the translation of the Consolidated Entity's net investment in the respective subsidiary companies.

The Consolidated Entity as at 31 December 2022 does not maintain significant US dollar balances or bank accounts.

The average exchange rates and reporting date exchange rates applied were as follows:

| | Average exchange rates | | Reporting date exchange rates | |
|---------------------------|------------------------|---------|-------------------------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Australian dollars | | | | |
| Mexican peso (MXN) | 14.0739 | 15.1173 | 13.2575 | 14.8903 |
| US dollar (USD) | 0.7038 | 0.7489 | 0.6805 | 0.7271 |

The carrying amount of the Consolidated Entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| | Assets | | Liabilities | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Consolidated | | | | |
| US dollar | 4 | 11 | 78 | 73 |

The Consolidated Entity had net financial liabilities denominated in foreign currencies of \$A74,000 (assets \$A4,000 less liabilities \$A78,000) as at 31 December 2022 (31 December 2021 - net financial liabilities denominated in foreign currencies of \$A62,000).

Note 22. Financial Instruments (continued)

Due to low level of exposure to US dollar as at 31 December 2022, a change in the exchange rate of +/- 2% will have no impact on the figures reported. This percentage has been determined based on the average market volatility in exchange rates in the previous three months across the relevant currencies. The sensitivity analysis is based on the Consolidated Entity's relevant foreign currency assets and liabilities held at reporting date.

Price risk

The Consolidated Entity is not exposed to any significant price risk.

Interest rate risk

As at reporting date the Consolidated Entity has cash at bank of \$669,000; a Convertible Note and a Short-term facility. Cash at bank is held in a number of bank accounts, operated by the Consolidated Entity's subsidiaries and its head office function, some of which are interest-bearing and some of which are not.

Accordingly, the Consolidated Entity's main interest rate risk arises from fluctuations in variable bank deposit rates and their impact on interest revenue. This risk is currently considered immaterial.

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity.

The Consolidated Entity is exposed to this risk for various financial instruments, for example by generating trade receivables from sales, depositing cash in bank accounts, generating sales tax receivables from various taxing authorities etc. The Consolidated Entity's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

The Consolidated Entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Consolidated Entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

| | Consolidated | |
|-------------------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Classes of financial assets | | |
| Cash at bank | 669 | 273 |
| Trade accounts receivable | 388 | 622 |
| Other accounts receivable – current | 139 | 115 |
| | <hr/> | <hr/> |
| Total financial assets | 1,196 | 1,010 |
| | <hr/> | <hr/> |

The Consolidated Entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Consolidated Entity does not hold any collateral.

The Consolidated Entity continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Consolidated Entity's policy is to deal only with creditworthy counterparties.

Note 22. Financial Instruments (continued)

Other than trade receivables, the Consolidated Entity's main counterparties are major, reputable banks and government sales tax authorities. The Consolidated Entity is satisfied that the risk of default on the part of these counterparties is low.

In respect of trade and other receivables, the Consolidated Entity is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics other than Credito Real which paused disbursement due to internal issues that ended in a judicial liquidation in July 2022. At 31 December 2022, Credito Real did not have outstanding receivable balances. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good other than what is stated above.

Details, as at reporting date, of trade receivables past due and trade receivables assessed as impaired are set out in Note 9.

The Consolidated Entity's management considers that all of the above financial assets that are not impaired or past due at the reporting date are of good credit quality.

Liquidity risk

Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents)

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated – 2022 | Weighted average interest rate % | 1 year or less \$'000 | Between 1 and 2 years \$'000 | Between 2 and 5 years \$'000 | Over 5 years \$'000 | Remaining contractual maturities \$'000 |
|-----------------------------|---|--------------------------|------------------------------------|------------------------------------|------------------------|--|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 1,215 | - | - | - | 1,215 |
| Other payables | - | 22 | - | - | - | 22 |
| <i>Interest-bearing</i> | | | | | | |
| Liability component C-Note | 8.00% | 6,589 | - | - | - | 6,589 |
| Total non-derivatives | | 7,826 | - | - | - | 7,826 |

| Consolidated – 2021 | Weighted average interest rate % | 1 year or less \$'000 | Between 1 and 2 years \$'000 | Between 2 and 5 years \$'000 | Over 5 years \$'000 | Remaining contractual maturities \$'000 |
|-----------------------------|---|--------------------------|------------------------------------|------------------------------------|------------------------|--|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 1,294 | - | - | - | 1,294 |
| Other payables | - | 26 | - | - | - | 26 |
| <i>Interest-bearing</i> | | | | | | |
| Liability component C-Note | 8.00% | 6,105 | - | - | - | 6,105 |
| Total non-derivatives | | 7,425 | - | - | - | 7,425 |

