



# **Annual Report**

For the Financial Year Ended  
31 March 2008

Level 1 Building 2, 1 Show Place  
P O Box 36 248 Addington, Christchurch  
Ph +64 (3) 339 4536 Fax +64 (3) 339 4537  
[www.connexionz.co.nz](http://www.connexionz.co.nz)



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## Highlights of the year

- Sales rise by 65% to \$3.5m.
- After excluding the write-off of goodwill in its UK investment and the IFRS impairment on its technology assets, the year produced a surplus of \$1,660 compared to a loss of \$950,000 in the previous year.
- Successful deployment of the City of Charlottesville RTPI system.
- Deployment of the University of Virginia RTPI system passes 90% mark.
- First batch of in-bus computers delivered to Reading Borough Council and the South England Economic Development Agency (SEEDA).
- Richard Riley and Tony Kan join the management team.
- Connexionz purchases the remaining 50% of the Connexionz UK joint venture company.

## Chairman's Review

### Chairman's review

#### Annual report to shareholders for the year ended 31 March 2008

Firstly on behalf of the board and company I would again like to thank shareholders for their ongoing support and encouragement during the year. Early in the year placements of shares were made for almost 1m shares at 33 cents each, which provided vital ongoing funding.

Sales increased by 65% in NZ to \$2.2m and by 65% in the UK to \$1.35m however the prior year in UK was for 7 months from the date of purchase in September 2006.

The group loss for the year of \$668,533 is disappointing but there were substantial non-cash items written off under the newly adopted "impairment principles" of the international financial reporting standards for intangible assets. As shown in the accounts we eliminated all goodwill resulting from the acquisition of 100% of Connexionz UK amounting to \$366,693, and also \$303,500 of past technology development costs.

The company has made significant progress during the year under review to 31 March 2008 and in the three month since balance date. In particular:

1. In January 2008 the 50% minority shareholders in Connexionz UK were bought out by the placement of 1,875,000 shares at 15 cents. Since the investment was made, the UK company's operations had increasingly becoming integrated with those of New Zealand, with a major development project to complete a new generation "Buspack" for Reading through vital development funding from SEEDA. When we bought into the UK subsidiary in September 2006 one of the expected customers was an ongoing contract with the greater Manchester transport authority. Their decision to re-evaluate and defer their involvement with real time passenger information systems suspended that relationship and the UK company has not won any new business other than extensions to its existing Reading and Southampton systems. Integrating the UK company into the NZ group in discussion with the UK shareholders was considered a logical move by all parties.
2. Contracts completed and systems installed included Maryland and Virginia universities and the City of Charlottesville in the USA and additional routes to the Christchurch system including Timaru.

Since balance date the new contract at Santa Clarita, which is 50 km north of Los Angeles airport in California, has been won against a number of established and credible US competitors. The reference sites already operating in USA and the enhanced costs and benefits of the Connexionz system won through on this \$3.6m contract. The sales team has been very busy all year replying to complex requests for proposals and tenders in a very competitive sector.

3. Technology upgrades were completed during the year to enhance the systems and make them more adaptable to different public transport environments. \$784,399 of costs relating to specific development projects were capitalised in the balance sheet.

The management was strengthened during the year with two directors moving into the positions of Managing and Finance Director allowing the Sales and Marketing Director to focus entirely on that activity. To conserve cash it was intended that both the new appointees would agree take 50% of their remuneration in shares however 1/3 of remuneration has been distributed as shares for taxation efficiency. Last year I commented that:

"It is now 5 years since Connexionz was established as a public company and over this period about \$2.75m of losses have occurred of which over half relates to the research and development costs of the systems now being deployed successfully. The company has a small dedicated team of technology specialists continuing to refine and improve the systems both in NZ and UK."

An outline of some of their work this year is given in the Managing Director's review as well as an outline of the selling and project management activity.

### **Business focus**

In our business plan for 2008-9 the sales activity will continue to focus on the small systems market in USA. There are some larger city bus information systems being tendered in the USA over this year but our comparatively small size and distance from the market as well as compliance issues with public tenders in USA make winning work in this space very difficult. We have been successful with the medium size systems having implemented Christchurch and won Santa Clarita and this is where our best chances lie. The government move to support NZ companies through the export guarantee program has been a major step forward and certainly been a factor on being able to comply with the high performance bond requirements of these contracts.

In the UK with the systems at Southampton and Reading running well the focus will be on deploying in the new "on bus computer unit" and seeking new business based in this product which we believe has real competitive advantage.

There will be other projects to bid for over the coming months but we do not expect any major systems in Australia or New Zealand other than Wellington which is likely to come forward in 2009.

### **Outlook**

The company has major projects to complete in the technology upgrade and deployment for UK and implementation for Santa Clarita. These projects are profitable and cashflow positive. However the style of the contracts inevitably requires significant prior working capital and investment. For this reason the directors will be seeking further funding from shareholders during the year by way of private placement.

With the successful deployment of a number of systems in USA and the ongoing existing systems in UK and in NZ we have significant reference sites to provide the base for our company's selling activities over the next year. Certainly we are seeing real change in all markets with an emphasis on enhanced public transport services and incentives to increase patronage.

With the projects we have in hand we commence the 2008-9 financial year with a very positive outlook.

A handwritten signature in black ink, appearing to read "Craig Boyce", is written in a cursive style.

Craig Boyce  
Chairman

# Managing Director's Review

## Overview

We are all very aware of the impact of rising fuel costs and interest rates; the spiralling price of essential daily items; and the effect that climate change will impose on business. Our life style is under threat. Ironically these factors favour Connexionz as we experience unprecedented support for funding mass transit system expansions.

Transit agencies world wide are experiencing rider-ship growth; the demand on mass transit as an alternative means of commuting has become a more attractive proposition as a means of reducing the individual costs of travel. As a priority, bus operators are considering ways of moving their rider-ship with greater reliability and efficiency; they too are facing higher operating costs. Connexionz's RTPI Solution is becoming a "must have" to significantly enhance the prospects of achieving these objectives.

## Sales and Marketing

It's fair to say that our experiences to date have provided us with a significant amount of market intelligence and data that has assisted us to develop a soundly based marketing strategy that will take us forward for at least the next five years. This plan clearly outlines our primary market focus, optimum target customers and the focus for the development and sustainability of our leading edge technology.

Our "down-under" location relative to our market creates a number of difficulties for Connexionz. These problems stem not only from our distance and time to market but also include language and cultural differences. In some situations these have been too difficult to overcome and in others they have not prejudiced our chances of winning new sales. Our time zone means that communication with the UK/Europe and many parts of the USA is substantially carried out during our night hours. This places a huge amount of pressure on staff to cover their normal working hours and also meet the demands of our global customer base. Our continued success in the USA will bring pressures to establish a local presence sooner than later.

Connexionz has adopted a philosophy that acknowledges that we cannot be "everything to everyone" and that whilst there maybe a perceived expectation by our customers that this is their desire we believe that this can be achieved by our acting in partnership with strategically aligned non-competing organisations who have existing compatible technologies that offer value-adding integration possibilities.

During the year we continued to foster and benefit from our relationship with NZ Trade and Enterprise; contact was made with the NZ Credit Office (a division of NZ Treasury) who established for fledgling NZ Exporters a source of guarantee for the provision of a "Performance Bond" specified as a part of off shore contracts. Connexionz has to date made two successful applications to cover an existing and pending contract. Without this facility it would not have been possible for Connexionz to respond to "bonded" contracts.

## Development

There are three primary drivers to Development within Connexionz; Market demand for new and enhanced functionality; and, internal demand to create smarter and user-friendlier applications; and, change brought about by external software and component changes.

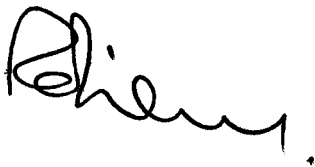
Connexionz employs three staff who are principally engaged in Research and Development (R & D); although not all of their time can be legitimately claimed for accounting purposes the total time attributed to this function never-the-less carries a cost in excess of NZD 1 million including third party R & D services. During this year we capitalized, under strict accounting rules, NZD 480,899 that reflects as an increase in our asset value; for the future we expect that this enhanced value will reflect strongly in our sales performance.

We have established a strict regime to identify, research (including justification), scope, monitor and perform development projects in addition to the collation of "man" hours expended on each task. Not only is this information required for purposes of establishing capital costs but also to comply with the NZ governments R & D Tax credit opportunity that came into effect from 1<sup>st</sup> April 2008.

### **Staff**

It is appropriate that I should record the deaths of our colleague and friends; following the diagnosis of a malignant tumour in late 2007 Phil Wardell a Design Engineer since the inception of Connexionz, passed away in March 2008; Phil was 34. In the same month Alex (son of Robert and Lorraine Burke) at age 19, died of renal complications that had persisted throughout his short life. Naturally our thoughts and support are with the families in their time of grief.

The team at Connexionz has developed a friendly family culture that functions well together with a commitment above all else to meet the expectations of our customers and stakeholders. Our dedicated team has, and continues to apply the highest levels of experience and skill in developing our RTT solution and for that commitment your directors are extremely appreciative.

A handwritten signature in black ink, appearing to read "Richard Riley", with a small dot at the end.

Richard Riley  
Managing Director

## Directors' Report

### FOR THE YEAR ENDED 31 MARCH 2008

The Directors of Connexionz Limited submit the following report in respect of the year ended 31 March 2008.

### Results for the Year

The net result of operations for the Group for the year ended 31 March 2008 is a loss of \$668,533 (2007: loss of \$954,103).

### Activities

The Company and its subsidiaries are engaged in the provision of automatic vehicle tracking systems. The nature of the Company's business has not changed during the year under review. The affairs of the Company are satisfactory.

### Interests Register

The following entries were recorded in the directors' interest registers of the company and its subsidiaries during the year:

Director	Company	Position
Craig Boyce	Bernard Matthews New Zealand Ltd	Chairman
	Combined Rural Traders Ltd	Director
	Datacom Group Ltd	Director
	Orion New Zealand Ltd	Chairman
	Progressive Leathers Ltd	Chairman
	Transdiesel Ltd	Chairman
	Smiths City Group Ltd	Chairman
	Snowy Peak Ltd	Chairman
	Thermocell Limited	Director
Richard Riley	Bedrock Trading Limited	Director
	EJ Brenan Memorial Trust	Chairman
	Islay Investments Limited	Director
	Resolutionz 101 Limited	Director
	Tranzqual Industry Training Organisation	Chairman
Tony Kan	Kan & Company Ltd	Director
Robert Burke	Southern Regional Health School	Trustee
Bruce Sheppard	Argus Fire Protection (Sth) Limited	Director
	Argus Fire Protection Limited	Director
	Argus Fire Systems Limited	Director
	B R Sheppard Limited	Director
	Bedrock Trading Limited	Director
	Benson Servicing Limited	Director
	Big Splash Limited	Director
	Carlaw Park Trustee Company Limited	Director
	Coyacht Limited	Director
	Distressed Recoveries Limited	Director
	Distressed Securities Limited	Director
	Envirobond Limited	Director
	Faceless Nominees Limited	Director
	G S Ventures Limited	Director
	Gillegan Sheppard Limited	Director
	Gillegan Sheppard Properties Limited	Director
	Gillegan Sheppard Nominees Limited	Director
	Integrated Wireless Corporation Limited	Director
	Islay Group Limited	Director
	Islay Investments Limited	Director
Johannink Investments Limited	Director	
Kookaburra Finance Limited	Director	
Kookaburra No 1 Limited	Director	

Director	Company	Position
	Kookaburra No 2 Limited	Director
	Larsen Trustees Limited	Director
	Licensed Conveyancers Limited	Director
	Northern Forest Investments Partnership Limited	Director
	NZ Fire Control Limited	Director
	Onslow Views Limited	Director
	P T Nobbs Practice Trustee Limited	Director
	Registered Conveyancers Limited	Director
	Revco Deveopments Limited	Director
	Rock Trust Limited	Director
	Sanctuary Group Trustees Limited	Director
	Smart Asset Management Limited	Director
	Southern Hills Imperial Timber (1932) Pty Limited	Director
	Southern Jubilee Limited	Director
	Spitfire Semiconductors Limited	Director
	Swashpump Technologies Limited	Director
	Trinity Management Group (NZ) Limited	Director
	Trustee.net.nz Limited	Director
	Wellington Alarm Services (1996) Limited	Director

### Directors' Holdings

Under Rule 10.5.5(c) the Equity Securities in which each Director has a Relevant Interest at the balance date are listed below.

