



Half Year Report

For the Six-month period ending 30 September 2008

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Chairman's Review

Dear Shareholders

I am pleased to announce that the company has increased sales during the six months ended 30 September 2008 by 66% to \$1.98m and in so doing, resulted in a modest profit of \$51,158.

This turnaround is principally due to our making good progress on the City of Santa Clarita project. The first three milestones have now been completed, according to plan.

We recently announced the appointment of Roger Carruthers to the position of Chief Executive Officer.

Roger has many years of senior management experience with global pharmaceutical company Merck Sharp and Dohme. He brings much experience in building new sales and marketing operations in foreign countries, as well as a considerable understanding of technology development.

He replaces Richard Riley following the completion of an initial 12-month part-time contract that had previously been extended by several months. Richard retains his position as a director.

Under Richard, the company's financial performance and position has significantly improved.

With growth, comes a greater requirement for working capital. Your board has moved to meet this requirement with an offer of preference shares to raise up to \$1 million. Several potential investors have asked for additional time to evaluate the offer, and so the closing date has been extended into December.

Over the next six months, we anticipate making further inroads on the deployment of the City of Santa Clarita project and the completion of the Reading Borough Council project.

Merry Christmas all.



Craig Boyce, Chairman

Managing Director's Review

INTRODUCTION

As I write this commentary I can't help but to reflect on my time in this role that now comes to an end following the appointment of a full time and permanent Chief Executive Officer; I hope that you will take the first opportunity presented to meet Roger Caruthers. For my part I now return to the position of an independent Director; I have certainly enjoyed my extended involvement with Connexionz that has provided me with a greater understanding and appreciation of our business.

ECONOMIC FACTORS

The global economy continues to retract leading to increasing percentage of the population having a greater dependence on public transport as their primary means of conveyance; an ill wind it might be however internationally almost without exception government agencies in these tough times appear to be committing to greater levels of investment in public infrastructure including mass-transit which is positive for Connexionz.

The falling value of the NZ dollar against the US currency (currently circa 56 cents) represents a potential significant windfall for Connexionz given that our current US contracts were submitted at a time when the dollar was in excess of 70 cents.

AT HOME

Connexionz is indeed fortunate to have the continuing support of customers ECAN (Environment Canterbury) and the Christchurch City Council along with their contracted bus service providers; without their expansive approach to provide superior passenger services in this area Connexionz would not have been in the fortunate position to have evolved and developed the leading edge ITS (Intelligent Transport System) technology that has become our trade mark internationally. As a result of their commitment and the international experience that Connexionz has gained we are able to bring to Canterbury travelers the latest in world class technology that includes up-to-the-minute expansive functionality.

CLOSE TO HOME

The Australasian RTPI market has been exceedingly quiet in recent years (Hamilton was the last contract awarded in 2005) however there has been a resurgence and most significantly the Greater Wellington Regional Council is anticipating to call for tenders for an RTPI system within the next month

Auckland Regional Transport Authority (ARTA) has also closed tenders for the supply of a system to operate in conjunction with their existing light rail network.

INTERNATIONAL MARKETS

It is well acknowledged that our greatest successes to date have been achieved in the USA where we have had four fully deployed systems on the East Coast. In June 2008 we achieved our greatest international success in securing the contract for the supply for our RTPI (Real Time Passenger Information) system to the City of Santa Clarita; located approximately 50km north of Los Angeles.

Progress on this contract is well underway running to schedule and on budget; new innovations will result as an integral part of this contract including interfacing with existing "header board" (outward facing route information displays affixed to buses) and automated ticket machines. Connexionz RTT system employs PMR (Private Mobile Radio) as its standard communications platform however at Santa Clarita part of the con-

tract requires us for the first time outside of the UK to utilize cellular based communications for their feeder routes to and from Los Angeles.

Whilst Connexionz United Kingdom continues to perform below our earlier expectations there appears to be currently a substantial level of new and renewed interest from transit agencies; this has manifested itself in heightened activity and enquiries through our office.

CAPITAL RAISING

The greater our success in winning contracts the greater the demand on our cash flow; this is largely brought about by three significant characteristics that place pressure on our business.

