ANNUAL REPORT 2017

CONNEXIONZ
Smart Transit Solutions

CONTENTS

WELCOME TO CONNEXIONZ

Connexionz is trusted by transit agencies globally for developing innovative and robust Intelligent Transport System (ITS) solutions.

With over 20 years' industry experience, we are also one of the world's top experts in creating modern bus, rail and ferry terminal designs.

WHO WE ARE

Established in 1996, Connexionz has delivered transit systems for customers in Asia, Australasia, Europe, South America, and North America.

The company's international headquarters is based in Christchurch, New Zealand, with a new North American office in Santa Clarita, California, and a service team in Virginia USA.

OUR FOCUS

We focus on using advanced intelligent technology to automate and increase cost-efficiencies of transit operations for passenger transport networks.

We also provide consultancy services for ITS related projects. These include designing systems for smart transit centres and application specific hardware design, development and manufacturing services.

OUR VISION

Connexionz vision is to ensure our customers have the technological advantage they need to meet the challenges of modern transportation demand.

We are leaders in digital transformation of passenger transportation; researching and developing innovative intelligent transit technologies that create value and efficiencies and generate results.

CASE STUDY

CHRISTCHURCH BUS INTERCHANGE REDESIGN

In 2011, a devastating earthquake sequence forced the closure of Christchurch's central city bus exchange. To ensure an accessible city, the government stated that its first rebuild anchor project would be the new central city bus exchange.

The Interchange would have a modern design with 16 operational bays, more seating, and several new facilities including a café, shops and covered bike-lock area.

Working with the Christchurch City Council and Environment Canterbury (ECAN), Connexionz was contracted to redesign, develop and install the core technology needed to manage bus movements and provide real time bus information services.

OPPORTUNITY FROM ADVERSITY – TECH INNOVATION

The disaster presented Christchurch an opportunity to start anew – creating stronger, safer buildings and infrastructure fitted with advanced technology and systems.

Christchurch buses transport 18,000 passengers per day. With population and public transport growth the system is expected to manage up to 70,000 passengers per day by the year 2041.

To meet these challenges, Connexionz upgraded its Intelligent Transport System to manage buses seamlessly with sensors that automatically:

- anticipates bus arrivals
- allocates a bus bay
- notifies the driver which bay to go to
- opens the Interchange doors when they are aligned with the bus doors, and
- closes the doors once the bus has departed.

The system is fully automated and provides control room staff supervisory capability to intervene with and modify every service.

CREATING A FULLY-INTEGRATED PASSENGER EXPERIENCE

The system also integrates with and provides real-time passenger information services via modern electronic displays, audio announcements, braille totems, and a smartphone app. The result is a fully integrated commuter passenger experience.

When the new bus Interchange opened in May 2015, the Canterbury earthquake recovery minister Gerry Brownlee said the facility's opening was "a great moment for Christchurch".

He said, "The Interchange is stylish and user-friendly, with airport-style passenger lounges that will ensure people can wait for their buses in comfort and protected from the elements. It has also been designed with a real emphasis on safety and sustainability. Having an attractive facility like this is crucial if we want to attract more people to public transport."

The redesign of the Christchurch's new Bus Interchange continues to receive significant international interest from global agencies seeking to improve service efficiencies and increase patronage.

> "...a great moment for Christchurch."

2017 HIGHLIGHTS

REINVESTING PROFIT TO FUND GROWTH

$2.8M revenue ($3.9M in 2016 or minus 29%)

Contract completed – San Luis Obispo Regional Transit Agencya

Supply ITS technology to HornBlower's New York City ferry service

Continuing to develop and enhance our product offering

Solar BusFinder™ units delivered to both the City of Pasadena and Christchurch City

Installed new vehicle tracking, announcement and engine monitoring services for Tri Delta Transit, California

$371K loss from continued operations ($144K profit in 2016)