Director	Holdings as at 31 March 2008
Craig Boyce (Extra Strength No 164 Ltd)	21,152
Craig Boyce	30,000
Robert Burke	2,906,452
Lorraine Gray & Allan Coull (Ms Gray is Robert Burke's wife)	1,897,783
Lorraine Gray (Ms Gray is Robert Burke's wife)	339,216
Tony Kan	449,935
Richard Riley (Riley Account)	481,817
Richard Riley	35,152
Bruce Sheppard (Southern Hills Imperial Timber (1932) Pty Limited)	3,200,000

### Directors' Remuneration during the 12 months ending 31 March 2008

Craig Boyce and Bruce Sheppard are paid \$15,000 and \$10,000 respectively as annual director's fees.

Currently there are no formal arrangements in place for the remuneration of the Executive Directors. There are no commitments in place relating to the remuneration of Executive Directors.

Robert Burke in his capacity as Sales Director received remuneration of \$140,347 for the year.

### Directors' Use of Company Information

The Board received no notices during the year from Directors requesting to use company information received in their capacity as Directors, which would not otherwise have been available.

### Employees Remuneration

Three employees received remuneration and other benefits above \$100,000 per annum in their capacities as employees.

### Donations

Donations made by the company during the year ended 31 March 2008 totalled nil.

### Changes in Business Operations of Company

During the year ended 31 March 2008, the company acquired the remaining 50% of Connexionz Investments Limited (formerly Infocell Investments Limited) and its wholly owned subsidiary Connexionz UK Limited (formerly Infocell Solutions Limited), and there were no changes in the classes of business in which the company has an interest.

### Twenty Largest Security Holders

In accordance with rule 10.5.5(b) of the NZAX listing rules, a list of the twenty largest security holders at a date not earlier than 2 months before the date of the publication of the annual report, namely 22 August 2008, is provided below:

<b>Twenty Largest Security Holders</b>		<b>Holding</b>	<b>Percent</b>
1	Southern Hills Imperial Timber (1932) Pty Limited	3,200,000	13.5
2	Robert Burke	2,906,452	12.3
3	Lorraine Gray & Allan Coull	1,897,783	8.0
4	James Urquhart	1,754,848	7.4
5	Robert Burling	1,261,372	5.3
6	Erica Johannink & Edward Dawes	1,000,000	4.2
7	Islay Investments Limited	904,265	3.8
8	Ronald Gillatt	834,319	3.5
9	Russell Gard	807,135	3.4
10	Paul Zwaan & Mary Zwaan & Bruce Sheppard	602,667	2.5
11	Alan Wiltshire & Beverley Wiltshire & David Rishworth	577,200	2.4
12	Tony Kan	554,737	2.3
13	Richard Riley	481,817	2.0
14	Gregory Moyle	459,602	1.9
15	Tea Custodians Limited	438,667	1.9
16	Estate of Phillip Wardell	347,826	1.5
17	James Urquhart & Geoffrey Wilkinson	345,152	1.5
18	Lorraine Gray	339,216	1.4
19	Tom Farmer	300,000	1.3
20	Andrew Salvesan	300,000	1.3
Total top 20 holders		19,313,058	81.4
Total shares issued		23,634,385	100.0

### Substantial Security Holders

Under section 2 of the Securities Markets Act 1988, "Substantial Security Holder" in relation to a public issuer or other body, means a person who has a relevant interest in 5 percent or more of the voting securities of that public issuer or body. In accordance with section 26 of that Act a list of Substantial Security Holders, at a date not earlier than 3 months before the date that the annual report is sent, namely 22 August 2008, is provided below:

<b>Substantial Security Holder</b>	<b>Holding</b>	<b>Percent</b>
Southern Hills Industrial Timber (1932) Pty Limited	3,200,000	13.5
Robert Burke	2,906,452	12.3
Lorraine Gray & Allan Coull	1,897,783	8.0
James Urquhart	1,754,848	7.4
Robert Burling	1,261,372	5.3

### Spread of Quoted Security Holders

In accordance with Part B section 10.5.5(d) of the NZAX listing rules, a table showing the spread of quoted security holders, at a date not earlier than 2 months before the date of the publication of the annual report, namely 22 August 2008, is provided below:

<b>Range</b>	<b>Number of Holders</b>	<b>Number of shares held</b>	<b>%</b>
1 to 1,000	11	9,262	0.0%
1,001 to 5,000	223	649,250	2.7%
5,001 to 20,000	76	868,381	3.7%
20,001 to 100,000	46	1,876,872	7.9%
100,001 and Over	25	20,230,620	85.7%
<b>Total</b>	<b>381</b>	<b>23,634,385</b>	<b>100.0%</b>

**Credit Rating**

The Company does not have any formal credit rating from an independent agency.

**Waivers**

On 3 November 2007, NZX Regulation ("NZXR") granted all Issuers a waiver from the reporting timelines in NZAX Listing Rules 10.4.1, 10.5.1 and 10.5.2 for the first period in which an Issuer reports under the NZ International Financial Reporting Standards (IFRS).

**NZX Exercise of Powers**

Due to the late submission of Connexionz's preliminary full year results, the NZX suspended the trading of the Company's securities from the 26 June 2007 until 20 July 2007

**Auditor**

It is proposed that the auditor, Deloitte, continue in office in accordance with Section 200 of the Companies Act 1993.

For and on behalf of the Board

A handwritten signature in black ink, appearing to be "C. Joyce", is written in a cursive style.

Chairman, 5 September 2008

# Approval of Financial Statements

**FOR THE YEAR ENDED 31 MARCH 2008**

## **DIRECTORS RESPONSIBILITY STATEMENT**

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Connexionz Limited and group as at 31 March 2008 and the results of their operations for the year ended 31 March 2008.

The Directors consider that the financial statements of the company and group have been prepared using accounting policies appropriate to the company and group's circumstances, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

This annual report is signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

## **AUTHORISATION FOR ISSUE**

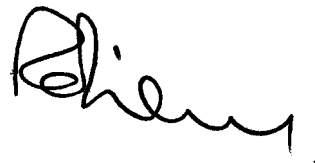
The Directors authorised the issue of these financial statements on 5 September 2008.

## **APPROVAL BY DIRECTORS**

The Directors are pleased to present the financial statements of Connexionz Limited for the year ended 31 March 2008 on pages 14 to 50.

A handwritten signature in black ink, appearing to read "D. Royce", written over a horizontal line.

Chairman

A handwritten signature in black ink, appearing to read "A. Chen", written over a horizontal line.

Managing Director

# Income Statement

FOR THE YEAR ENDED 31 MARCH 2008

	<u>Notes</u>	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Parent</u> <u>2008</u> \$	<u>Parent</u> <u>2007</u> \$
Revenue	4	3,528,690	2,143,132	2,177,058	1,316,740
<b>Total Revenue</b>		<u>3,528,690</u>	<u>2,143,132</u>	<u>2,177,058</u>	<u>1,316,740</u>
<b>Expenses</b>					
Depreciation of property, plant and equipment	14	46,359	53,246	24,101	30,136
Amortisation of other intangible assets	15	25,139	27,742	21,009	19,254
Employee benefits expenses		1,026,248	1,283,089	430,978	807,054
Finance costs		67,130	42,154	50,641	39,088
Impairment of non-current assets	16(ii)	670,193	-	940,635	-
Other expenses	5	2,361,296	1,691,004	1,598,187	1,081,611
<b>Total Expenses</b>		<u>4,196,365</u>	<u>3,097,235</u>	<u>3,065,551</u>	<u>1,977,143</u>
<b>DEFICIT BEFORE INCOME TAX EXPENSE</b>		<u>(667,675)</u>	<u>(954,103)</u>	<u>(888,493)</u>	<u>(660,403)</u>
Income tax expense	18(a)	(858)	-	-	-
<b>DEFICIT FOR THE PERIOD</b>		<u><u>(668,533)</u></u>	<u><u>(954,103)</u></u>	<u><u>(888,493)</u></u>	<u><u>(660,403)</u></u>
Deficit attributable to:					
Members of the parent entity	20	(727,702)	(817,332)	(888,493)	(660,403)
Minority shareholders interest	21	59,169	(136,771)	-	-
		<u><u>(668,533)</u></u>	<u><u>(954,103)</u></u>	<u><u>(888,493)</u></u>	<u><u>(660,403)</u></u>

# Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2008

	<u>Notes</u>	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Parent</u> <u>2008</u> \$	<u>Parent</u> <u>2007</u> \$
<b>EQUITY AT START OF PERIOD</b>		225,272	245,041	312,715	245,042
<b>SURPLUS &amp; REVALUATIONS</b>					
<b>Recognised revenue and expenses</b>					
Net deficit for period					
Members of the parent entity	20	(727,702)	(817,332)	(888,493)	(660,403)
Minority shareholders interests in Surplus / (Deficit)	21	59,169	(136,771)	-	-
				-	-
<b>Total recognised revenue and expenses</b>		<u>(668,533)</u>	<u>(954,103)</u>	<u>(888,493)</u>	<u>(660,403)</u>
<b>OTHER MOVEMENTS</b>					
Issue of shares					
Parent	19	664,754	728,076	664,754	728,076
Movements in minority interests	21	(128,656)	206,258	-	-
<b>(Deducted from) / Added to Equity during the period</b>		<u>(132,435)</u>	<u>(19,769)</u>	<u>(223,739)</u>	<u>67,673</u>
<b>TOTAL EQUITY AT END OF PERIOD</b>		<u><u>92,837</u></u>	<u><u>225,272</u></u>	<u><u>88,976</u></u>	<u><u>312,715</u></u>

# Balance Sheet

AS AT 31 MARCH 2008

	<u>Notes</u>	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Parent</u> <u>2008</u> \$	<u>Parent</u> <u>2007</u> \$
<b>CURRENT ASSETS</b>					
Advance to subsidiaries		-	-	-	137,401
Cash and cash equivalents	10	14,555	9,055	11,777	1,006
Inventories	11	98,000	53,427	95,160	53,427
Trade and other receivables	12	1,213,920	989,184	333,596	398,092
Taxation refund due	18(d)	508	218	508	218
<b>TOTAL CURRENT ASSETS</b>		<b>1,326,983</b>	<b>1,051,884</b>	<b>441,041</b>	<b>590,144</b>
<b>NON-CURRENT ASSETS</b>					
Advance to subsidiaries		-	-	254,453	137,400
Deferred taxation	18(c)	522	-	-	-
Goodwill	16	-	214,099	-	-
Investment in subsidiaries	13	-	-	-	355,885
Non-current receivables	12	348,272	-	348,272	-
Property, plant and equipment	14	145,378	184,514	77,563	94,667
Other intangible assets	15	550,658	86,254	325,136	12,180
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,044,830</b>	<b>484,867</b>	<b>1,005,424</b>	<b>600,132</b>
<b>TOTAL ASSETS</b>		<b>2,371,813</b>	<b>1,536,751</b>	<b>1,446,465</b>	<b>1,190,276</b>
<b>CURRENT LIABILITIES</b>					
Bank overdraft	10	204,596	146,231	204,596	146,231
Directors Loans	7	194,000	-	194,000	-
Employee benefits	17(ii)	67,845	65,203	67,845	65,203
Trade and other payables	17(i)	1,812,535	1,085,045	891,048	651,127
Share purchase funds received in advance		-	15,000	-	15,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,278,976</b>	<b>1,311,479</b>	<b>1,357,489</b>	<b>877,561</b>
<b>NET ASSETS</b>		<b>92,837</b>	<b>225,272</b>	<b>88,976</b>	<b>312,715</b>

## Balance Sheet (cont'd)

AS AT 31 MARCH 2008

	<u>Notes</u>	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Parent</u> <u>2008</u> \$	<u>Parent</u> <u>2007</u> \$
<b>EQUITY</b>					
Share Capital	19	4,352,704	3,687,950	4,352,704	3,687,950
Accumulated deficit	20	(4,259,867)	(3,532,165)	(4,263,728)	(3,375,235)
<b>Shareholders interest</b>					
Minority shareholders' interest	21	92,837	155,785	88,976	312,715
		-	69,487	-	-
<b>TOTAL EQUITY</b>		<u>92,837</u>	<u>225,272</u>	<u>88,976</u>	<u>312,715</u>

# Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2008

	<u>Notes</u>	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Parent</u> <u>2008</u> \$	<u>Parent</u> <u>2007</u> \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		2,952,583	1,665,569	1,876,480	1,307,030
Interest received		3,099	1,214	16,802	7,071
Payments to suppliers and employees		(2,641,882)	(1,918,931)	(1,767,710)	(1,391,004)
Interest and other finance costs paid		(67,130)	(30,976)	(50,641)	(27,909)
Income tax paid		(1,148)	-	(290)	-
<b>Net cash provided by / (used in) operating activities</b>	9	245,522	(283,124)	74,641	(104,812)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of investment in subsidiaries	13	-	(455,139)	-	(355,885)
Advances to (from) subsidiaries		-	-	20,348	(285,624)
Purchase of property, plant and equipment	14	(7,223)	(55,853)	(6,997)	(55,853)
Purchase of other intangible assets	15	(793,043)	(2,131)	(637,465)	(2,122)
<b>Net cash (used in)/ provided by investing activities</b>		(800,266)	(513,123)	(624,114)	(699,484)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Loans from directors		194,000	-	194,000	-
Proceeds from issue of share capital		307,879	728,076	307,879	728,076
Share purchase funds received / (paid) in advance		-	15,000	-	15,000
<b>Net cash (used in)/ provided financing activities</b>		501,879	743,076	501,879	743,076
<b>Net increase (decrease) in cash and cash equivalents</b>		(52,865)	(53,171)	(47,594)	(61,220)
<b>Cash and cash equivalents as at beginning of period</b>		(137,176)	(84,005)	(145,225)	(84,005)
<b>Cash and cash equivalents as at end of period</b>	10	(190,041)	(137,176)	(192,819)	(145,225)

# Notes to the Financial Statements

## FOR THE YEAR ENDED 31 MARCH 2008

### 1 REPORTING ENTITY

These financial statements are in respect of Connexionz Limited (the "Parent") and its subsidiaries Connexionz UK Limited and Connexionz Investments Limited (together with the Parent termed the "Group").

Connexionz Limited is a company registered under the Companies Act 1993, and is listed on the New Zealand Alternative Exchange (NZAX) and is an issuer for the purposes of the Financial Reporting Act 1993.

Connexionz UK Limited and Connexionz Investments Limited are both incorporated in the United Kingdom.

#### Principal Business Activities

The principal activity of the parent and Group is the provision of automatic vehicle tracking systems.

#### Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards.

### 2 BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost, except for certain items as outlined below.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The Parent and Group changed its accounting policies on 1 April 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards', with 1 April 2006 as the date of transition. An explanation of how the transition from superseded policies to NZ IFRS has affected the Parent and Group's financial position, financial performance and cash flows is discussed in note 28.

### 3 STATEMENT OF ACCOUNTING POLICIES

#### (a) Presentation Currency

These financial statements are presented in New Zealand dollars (\$).

#### (b) Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### (c) Principles of Consolidation

The financial statements for the Parent are for Connexionz Limited as a separate legal entity. The consolidated financial statements for the "Group" are for the economic entity comprising Connexionz Limited and its subsidiaries.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

### **3 STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Investments in subsidiaries are recorded in the parent entity's financial statements at cost less any accumulated impairment losses.

#### **(d) Revenue**

Sales of goods are recognised when goods are delivered and title has passed.

Service revenue is recognised by reference to the stage of completion of the transaction at balance date.

Interest income is accrued on a time basis.

#### **(e) Development Grants**

Development grants are assistance by the government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Development grants include government assistance where there are no conditions specifically relating to the operating activities of the consolidated entity other than the requirement to operate in certain regions or industry sectors.

Development grants relating to income are recognised as income over the periods necessary to match them with the related costs. Development grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income of the period in which it becomes receivable.

#### **(f) Share-based payments**

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at transition date. Under the entity's previous policy fair value estimates were not required in accordance with NZ IFRS-2. Therefore the estimates reflect information available at the transition date to determine expected volatility, expected dividends and expected life of the options under the equity-settled transactions. However, some inputs to the valuation are based purely on contractual or historical fact such as share price; exercise price and risk-free rate are based on information at grant date. Fair value is measured by use of the market price.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date with change in the fair value recognized in the Income Statement.

#### **(g) Taxation**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the balance sheet date.

Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset when the Parent and Group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

### **3 STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

Deferred tax assets and liabilities are recognised using the comprehensive balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and on unused tax losses. No deferred tax assets or liabilities will be recognised from the initial recognition of an asset or liability, excluding a business combination that at the time of the transactions did not affect either accounting or taxable profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests and development costs are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred tax is recognised in the income statement except where it relates to items which are recognised directly in equity, in which case the deferred tax is recognised directly in equity.

#### **(h) Equity**

##### *(i) Share Issue Costs*

Costs associated with the issue of shares are recognised as a reduction to the amount collected per share.

##### *(ii) Earnings Per Share*

Earnings per share is based on the (deficit)/surplus attributable to the shareholders of the parent, divided by the weighted average number of ordinary shares issued and fully paid during the year.

Diluted earnings per share is based on the (deficit)/surplus attributable to the shareholders of the parent, divided by the weighted average number of ordinary shares issued and fully paid during the year, adjusted for the effects of all dilutive potential ordinary shares.

#### **(i) Foreign Currency**

##### *Foreign Currency Transactions*

Foreign currency transactions are recorded at the exchange rates in effect at the dates of the transactions. Monetary items receivable or payable in a foreign currency are translated at balance date at the closing rate.

Exchange differences on foreign currency balances are included in the income statement.

#### **(j) Financial Instruments**

Financial assets and financial liabilities are recognised when the Parent and Group becomes a party to the contractual provisions of the instrument.

#### **(k) Financial Assets**

Financial assets are classified into the following specified categories: "fair value through profit or loss", "available for sale", "held to maturity" and "loans and receivables". The classification depends on the nature and purpose of the financial assets as determined at the time of initial recognition. Policies in respect of individual categories of financial assets are outlined as follows:-

##### *(i) Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand and demand deposits (including overdraft), and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, and with original maturities of three months or less, in which the Parent and Group invests as part of its day-to-day cash management.

### 3 STATEMENT OF ACCOUNTING POLICIES (Cont'd)

(ii) Trade and Other Receivables

Trade and Other Receivables fall under the category of "loans and receivables", and are measured at initial recognition at fair value plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method less impairment (if any). In determining this value, adequate provision has been made for doubtful accounts.

(iii) Investments in subsidiaries

Investments in subsidiaries are shown in the Parent amounts at cost less accumulated impairment (if any).

(iv) Advances to subsidiaries

Advances to subsidiaries are recorded at cost.

**(l) Financial Liabilities**

Financial liabilities are classified into the following specified categories: "fair value through profit or loss" and "other financial liabilities". Policies in respect of individual categories of financial liabilities are outlined as follows:-

(i) Trade and Other Payables

Trade and Other Payables fall under the category of "other financial liabilities". Trade and Other Payables are recognised when the Parent and Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade and Other Payables are measured at initial recognition at fair value, and subsequently measured at amortised cost using the effective interest method.

(ii) Borrowings

Borrowings fall under the category of "other financial liabilities". Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the borrowing using the effective interest rate method.

**(m) Derivative Financial Instruments**

The Parent and Group do not have any derivative financial instruments and do not use derivative financial instruments for speculative purposes.

**(n) Property, Plant and Equipment**

Property, plant and equipment are measured initially at cost, and subsequently at cost less accumulated depreciation and impairment losses (if any). Cost includes all directly attributable expenditure incurred including costs to get the asset ready for its use as intended by management. Cost includes an estimate of any expenditure expected to be incurred at the end of the asset's useful life, including restoration, rehabilitation and decommissioning costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Parent and Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

*(i) Depreciation*

All items of property, plant and equipment, are depreciated on a straight line basis at rates which will write off their cost over their expected useful lives, as follows:

Leasehold improvements	16.7% per annum
Office & equipment	9.6% - 48.0% per annum
Vehicles	13.5% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(ii) Gain or Losses on disposal

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement

### 3 STATEMENT OF ACCOUNTING POLICIES (Cont'd)

#### (o) Intangible Assets

##### *(i) Goodwill on Acquisition*

Goodwill arising on the acquisition of subsidiaries is recognised as an asset and separately disclosed. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life including goodwill are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

##### *(ii) Patents*

Purchased identifiable intangible assets are recognised at cost and amortised in the income statement on a straight line basis over their estimated useful lives. Where the carrying amount of an identifiable intangible asset exceeds its recoverable amount, it is written down to its recoverable amount. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

##### *(iii) Software*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the company's website is recognised as an expense when incurred.

##### *(iv) Amortisation*

Computer software licenses are amortised on a straight-line basis over their estimated useful life of:

Software	36.0% - 48.0% per annum
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Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of. The amortisation charge for each period is recognised in the income statement. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

##### *(v) Research and Development*

Development costs that meet the following criteria are recognised as an asset in the balance sheet:

- The product or process is clearly defined and the costs attributable to it can be identified separately and measured reliably;
- The technical feasibility of the product or process can be demonstrated;
- The company intends to produce, and market, the product or process;

When the criterion above no longer applies, the unamortised balance of development costs is written off and recognised immediately as an expense.

Development costs recognised as an asset are amortised on a straight line basis over the period of expected benefits.

### **3 STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

#### **(p) Impairment**

The carrying amounts of the Parent and Group's tangible and intangible assets are reviewed at each balance date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The estimated recoverable amount is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Parent and Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement.

With the exception of goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, subject to the restriction that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately.

An impairment loss in respect of goodwill is not reversed.

#### **(q) Investments**

Non-current investments are valued at cost. Where the carrying value of an investment exceeds its recoverable amount it is written down to its recoverable amount.

#### **(r) Inventory**

Inventories are stated at the lower of cost and net realisable value. Costs is determined on a first in first out (FIFO) basis.

#### **(s) Operating Leases**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as a liability and amortised on a straight line basis over the lease term.

#### **(t) Statement of Cash Flows**

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the balance sheet .

Definitions of the terms used in the statement of cash flows:

"Cash" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the company as part of its day-to-day cash management.

"Investing activities" are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

"Financing activities" are those activities relating to changes in the equity and debt capital structure of the company and those activities relating to the cost of servicing the company's equity capital.

"Operating activities" include all transactions and other events that are not investing or financing activities.

#### **(u) Goods and Services Tax**

All items in the balance sheet are stated exclusive of GST, with the exception of receivables and payables, which include GST. All items in the income statement and statement of cash flows are stated exclusive of GST.

### 3 STATEMENT OF ACCOUNTING POLICIES (Cont'd)

#### (v) Employee benefits

Provision is made for benefits accruing to employees when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. These include benefits accruing to employees in respect of wages and salaries, annual leave, long service leave (qualified for and expected to be settled within 12 months), and sick leave where usage for the coming year is expected to be greater than the entitlement earned in the coming year.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Parent or Group in respect of services provided by employees up to balance date.

#### (w) Critical Accounting Judgements and Estimates

The Parent and Group make estimates and assumptions that affect the reported amounts of assets and liabilities at year end. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where critical accounting estimates are applied are noted below:

- Determination of the useful lives of property, plant and equipment
- Determination of the useful lives of intangible assets
- The assessment of impairment at each reporting date by evaluating conditions that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The only asset where any indication of impairment has been identified is investment in subsidiaries as detailed in note 13, other intangible assets as detailed in note 15 and goodwill as detailed in note 16.

#### (x) Application of NZ IFRS 1 First time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS 1)

Financial statements of Connexionz Limited until 31 March 2007 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS.

When preparing the Parent and Group financial statements for the year ended 31 March 2008, management has amended certain accounting and valuation methods applied in the previous NZ FRS financial statements to comply with NZ IFRS. The comparative figures were restated to reflect these adjustments.

In preparing these financial statements and consolidated financial statements in accordance with NZ IFRS 1 the Parent and the Group have applied certain optional exemptions from full retrospective application of NZ IFRS.