1. The unpredictable nature of our contract success cycles (boom and bust); and
2. The requirement to advance order and assemble hardware and software to guarantee a timely deployment to meet our contracted obligations ahead of payment trigger points; and
3. The ongoing commitment to in-house Research and Development to ensure that we maintain our leading status as providers of world class ITS technologies.

At our recent Annual Meeting the board were authorized to raise additional capital by way of a preference offer; whilst this exercise has had limited success we have to date (the offer has been extended to 31st December 2008) not reached the necessary levels of comfort. The invitation was issued to the top 20 shareholders only and to organizations and individuals who had previously shown interest to invest in Connexionz.

We have in the past been generously supported by a group of our faithful shareholders and we are once again appealing in good faith for them to realize our confidence that we hold in Connexionz as a business going forward.

SUCCESS STORIES

Whilst our system uses smart technology to communicate bus travel in Real Time using more traditional forms of VMS (variable message sign) LED and flat screen displays seen largely at high volume stops Connexionz also boasts the unique **BusFinder™** technology that provides for cost effective multiple hassle free extensive deployment. Arrival information can also be accessed remotely on the Web using conventional desk and laptop computers and the lesser known particularly here in Christchurch by browsing the Web from WAP enabled cell phones.

In the USA the full extent of our available technologies has been embraced by our customer's and they provide for their rider-ship full remote access to predictive travel information by engaging with our SMS (small messaging service) and IVR (interactive voice response) technology using both cellular and landline phone. At the University of Virginia alone web enquiries are regularly exceeding 50,000 hits per month from riders accessing RTI (Real Time Information) from the Connexionz system; certainty and safety are the main drivers for passengers accessing this information.

I urge you to take the time to read in the next issue of our News Letter to be published shortly an extract from "Up the garden path" written by Logan McMullen; this is a story of how Logan was able to creatively combine two data bases (one from Connexionz) into his portable technology in such a way that has given him full independence to move freely around Christchurch using public transport.

PERFORMANCE

Whilst the six month result is a revelation based on earlier financial performances we can largely attribute this to winning Santa Clarita and the slow accumulation of recur-

ring revenues that inevitably follow contract deployment. Our focus for the future must be on capital sales however our bread and butter and future long term sustainability depends on building that level of recurring revenues, expansions to existing systems and the provision of value added.

As this is my last official task in this position I state with confidence that under the leadership of Roger Carruthers (CEO) Connexionz is in for a progressively exciting time, the board are fully committed and support the established objectives of the company and the prosperity that Roger and his team will bring.

It only remains for me to wish all shareholders, staff, suppliers and customers a very merry Christmas and every success and personal good health for 2009.



•Richard Riley, Managing Director, 20 November 2008

Income Statement

For the six months ended 30 September 2008

	Notes	Group Six Months to 30/09/2008	Group Six Months to 30/09/2007	Parent Six Months to 30/09/2008	Parent Six Months to 30/09/2007
Revenue					
Sales	3	1,982,818	1,197,168	1,650,251	594,020
Other Income		130,249	63,067	121,821	150,237
Total Revenue		2,113,067	1,260,235	1,772,072	744,257
Less Expenses					
Depreciation and Amortisation expenses		11,508	50,759	11,508	25,508
Finance costs		48,032	14,883	48,032	14,883
Other Expenses		2,002,368	1,550,618	1,327,024	918,269
Total Expenses		2,061,908	1,616,260	1,386,564	958,660
Surplus (Deficit) for the period		51,158	(356,025)	385,508	(214,403)
Attributable to:					
Equity holders of the parent		51,158	(303,148)	385,508	(214,403)
Minority Interest		-	(52,877)	-	-
Surplus (Deficit) for the period		51,158	(356,025)	385,508	(214,403)

Statement of Change in Equity

For the six months ended 30 September 2008

	Group Six Months to Notes 30/09/2008	Group Six Months to 30/09/2007
Equity at Start of Period	92,837	225,272
Plus adjustment to prior year consolidation	20,729	-
Plus total recognised revenue and expenses		
Net (deficit) for period:		
Equity holders of the parent	51,158	(303,148)
Minority interests	-	(52,877)
Total Recognised revenue and expenses	51,158	(356,025)
Issue of shares	43,593	-
TOTAL EQUITY AT END OF PERIOD	5 <u>208,317</u>	<u>(130,753)</u>