COMMITTING TO STRATEGIC EXPANSION INTO US AND CANADA

Appointed new North American Sales Director

20% more staff in R&D, sales and technical support

Supporting expansion with increased and targeted sales and marketing efforts

Entering the ferry passenger market, won tender to supply New York City ferries

COMMITTING TO STRATEGIC EXPANSION INTO US AND CANADA

Opening a new US office in Santa Clarita, California

Increasing sales enquiries is creating a strong sales pipeline

Adapting and upgrading systems to target new markets

Strengthening US foothold and customer proximity is raising sales closing rates

INCREASING R&D AND NEW PRODUCT DEVELOPMENT

Successfully launched our new solar BusFinder™ unit

Collaborating with customers to develop new smart transit solutions

Refreshed our popular vehicle dispatch application

Developing new value-add software tools that provide customers tangible benefits and savings including:

- Real-time vehicle diagnostics of engine, fluids and parts
- Fleet maintenance schedule optimisation
- Modern User Interface (a dashboard providing entire system overview)
- IP based infotainment systems

Continuing functional enhancement and integration of our Medius in-vehicle unit (IVU)

Partnering with third parties to deliver fully integrated technology solutions

YEAR IN REVIEW

ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 31 MARCH 2017

Dear Shareholders,

On behalf of Connexionz Board and Management, we'd like to thank you for your continued support throughout the year.

Our team has worked tirelessly to maintain and deliver the high level of innovation, service and support needed to grow and compete in this challenging and technologically disruptive market.

We're extremely proud of and thank our staff for continuing to push the boundaries of innovation and personal ambition, as we strive to reach goals and milestones in our business strategy.

2017 saw leadership change at both CEO and Chair level and with it the opportunity to review our business and performance strategy.

Roger Carruthers stepped down as CEO to change his career to farming in Southland, New Zealand, and we thank him for his many years of service to Connexionz.

We'd also like to thank and recognise former Board Chair, Bruce Sheppard, for his many years of service. Bruce has been and continues to be a very supportive shareholder.

In their places we welcome Rhod Pickavance our new Chief Executive and Tony Kan our new Board Chair. In the Q&A section of this report, shareholders will be given the opportunity to get to know Rhod better.

The change in senior leadership presents organisations like ours with an opportunity to review progress and consider its strategies and methods to improve its performance. This process is underway and we look forward to implementing any new initiatives that result.

Global and regional sales performance

In the last year, we launched major product developments with radical enhancements to both the functionality and layout of our solutions. We also implemented improved communications tools to help with technical support.

We rolled out several new customer projects, including a network of new solar BusFinder™ units for the City of Pasadena US; a new ITS system and analytical service in San Luis Obispo; and new solar powered LED displays in and around Christchurch.

Before the end of this year, more solar BusFinder™ units will be also deployed throughout Christchurch, New Zealand, and across the cities of San Luis Obispo and Hanford in California.

Real-time Passenger Information: Connexionz solar LED displays at bus stops like this one in Christchurch New Zealand show passengers expected bus arrival times in real time. All buses are fitted with a Connexionz in-vehicle Medius unit, the central processing unit which interfaces to all on-vehicle hardware and GPS tracking and communicates over a wireless network (cell, radio, Wi-Fi) to the Connexionz TransitManager ITS system. This information is then relayed to the relevant bus stop displays and solar BusFinder™ units around the city and is also available for passengers via a smartphone app.

We also achieved a major US win that notched a new milestone for the company. Against formidable competition, we won the contract to provide a fleet management and passenger information system for New York City's new commuter ferry service operated by HornBlower.

The contract initially involves HornBlower's 20 ferries, and integrates our technologies on five shuttle buses that take commuters to and from the several ferry terminals throughout Manhattan and Queens. This project will likely grow to 40 ferries before the end of the year. We've expanded our software development team in Christchurch to help deliver and support this project.

This marquee project demonstrates our ability to penetrate the private transport network and ferry service markets. It also confirms the reliability, strength and innovation of our growing suite of transit management applications and services.

The project also proves our ability to deliver advanced and innovative solutions that can be customised and integrated across both maritime ferries and terrestrial buses at the same time.

Due to the US preference to work with local suppliers, tapping the US market from New Zealand is an ambitious endeavour for any company. To meet this and other challenges, Connexionz has had to apply hard work and Kiwi ingenuity to progress in this competitive global market.

