



INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2021

SHAREHOLDERS INFORMATION

Zimi Limited

ABN 25 113 326 524

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North Perth, Western Australia, 6006
Australia

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Shareholder information and enquiries

All enquiries and correspondence regarding shareholdings should be directed to Zimi Limited's share registry provider:

Automic Share Registry Services
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Telephone: +61 2 9698 5414
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Email: hello@automicgroup.com.au

Stock Exchange Listing

Zimi Limited shares are listed on the Australian Securities Exchange, code ZMM.

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2021 and any public announcements made by Zimi Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Zimi Limited is a Company limited by shares, incorporated and domiciled in Australia.
Its registered office is Level 1, 2A / 300 Fitzgerald Street, North Perth, Western Australia, 6006.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as “the Group”) consisting of Zimi Limited (“Zimi” or “the Company”) and its controlled entities for the half-year ended 31 December 2021.

This Directors’ Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the *Corporations Act 2001*.

BOARD OF DIRECTORS

The Directors of Zimi Limited during the period and up to the date of this report were:

Name	Position
Simon Gerard	Chair of the Board and Non-Executive Director
Jordan Tentori	Executive Director and Chief Executive Officer (CEO) from 7 February 2022 Executive Director and Chief Technology Officer (CTO) until 7 February 2022
Brett Savill	Non-Executive Director from 7 February 2022 Executive Director and CEO until 7 February 2022
Peter Rossdeutscher	Non-Executive Director
Simon Beissel	Non-Executive Director from 7 February 2022

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period were research and development within the Internet of Things (IoT) market, the assessment of new investment opportunities and product commercialisation.

Zimi specialises in connecting electrical products to create smarter living and working spaces.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group that occurred during the financial period not otherwise disclosed in this Interim Financial Report.

DIVIDENDS

No dividends have been paid or declared since the start of the financial period and the Directors do not recommend the payment of a dividend in respect of the half-year.

REVIEW AND RESULTS OF OPERATIONS

Key achievements

It has been just over twelve months since the acquisition of Zimi Innovations Pty Ltd (formerly GSM Innovations Pty Ltd) and it has been a transformative period for the business. With an expanding product portfolio and a strong network of distribution partners, Zimi is uniquely positioned in this fast-growing market of connected devices.

The Group has achieved a number of key milestones during the period, including:

- Delivered almost 35,000 smart home devices to the Group's distribution partners;
- Obtained safety certification, a critical milestone to commercialisation for the new premium glass-fronted range, Senoa;
- Completed a successful placement, improving the Group's cash balance and lengthening the growth runway;
- Added a new distributor, Polyaire, a leading wholesaler and manufacturer of quality equipment for heating, ventilation and air condition (HVAC) systems in Australia;
- Expanded compatibility into leading smart home automation providers such as Remote Technologies Inc;
- Invested into Zimi's headquarters in Queensland by establishing a display suite and training experience centre; and
- Continued research and development activities, including consideration of global markets and development of new products and offerings.

Distribution partners

There are now over 13,000 devices paired on the Zimi cloud and the rate of pairing is expected to increase as Zimi's distribution partners sell to the end consumer. The Group has five key distribution partners, including GSM Electrical, Beacon Lighting, Steel-Line Garage Doors, Polyaire and Harvey Norman Commercial Division.

The Company's subsidiary Zimi Innovations Pty Ltd is party to a Distribution Agreement with GSM Electrical under which GSM Electrical is the exclusive distributor of Zimi products to more than 900 electrical wholesalers across Australia. The distribution partnership with GSM Electrical is crucial for Zimi to penetrate into the trade, contractor and electrician market.

Beacon Lighting is Australia's leading specialist retailer and supplier of lights, fans and globes with a presence in every state and territory. Beacon Lighting has fitted out over 100 stores with Zimi's Powermesh range of devices. The distribution partnership with Beacon Lighting is crucial for the retail market and brand awareness. During the period, Beacon Lighting featured the Powermesh devices on Nine Entertainment's popular renovation show, *The Block*.

Steel-Line Garage Doors are Australia's largest garage door manufacturer with a strong national presence, servicing the Australian market for the past 40 years. Zimi developed the garage door controller for Steel-Line Garage Doors as part of the Zimi ecosystem of smart home devices. The distribution partnership with Steel-Line Garage Doors has enabled Zimi to start development on a new product which has international potential and is an opportunity for Zimi to distribute globally.