#### (y) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial statements, but will change the presentation and disclosures presently made in relation to the company's and group's financial statements:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IAS-1 'Presentation of Financial Statements' – Revised Standard	01-Jan-09	31-Mar-10
NZ IFRS-8 'Operating Segments'	01-Jan-09	31-Mar-10

### 3 STATEMENT OF ACCOUNTING POLICIES (Cont'd)

#### **NZ IAS-1**

The revised NZ IAS 1 requires the presentation of all recognised income and expenses in one statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity. The revised standard also includes other minor changes to presentation and disclosure requirements.

#### **NZ IFRS-8**

NZ IFRS-8 replaces NZ IAS-14 'Segment Reporting'. NZ IFRS-8 extends the scope of segment reporting and requires identification of operating segments and disclosures based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial statements of the company and group:

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
Amendments to NZ IFRS-4 'Insurance Contracts – The Scope of Insurance Activities and Differential Reporting Concessions	01-Jan-09	31-Mar-10
NZ IFRIC-12 'Service Concession Arrangements'	01-Jan-08	31-Mar-09
NZ IFRIC-13 'Customer Loyalty Programmes'	01-Jul-08	31-Mar-10
NZ IFRIC-14 'NZ IAS-19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	01-Jan-08	31-Mar-09
NZ IFRIC-15 'Agreements for the Construction of Real Estate'	01-Jan-09	31-Mar-10
NZ IFRIC-16 'Hedges of a Net Investment in a Foreign Operation'	01-Oct-08	31-Mar-10
NZ IAS-23 'Borrowing Costs' – revised standard	01-Jan-09	31-Mar-10
IFRS-2 'Share-Based Payment' – revised standard	01-Jan-09	31-Mar-10
IFRS-3 'Business Combinations' – revised standard	01-Jul-09	31-Mar-11
IAS-27 'Consolidated and Separate Financial Statements' – revised standard	01-Jul-09	31-Mar-11
Revised Amendments to NZ IAS 32 'Financial Instruments: Presentation' and NZ IAS 1 'Presentation of Financial Statements' – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	31-Mar-10
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2008	Various*	31-Mar-10
Amendments to NZ IFRS 1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards' and NZ IAS 27 'Consolidated and Separate Financial Statements' – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	31-Mar-10
Omnibus Amendments (2007)**	1 January 2008	31-Mar-09

\* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2009, with earlier adoption permitted, and they are to be applied retrospectively.

\*\* The Omnibus Amendments (2007) are minor clarifications or corrections to the New Zealand specific paragraphs of certain New Zealand equivalents to International Financial Reporting Standards.

<b>4</b>	<b>REVENUE</b>	<b><u>Group</u></b> <b><u>2008</u></b> \$	<b><u>Group</u></b> <b><u>2007</u></b> \$	<b><u>Parent</u></b> <b><u>2008</u></b> \$	<b><u>Parent</u></b> <b><u>2007</u></b> \$
	Revenue from operations consisted of the following items:				
	Contract	2,089,491	1,468,369	1,185,580	551,758
	Maintenance	1,301,740	629,530	670,169	629,530
	Development Grants	51,589	-	51,589	-
		3,442,820	2,097,899	1,907,338	1,181,288
	<b>OTHER REVENUE</b>				
	Interest Received	3,099	1,214	16,802	7,071
	Management fees	-	-	159,052	84,362
	Operating lease rental revenue	66,283	39,086	66,281	39,086
	Sundry revenue	16,488	4,933	27,585	4,933
	<b>Total Other Revenue</b>	85,870	45,233	269,720	135,452
	<b>TOTAL REVENUE</b>	3,528,690	2,143,132	2,177,058	1,316,740
<b>5</b>	<b>OTHER EXPENSES</b>	<b><u>Group</u></b> <b><u>2008</u></b> \$	<b><u>Group</u></b> <b><u>2007</u></b> \$	<b><u>Parent</u></b> <b><u>2008</u></b> \$	<b><u>Parent</u></b> <b><u>2007</u></b> \$
	Deficit for the period has been arrived at after charging the following expenses:				
	Audit fees - parent company auditor	34,300	29,569	34,300	29,569
	Audit fees - other auditors of the group	17,461	11,317	-	-
	Audit fees - other services	47,702	7,435	47,702	7,435
	Audit fees - Converting to NZ IFRS	5,000	-	5,000	-
	Consultancy fees	109,148	64,739	109,148	64,739
	Cost of Sales	1,104,426	412,206	566,964	378,288
	Directors fees	70,802	12,500	25,000	12,500
	Donations	-	3,179	-	3,179
	Establishment costs written off in UK	-	254,636	-	-
	Inventory write down	66,352	8,205	66,352	8,205
	Operating lease rental expenses	187,878	123,794	135,206	95,686
	Other operating expenses	718,227	763,424	608,515	482,010
	<b>TOTAL OTHER EXPENSES</b>	2,361,296	1,691,004	1,598,187	1,081,611
<b>6</b>	<b>EARNINGS PER SHARE</b>	<b><u>Group</u></b> <b><u>2008</u></b> \$	<b><u>Group</u></b> <b><u>2007</u></b> \$	<b><u>Parent</u></b> <b><u>2008</u></b> \$	<b><u>Parent</u></b> <b><u>2007</u></b> \$
	Deficit for the period	(668,533)	(954,013)	(888,493)	(660,403)
	Weighted average number of shares during the year	21,427,682	18,833,407		
	Earnings per share (cents) – basic and diluted	(0.03)	(0.05)		

## **7 RELATED PARTIES**

The company has advanced GBP 100,000 (2007 GBP 100,000) to its subsidiary, Connexionz Investments Limited. The advance is unsecured and interest is charged at 5% (2007 5%) per annum.

Connexionz Limited has provided management services to Connexionz Investments Limited and its subsidiary for which a fee of \$159,052 (2007 \$84,362) was charged during the year.

During the year, Connexionz Limited also received interest income of \$15,990 (2007 \$7,071) on its advance to Connexionz Investments Limited.

Ms L Grey, a related party of Mr. R B Burke received a salary of \$20,991 (2007 \$22,072)

### **Key management personnel**

Craig Boyce and Bruce Sheppard are paid \$15,000 and \$10,000 respectively as annual director's fees. Payment was made subsequent to year-end by way of a share issue. Directors Fees in respect of the UK subsidiaries paid to David Boys amounted to GBP 12,000 and GBP 6,000 to Russell Gard. These two amounts convert to \$45,802.

Directors Fees relating to the year end 31 March 2007 were paid in the current year as follows: \$7,500 Craig Boyce, \$5,000 Richard Riley (These fees were paid by way of a share issue (see Note 19).

Russell Gard (a director for Connexionz UK) was given 375,000 shares in Connexionz Ltd (NZ) as part of his salary package and other services he rendered to the company.

Mr. R B Burke received a salary of \$140,347 (2007 \$128,228)

Loan, repayable upon demand to Resolutionz 101 Ltd for the amount of \$120,000. Mr. Riley who is a director and shareholder of both Resolutionz 101 Ltd and Connexionz Ltd. Interest is payable at 12.6% which total interest charged \$6,462 (2007 \$nil)

Directors loan, repayable upon demand to Mr. Burke who is a director and shareholder for the amount of \$9,000 (2007 \$nil). No interest is payable on the loan. (2007 0%).

Loan, repayable upon demand to Extra Strength Number 164 Ltd for the amount of \$19,000 (2007 \$nil). Mr. Boyce is a director and shareholder of both Extra Strength Number 164 Ltd and Connexionz Ltd. No interest is payable on the loan. (2007 0%).

Loan, repayable upon demand to Southern Hills Imperial Timber (1932) Ltd for the amount of \$40,000 (2007 \$nil). Mr. Sheppard is a director and shareholder of both Southern Hills Imperial Timber (1932) Ltd and Connexionz Ltd. No interest is payable on the loan. (2007 0%).

Advisory fees paid to Kan and Co Limited of whom Mr. Kan is a director and shareholder totalled \$64,588 (2007 \$75,731). A portion of these fees was paid subsequent to year-end by way of a share issue.

Advisory fees paid to Resolutionz 101 Limited of whom Mr. Riley is a director and shareholder totalled \$43,819 (2007 \$nil). A portion of these fees was paid subsequent to year-end by way of a share issue.

No related party debts have been written off or forgiven during the year.

## **8 SECURITIES AND GUARANTEES**

The bank overdraft is secured by way of a registered first debenture over the assets, undertakings (if any) and uncalled capital (if any) of the company. The current limit on the facility is \$210,000 (2007 \$160,000). The interest rate at balance date was 12.85% p.a. (2007 11.85% p.a.)

9	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	Notes	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Parent</u> <u>2008</u> \$	<u>Parent</u> <u>2007</u> \$
	<b>Reconciliation of profit for the period to net cash flows from operating activities:</b>					
	(Deficit) after tax for the period		(668,533)	(954,103)	(888,493)	(660,403)
	<b>Adjustment For non-cash items:</b>					
	Depreciation of property, plant and equipment	14	46,359	53,246	24,101	30,136
	Unrealised Foreign exchange (gain)/loss		-	5,667	-	15,055
	UK Establishment costs written off		-	254,636	-	-
	Impairment of other intangible assets	15	303,500	-	303,500	-
	Impairment of goodwill		366,693	-	-	-
	Impairment of investment in subsidiary		-	-	637,135	-
	Amortisation of other intangible assets	15	25,139	27,742	21,009	19,254
	Non cash share based payments		60,625	-	341,875	-
	Less: Non cash share based payments classified as investing activities		-	-	(281,250)	-
	<b>Changes in net assets and liabilities:</b>					
	<b>(Increase)/decrease in assets:</b>					
	Trade and other receivables (current)		(224,736)	(638,106)	64,496	(47,014)
	Inventories		(44,573)	8,205	(41,733)	8,205
	Taxation refund due		(290)	-	(290)	-
	Trade and other receivables (non current)		(348,272)	-	(348,272)	-
	<b>(Increase)/decrease in liabilities:</b>					
	Trade and other payables		727,490	967,565	239,921	533,647
	Employee entitlements		2,642	(3,692)	2,642	(3,692)
	Deferred Taxation movement		(522)	-	-	-
	<b>Items classified as investing activities:</b>					
	Net working capital of subsidiaries acquired (Proceeds)		-	(4,284)	-	-
	<b>Net cash inflow /(outflow) from operating activities</b>		<u>245,522</u>	<u>(283,124)</u>	<u>74,641</u>	<u>(104,812)</u>

<b>10 CASH AND CASH EQUIVALENTS</b>	<b><u>Group</u></b> <b><u>2008</u></b> <b>\$</b>	<b><u>Group</u></b> <b><u>2007</u></b> <b>\$</b>	<b><u>Parent</u></b> <b><u>2008</u></b> <b>\$</b>	<b><u>Parent</u></b> <b><u>2007</u></b> <b>\$</b>
Cash	14,555	9,055	11,777	1,006
Bank overdraft	(204,596)	(146,231)	(204,596)	(146,231)
<b>Total cash and cash equivalents</b>	<u>(190,041)</u>	<u>(137,176)</u>	<u>(192,819)</u>	<u>(145,225)</u>
<b>11 INVENTORIES</b>	<b><u>Group</u></b> <b><u>2008</u></b> <b>\$</b>	<b><u>Group</u></b> <b><u>2007</u></b> <b>\$</b>	<b><u>Parent</u></b> <b><u>2008</u></b> <b>\$</b>	<b><u>Parent</u></b> <b><u>2007</u></b> <b>\$</b>
Raw material at cost	98,000	53,427	95,160	53,427
<b>Trade inventories</b>	<u>98,000</u>	<u>53,427</u>	<u>95,160</u>	<u>53,427</u>
<b>12 CURRENT TRADE AND OTHER RECEIVABLES</b>	<b><u>Group</u></b> <b><u>2008</u></b> <b>\$</b>	<b><u>Group</u></b> <b><u>2007</u></b> <b>\$</b>	<b><u>Parent</u></b> <b><u>2008</u></b> <b>\$</b>	<b><u>Parent</u></b> <b><u>2007</u></b> <b>\$</b>
Trade Receivables	754,404	937,010	186,160	374,379
Other receivables	459,516	52,174	147,436	23,713
<b>Total current trade and other receivables</b>	<u>1,213,920</u>	<u>989,184</u>	<u>333,596</u>	<u>398,092</u>
<b>NON CURRENT TRADE AND OTHER RECEIVABLES</b>				
Trade Receivables	<u>348,272</u>	<u>-</u>	<u>348,272</u>	<u>-</u>
<b>Total trade and other receivables</b>	<u>1,562,192</u>	<u>989,184</u>	<u>681,868</u>	<u>398,092</u>

### 13 INVESTMENT IN SUBSIDIARIES

#### (i) Acquisitions

Infocell Investments Limited and its wholly owned subsidiary, Infocell Solutions Limited, were acquired on 26 September 2006, and the results of their operations are included in the group income statement as from that date.