Our growing product and service portfolio, integration experience, and dedicated technical support are proving to be to our advantage, as competitors outsource to third parties to save costs. However, technological change is gathering pace and, without ongoing investment in research and development (R&D) and growth initiatives, we risk losing our competitive advantage.

In previous years, the Board decided to take a conservative approach to capitalisation of development costs.

Braille totem

BusFinder™

> Our growing product and service portfolio, integration experience, and dedicated technical support are proving to be to our advantage, as competitors outsource to third parties to save costs.

The development and launch of the solar BusFinder™ has been successful with installations through the cities of Christchurch and Pasadena; ongoing sales enquiries are continuing to be received.

To overcome our geographic disadvantage, we decided to appoint a dedicated North American sales director, establish a permanent US office, and focus on targeted sales and marketing initiatives. Within weeks of this decision, we secured the contract to manage a new commuter ferry service in New York City.

Our commitment to growing the US market is already delivering a notable increase in sales enquiries, and we have many exciting new developments in the pipeline.

NEW US SALE: NEW YORK CITY FERRY SERVICE

In February, Connexionz commenced rollout of a contract it won to provide its technology for a new ferry service in New York City launched and operated by HornBlower.

The solution is based on the Connexionz TransitManager ITS suite and involves considerable integration with customer specific applications and services.

Connexionz installed new highly accurate laser-based passenger counting systems, a range of on-board real-time service displays, and passenger "infotainment" services on all 20 ferries. The company also installed its equipment on shuttle buses that take commuters to and from the several ferry terminals throughout Manhattan and Queens.

Behind the scenes, Connexionz software integrates with the vessel engines to manage and monitor engine parameters, such as fuel flow, maintenance schedules and hours of service. In addition, intelligent data reporting is helping HornBlower with fleet maintenance, tracking and service analysis, including on-time performance.

The new technology helps HornBlower to provide a quality customer experience, while ensuring optimal maintenance and performance of their fleet. The contract includes on-going service and support until the year 2022.

Paul Lambson, Head of Customer Success at New York City Ferry says, "We chose Connexionz because of the quality of their technology, capability, and proven performance. And we were impressed with the team's considerable integration expertise, support, and experience. Overall, Connexionz presented the most convincing and cost-effective proposal."

" The new technology helps HornBlower to provide a quality customer experience, while ensuring optimal maintenance and performance of their fleet. "

Financial results

Connexionz revenue for the twelve months to March 31, 2017 decreased by 29% to $2,782,474 compared to the year prior.

The results for the period show a loss before tax from continuing operations of $371,619 compared with a profit from continuing operations of $144,115 in the prior year.

The decline was largely due to Federal funding issues, the recession in the US, and the inability to secure significant new contract sales from our New Zealand based sales team. Hence the decision to create a direct sales presence in the US.

During and in the aftermath of the recession, the US Federal government funded additional ITS projects as part of an economic stimulus package. These stimulus packages have now run their course.

Although, it may seem many years ago since the recession ended, ITS projects can take several years to deploy. For example, the Pasadena project took us over three years to complete.

Often transit agencies rely on dollar-for-dollar contributions from the Federal government. Without these contributions, they will often hold back plans to procure ITS systems.