Polyaire is a leading wholesaler and manufacturer of quality equipment for HVAC systems and fittings in Australia. Polyaire has enhanced its Airtouch smart air conditioning system so all Polyaire customers can use this system to control Zimi devices. The Zimi-Airtouch integration expands the Group's product offering, with Polyaire being the first distributor to integrate.

Operating results

During the half-year ended 31 December 2021, the Group delivered almost 35,000 devices and recognised revenue of \$2,711,000. Despite the global chip shortage and supply chain disruptions, Zimi's hardware deployment and penetration into the market is an incredible feat.

Cost of sales was impacted by COVID-19 and the associated impacts on the Group's electronic components supply chain. The electronic component supply remains challenged; however, the Directors remain confident that once the market returns, the Group will be well positioned for gross profit growth.

Administrative and corporate costs were less than prior comparative period and the Group remains diligent on cost control and operating efficiencies.

Employee benefits in the prior comparative period was significantly less due to JobKeeper payments received and reduced salaries for employees due to COVID-19 impacts. Employee benefits largely represents amounts incurred for the engineering staff and executive management.

Depreciation and amortisation of \$1,372,000 largely relates to the amortisation of identifiable intangibles recognised on the acquisition of Zimi Innovations Pty Ltd, namely capitalised development costs and the sales channel.

The Group reports a loss before interest, tax, depreciation and amortisation (EBITDA) of \$1,433,000 (31 December 2020: \$1,362,000). EBITDA is a non-IFRS financial measure used by management and the Directors to assess the financial performance of the Group. The Directors believe that this non-IFRS measure assists in providing additional meaningful information for stakeholders and provide them with the ability to compare against prior periods in a consistent manner. EBITDA is unaudited but is extracted from the audited financial statements.

The Group reports a net loss after tax of \$2,824,000 for the half-year ended 31 December 2021.

In addition to the significant hardware deployment during the period, the Group continued to prioritise research and development activities, including new product commercialisation and entrance into new markets.

Capital management

The Group has maintained a sustainable balance sheet and the successful capital raise provided the Group with funding to accelerate the growth strategy.

At the end of the half-year, the Group had consolidated net assets of \$9,101,000 (30 Jun 2021: \$8,254,000), including cash and cash equivalents of \$3,351,000 (30 Jun 2021: \$1,220,000). Net cash outflows from operating activities for the half-year ended 31 December 2021 was \$869,000, including \$698,000 receipt in relation to the research and development tax incentive. The Group typically operates at a positive working capital where customer deposits are received in advance, and supplier payments often have extended payment terms.

Corporate update

During the half-year ended 31 December 2021, the Company successfully completed a capital raising through a placement of 256,666,654 shares. The shares were issued at a price of \$0.015 per share, raising \$3,850,000 in capital.

In conjunction with the capital raise, the Company granted 128,333,334 unlisted options to placement participants, and 41,666,667 unlisted options to the Company's lead manager for corporate advisory and broker services. The options were granted with an exercise price of \$0.03 expiring on 31 October 2023.

As set out below in the events occurring after the reporting period, on 7 February 2022, the Group announced an executive leadership transition and expansion of the Board. The transition of Jordan Tentori from the role of CTO to CEO was a natural evolution as the Group is now at the next phase of accelerated growth. Jordan Tentori is the co-founder of Zimi and has an intimate understanding of the Company's technology, operations and opportunities. In addition, the appointment of Simon Beissel as a Non-Executive Director enhances the diversity of expertise of the Board and demonstrates the Board's long-term strategy of growing the composition, capability and independence of its members.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 7 February 2022, the Group announced an executive leadership transition and expansion of the Board for the next phase of growth. Jordan Tentori, previously the Group's CTO transitioned to the role of CEO effective 7 February 2022. Brett Savill tendered his resignation as CEO and will remain on the Board as Non-Executive Director. In addition, Simon Beissel was appointed as Non-Executive Director effective 7 February 2022.

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off' of amounts in the Directors' Report and Interim Financial Report. Amounts in the Directors' Report and Interim Financial Report have been rounded off to the nearest thousand dollars unless otherwise stated, in accordance with the instrument.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.