Note 22. Financial Instruments (continued)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 23. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Consolidated Entity is set out below:

| | Consolidated | |
|------------------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Short-term employee benefits | 462,027 | 399,136 |
| Post-employment benefits | - | 1,690 |
| Share-based payments | - | 53,600 |
| | <u>462,027</u> | <u>454,426</u> |

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company, and its network firms:

| | Consolidated | |
|--|---------------------|---------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Audit services - Grant Thornton Audit Pty Ltd</i> | | |
| Audit or review of the financial statements | <u>62,500</u> | <u>59,853</u> |
| <i>Other services - Grant Thornton</i> | | |
| Tax consulting | <u>-</u> | <u>-</u> |
| | <u>62,500</u> | <u>59,853</u> |
| <i>Audit services - network firms</i> | | |
| Audit or review of the financial statements | <u>34,176</u> | <u>29,909</u> |

Note 25. Contingent liabilities

The Consolidated Entity has recognised a total of \$23,000 in relation to labour trials in the non-operating Argentinean subsidiary. There are no other known material contingent liabilities in relation to the Consolidated Entity at the end of the reporting period.

Note 26. Related party transactions

Parent entity

LatAm Autos Limited is the parent entity.

LatAm Autos Limited
Notes to the consolidated financial statements
31 December 2022

Note 26. Related party transactions (continued)

Subsidiaries

Interests in subsidiaries are set out in note 28.

Associates

Interests in associates are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the directors' report.

Transactions with related parties

During the financial year ended 31 December 2022, the Consolidated Entity has accrued interest of \$7,000 of interest in relation to the Short-Term Debt Facility provided by Louis Joseph, Non-executive Director and shareholder. The company utilized \$335,000 of the Short-Term Debt Facility and agreed to extend the maturity to March 2024. The lender has agreed not to call the Debt Facility for a period of 12 months from the date of financial report.

During the financial year ended 31 December 2022, the Consolidated Entity has accrued interest of \$485,000 of interest in relation to the Convertible Note that the Company has with Log Creek Pty Ltd (an entity which is associated with a Director, Michael Fitzpatrick) and Startive Ventures Inc. (an entity which is associated with a Director, Simon Clausen). Also, the maturity date was agreed to change from July 2021 to March 2024. The lenders have agreed not to call the Convertible Note for a period of 12 months from the date of financial report.

During the financial year ended 31 December 2022, the Consolidated Entity has received funding via debt of \$3,008,000 of as Bridging Facility from Log Creek Pty Ltd (an entity which is associated with a Director, Michael Fitzpatrick). The lender has agreed not to call the Debt Facility for a period of 12 months from the date of financial report.

During the financial year ended 31 December 2022, the Consolidated Entity has accrued interest of \$139,000 of interest in relation to the Bridging Facility that the Company has with Log Creek Pty Ltd (an entity which is associated with a Director, Michael Fitzpatrick).

During the financial year ended 31 December 2022, there was a related party transaction between Jacobo Moreno and the Consolidated Entity in relation to CTO services, at a total amount of \$200,000. The beneficiary of the service was the Ecuadorian Company Latamautos Corporacion S.A..

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 27. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | Parent | |
|----------------------------|---------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Loss after income tax | (1,087) | (17,706) |
| Total comprehensive income | (1,087) | (17,706) |

LatAm Autos Limited
Notes to the consolidated financial statements
31 December 2022

Note 27. Parent entity information (continued)

Statement of financial position

| | Parent | |
|------------------------------|---------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Total current assets | 80 | 2 |
| Total assets | 80 | 2 |
| Total current liabilities | 10,623 | 7,024 |
| Total liabilities | 10,623 | 7,024 |
| Equity | | |
| Issued capital | 90,621 | 90,621 |
| Other contributed equity | 1,771 | 1,771 |
| Foreign currency reserve | (223) | (96) |
| Share-based payments reserve | - | 160 |
| Accumulated losses | (102,712) | (99,478) |
| Total equity | (10,543) | (7,022) |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2022 nor at 31 December 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2022 (31 December 2021 - Nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2022 (31 December 2021 - Nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

LatAm Autos Limited
Notes to the consolidated financial statements
31 December 2022

Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|---|---|--------------------|-----------|
| | | 2022 % | 2021 % |
| LatAm Autos Holdings Pty Ltd | Australia | 100.00% | 100.00% |
| Anuntis Segundamano Argentina S.A. | Argentina | 100.00% | 100.00% |
| Anuntis Segundamano Argentina Holdings S.A. | Argentina | 100.00% | 100.00% |
| Latamautos Mexico S. de R.L. de C.V. | Mexico | 100.00% | 100.00% |
| Avisoriaweb S.A. | Ecuador | 100.00% | 100.00% |
| LatAm Autos Peru S.A. | Peru | 100.00% | 100.00% |
| LatAm Autos Panama S.A. | Panama | 100.00% | 100.00% |
| Latamautos Corporacion S.A. | Ecuador | 100.00% | 100.00% |

Note 29. Interests in associates

The Consolidated Entity does not have any interests in associates during the current reporting period.