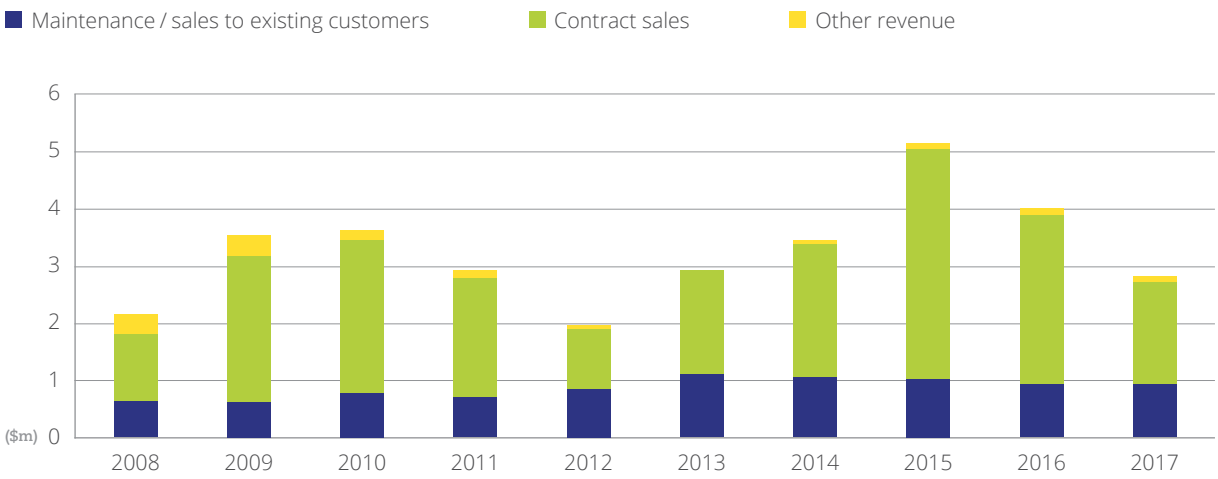
Market forecasts

On the other hand, there are signs that the market is set to grow. Industry experts predict strong sales in technology upgrades and improvements once Federal funding is announced. This is supported by several recent market research reports:

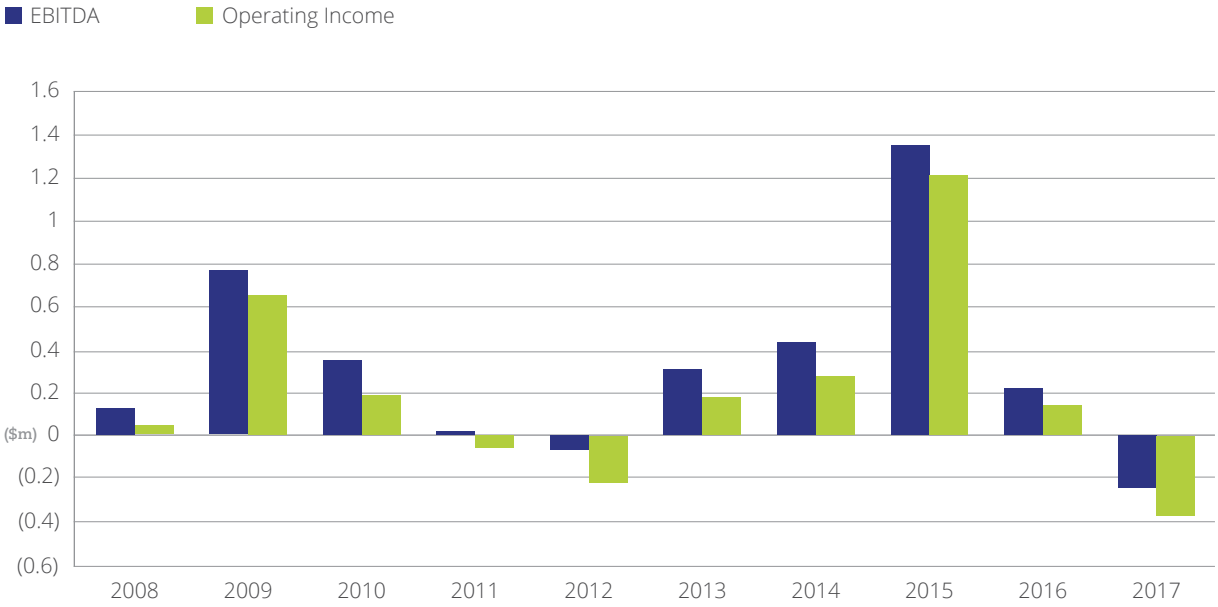
- In April 2017, Markets and Markets predicted the smart transportation market size will grow from USD 72.05 Billion in 2016 to USD 220.76 Billion by 2021.
- ReportBuyer announced in February 2017 that the smart solutions market for mass transit for roadways and railways is projected to grow at a compound annual growth rate of 8.90%, to reach USD 44.78 billion by 2021.
- The International Data Corporation (IDC) forecasted that the Transportation industry would invest $78 billion in internet enabled technology in 2016 and estimates an industry combined global compound annual growth rate of 15.6% to 2020.
- Forrester predicted that fleet management in transportation will one of be the hottest areas for growth of internet enabled technologies.
- And, in January this year, the IDC announced that worldwide spending on the Internet of Things (IoT) is forecast to reach $737 billion in 2016 as organisations invest in the hardware, software, services, and connectivity that enable the IoT.