Jordan Tentori
Director

25 February 2022

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Zimi Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
25 February 2022



L Di Giallonardo
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Notes	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Gross profit			
Revenue	B2	2,711	-
Cost of sales		(2,732)	-
Total gross profit / (loss)		(21)	-
Income			
Other income		-	24
Expenses			
Administrative and corporate		(381)	(668)
Employee benefits		(1,171)	(455)
Occupancy		(40)	(9)
Advertising and marketing		(9)	(17)
Travel		(20)	(3)
Other gains and losses	B4	242	(3)
Depreciation and amortisation	B5	(1,372)	(202)
Impairment charge	B6	(33)	(231)
Total expenses		(2,784)	(1,588)
Operating loss before interest and income tax		(2,805)	(1,564)
Financing		(19)	(48)
Loss before income tax		(2,824)	(1,612)
Income tax benefit / (expense)		-	-
Loss after income tax		(2,824)	(1,612)
Other comprehensive income / (expense)		-	-
Total comprehensive loss for the period		(2,824)	(1,612)
		31 Dec 2021 Cents	31 Dec 2020 Cents
Loss per share			
Basic loss per share	B3	(0.39)	(0.77)
Diluted loss per share	B3	(0.39)	(0.77)

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	31 Dec 2021 \$'000	30 Jun 2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		3,351	1,220
Trade and other receivables		1,646	718
Inventories		194	-
Other assets		273	16
Total current assets		5,464	1,954
Non-current assets			
Property, plant and equipment	C1	474	360
Intangible assets	C2	5,737	7,636
Right-of-use assets	C3	179	268
Other assets		-	9
Total non-current assets		6,390	8,273
Total assets		11,854	10,227
LIABILITIES			
Current liabilities			
Trade and other payables	C4	(2,314)	(1,249)
Provisions		(67)	(77)
Lease liabilities		(81)	(90)
Other liabilities	C5	(180)	(371)
Total current liabilities		(2,642)	(1,787)
Non-current liabilities			
Lease liabilities		(111)	(186)
Total non-current liabilities		(111)	(186)
Total liabilities		(2,753)	(1,973)
Net assets		9,101	8,254
EQUITY			
Contributed equity	D1	48,713	42,863
Other reserves	D2	900	4,432
Accumulated losses		(40,512)	(39,041)
Total equity		9,101	8,254

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Contributed equity		Share-based payment reserves	Accumulated losses	Total equity
	Issued capital \$'000	Unissued capital \$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	34,694	60	1,699	(36,148)	305
Loss for the period	-	-	-	(1,612)	(1,612)
Other comprehensive income / (expense)	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(1,612)	(1,612)
Other equity transactions					
Shares issued as part of capital raising	4,002	-	-	-	4,002
Transaction costs related to shares issued	(742)	-	-	-	(742)
Acquisition consideration	4,800	-	2,200	-	7,000
Director and employee share-based payments	-	-	3	-	3
Total other equity transactions	8,060	-	2,203	-	10,263
Balance at 31 December 2020	42,754	60	3,902	(37,760)	8,956

	Contributed equity		Share-based payment reserves	Accumulated losses	Total equity
	Issued capital \$'000	Unissued capital \$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021	42,803	60	4,432	(39,041)	8,254
Loss for the period	-	-	-	(2,824)	(2,824)
Other comprehensive income / (expense)	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(2,824)	(2,824)
Other equity transactions					
Shares issued as part of capital raising	3,850	-	-	-	3,850
Transaction costs related to shares issued	(416)	-	262	-	(154)
Vendor performance rights converted to ordinary shares	2,200	-	(2,200)	-	-
Director performance shares converted to ordinary shares	160	-	(160)	-	-
Director and employee share-based payments	116	(60)	(81)	-	(25)
Transfer from reserves to accumulated losses	-	-	(1,353)	1,353	-
Total other equity transactions	5,910	(60)	(3,532)	1,353	3,671
Balance at 31 December 2021	48,713	-	900	(40,512)	9,101