During December 2006 Infocell Investments Limited changed its name to Connexionz Investments Limited and Infocell Solutions Limited changed its name to Connexionz UK Limited.

Connexionz Investments Limited group contributed a profit of \$219,960 (2007 contributed a loss of \$293,447) to the consolidated net deficit for the year.

The acquisition of shares in subsidiaries affected the balance sheet and statement of cash flows statement as follows:

	<b><u>Group</u></b> <b><u>2007</u></b> <b>\$</b>
<b>Assets</b>	
Cash and cash equivalents	186,370
Trade and other receivables	59,981
Property Plant and Equipment	114,055
Other intangible assets	85,687
Establishment costs	254,636
Goodwill	219,263

13 INVESTMENT IN SUBSIDIARIES (cont'd)

	<u>Group</u> <u>2007</u> \$
<b>Liabilities</b>	
Payables and Accruals	(64,265)
Advance from Connexionz Ltd	<u>(285,624)</u>
	570,103
<b>Minority Interest</b>	<u>(214,218)</u>
<b>Net outflow of cash to the company</b>	355,885
Advance to subsidiary	285,624
Cash acquired with subsidiaries	<u>(186,370)</u>
<b>Net outflow of cash to the group</b>	<u><u>455,139</u></u>

On 25 January 2008 the remaining 50% of Connexionz UK Limited was acquired.

(ii) Subsidiaries owned as at 31 March:

Name	Principal Activities	Percentage Holding at Balance Date	
		2008	2007
Connexionz Investments Limited	Holding Company	100%	50%
Connexionz UK Limited	Provision of automatic vehicle tracking systems	100%	50%

Connexionz UK Limited is a wholly owned subsidiary of Connexionz Investments Limited.

All subsidiaries have a balance date of 31 March and are incorporated in the United Kingdom.

Connexionz Limited has control of the subsidiaries as it has the capacity to determine their financing and operating policies through management control and is entitled to a significant level of current and future ownership benefits.

(iii) Movements in Investment in Subsidiaries

	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Parent</u> <u>2008</u> \$	<u>Parent</u> <u>2007</u> \$
<b>Opening Balance</b>	-	-	355,885	-
Purchase of first 50% of subsidiaries	-	-		355,885
Purchase of remaining 50% of subsidiary by way of share issue	-	-	281,250	-
Less: Written off as impaired	-	-	(637,135)	-
<b>Closing Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>355,885</u>

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<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b><u>Leasehold Improvements</u></b>	<b><u>Office Equipment</u></b>	<b><u>Vehicle</u></b>	<b><u>Total</u></b>
<b>Group Cost</b>	<b>nts \$</b>	<b>t \$</b>	<b>\$</b>	<b>\$</b>
Opening balance	28,878	421,784	22,222	472,884
Additions	46,264	9,589	-	55,853
Acquired as part of a business combination (Note 13(i))	-	114,055	-	114,055
Disposals/written off	-	(142,806)	-	(142,806)
<b>Balance at 31 March 2007</b>	<b>75,142</b>	<b>402,622</b>	<b>22,222</b>	<b>499,986</b>
Additions	1,418	5,805	-	7,223
<b>Balance at 31 March 2008</b>	<b>76,560</b>	<b>408,427</b>	<b>22,222</b>	<b>507,209</b>
<b>Accumulated depreciation</b>				
Opening balance	23,166	366,037	10,500	399,703
Depreciation	5,470	44,776	3,000	53,246
Disposals/written off	-	(137,477)	-	(137,477)
<b>Balance at 31 March 2007</b>	<b>28,636</b>	<b>273,336</b>	<b>13,500</b>	<b>315,472</b>
Depreciation	8,985	34,374	3,000	46,359
<b>Balance at 31 March 2008</b>	<b>37,621</b>	<b>307,710</b>	<b>16,500</b>	<b>361,831</b>
<b>Net book value as at 31 March 2008</b>	<b>38,939</b>	<b>100,717</b>	<b>5,722</b>	<b>145,378</b>
<b>Net book value as at 31 March 2007</b>	<b>46,506</b>	<b>129,286</b>	<b>8,722</b>	<b>184,514</b>
<b>Parent Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening balance	28,878	421,784	22,222	472,884
Additions	46,264	9,589	-	55,853
Disposals/written off	-	(141,708)	-	(141,708)
<b>Balance at 31 March 2007</b>	<b>75,142</b>	<b>289,665</b>	<b>22,222</b>	<b>387,029</b>
Additions	1,418	5,579	-	6,997
<b>Balance at 31 March 2008</b>	<b>76,560</b>	<b>295,244</b>	<b>22,222</b>	<b>394,026</b>
<b>Accumulated depreciation</b>				
Opening balance	23,166	366,037	10,500	399,703
Depreciation	5,470	21,666	3,000	30,136
Disposals/written off	-	(137,477)	-	(137,477)
<b>Balance at 31 March 2007</b>	<b>28,636</b>	<b>250,226</b>	<b>13,500</b>	<b>292,362</b>
Depreciation	8,985	12,116	3,000	24,101
<b>Balance at 31 March 2008</b>	<b>37,621</b>	<b>262,342</b>	<b>16,500</b>	<b>316,463</b>
<b>Net book value as at 31 March 2008</b>	<b>38,939</b>	<b>32,902</b>	<b>5,722</b>	<b>77,563</b>
<b>Net book value as at 31 March 2007</b>	<b>46,506</b>	<b>39,439</b>	<b>8,722</b>	<b>94,667</b>

15 OTHER INTANGIBLE ASSETS Group	<u>Development Costs</u>	<u>Patents</u>	<u>Software</u>	<u>Total</u>
	\$	\$	\$	\$
<b>Cost</b>				
Opening balance	817,959	-	31,709	849,668
Additions	-	-	2,122	2,122
Acquired as part of a business combination (Note 13(i))	-	85,687	-	85,687
Unrealised currency movement	-	(3,125)	-	(3,125)
Disposals/written off	(778,063)	-	-	(778,063)
<b>Balance at 31 March 2007</b>	<u>39,896</u>	<u>82,562</u>	<u>33,831</u>	<u>156,289</u>
Additions	784,399	8,644	-	793,043
Disposals/written off	-	-	-	-
<b>Balance at 31 March 2008</b>	<u>824,295</u>	<u>91,206</u>	<u>33,831</u>	<u>949,332</u>
<b>Accumulated amortization and impairment</b>				
Opening balance	795,371	-	24,985	820,356
Amortisation	14,363	8,488	4,891	27,742
Establishment costs written off	-	-	-	-
Written off as impaired	-	-	-	-
Disposals/written off	(778,063)	-	-	(778,063)
<b>Balance at 31 March 2007</b>	<u>31,671</u>	<u>8,488</u>	<u>29,876</u>	<u>70,035</u>
Amortisation	18,025	4,130	2,984	25,139
Written off as impaired	303,500	-	-	303,500
<b>Balance at 31 March 2008</b>	<u>353,196</u>	<u>12,618</u>	<u>32,860</u>	<u>398,674</u>
<b>Net book value as at 31 March 2008</b>	<u>471,099</u>	<u>78,588</u>	<u>971</u>	<u>550,658</u>
<b>Net book value as at 31 March 2007</b>	<u>8,225</u>	<u>74,074</u>	<u>3,955</u>	<u>86,254</u>
	<u>Development Costs</u>	<u>Patents</u>	<u>Software</u>	<u>Total</u>
<b>Parent</b>	\$	\$	\$	\$
<b>Cost</b>				
Opening balance	817,959	-	31,709	849,668
Additions	-	-	2,122	2,122
Disposals/written off	(778,063)	-	-	(778,063)
<b>Balance at 31 March 2007</b>	<u>39,896</u>	<u>-</u>	<u>33,831</u>	<u>73,727</u>
Additions	637,465	-	-	637,465
Disposals/written off	-	-	-	-
<b>Balance at 31 March 2008</b>	<u>677,361</u>	<u>-</u>	<u>33,831</u>	<u>711,192</u>
<b>Accumulated amortization and impairment</b>				
Opening balance	795,371	-	24,985	820,356
Amortisation	14,363	-	4,891	19,254
Written off as impaired	-	-	-	-
Disposals/written off	(778,063)	-	-	(778,063)
<b>Balance at 31 March 2007</b>	<u>31,671</u>	<u>-</u>	<u>29,876</u>	<u>61,547</u>
Amortisation	18,025	-	2,984	21,009
Written off as impaired	303,500	-	-	303,500
<b>Balance at 31 March 2008</b>	<u>353,196</u>	<u>-</u>	<u>32,860</u>	<u>386,056</u>
<b>Net book value as at 31 March 2008</b>	<u>324,165</u>	<u>-</u>	<u>971</u>	<u>325,136</u>
<b>Net book value as at 31 March 2007</b>	<u>8,225</u>	<u>-</u>	<u>3,955</u>	<u>12,180</u>

16	<b>GOODWILL</b>	<b><u>Group</u></b> <b><u>2008</u></b> \$	<b><u>Group</u></b> <b><u>2007</u></b> \$	<b><u>Parent</u></b> <b><u>2008</u></b> \$	<b><u>Parent</u></b> <b><u>2007</u></b> \$
	<b>(i) Goodwill Carrying Amount</b>				
	<b>Gross carrying amount</b>				
	Balance at beginning of period	214,099	-	-	-
	Goodwill recognised on acquisition of initial 50% of subsidiaries	-	219,263	-	-
	Fair value of shares issued to purchase second 50% of subsidiaries	281,250	-	-	-
	Minority interest at date of acquisition of second 50% of subsidiaries	(128,656)	-	-	-
	Goodwill arising upon acquisition of second 50% of subsidiaries	152,594	-	-	-
	Unrealised currency movement	-	(5,164)	-	-
	Goodwill written off as impaired	(366,693)	-	-	-
	<b>Net book value at end of period</b>	<b>-</b>	<b>214,099</b>	<b>-</b>	<b>-</b>
	<b>ii) Impairment of Non Current Assets</b>				
	Impairment of other Intangibles (Note 15)	303,500	-	303,500	-
	Impairment of Goodwill (Note 16)	366,693	-	-	-
	Impairment of Investment (Note 13)	-	-	637,135	-
		<u>670,193</u>	<u>-</u>	<u>940,635</u>	<u>-</u>
	During the current year the group assessed the recoverable amount of goodwill, which relates to the UK subsidiaries, and determined that goodwill was impaired. The recoverable amount of the cash generating units (UK entities) was assessed by reference to value in use, and an appropriate discount rate was applied.				
	In addition, certain development expenditure amounts were capitalised as set out in note 15 above. These amounts related to individual products. A discounted cash flow analysis, using a discount rate of 10%, was performed for these products, based upon a combination of confirmed orders and projected future sales, with projected future sales being adjusted to take into account the risk that these may not occur. This resulted in an impairment of development expenditure as shown above.				
17	<b>CURRENT TRADE AND OTHER PAYABLES AND EMPLOYEE BENEFITS</b>	<b><u>Group</u></b> <b><u>2008</u></b> \$	<b><u>Group</u></b> <b><u>2007</u></b> \$	<b><u>Parent</u></b> <b><u>2008</u></b> \$	<b><u>Parent</u></b> <b><u>2007</u></b> \$
	<b>(i) Current Trade and Other Payables</b>				
	Trade payables	786,008	535,226	705,080	450,515
	Income received in advance	544,831	499,087	93,556	149,880
	Others payables	481,696	50,732	92,412	50,732
	Balance at end of period	<u>1,812,535</u>	<u>1,085,045</u>	<u>891,048</u>	<u>651,127</u>
	<b>(ii) Employee Benefits</b>				
	Opening balance	65,203	68,895	65,203	68,895
	Additional provisions / (Reductions in provision) during the period	2,642	(3,692)	2,642	(3,692)
	Closing balance	<u>67,845</u>	<u>65,203</u>	<u>67,845</u>	<u>65,203</u>