The Transportation industry is forecasted to make one of the largest IoT investments at $78 billion, two thirds of which will be spent on Freight Monitoring ($55.9 billion). While global IoT spending will experience a compound annual growth rate (CAGR) of 15.6% over the 2015 – 2020 forecast period, reaching $1.29 trillion in 2020.

10 Year Sales Trends



10 Year Operating Income and EBITDA Trends



2018 Outlook

Our US strategy is continuing to gain momentum. Currently, our sales pipeline has never looked healthier. We are in negotiations with more qualified opportunities than ever before.

As part of reaching for an upshift in growth, and as signalled at our last annual general meeting, Connexionz will be continuing to reinvest its profits to fund this growth and will not be paying a dividend this year. This decision will be reviewed again next year.

Investment in R&D and Growth Strategy

Our vision for the future is to be an innovation leader, revolutionising the market with smart technology. To achieve this, we must position ourselves so our customers can benefit and grow from these advances in technology.

This requires investment in research and development to innovate and develop a wider portfolio of technology products and services. Technology that will increase services, enhance performance, reduce cost, and drive long-term demand.

> "Thank you again to all our shareholders for following our journey, sharing our passion in smart transit solutions, and supporting us throughout."

To increase sales and profitability, we have injected funds to drive our US growth strategy.

We predict that our innovation and growth strategy investment will benefit us, as the introduction of new technologies and changing customer demands continues to transform the transit market.

Our staff have shown considerable dedication to delivering, supporting, maintaining and developing our technologies. We are appreciative and grateful for their efforts.

Thank you again to all our shareholders for following our journey, sharing our passion in smart transit solutions, and supporting us throughout.

Tony Kan
Chair

Rhod Pickavance
Chief Executive

SMART TRANSIT INDUSTRY: AN INTRODUCTION

THE FACE OF PUBLIC TRANSPORT IS CHANGING

Around the world, technology is changing the face of public transport. With escalating city populations and traffic congestion, public transport is under pressure to optimise its services. Changing consumer demands and funding constraints are driving transit agencies to look at ways in which technology can increase efficiencies and reduce costs.

Modern intelligent transport systems are helping transit agencies to manage their networks with timely precision. While passengers can open a smartphone app, or check LED signs and solar devices to see in real time when their next bus is arriving.

From despatching drivers and mobile assets to tracking sensor data for better decisions, the benefits and opportunities that modern technologies can bring are limitless.

PREPARING FOR TOMORROW'S WORLD

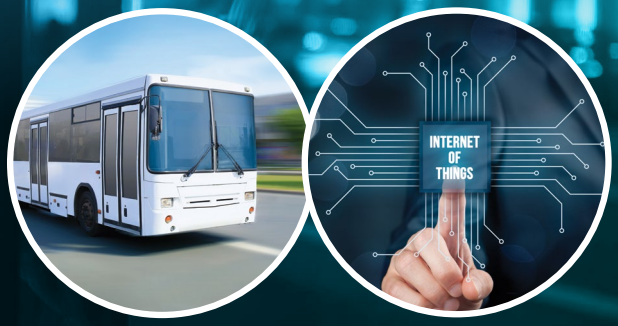
Technology can enable network providers to offer more flexible demand response services with smaller transit vehicles.

Efficient electric shuttles could be fitted with technology that adjusts their routes in real time in accordance with where passengers want to be picked-up and dropped-off.

In addition, fully integrated solutions with multiagency feeds could enable passengers to book all their transport needs in a single smartphone transaction – right down to the last mile.

The emergence of other new technologies, such as Artificial Intelligence (AI) and the Internet of Things (IOT) could also create new opportunities for transportation. AI's role in determining patterns of indicators, together with accurate facial recognition technology in passenger laser scanners, for example, can create a robust security solution.