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Notes	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,269	-
Payments to suppliers and employees (inclusive of GST)		(2,817)	(1,323)
Government grants received		698	1,036
Interest and other costs of finance paid		(19)	(72)
Net cash outflows from operating activities		(869)	(359)
Cash flows from investing activities			
Payments for property, plant and equipment		(165)	-
Payments for intangible assets		(145)	(11)
Net cash outflows from investing activities		(310)	(11)
Cash flows from financing activities			
Principal elements of lease payments		(35)	(68)
Repayment of borrowings		-	(734)
Proceeds from issuance of shares	D1	3,500	4,002
Payments for transaction costs related to issuance of securities		(155)	(243)
Net cash inflows from financing activities		3,310	2,957
Net increase in cash and cash equivalents		2,131	2,587
Cash and cash equivalents, at the beginning of the period		1,220	695
Cash and cash equivalents, at the end of the period		3,351	3,282

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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A BASIS OF PREPARATION

A1 BASIS OF PREPARATION

This Condensed Consolidated Interim Financial Report for the half-year ended 31 December 2021 was authorised for issue in accordance with a resolution of Directors on 25 February 2022.

This Condensed Consolidated Interim Financial Report is a general-purpose financial report which has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This report should be read in conjunction with the Group's last Annual Report as at and for the year ended 30 June 2021. This report does not include all of the information required for a complete set of financial statements prepared in accordance with accounting standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year.

The Condensed Consolidated Interim Financial Report has been prepared on a historical cost basis except for revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets.

The Condensed Consolidated Interim Financial Report has been prepared on a going concern basis, which assumes that the Group will be able to meet its debts as and when they become due and payable.

The Company is domiciled in Australia. The Condensed Consolidated Interim Financial Report are presented in Australian dollars and amounts have been rounded to the nearest thousand dollars unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

A2 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

For the half-year ended 31 December 2021, the Directors have reviewed all new and amended standards and interpretations issued by the Australian Accounting Standards Board (**AASB**) that are relevant to the Group and effective for the current reporting period. A number of new standards are effective from 1 July 2021 but they do not have a material effect on the Group's Financial Statements.

Certain new accounting standards and amendments to standards have been published that are not mandatory for reporting periods commencing 1 July 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

A3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the Condensed Consolidated Interim Financial Report, the Directors have made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The significant judgements made by the Directors in applying the Group's accounting policies and key sources of estimation uncertainty are the same as those described in the Group's Consolidated Financial Statements for the year ended 30 June 2021. The estimates, judgements, and assumptions are based on historical experience, adjusted for current market conditions, and other factors that are believed to be reasonable under the circumstances, and are reviewed on a regular basis. Actual results may differ from these estimates.

B PERFORMANCE FOR THE HALF-YEAR

B1 SEGMENT INFORMATION

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports that are reviewed and used by the Chief Operating Decision Maker (CODM). The Board and executive management, identified as the CODM, assess the performance of the Group and determine the allocation of resources.

The Group's operating segments have been determined with reference to the monthly management accounts used by the CODM to make decisions regarding the Group's operations and allocation of working capital.

Based on the quantitative thresholds included in AASB 8 *Operating Segments*, there is only one reportable segment, being development and manufacturing and one geographical segment, namely Australia.

The revenues and results of this segment are those of the Group as a whole and are set out in the Condensed Consolidated Statement of Comprehensive Income. The assets and liabilities of the Group as a whole are set out in the Condensed Consolidated Statement of Financial Position.

B2 REVENUE

Revenue is recognised when the Group transfers control of products or provides services to a customer at the amount to which the Group expects to be entitled. For the half-year ended 31 December 2021, the Group recognised revenue solely through the sale and delivery of finished goods or components to customers. Management believe that recognising sales revenue at the point of delivery best depicts the Group's nature, amount and timing of cash flows.

Set out below is the disaggregation of the Group's revenue from customers.

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
At a point in time		
Revenue from sale of finished goods	2,633	-
Revenue from sale of components	78	-
Total revenue	2,711	-

B3 LOSS PER SHARE

Loss per share presents the amount of loss generated for the reporting period attributable to shareholders divided by the weighted average number of shares on issue. The potential for any share rights issued by the Group to dilute existing shareholders' ownership when the share rights are exercised are also presented.