Balance Sheet

As at 30 September 2008

Notes	Group as at 30/09/2008	Group as at 30/09/2007	Parent as at 30/09/2008	Parent as at 30/09/2007
Current Assets				
	-	21,974	-	20,812
	81,644	70,134	79,096	70,134
	1,971,592	520,656	1,500,212	190,731
	-	218	-	218
	-	-	23,804	0
	-	-	0	137,401
	2,053,236	612,982	1,603,112	419,296
Non-Current Assets				
	136,255	161,791	68,361	81,408
	705,005	304,193	478,526	278,005
	0	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	356,506	137,400
	-	-	0	355,885
	841,260	465,984	903,393	852,698
	TOTAL ASSETS			
9	2,894,496	1,078,966	2,506,505	1,271,994
Current Liabilities				
	139,945	228,123	134,762	198,256
	249,000	50,912	249,000	50,912
	74,363	65,203	74,363	65,203
	1,940,448	1,070,878	1,246,783	859,311
	213,395	-	213,395	0
	69,027	-	70,125	0
	2,686,178	1,415,116	1,988,429	1,173,682
	NET ASSETS			
	208,317	(336,150)	518,076	98,312
Equity				
	4,396,297	3,687,950	4,396,297	3,687,950
	-	(253)	-	0
	(4,187,980)	(4,003,924)	(3,878,221)	(3,589,638)
	208,317	(316,227)	518,076	98,312
	-	(19,923)	-	0
	208,317	(336,150)	518,076	98,312

Statement of Cash Flows

For the six months ended 30 September 2008

	Group Six Months To Notes 30/09/2008	Group Six Months To 30/09/2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from Customers	2,110,523	1,397,760
Cash paid to suppliers and employees	(1,884,293)	(2,071,345)
Interest Received	67	44
Taxation refund due	1,030	-
Interest Paid	(48,032)	(14,883)
Net cash (outflow) inflow from operating activities	179,295	(688,424)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance in Subsidiaries	0	(204,757)
Disposal of Fixed and Intangible Assets	0	402,696
Acquisition of Fixed and Intangible Assets	(163,141)	(313,104)
Net cash (outflow) inflow from investing activities	(163,141)	(115,165)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issues	43,593	728,076
Repayment of Debt	(64,651)	0
New Debt taken	55,000	0
Increase in Reserves	0	(253)
Net cash inflow (outflow) from financing activities	33,942	727,823
Net increase (decrease) in cash and cash equivalents	50,096	(75,766)
Cash and cash equivalents as beginning of period	(190,041)	(130,383)
Cash and cash equivalents as end of period	(139,945)	(206,149)

Notes to the Financial Statements

1. Accounting Policies

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the March 2008 financial statements.

2. Seasonality or Cyclicity

Seasonality or cyclicity had no significant impact on the interim results

3. Unusual transactions/balances due to nature, size or incidence that affects accounts

In May 2008 Connexionz Limited secured a USD 2.9m contract, which includes a three-year maintenance component, for the supply of their Real Time Passenger Information (RTPI) system for the City of Santa Clarita, California.

4. Changes in estimates or amounts reported in prior periods

There have been no changes in estimates or amounts reported in prior years that would have a material effect on the amounts reported in the current interim period.

5. Issuances, repurchases and repayments of debt and equity securities

On May 8 2008, 290,621 new ordinary shares were issued. 60,000 and 40,000 shares were issued to Craig Boyce and Bruce Sheppard respectively as remuneration for their services as Directors during the twelve months ended 31 March 2008. A further 85,819 shares and 104,812 shares were issued to Richard Riley and Tony Kan respectively as remuneration for their services as Managing Director and Finance Director over the same period.

6. Dividends Paid

No dividends were paid during the period.

7. Material Events subsequent to the interim period

No material events have occurred

8. Changes in composition of the entity

There were no changes to the composition of the entity during the period.

9. Changes in Contingent Assets, Liabilities since last annual balance date

No changes in Contingent Assets or Contingent Liabilities have occurred since last balance date.

Company Directory

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