These are the sorts of ideas we are keen to explore further.



CREATING NEW OPPORTUNITIES

Connexionz has the technologies and capability to help transit agencies adapt systems to meet market demand and customer expectations. We develop solutions that allow fleet managers and public transport service providers to maximise productivity and performance while also increasing customer value. These are just a few examples of the value we create for both systems operators and passengers:

OPTIMISING AGENCY OPERATIONS

- Track and predict vehicle location and performance in real time
- Despatch mobile assets and drivers
- Optimise terminal space with dynamic bus stop allocations
- Track vehicle diagnostics and know when maintenance schedules are due
- Know how many customers have boarded the vessel with accurate laser passenger counters
- Harness sensor data from internet enabled technologies for better decision making

ENHANCING THE PASSENGER EXPERIENCE

- Provide accurate service arrival predictions to electronic displays at bus stops and terminals
- Let passengers track bus locations, arrival times, routes and schedules from their smartphone
- Provide on-board multimedia services to entertain or inform passengers
- Create technologically advanced bus, rail and ferry terminals with modern features and customer-centric designs
- Empower people who are visually impaired with braille signs and audio information

EXCEEDING CUSTOMER EXPECTATIONS

- Provide free Wi-Fi and USB charging points
- Display in-vehicle advertising and information
- Commit to energy efficiency with solar and LED signs
- Analyse and improve service efficiency and performance
- Tailor routes, schedules and vehicle size to match customer demand




Q&A WITH THE CHIEF EXECUTIVE

You have been CEO of Connexionz for several months now, what progress do you feel the business has made in that time?

We've made significant progress in the last few months. We expanded our teams both in New Zealand and in the US, appointed a new R&D manager and invested more in product development. We also upgraded our BusFinder™ unit and made it solar, upgraded our in-vehicle Medius unit and vehicle dispatch application, and we introduced several new customer support tools, including vehicle diagnostics. Not wanting to do things by halves, we also improved our internal systems and processes.

Of course, gearing up for the big push into North America while running day-to-day operations and sales has been full on, challenging, and very exciting.

The appointment of our new US-based sales director and the opening of our new Californian office has made a positive impact, and is bringing us closer to our customers and target market. It is a great milestone for us, and we are proud to say that we are now a 'local' technology provider.

Last but by no means least, the icing on the cake has been winning the HornBlower New York City commuter ferry service contract. It necessitated expanding our team in Christchurch, and integrating several new and upgraded technology offerings, including vehicle diagnostics and laser passenger counters. Not only is this a large and technologically advanced project, it is internationally recognised, and gives us the credibility and proof of capability needed to target others in the commuter ferry and privately funded transit markets.

What achievements are you most proud of from 2016?

The achievements I am most proud of are those of our staff and the systems and processes we put in place in preparation for our push into the US.

At Airbus, I managed a major business arm that oversaw a large team of engineers and support personnel, product roadmaps, and basic Profit & Loss. As an engineer by trade, my degree of comfort is as a technologist, but I also understand the nuances of the business and its technologies.

The transition into the CEO role was made easier thanks to this experience and the support of my colleagues.

I can't thank everyone enough for the efforts they have put in to delivering our new products and services, and supporting our customers during my transition into this role. They are the magic that keeps this company strong.

> Developing and integrating new technology that helps customers to introduce new services, increase revenue, improve the efficiency and effectiveness of their customer transit service, and reduce cost are where we see our growth opportunities.

What do you consider are the priorities and future growth opportunities for Connexionz?

The top priorities for Connexionz are to further accelerate the development of our products and services, to grow our US presence, and increase our ability to better service our customers' field service requirements.

Developing and integrating new technology that helps customers to introduce new services, increase revenue, improve the efficiency and effectiveness of their customer transit service, and reduce cost are where we see our growth opportunities.