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Loss for the period	(2,824)	(1,612)
	31 Dec 2021 Shares	31 Dec 2020 Shares
Weighted average number of shares used as denominator in calculating both basic and diluted loss per share	731,069,287	208,520,936
	31 Dec 2021 Cents	31 Dec 2020 Cents
Basic and diluted loss per share	(0.39)	(0.77)

Diluted loss per share adjusts the basic loss per share for the effects of any instruments that could potentially be converted into ordinary shares. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share. As the Group is loss making, there is no dilutive effect of the issued securities.

B4 OTHER GAINS AND LOSSES

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Loss on disposal of assets	(53)	-
Loss on unrealised and realised foreign exchange	(41)	(3)
Gain on AASB 16 Leases event	1	-
Gain on extinguishment of liability	335	-
Total other gains and losses	242	(3)

In the financial year ended 30 June 2020, Zimi Limited recognised an impairment charge of \$6,475,000 against capitalised development costs within intangible assets. Included in this impairment charge was an amount of \$335,000 payable to a supplier for electronic components, modules and assembly. This amount was originally capitalised as development costs and subsequently impaired to nil as it had no future economic benefit. The amount impaired had not been fully settled in cash and \$335,000 remained in accounts payable. In the current reporting period, it was deemed that the \$335,000 payable to the supplier is no longer outstanding as the items were either not fit for purpose or not received. As a result, the \$335,000 payable to the supplier has been reversed and recognised as a gain on extinguishment of liability.

B5 DEPRECIATION AND AMORTISATION

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Depreciation on property, plant and equipment	(113)	(44)
Depreciation on right-of-use assets	(42)	(58)
Amortisation on intangibles	(1,217)	(100)
Total depreciation and amortisation	(1,372)	(202)

B6 IMPAIRMENT CHARGE

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Impairment on accounts receivable – allowance for credit loss	-	(231)
Impairment on intangible assets – patents and trademarks	(33)	-
Total impairment charge	(33)	(231)

C ASSETS AND LIABILITIES

C1 PROPERTY, PLANT AND EQUIPMENT

The net book amounts and movements in property, plant and equipment for the half-year ended 31 December 2021 are set out below.

	Plant and equipment \$'000	Computer equipment \$'000	Furniture and fittings \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2021					
Cost	323	359	27	52	761
Accumulated depreciation	(108)	(261)	(1)	(31)	(401)
Net book amount	215	98	26	21	360
Movement:					
Additions	94	38	28	10	170
Disposals	(6)	(51)	(4)	-	(61)
Depreciation	(96)	(15)	(4)	2	(113)
Reclass within property, plant and equipment	23	(25)	2	-	-
Reclass from intangible assets	113	5	-	-	118
Closing net book amount	343	50	48	33	474
At 31 December 2021					
Cost	636	59	53	34	782
Accumulated depreciation	(293)	(9)	(5)	(1)	(308)
Net book amount	343	50	48	33	474

C2 INTANGIBLE ASSETS

The net book amounts and movements in intangible assets for the half-year ended 31 December 2021 are set out below.

	Capitalised development \$'000	Sales channels \$'000	Patents and trademarks \$'000	Other intangibles \$'000	Total \$'000
At 1 July 2021					
Cost	6,894	2,909	136	-	9,939
Accumulated amortisation and impairment	(1,689)	(516)	(98)	-	(2,303)
Net book amount	5,205	2,393	38	-	7,636
Movement:					
Additions	127	-	18	-	145
Disposals	(50)	-	-	-	(50)
Amortisation	(709)	(507)	(1)	-	(1,217)
Impairment	-	-	(33)	-	(33)
Reclass within intangible assets	(10)	-	2	8	-
Reclass to inventory and other assets	(626)	-	-	-	(626)
Reclass to property, plant and equipment	(118)	-	-	-	(118)
Closing net book amount	3,819	1,886	24	8	5,737
At 31 December 2021					
Cost	6,204	2,909	25	8	9,146
Accumulated amortisation and impairment	(2,385)	(1,023)	(1)	-	(3,409)
Net book amount	3,819	1,886	24	8	5,737

C3 RIGHT-OF-USE ASSETS

The net book amounts and movements in right-of-use assets for the half-year ended 31 December 2021 are set out below.