## TAXATION

	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Parent</u> <u>2008</u> \$	<u>Parent</u> <u>2007</u> \$
<b>Income tax recognised in profit or loss</b>				
<b>Tax expense / (income) comprises:</b>				
Current tax expense / (income)	-	-	-	-
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	(858)	-	-	-
<b>Total tax expense / (income)</b>	<u>(858)</u>	<u>-</u>	<u>-</u>	<u>-</u>
The total tax expense / (income) for the year can be reconciled to the deficit from operations as follows:				
Deficit from operations	667,675	954,103	888,493	660,403
Income tax expense/(income) calculated at 33%	(220,333)	(314,853)	(293,203)	(217,933)
Tax effect of Non-Deductible expenses	223,644	2,305	312,890	2,305
Tax effect of wages capitalised as development costs	(258,852)	-	(210,363)	-
Tax effect of Unutilised Tax losses not recognised as deferred tax assets	254,683	312,548	190,676	215,268
<b>Total Tax expense / (income)</b>	<u>(858)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>(b) Income tax recognized directly in equity</b>				
The following current and deferred amounts were charged/(credited) directly to equity during the period:				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
<b>(c) Deferred tax balances</b>				
<b>Deferred tax asset comprise:</b>				
Deferred tax balances	-	-	-	-
Deferred tax asset comprises:				
Temporary differences	522	-	-	-
	522	-	-	-
<b>(d) Taxation refund</b>				
Opening Balance	218	-	218	-
Resident withholding tax	290	218	290	218
	508	218	508	218
<b>(e) Tax losses balances</b>				
Tax losses balance at beginning of period	(3,771,146)	(2,824,029)	(3,283,990)	(2,630,573)
Current Period Tax loss	(774,366)	(947,117)	(577,808)	(653,417)
<b>Tax losses balance at end of period</b>	<b>(4,545,512)</b>	<b>(3,771,146)</b>	<b>(3,861,798)</b>	<b>(3,283,990)</b>
<b>(f) Imputation credit account balances</b>				
Balance at beginning of the period	791	791	791	791
Resident withholding tax on interest income	289	-	289	-
<b>Balance at end of the period</b>	<b>1,080</b>	<b>791</b>	<b>1,080</b>	<b>791</b>

19	<b>SHARE CAPITAL</b>	<b><u>2008</u></b> <b><u>Number</u></b>	<b><u>2008</u></b> <b><u>Value</u></b> \$	<b><u>2007</u></b> <b><u>Number</u></b>	<b><u>2007</u></b> <b><u>Value</u></b> \$
	<b>Fully paid ordinary shares</b>				
	Balance at 1 April 2007	20,102,843	3,687,950	17,069,192	2,959,874
	Issue of shares under Private Placement Plan	978,421	322,879	3,033,651	728,076
	Connexionz UK 50% bought - 25 January 2008	1,875,000	281,250	-	-
	Equity-settled employee benefit	375,000	56,250	-	-
	Equity-settled directors fees	12,500	4,375	-	-
	Total issued for the period	3,240,921	664,754	3,033,651	728,076
	<b>Balance at end of period</b>	<b>23,343,764</b>	<b>4,352,704</b>	<b>20,102,843</b>	<b>3,687,950</b>

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

The fair value of the shares issued as part of the acquisition of Connexionz UK was determined by reference to the Share price at the date of the transaction.

The equity settled directors fees amounts related partially to Directors fees for the current year, and partially to Directors fees for the previous year which had already been accrued as a liability previously.

The fair value of the shares issued for the employee benefits and advisory services was determined by reference to the fair value of the shares at the date of each transaction.

20	<b>ACCUMULATED DEFICIT</b>	<b><u>Group</u></b> <b><u>2008</u></b> \$	<b><u>Group</u></b> <b><u>2007</u></b> \$	<b><u>Parent</u></b> <b><u>2008</u></b> \$	<b><u>Parent</u></b> <b><u>2007</u></b> \$
	Balance at beginning of period	(3,532,165)	(2,714,833)	(3,375,235)	(2,714,832)
	Deficit for the period	(727,702)	(817,332)	(888,493)	(660,403)
	<b>Balance at end of period</b>	<b>(4,259,867)</b>	<b>(3,532,165)</b>	<b>(4,263,728)</b>	<b>(3,375,235)</b>

21	<b>MINORITY SHAREHOLDERS' INTEREST</b>	<b><u>Group</u></b> <b><u>2008</u></b> \$	<b><u>Group</u></b> <b><u>2007</u></b> \$	<b><u>Parent</u></b> <b><u>2008</u></b> \$	<b><u>Parent</u></b> <b><u>2007</u></b> \$
	Balance at beginning of period	69,487	-	-	-
	Increase upon acquisition of initial 50% of subsidiaries	-	214,218	-	-
	Foreign currency movement	-	(7,960)	-	-
	Surplus/(Deficit) of Subsidiaries attributable to minorities	59,169	(136,771)	-	-
	Minority Interest	128,656	69,487	-	-
	Transfer to goodwill upon acquisition of second 50% of subsidiaries	(128,656)	-	-	-
	<b>Balance at end of period</b>	<b>-</b>	<b>69,487</b>	<b>-</b>	<b>-</b>

22 OPERATING LEASE ARRANGEMENTS	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Parent</u> <u>2008</u> \$	<u>Parent</u> <u>2007</u> \$
Lease commitments under non-cancellable operating leases:				
Not later than one year	187,878	107,652	135,206	107,652
One to two years	179,260	107,652	127,260	107,652
Two to five years	179,260	59,805	127,260	59,805
<b>Total</b>	<u>546,398</u>	<u>275,109</u>	<u>389,726</u>	<u>275,109</u>

The lease commitments include the lease of the company premises. The premises contract is for a 3 year term (expiring on 14 November 2009) and has a right of renewal for a further 3 year term rent review dates arise every two years.

### 23 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At 31 March 2008 there were no contingent liabilities (2007: Nil).

At 31 March 2008 there were no capital commitments (2007: Nil)

### 24 GEOGRAPHICAL SEGMENTS

	<u>Total</u>		<u>New Zealand</u>		<u>United Kingdom</u>		<u>Eliminations</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Segment revenue</b>	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	3,528,690	2,143,132	2,177,058	1,316,740	1,653,906	917,825	(302,274)	(91,433)
<b>Segment results</b>								
Deficit before taxation	(667,675)	(954,103)	(888,493)	(660,403)	(52,221)	(275,403)	273,039	(18,044)
Income Tax	(858)	-	-	-	(858)	-	-	-
Deficit after tax	<u>(668,533)</u>	<u>(954,103)</u>	<u>(888,493)</u>	<u>(660,403)</u>	<u>(53,079)</u>	<u>(275,403)</u>	<u>273,039</u>	<u>(18,044)</u>
<b>Segment assets and liabilities</b>								
Assets	<u>2,559,814</u>	<u>1,536,751</u>	<u>1,634,465</u>	<u>1,190,276</u>	<u>1,354,041</u>	<u>919,597</u>	<u>(428,692)</u>	<u>(573,122)</u>
Liabilities	<u>2,466,977</u>	<u>1,311,479</u>	<u>1,545,489</u>	<u>877,561</u>	<u>1,269,690</u>	<u>615,657</u>	<u>(348,202)</u>	<u>(181,739)</u>
Acquisition of segment assets	852,659	169,127	696,963	48,683	155,696	120,444	-	-
Depreciation of property, plant and equipment	46,359	53,246	24,101	30,136	22,150	23,110	-	-
Amortisation of other intangible assets	25,139	27,742	21,009	19,254	4,238	8,488	-	-
Impairment loss of non-current assets	670,193	-	940,635	-	-	-	(270,442)	-

The Group operates in two principal geographical locations – New Zealand and the United Kingdom. In the New Zealand and United Kingdom columns above, Revenue, Deficit Before Tax and Deficit After Tax shown represent amounts before eliminations of inter segment items – these inter segment items are eliminated under the Eliminations column.

## 25 FINANCIAL INSTRUMENTS

### (i) Financial risk and Capital management

The parent and group's capital includes share capital, reserves, retained earnings and bank facilities. The objective of the parent and group's capital management is to ensure a strong credit rating to support business growth and maximise shareholder value.

The parent and group's capital is managed at parent company level. The parent and group are subject to funding requirements imposed by its bank through covenants agreed as part of the lending facility arrangements. The parent and group have met all externally imposed funding requirements for the twelve months ended 31 March 2008 and 31 March 2007.

The parent and group's capital structure is managed and adjustments are made, with Board approval, to the structure in light of economic conditions at the time. There were no changes to objectives, policies or processes during the year.

The Parent and Group do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

## FINANCIAL INSTRUMENTS

### (ii) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability, are included in the statement of accounting policies.

### (iii) Categories of Financial Instruments

	Loans and Receivables \$	Financial Liabilities at Amortised Cost \$	Total \$
<b>Group - 31 March 2008</b>			
<b>Assets</b>			
Cash & Cash Equivalents	14,555	-	14,555
Trade & Other Receivables	1,562,192	-	1,562,192
Total Financial Assets	<u>1,576,747</u>	-	<u>1,576,747</u>
<b>Liabilities</b>			
Bank Overdraft	-	204,596	204,596
Directors Loans	-	194,000	194,000
Trade & Other Payables	-	1,812,535	1,812,535
Total Financial Liabilities	-	<u>2,211,131</u>	<u>2,211,131</u>

**Note 25 Financial Instruments Cont...**

**Group - 31 March 2007**

**Assets**

	<b>Loans and Receivables</b>	<b>Financial Liabilities at Amortised Cost</b>	<b>Total</b>
Cash & Cash Equivalents	9,055	-	9,055
Trade & Other Receivables	989,184	-	989,184
Total Financial Assets	<u>998,239</u>	-	<u>998,239</u>

**Liabilities**

Bank Overdraft	-	146,231	146,231
Trade & Other Payables	-	1,085,045	1,085,045
Total Financial Liabilities	<u>-</u>	<u>1,231,276</u>	<u>1,231,276</u>

**Parent - 31 March 2008**

**Assets**

Cash & Cash Equivalents	11,777	-	11,777
Trade & Other Receivables	681,868	-	681,868
Advance to Subsidiaries	254,453	-	254,453
Total Financial Assets	<u>948,098</u>	-	<u>948,098</u>

**Liabilities**

Bank Overdraft	-	204,596	204,596
Trade & Other Payables	-	891,048	891,048
Total Financial Liabilities	<u>-</u>	<u>1,095,644</u>	<u>1,095,644</u>

**Parent - 31 March 2007**

**Assets**

Cash & Cash Equivalents	1,006	-	1,006
Trade & Other Receivables	398,092	-	398,092
Advance to Subsidiaries	274,801	-	274,801
Total Financial Assets	<u>673,899</u>	-	<u>673,899</u>

**Liabilities**

Bank Overdraft	-	146,231	146,231
Trade & Other Payables	-	651,127	651,127
Total Financial Liabilities	<u>-</u>	<u>797,358</u>	<u>797,358</u>

**(iv) Interest Rate Risk**

Financial instruments which subject the parent and group to interest rate risk are detailed under the Liquidity Risk section below.

**25 FINANCIAL INSTRUMENTS (Cont'd)**

**(v) Credit Risk**

Credit risk is the risk that a counterparty will default on its obligation resulting in a financial loss to the parent and group. Financial assets, which potentially subject the parent and group to concentrations of credit risk consist principally of cash, bank balances, trade and other receivables and advance to subsidiary. The maximum credit risk at 31 March 2008 is the fair value of these assets. The Group's cash equivalents are placed with high credit quality financial institutions

There were no material overdue debtors as at 31 March 2008 (2007 \$nil).