Note 30. Events after the reporting period

At the end of November 2022, the Consolidated Entity commenced a restructuring process in order to reduce expenses and cash burn. The restructuring plan is intended to allow the company to achieve cash flow breakeven in the mid-term. The plan included elimination of the following C-level positions: Chief Financial Officer (CFO), Chief Technology Officer (CTO) and Chief Executive Officer (CEO). Those positions were replaced by current LatamAutos' employees with the appropriate expertise.

In November 2022 the Chief Financial Officer (CFO) resigned following the restructuring process previously mentioned.

In March 2023, both the Chief Technology Officer (CTO) and Chief Executive Officer (CEO) concluded their relationship with the company.

From January 2023 to December 2023, the company received financial support from the Chairman to meet its obligations with employees and third parties totalling \$2,025,000. This funding carries an annual interest rate of 12% with quarterly compounding.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 31. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|---|---------------------|----------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Loss after income tax (expense)/benefit for the year | (3,869) | (21,777) |
| Adjustments for: | | |
| Depreciation and amortisation | 31 | 827 |
| Impairment of non-current assets | 14 | 18,740 |
| Net loss on disposal of property, plant and equipment | (1) | (6) |
| Share-based payments | - | 74 |
| Foreign exchange differences | 39 | 2 |
| Interest of convertible note | 627 | 546 |
| Change in operating assets and liabilities excluding assets and liabilities acquired through business combinations: | | |
| Decrease/(increase) in trade and other receivables | 207 | (15) |
| Decrease in prepayments | 51 | (4) |
| Net movement in sales tax payable/receivable | 221 | 360 |
| Net movement in deferred tax assets/liabilities | (11) | (418) |
| Increase/(decrease) in deferred revenue | 53 | 7 |
| Increase/(decrease) in trade and other payables | (785) | 283 |
| Increase/(decrease) in employee benefits | (7) | 113 |
| Increase/(decrease) in other provisions | 704 | 54 |
| Net cash used in operating activities | <u>(2,726)</u> | <u>(1,214)</u> |

Note 32. Earnings per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| <i>Earnings per share for loss from continuing operations</i> | | |
| Loss after income tax attributable to the owners of LatAm Autos Limited | <u>(3,869)</u> | <u>(21,776)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>763,004,820</u> | <u>763,004,820</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>763,004,820</u> | <u>763,004,820</u> |
| | Cents | Cents |
| Basic earnings per share | (0.51) | (2.85) |
| Diluted earnings per share | (0.51) | (2.85) |
| | Consolidated | |
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| <i>Earnings per share for loss from discontinued operations</i> | | |
| Loss after income tax attributable to the owners of LatAm Autos Limited | <u>-</u> | <u>-</u> |

Note 32. Earnings per share (continued)

| | Number | Number |
|---|---------------------|--------------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>763,004,820</u> | <u>763,004,820</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>763,004,820</u> | <u>763,004,820</u> |
| | Cents | Cents |
| Basic earnings per share | (0.51) | (2.85) |
| Diluted earnings per share | (0.51) | (2.85) |
| | Consolidated | |
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| <i>Earnings per share for loss</i> | | |
| Loss after income tax attributable to the owners of LatAm Autos Limited | <u>(3,869)</u> | <u>(21,776)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>763,004,820</u> | <u>763,004,820</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>763,004,820</u> | <u>763,004,820</u> |
| | Cents | Cents |
| Basic earnings per share | (0.44) | (2.85) |
| Diluted earnings per share | (0.44) | (2.85) |

Note 33. Share-based payments

(a) Performance Rights

A Long Term Incentive Plan has been established by the Consolidated Entity and approved by shareholders at a general meeting, whereby the Consolidated Entity may, at the discretion of the Board, grant performance rights over ordinary shares in the Company ("Rights") to certain employees of the Consolidated Entity.

The grant of Rights is a long term incentive intended to align the interests of employees with other owners of the Company.

Upon vesting, each Right entitles the holder to receive one ordinary share in the Company at no cost to the employee.

The number of Rights that will vest is contingent on the Company's total shareholder return (TSR) relative to comparable companies ("Peer Group") over a designated period.