	Leased properties \$'000
At 1 July 2021	
Cost	861
Accumulated depreciation	(593)
Net book amount	268
Movement:	
Depreciation	(42)
Modification to lease terms	(47)
Closing net book amount	179
At 31 December 2021	
Cost	253
Accumulated depreciation	(74)
Net book amount	179

C4 TRADE AND OTHER PAYABLES

Trade and other payables mainly consist of amounts owing to the Group's suppliers that have been invoiced or accrued.

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Trade payables	(1,919)	(999)
Payroll and statutory liabilities	(357)	(98)
Accrued expenses	(38)	(152)
Total trade and other payables	(2,314)	(1,249)

C5 OTHER LIABILITIES

Other liabilities consist of unearned revenue, which represents customer deposits for product not yet delivered.

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Unearned revenue	(180)	(371)
Total other liabilities	(180)	(371)

D CAPITAL STRUCTURE AND FAIR VALUE MEASUREMENT

D1 CONTRIBUTED EQUITY

	31 Dec 2021		30 Jun 2021	
	Shares	\$'000	Shares	\$'000
Issued	979,919,428	48,713	603,185,535	42,803
Unissued	-	-	-	60
Total contributed equity	979,919,428	48,713	603,185,535	42,863

A reconciliation of the movement in ordinary shares for the half-year ended 31 December 2021 is set out below.

	31 Dec 2021		31 Dec 2020	
	Shares	\$'000	Shares	\$'000
Issued at 1 July	603,185,535	42,803	2,008,549,744	34,694
Share consolidation (2 shares for every 25 on issue)	-	-	(1,847,864,209)	-
Shares issued as part of capital raising	256,666,654	3,850	200,100,000	4,002
Transaction costs related to shares issued	-	(416)	-	(742)
Acquisition consideration	-	-	240,000,000	4,800
Vendor performance rights converted to ordinary shares	110,000,000	2,200	-	-
Director performance shares converted to ordinary shares	1,600,000	160	-	-
Listed options converted to shares	84	-	-	-
Employee share-based payments	1,897,812	26	-	-
Director share-based payments	2,189,781	30	-	-
Director share-based payments converted from unissued shares	4,379,562	60	-	-
Issued at 31 December	979,919,428	48,713	600,785,535	42,754
Unissued at 1 July	-	60	-	60
Director share-based payments converted to issued shares	-	(60)	-	-
Unissued at 31 December	-	-	-	60
Total contributed equity	979,919,428	48,713	600,785,535	42,814

On 20 August 2021, the Company announced that it had successfully arranged a \$3,850,000 capital raise by private placement, at an issue price of \$0.015 per share. On 3 September 2021, the Company announced the Notice of Meeting for an Extraordinary General Meeting to be held on 6 October 2021. Resolution 9 of the Notice of Meeting proposed to issue \$350,000 of shares (as part of this capital raise) in exchange for services provided to the Company by entities related to Director, Simon Gerard. At that meeting, all resolutions were passed and as a result, the \$3,850,000 capital raise was settled through \$3,500,000 in cash and \$350,000 in existing services and future services.

In conjunction with the capital raise, the Company granted 128,333,334 unlisted options to placement participants, and 41,666,667 unlisted options to the Company's lead manager for corporate advisory and broker services. The options were granted with an exercise price of \$0.03 expiring on 31 October 2023.

D1 CONTRIBUTED EQUITY (CONTINUED)

On 15 December 2021, the Company converted 110,000,000 performance rights upon the achievement of milestones which were issued as partial vendor consideration in respect of the acquisition of GSM Innovations Pty Ltd (now Zimi Innovations Pty Ltd).

On 22 December 2021, the Company issued 6,569,343 shares at an issue price of \$0.0137 per share to Director, Brett Savill. This \$90,000 share issuance was approved at the Annual General Meeting held on 30 November 2021. Of the \$90,000, \$60,000 was recorded in unissued contributed equity and related to remuneration from the financial year ended 30 June 2019 and the financial year ended 30 June 2020.

D2 OTHER RESERVES

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Options reserve	771	1,307
Share rights reserve	-	555
Director performance shares and employee performance rights reserve	129	370
Vendor performance rights reserve	-	2,200
Total other reserves	900	4,432

A reconciliation of the movement in other reserves for the half-year ended 31 December 2021 is set out below.