Total credit risk was as follows:-

	<u>Group</u> <u>2008</u>	<u>Group</u> <u>2007</u>	<u>Parent</u> <u>2008</u>	<u>Parent</u> <u>2007</u>
	\$	\$	\$	\$
Total credit risk	1,576,747	998,239	948,098	673,899

**(vi) Liquidity Risk**

Liquidity risk is the risk that the group and parent will not be able to meet their financial obligations as they fall due. The parent and group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the parent and group's short, medium, and long-term funding and liquidity management requirements. The group and parent manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowings facilities, and by regularly monitoring forecast and actual cash flows and the maturity profiles of financial assets and liabilities. At balance date the Group had \$5,404 (2007 \$13,769) in undrawn facilities at its disposal to further reduce liquidity risk.

The following table details the parent and group's exposure to liquidity risk (including contractual interest obligations):

	<b>Interest Rate</b>	<b>Less than 1 year</b>	<b>Greater than 1 year</b>	<b>Total</b>
	%	\$	\$	\$
<b>Group - 31 March 2008</b>				
<b>Financial Assets</b>				
Cash and Cash Equivalents	0.75%	14,555	-	14,555
Trade and Other Receivables	Non interest bearing	1,213,920	348,272	1,562,192
		-	<b>1,228,475</b>	<b>348,272</b>
				<b>1,576,747</b>

25 FINANCIAL INSTRUMENTS (Cont'd)

**Financial Liabilities**

	Interest Rate %	Less than 1 year \$	Greater than 1 year \$	Total \$
Trade and Other Payables	Non interest bearing	1,812,535	-	1,812,535
Bank overdraft	12.85%	204,596	-	204,596
Directors Loans - Interest Bearing	12.60%	120,000	-	120,000
Directors Loans - Interest	-	15,120	-	15,120
Directors Loans - Non interest bearing	Non interest bearing	74,000	-	74,000
		<b>2,226,251</b>	<b>-</b>	<b>2,226,251</b>

**Group - 31 March 2007**

**Financial Assets**

	Interest Rate %	Less than 1 year \$	Greater than 1 year \$	Total \$
Cash and Cash Equivalents	0.75%	9,055	-	9,055
Trade and Other Receivables	Non interest bearing	989,184	-	989,184
		<b>998,239</b>	<b>-</b>	<b>998,239</b>

**Financial Liabilities**

	Interest Rate %	Less than 1 year \$	Greater than 1 year \$	Total \$
Trade and Other Payables	Non interest bearing	1,085,045	-	1,085,045
Bank overdraft	11.85%	146,231	-	146,231
Bank overdraft Interest	-	17,328	-	17,328
		<b>1,248,604</b>	<b>-</b>	<b>1,248,604</b>

**Parent - 31 March 2008**

**Financial Assets**

	Interest Rate %	Less than 1 year \$	Greater than 1 year \$	Total \$
Cash and Cash Equivalents	0.75%	11,777	-	11,777
Trade and Other Receivables	Non interest bearing	333,596	348,272	681,868
		<b>345,373</b>	<b>348,272</b>	<b>693,645</b>

25 **FINANCIAL INSTRUMENTS (Cont'd)**

	<b>Interest Rate</b>	<b>Less than 1 year</b>	<b>Greater than 1 year</b>	<b>Total</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Liabilities</b>				
Trade and Other Payables	Non interest bearing	891,048	-	891,048
Bank overdraft	12.85%	204,596	-	204,596
Directors Loans - Interest Bearing	12.60%	120,000	-	120,000
Directors Loans - Interest	-	15,120	-	15,120
Directors Loans - Non Interest Bearing	Non interest bearing	74,000	-	74,000
		<b>- 1,304,764</b>	<b>-</b>	<b>1,304,764</b>

	<b>Interest Rate</b>	<b>Less than 1 year</b>	<b>Greater than 1 year</b>	<b>Total</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Parent - 31 March 2007</b>				
<b>Financial Assets</b>				
Cash and Cash Equivalents	0.75%	1,006	-	1,006
Trade and Other Receivables	Non interest bearing	398,092	-	398,092
Advance to Subsidiaries	Non interest bearing	274,801	-	274,801
		<b>- 673,899</b>	<b>-</b>	<b>673,899</b>

	<b>Interest Rate</b>	<b>Less than 1 year</b>	<b>Greater than 1 year</b>	<b>Total</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Liabilities</b>				
Trade and Other Payables	Non interest bearing	651,127	-	651,127
Bank overdraft	11.85%	146,231	-	146,231
Bank overdraft - Interest	-	17,328	-	17,328
		<b>- 814,686</b>	<b>-</b>	<b>814,686</b>

**(vii) Interest Rate Risk**

Financial instruments which subject the parent and group to interest rate risk are detailed under the Liquidity Risk section above. The Group and Company have low levels of external debt, as a consequence no formal procedures are in place to manage interest risk. A sensitivity analysis of interest risk is recorded in part (x) of this note.

**(viii) Currency Risk**

The parent and group undertake transactions which are denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. At present the Group and Company do not actively manage currency risk, but forward contracts will be considered on agreement of any future foreign currency sales contracts. A sensitivity analysis of currency risk is recorded in part (xi) of this note. The parent and group's foreign currency denominated assets and liabilities were as follows:-

**25 FINANCIAL INSTRUMENTS (Cont'd)**

	<u>2008</u>	<u>2007</u>	<u>Parent</u>	<u>Parent</u>
	\$	\$	\$	\$
<b>Financial Assets:</b>				
Australian dollars (AUD)	-	588	-	588
United Kingdom pounds (GBP)	997,592	657,125	449,171	332,785
United States dollars (USD)	582,209	266,566	582,209	266,566
<b>Total</b>	<u>1,579,801</u>	<u>924,279</u>	<u>1,031,380</u>	<u>599,939</u>
<b>Financial Liabilities:</b>				
Australian dollars (AUD)	375	6,074	375	6,074
United Kingdom pounds (GBP)	952,857	420,168	31,370	89,918
United States dollars (USD)	89,076	73,723	89,076	73,723
<b>Total</b>	<u>1,042,308</u>	<u>499,965</u>	<u>120,821</u>	<u>169,715</u>
The net assets / (liabilities) by currency was as follows:				
Australian dollars (AUD)	(375)	(5,486)	(375)	(5,486)
United Kingdom pounds (GBP)	44,735	236,957	417,801	242,867
United States dollars (USD)	493,133	192,843	493,133	192,843
	<u>537,493</u>	<u>424,314</u>	<u>910,559</u>	<u>430,224</u>

The parent and group did not have any forward exchange contracts in place at year end (2007 nil).

**(ix) Fair Values of Financial Instruments**

The Board considers that the carrying amounts of financial instruments in the parent and group's balance sheet approximate their fair values in all material respects.

**(x) Sensitivity Analysis – Interest Rates**

Connectionz have undertaken an analysis to determine the net effect on current year Net Profit if all rates of interest on interest bearing assets and liabilities were to increase / or decrease by 50 basis points. The analysis showed the following:

- i. 50 basis point increase
  - 2008 Group net profit would decrease by approximately \$1,434
  - 2008 Parent net profit would decrease by approximately \$176
- ii. 50 basis point decrease
  - 2008 Group net profit would increase by approximately \$2,868
  - 2008 Parent net profit would increase by approximately \$352

**(xi) Sensitivity Analysis – Currency Exchange Rates**

The Group and Parent company are exposed to movements in the currencies of United Kingdom (GBP), United States (USD) and Australia (AUD). The tables below display the effect of a 10% swing (in both directions) in the exchange rate on the Group and Parent company's current year net profit.

Foreign Currency	Impact on 2008 profit of Group with a 10% appreciation of the NZD	Impact on 2008 profit of Group with a 10% depreciation of the NZD
	\$	\$
United Kingdom (GBP)	(4,066)	4,970
United States (USD)	(44,830)	54,792
Australia (AUD)	34	(41)
<b>Total</b>	<b>-48,862.</b>	<b>59,721</b>

Foreign Currency	Impact on 2008 profit of Parent with a 10% appreciation of the NZD	Impact on 2008 profit of Parent with a 10% depreciation of the NZD
	\$	\$
United Kingdom (GBP)	(37,981)	46,422
United States (USD)	(44,830)	54,792
Australia (AUD)	34	(41)
<b>Total</b>	<b>(82,777)</b>	<b>101,173.</b>

## 26 SUBSEQUENT EVENTS TO BALANCE DATE

Subsequent to balance date the company was named as the preferred supplier for a new real time passenger information system by the City of Santa Clarita.

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 12 months ending 31 March 2008. A further 85,819 shares and 104,802 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.

## 27 GOING CONCERN

The financial statements have been prepared using the going concern assumption. The continued operations of the Group are dependent on the ability to fund activities from operational cash flows and the continued support of shareholders through further capital raising.

The Directors recognise that there is a requirement for additional working capital and are therefore planning to raise further capital through an issue of additional securities to be approved at the upcoming Annual General Meeting.

Connexionz Group recorded a net deficit of \$668,533 for the year ended 31 March 2008 and has a bank overdraft of \$204,596 at 31 March 2008.

The directors believe the going concern assumption is a valid basis on which to prepare the financial statements. The directors reached this conclusion having regard to the circumstances, which they consider likely to affect the company during the period of one year from the date these financial statements are approved (as set out above), and to circumstances, which they believe will occur after that date which could affect the validity of the going concern assumption.

Whilst the directors are confident in the company's ability to continue as a going concern, there is significant uncertainty as to whether the company and its subsidiaries will be able to achieve the sales and cash flows predicted within the timeframe set out in the Board of Directors' plans prior to utilisation of available cash resources. Accordingly there is significant uncertainty as to whether the company can continue as a going concern and therefore, whether they will be able to pay their debts as and when they become due and payable. If the company were unable to continue in operational existence, and pay debts as and when they become due and payable, adjustments may have to be made to reflect the situation that assets may need to be realised and liabilities extinguished, other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the company be unable to continue as a going concern.

## 28 EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS

The parent and group changed its accounting policies on 1 April 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 'First-Time Adoption of New Zealand Equivalents to International Financial Reporting Standards', with 1 April 2006 as the date of transition.

An explanation of how the transition to NZ IFRS has affected the parent and group's financial position and financial performance is set out below.

## 28 1 Effect of NZ IFRS on the balance sheet as at 1 April 2006

	Note	Parent Superseded policies *	Effect of transition to NZ IFRS	NZ IFRS
		\$	\$	\$
<b>Current Assets</b>				
Cash and cash equivalents		5,667	-	5,667
Advances to Subsidiaries		-	-	-
Inventories		61,632	-	61,632
Trade and other receivables		351,078	-	351,078
Taxation refund due		218	-	218
<b>Total Current Assets</b>		<b>418,595</b>	<b>-</b>	<b>418,595</b>
<b>Non Current Assets</b>				
Property, plant and equipment	28.5	79,905	(6,724)	73,181
Other intangible assets	28.5	22,588	6,724	29,312
<b>Total Non Current Assets</b>		<b>102,493</b>	<b>-</b>	<b>102,493</b>
<b>Total Assets</b>		<b>521,088</b>	<b>-</b>	<b>521,088</b>
<b>Current Liabilities</b>				
Bank Overdraft		89,672	-	89,672
Directors Loans		-	-	-
Employee benefits		68,895	-	68,895
Trade and Other Payables		117,480	-	117,480
Share purchase funds received in advance		-	-	-
<b>Total Current Liabilities</b>		<b>276,047</b>	<b>-</b>	<b>276,047</b>
<b>Total Liabilities</b>		<b>276,047</b>	<b>-</b>	<b>276,047</b>
<b>NET ASSETS</b>		<b>245,041</b>	<b>-</b>	<b>245,041</b>
<b>EQUITY</b>				
Share capital		2,959,874	-	2,959,874
Accumulated deficit		(2,714,833)	-	(2,714,833)
<b>Total Equity</b>		<b>245,041</b>	<b>-</b>	<b>245,041</b>

\* Reported financial position at 31 March 2006

There are no Group amounts in respect of the transactional balance sheet as there were no subsidiary companies at transition date