Note 33. Share-based payments (continued)

Set out below are summaries of Rights granted under the plan:

2022

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|---------|-----------|-------------|--------------------------------|
| 14/06/2018 | 31/01/2022 | \$0.0000 | 975,000 | - | - | (975,000) | - |
| 14/06/2018 | 31/01/2022 | \$0.0000 | 974,999 | - | - | (974,999) | - |
| 12/06/2019 | 31/01/2022 | \$0.0000 | 2,000,000 | - | - | (2,000,000) | - |
| 12/06/2019 | 31/01/2023 | \$0.0000 | 625,000 | - | - | - | 625,000 |
| 12/06/2019 | 31/01/2023 | \$0.0000 | 625,000 | - | - | - | 625,000 |
| | | | 5,199,999 | - | - | (3,949,999) | 1,250,000 |

2021

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|---------|-----------|-------------|--------------------------------|
| 14/06/2018 | 31/01/2022 | \$0.0000 | 975,000 | - | - | (975,000) | - |
| 14/06/2018 | 31/01/2022 | \$0.0000 | 974,999 | - | - | (974,999) | - |
| 12/06/2019 | 31/01/2022 | \$0.0000 | 2,000,000 | - | - | (2,000,000) | - |
| 12/06/2019 | 31/01/2023 | \$0.0000 | 625,000 | - | - | - | 625,000 |
| 12/06/2019 | 31/01/2023 | \$0.0000 | 625,000 | - | - | - | 625,000 |
| | | | 5,199,999 | - | - | (3,949,999) | 1,250,000 |

An amount of \$74,000 was recognised as an expense for the Rights during the current financial year (2020: \$80,000).

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 2 years (2020: 3 years).

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are set out below.

The pricing model used to value the performance rights granted during the current financial year was the Binomial Options Valuation Model.

The volatilities used in the valuation models were based upon the volatility of the historical Company's share price.

Market factors were factored into the pricing model by adjusting the fair value of the performance rights through the application of a Binomial Options Valuation model to determine the theoretical Total Shareholder Returns of the respective Peer Group companies, against which the Company's performance will be compared during the vesting period, and the Company. "Total Shareholder Return" is defined as the total return of a share to an investor (capital gain plus dividends reinvested as at the ex-dividend date).

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 17/07/2017 | 31/01/2021 | \$0.0980 | \$0.0000 | 103.90% | - | 2.17% | \$0.016 |
| 17/07/2017 | 31/01/2021 | \$0.0980 | \$0.0000 | 103.90% | - | 2.17% | \$0.018 |
| 14/06/2018 | 31/01/2022 | \$0.1400 | \$0.0000 | 87.22% | - | 2.35% | \$0.075 |
| 14/06/2018 | 31/01/2022 | \$0.1400 | \$0.0000 | 87.22% | - | 2.35% | \$0.080 |
| 12/06/2019 | 31/01/2023 | \$0.1600 | \$0.0000 | 85.05% | - | 1.06% | \$0.062 |
| 12/06/2019 | 31/01/2023 | \$0.1600 | \$0.0000 | 85.05% | - | 1.06% | \$0.037 |
| 12/06/2019 | 31/12/2022 | \$0.1600 | \$0.0000 | 85.05% | - | 1.06% | \$0.040 |

(b) Shares issued to employees

Note 33. Share-based payments (continued)

The Company may, from time to time, issue shares to employees of the Consolidated Entity.

The Consolidated Entity has established as Short Term Incentive plan (STIP) under which the Board may issue fully paid ordinary shares in the Company (Shares) on an annual basis to selected employees, conditional on their achieving certain performance targets during the financial year.

The Consolidated Entity has not issued shares related to the STI plan.

(c) Shares issued to third parties in return for services

The Company may, from time to time, issue shares to third parties as consideration for goods and/or services provided to the Consolidated Entity by those parties. All such transactions are settled in equity and vest immediately, unless otherwise stated.

The Consolidated Entity has not issued shares related to payment of services.

LatAm Autos Limited
Shareholder information
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Fitzpatrick
Chairman

22 Dec 2023

Grant Thornton Audit Pty Ltd

Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001
T +61 3 8320 2222

Independent Auditor's Report

To the Members of LatAm Autos Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of LatAm Autos Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

www.grantthornton.com.au
ACN-130 913 594

Grant Thornton Audit Pty Ltd ACN 130 913 594 a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389. 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a loss after tax of \$3,869,000 for the year ended 31 December 2022 and net cash outflows from operating activities of \$2,726,000. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M J Climpson
Partner – Audit & Assurance

Melbourne, 22 December 2023