	Options reserve \$'000	Share rights reserve \$'000	Director performance shares and employee performance rights \$'000	Vendor performance rights \$'000	Total \$'000
At 1 July 2021	1,307	555	370	2,200	4,432
Movement:					
Transferred to accumulated losses	(798)	(555)	-	-	(1,353)
Issued to lead manager for capital raise	262	-	-	-	262
Vendor performance rights converted to ordinary shares	-	-	-	(2,200)	(2,200)
Director performance shares converted to ordinary shares	-	-	(160)	-	(160)
Share-based payments expense reversal	-	-	(81)	-	(81)
At 31 December 2021	771	-	129	-	900

D2 OTHER RESERVES (CONTINUED)

During the half-year ended 31 December 2021, the Group granted 41,666,667 options to lead manager PAC Partners. The options were granted as payment for corporate advisory services relating to the capital raise in October 2021. The options granted to PAC Partners as payment for services were valued and recognised as cost to equity. Set out below are the inputs to the Black-Scholes valuation of lead manager options granted during the period.

	Lead manager options
Exercise price	\$0.03
Expiry date	31 Oct 2023
Risk-free rate	0.08%
Volatility	110%
Value per option	\$0.00628
Number of options	41,666,667
Value of options	\$262,000

D3 FINANCIAL INSTRUMENTS

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period.

The carrying amounts of financial assets and liabilities are considered to be a reasonable approximation of their fair value.

E OTHER INFORMATION

E1 RELATED PARTY DISCLOSURES

Key Management Personnel

During the period and subsequent to the balance date, there have been an additional two Key Management Personnel (KMP) identified. The KMP of the Group comprise all Directors (Executive and Non-Executive) and other members of Zimi's executive management who have authority and responsibility for planning, directing and controlling the activities of the Group. The additional KMP includes Simon Beissel, Non-Executive Director from 7 February 2022 and Stephanie Voulcaris, Chief Financial Officer from 4 October 2021.

Remuneration

There are no significant changes in the nature of transactions relating to KMP remuneration since the end of the last annual reporting period, and therefore further disclosure is not necessary for an understanding of the interim period.

Loans

As at 31 December 2021, there were no loans outstanding to related parties.

Other Transactions

As noted in the Annual Report for the year ended 30 June 2021 (note 24), the Group disclosed transactions with GSM Electrical (Australia) Pty Ltd (**GSM Electrical**) (Australian entity) and GSM International Limited (**GSM International**) (Hong Kong entity). These entities are related parties of Simon Gerard. The nature of the transactions are predominantly for sales of product, purchase of product, quality assurance services, logistics services, management of international manufacturing and engineering resources. The relationships remained and transactions continued throughout the half-year ended 31 December 2021.

During the half-year ended 31 December 2021, the Group started to transact with Bell Total Logistics Pty Ltd (**Bell Total Logistics**), an entity related to Simon Gerard. These transactions were for logistics services and importation of product. The majority of the transactions relate to Goods and Services Tax on importation of goods, which is recoverable from the Australian Tax Office (**ATO**). There is no separate formal agreement in place with Bell Total Logistics and the Group engages their logistic services on a case-by-case basis.

The following table provides details of transactions during the half-year ended 31 December 2021, and balances as at 31 December 2021. The goods and services received or provided were on commercial arms-length terms.

	Settled during the period 1 Jul 2021 to 31 Dec 2021		Outstanding as at 31 Dec 2021		Total transactions during the period 1 Jul 2021 to 31 Dec 2021
	Cash settled \$'000	Equity settled ¹ \$'000	Accounts receivable \$'000	Accounts payable or accrued \$'000	
Transactions with GSM Electrical					
Sales of finished goods (inclusive of GST) ²	1,326	-	873	-	2,199
Sales returns of finished goods (inclusive of GST) ²	(106)	-	-	(400)	(506)
Purchases of finished goods including delivery (inclusive of GST)	(359)	-	-	(28)	(387)
Tooling contribution (inclusive of GST)	49	-	30	-	79
Personnel, engineering project costs and warehousing services ² (inclusive of GST) ³	(23)	(131)	-	(17)	(171)
Net transactions with GSM Electrical	887	(131)	903	(445)	1,214
Transactions with GSM International					
Purchases of finished goods which are to be remitted to 3rd-party manufacturers (no GST)	(373)	-	-	(1,084)	(1,457)
Quality assurance services (no GST)	(3)	(73)	-	-	(76)
Net transactions with GSM International	(376)	(73)	-	(1,084)	(1,533)
Transactions with Bell Total Logistics					
Freight and import duties (inclusive of GST)	(58)	-	-	-	(58)
GST on importation which is recoverable from the ATO	(108)	-	-	-	(108)
Net transactions with Bell Total Logistics	(166)	-	-	-	(166)