28 EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS (Cont'd)

28 2 Effect of NZ IFRS on the balance sheet as at 31 March 2007

Group

	Note	Superseded policies ** \$	Effect of transition to NZ IFRS \$	NZ IFRS \$
<b>Current Assets</b>				
Cash and cash equivalents		9,055	-	9,055
Advances to Subsidiaries		-	-	-
Inventories		53,427	-	53,427
Trade and other receivables		1,004,910	(15,726)	989,184
Taxation refund due		218	-	218
<b>Total Current Assets</b>		<b>1,067,610</b>	<b>(15,726)</b>	<b>1,051,884</b>
<b>Non Current Assets</b>				
Property, plant and equipment	28.5	188,517	(4,003)	184,514
Other intangible assets	28.5	82,299	3,955	86,254
Goodwill	28.6	192,486	21,613	214,099
Investment in subsidiaries		-	-	-
Advance to subsidiaries		-	-	-
Non Current Receivables		-	-	-
<b>Total Non Current Assets</b>		<b>463,302</b>	<b>21,565</b>	<b>484,867</b>
<b>Total Assets</b>		<b>1,530,912</b>	<b>5,839</b>	<b>1,536,751</b>
<b>Current Liabilities</b>				
Bank Overdraft		146,231	-	146,231
Directors Loans		-	-	-
Employee benefits		65,203	-	65,203
Trade and Other Payables		1,100,819	(15,774)	1,085,045
Share purchase funds received in advance		15,000	-	15,000
<b>Total Current Liabilities</b>		<b>1,327,253</b>	<b>(15,774)</b>	<b>1,311,479</b>
<b>Total Liabilities</b>		<b>1,327,253</b>	<b>(15,774)</b>	<b>1,311,479</b>
<b>NET ASSETS</b>		<b>203,659</b>	<b>21,613</b>	<b>225,272</b>
<b>EQUITY</b>				
Share capital		3,687,950	-	3,687,950
Reserves	28.6	(253)	253	0
Accumulated deficit	28.6	(3,552,595)	20,430	(3,532,165)
Minority Shareholders Interest	28.6	68,557	930	69,487
<b>Total Equity</b>		<b>203,659</b>	<b>21,613</b>	<b>225,272</b>

\*\* Reported financial position at 31 March 2007

**28 EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS (Cont'd)**

**28 3 Effect of NZ IFRS on the balance sheet as at 31 March 2007**

**Parent**

	Note	Superseded policies ** \$	Effect of transition to NZ IFRS \$	NZ IFRS \$
<b>Current Assets</b>				
Cash and cash equivalents		1,006	-	1,006
Advances to Subsidiaries		137,401	-	137,401
Inventories		53,427	-	53,427
Trade and other receivables		413,868	(15,776)	398,092
Taxation refund due		218	-	218
<b>Total Current Assets</b>		<b>605,920</b>	<b>(15,776)</b>	<b>590,144</b>
<b>Non Current Assets</b>				
Property, plant and equipment	<b>28.5</b>	98,622	(3,955)	94,667
Other intangible assets	<b>28.5</b>	8,225	3,955	12,180
Goodwill		-	-	-
Investment in subsidiaries		355,885	-	355,885
Advance to subsidiaries		137,400	-	137,400
Non Current Receivables		-	-	-
<b>Total Non Current Assets</b>		<b>600,132</b>	<b>-</b>	<b>600,132</b>
<b>Total Assets</b>		<b>1,206,052</b>	<b>(15,776)</b>	<b>1,190,276</b>
<b>Current Liabilities</b>				
Bank Overdraft		146,231	-	146,231
Directors Loans		-	-	-
Employee benefits		65,203	-	65,203
Trade and Other Payables		666,903	(15,776)	651,127
Share purchase funds received in advance		15,000	-	15,000
<b>Total Current Liabilities</b>		<b>893,337</b>	<b>- 15,776</b>	<b>877,561</b>
<b>Total Liabilities</b>		<b>893,337</b>	<b>- 15,776</b>	<b>877,561</b>
<b>NET ASSETS</b>		<b>312,715</b>	<b>-</b>	<b>312,715</b>
<b>EQUITY</b>				
Share capital		3,687,950	-	3,687,950
Reserves		-	-	-
Accumulated deficit	<b>28.6</b>	(3,375,235)	-	(3,375,235)
Minority Shareholders Interest	<b>28.6</b>	-	-	-
<b>Total Equity</b>		<b>312,715</b>	<b>-</b>	<b>312,715</b>

\*\* Reported financial position at 31 March 2007

28 EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS (Cont'd)

28 3 Effect of NZ IFRS on the income statement for the year ended 31 March 2007  
Group

	Note	Superseded policies *** \$	Effect of transition to NZ IFRS \$	NZ IFRS \$
Revenue		2,097,899	-	2,097,899
Other Income		45,233	-	45,233
<b>Total Income</b>		<u>2,143,132</u>	<u>-</u>	<u>2,143,132</u>
<b>Expenses</b>				
Depreciation of Property Plant and Equipment		53,246	-	53,246
Amortisation of Intangibles	28.6	49,355	(21,613)	27,742
Employee benefits expenses	28.7	-	12,418	12,418
Finance costs		42,154	-	42,154
Impairment of non-current assets		-	-	-
Other expenses	28.7	2,973,840	(12,165)	2,961,675
<b>DEFICIT BEFORE INCOME TAX EXPENSE</b>		<u>(975,463)</u>	<u>21,360</u>	<u>(954,103)</u>
Income tax expense		-	-	-
<b>DEFICIT FOR THE PERIOD</b>		<u>(975,463)</u>	<u>21,360</u>	<u>(954,103)</u>
Deficit attributable to:				
Members of the parent entity		(837,762)	20,430	(817,332)
Minority interest		<u>(137,701)</u>	<u>930</u>	<u>(136,771)</u>
		<u>(975,463)</u>	<u>21,360</u>	<u>(954,103)</u>

\*\*\* Reported financial performance for the period ended 31 March 2007

**28 EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS (Cont'd)**  
**28 3 Effect of NZ IFRS on the income statement for the year ended 31 March 2007**  
**Parent**

	Note	Superseded policies ** \$	Effect of transition to NZ IFRS \$	NZ IFRS \$
Revenue		1,181,288	-	1,181,288
Other Income		135,452	-	135,452
<b>Total Income</b>		1,316,740	-	1,316,740
<b>Expenses</b>				
Depreciation of Property Plant and Equipment		30,136	-	30,136
Amortisation of Intangibles	28.6	19,254	-	19,254
Employee benefits expenses	28.7	-	12,418	12,418
Finance costs		39,088	-	39,088
Impairment of non- current assets		-	-	-
Other expenses	28.7	1,888,665	(12,418)	1,876,247
<b>DEFICIT BEFORE INCOME TAX EXPENSE</b>		(660,403)	-	(660,403)
Income tax expense		-	-	-
<b>DEFICIT FOR THE PERIOD</b>		(660,403)	-	(660,403)
Deficit attributable to:				
Members of the parent entity		(660,403)	-	(660,403)
Minority interest		-	-	-
		(660,403)	-	(660,403)

\*\*\* Reported financial performance for the period ended 31 March 2007

**28 4 Effect of NZ IFRS on the cash flow statement for the year ended 31 December 2006**

Group

The only changes to the previously published cash flow statement for the 2007 period were:

(i) The reclassification of Software from Property, Plant and Equipment to Other Intangible Assets resulted in additions to Other Intangible Assets being shown separate from additions to Property, Plant and Equipment; and

(ii) Advances (to)/from Subsidiaries and Acquisition of Subsidiaries have been shown separately. Previously these were included in a single line.

Parent

The only change to the previously published cash flow statement for the 2007 period was:

(i) The reclassification of Software from Property, Plant and Equipment to Other Intangible Assets being shown separate from additions to Property, Plant and Equipment

**28 5 Property Plant and Equipment & Other Intangible Assets**

NZ-IFRS adjustments include:-

Reclassification of Software from, Property, Plant and Equipment to Other Intangible Assets

	<b>Group 31 March 2007</b>	<b>Parent 31 March 2007</b>	<b>1 April 2006</b>
	3,955	3,955	6,724
	<u>3,955</u>	<u>3,955</u>	<u>6,724</u>

As at the date of transition (1 April 2006) there were no subsidiaries, so there is no amount shown in respect of the Group at transition date.

**28**

**28 6 Accumulated Deficit, Minority Interest and Goodwill**

Reversal of amortisation of Goodwill - impact upon accumulated deficit  
 Reversal of amortisation of Goodwill - impact upon minority interest  
 Exchange movement through the income statement

	<b>Group 31 March 2007</b>
	20,683
	930
	<u>(253)</u>
	<u>21,360</u>

The reversal of the amortisation of goodwill set out above applies only to the comparative period (31 March 2007) Group amounts. As at the date of transition (1 April 2006) there were no subsidiaries. There was no goodwill in the Parent entity for the transitional or comparative periods.

**28 7 Employee Benefits Expense**

Reclassification of Employee Benefits expense - previously not shown separately

Correction of exchange movement

	<b>Group &amp; Parent 31 March 2007</b>
	12,418
	<u>(253)</u>
	<u>12,165</u>

## AUDIT REPORT TO THE SHAREHOLDERS OF CONNEXIONZ LIMITED

We have audited the financial statements on pages 13 to 50. The financial statements provide information about the past financial performance and financial position of Connexionz Limited and group as at 31 March 2008. This information is stated in accordance with the accounting policies set out on pages 19 to 26.

### Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Connexionz Limited and group as at 31 March 2008 and of the results of its operations and cash flows for the year ended on that date.

### Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor and the provision of taxation and financial reporting advice, we have no relationship with or interests in Connexionz Limited or any of its subsidiaries.

### Fundamental Uncertainty

The financial statements have been prepared on a going concern basis, the validity of which depends on future funding being available from operational cash flows and the continued support of shareholders.

In forming our unqualified opinion, we have considered the adequacy of the disclosures in Note 27 to the financial statements concerning the Board of Director's plans with respect to achieving the sales and cash flows predicted within the timeframe budgeted and prior to utilisation of available cash resources. The financial statements have been prepared on a going concern basis, the validity of which depends on the successful implementation of such plans. These plans have been confirmed by the Board of Directors as outlined in Note 27. The financial statements do not include any adjustments that would result from a failure to achieve the sales and cash flows predicted within the timeframe set out in the Board of Directors' plans. If the sales and cash flows can not be achieved within the timeframe set, the company and group may be unable to continue in operational existence for the foreseeable future and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amount at which they are currently recorded in the Balance Sheet. In addition, the group may have to provide further liabilities that might arise, and to reclassify non current assets and liabilities as current assets and liabilities.

### Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by Connexionz Limited as far as appears from our examination of those records; and
- the financial statements on pages 13 to 50 :
  - comply with generally accepted accounting practice in New Zealand; and
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of Connexionz Limited and group as at 31 March 2008 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 5 September 2008 and our unqualified opinion is expressed as at that date.



Chartered Accountants  
CHRISTCHURCH, NEW ZEALAND

This audit report relates to the financial statements of Connexionz Limited and group for the year ended 31 March 2008 included on Connexionz Limited's website. Connexionz Limited's Board of Directors is responsible for the maintenance and integrity of Connexionz Limited's website. We have not been engaged to report on the integrity of Connexionz Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 5 September 2008 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directory

### **Directors**

*Craig David Boyce*  
2 Seaspray Lane  
Sumner  
Christchurch 8081  
New Zealand

*Robert Brian Burke*  
Managing Director  
14 Riverside Lane  
Tai Tapu  
Christchurch 7645  
New Zealand

*Anthony (Tony) Norman Len Joe Kan*  
7 Pewter Place  
Northwood  
Christchurch 8051  
New Zealand

*Richard Arnold Riley*  
36 Rhodes St  
Merivale  
Christchurch 8014  
New Zealand

*Bruce Raymond Sheppard*  
5 Musick Point Road  
Bucklands Beach  
Auckland 2012  
New Zealand

### **Solicitors**

*Anthony Harper*  
Anthony Harper Building  
47 Cathedral Square  
P O Box 2646  
Christchurch 8015  
New Zealand

### **Accountants**

Alan J Sharr & Associates  
4<sup>th</sup> Floor, 249 Madras Street  
P O Box 704  
Christchurch  
New Zealand

### **Auditor**

*Deloitte*  
32 Oxford Tce  
P O Box 248  
Christchurch 8015  
New Zealand

### **Registry**

*Link Market Services Limited*  
138 Tancred St  
P O Box 384  
Ashburton 7700  
New Zealand