¹ As set out in note D1, shareholders approved the issuance of \$350,000 shares in exchange for services.

The amount settled throughout the period was \$204,000. The amount remaining to be utilised is therefore \$146,000.

² Sales of finished goods, sales returns and warehousing services pursuant under the Distribution Agreement.

³ Cash settled amount of \$23,000 was accrued for as at 30 June 2021.

Movement in Securities

A number of security transactions with KMP occurred during the period. These transactions are summarised below:

KMP	Nature of security transaction
Simon Gerard (or nominee)	- On 8 October 2021 and as participation in the capital raising (as approved by shareholders): 36,666,668 fully paid ordinary shares at \$0.015 per share were issued; and 18,333,334 unlisted options at \$0.03 exercise price, expiring 31 October 2023 were issued. - On 15 December 2021, the Company converted 110,000,000 performance rights, valued at \$2,200,000, upon the achievement of milestones. These performance rights were issued as partial vendor consideration in respect of the acquisition of GSM Innovations Pty Ltd (now Zimi Innovations Pty Ltd).
Peter Rossdeutscher (or nominee)	- On 8 October 2021 and as participation in the capital raising (as approved by shareholders): 1,666,667 fully paid ordinary shares at \$0.015 per share were issued; and 833,334 unlisted options at \$0.03 exercise price, expiring 31 October 2023 were issued. - On 8 October 2021, 400,000 performance shares, valued at \$40,000, were converted to fully paid ordinary shares. These performance shares were issued in November 2018 and upon satisfaction of vesting requirements were converted to ordinary shares.
Jordan Tentori (or nominee)	- On 8 October 2021 and as participation in the capital raising (as approved by shareholders): 20,000,000 fully paid ordinary shares at \$0.015 per share were issued; and 10,000,000 unlisted options at \$0.03 exercise price, expiring 31 October 2023 were issued.
Brett Savill (or nominee)	- On 8 October 2021 and as participation in the capital raising (as approved by shareholders): 1,666,667 fully paid ordinary shares were issued to related entities; and 833,333 unlisted options (\$0.03 each, expiring 31 October 2023) were issued to related entities. - On 8 October 2021, 800,000 performance shares, valued at \$80,000, were converted to fully paid ordinary shares. These performance shares were issued in November 2018 and upon satisfaction of vesting requirements were converted to ordinary shares. - On 22 December 2021, the Company issued 6,569,343 shares at an issue price of \$0.0137 per share relating to remuneration. This \$90,000 share issuance was approved at the Annual General Meeting held on 30 November 2021. Of the \$90,000, \$60,000 was recorded in unissued contributed equity and related to remuneration from the financial year ended 30 June 2019 and the financial year ended 30 June 2020.
Stephanie Voulcaris	On 22 December 2021, the Company issued 1,459,854 shares at an issue price of \$0.0137 per share relating to remuneration pursuant to the shareholder approved Employee Securities Incentive Plan.

E2 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 7 February 2022, the Group announced an executive leadership transition and expansion of the Board for the next phase of growth. Jordan Tentori, previously the Group's CTO transitioned to the role of CEO effective 7 February 2022. Brett Savill tendered his resignation as CEO and will remain on the Board as Non-Executive Director. In addition, Simon Beissel was appointed as Non-Executive Director effective 7 February 2022.

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

DIRECTORS' DECLARATION

In the opinion of the Directors of Zimi Limited (the Company):

- (a) the Condensed Consolidated Financial Statements and notes set out on pages 9 to 28 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Jordan Tentori
Director

25 February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Zimi Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Zimi Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Zimi Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

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

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
25 February 2022



L Di Giallonardo
Partner