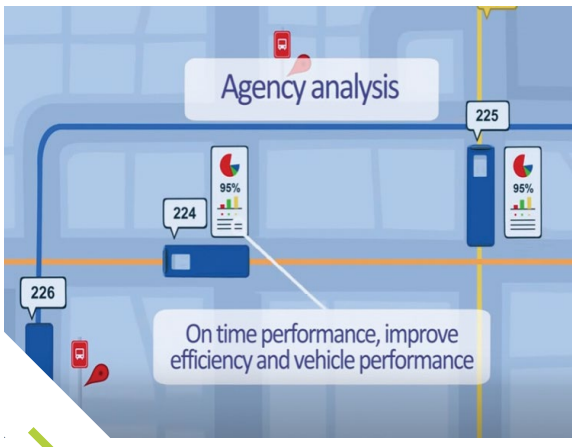
For example, our new vehicle diagnostics feature is selling very well, as it helps customers to save costs and increase efficiency by monitoring vehicle performance in real time. With further development, we can tailor this feature to predict which vehicle part will require maintenance, and provide incident management alerts to help optimise performance.

Our strategy is to build upon the solid financial position established by Roger Carruthers, and grow the business through R&D and expansion into North America. To do this, we must focus on becoming more agile and in tune with transit market needs and expectations, while keeping an eagle eye on changing consumer demands and emerging technologies. Technologies such as Artificial Intelligence (AI) and in-vehicle devices embedded with the Internet of Things (IOT)

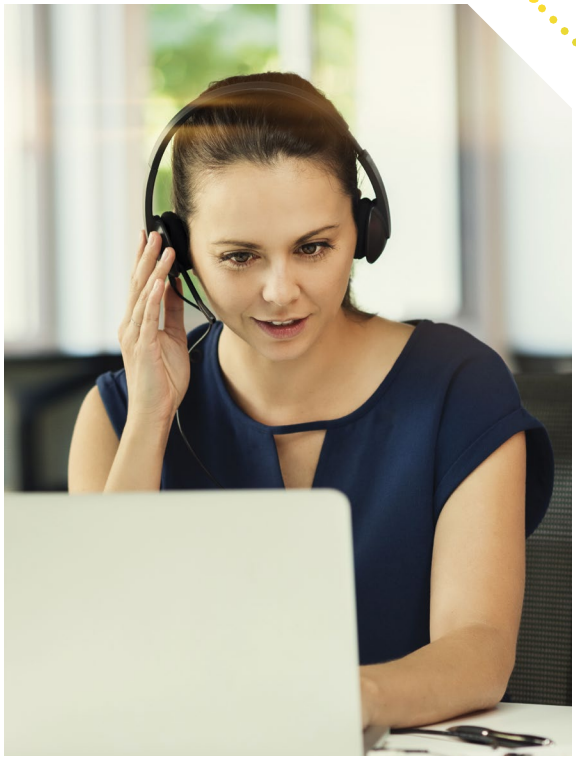
There is significant opportunity with combining AI with data from in-vehicle IOT sensors. Accurate measurement and intelligent analysis and overlay of data sets would enable improvement benefits, such as predictive maintenance instead of scheduled maintenance.

IOT sensors can report and track in real time everything from oil pressure, fluid levels, and engine temperature, to braking and acceleration, passenger count, vehicle weight, and more. By analysing patterns, AI and IOT would give transit managers instant visibility and improvement recommendations of every aspect of transit operations.

We are also looking at growth opportunities outside of government funded transit projects. Privately funded projects generally have shorter sales cycles and lower cost of sales. An increasing percentage of new business is coming from non-competitive processes where we have direct relationship with the transit operator.



Connexionz vehicle diagnostics feature is selling well



What are the most common issues you are hearing from customers these days?

Support, or moreover the lack of dedicated support, is a key concern for customers, particularly in the US.

To minimise cost, most US transit solution suppliers contract out their IT functions to cheaper third parties that offer 24/7 help desk support, but who also work with other technology brands. Unfortunately, the customers are finding that outsourced technical support is not as efficient or effective as dedicated support.

We recognise that, as transit solutions become more technically complex, dedicated quality support will become an increasingly valued differentiator. As we widen our capability portfolio we are also ensuring we have the technical resource to better help customers with their IT support issues.

> "We recognise that, as transit solutions become more technically complex, dedicated quality support will become an increasingly valued differentiator."

> "To supplement our own R&D efforts and reduce competitive risk, we are forming tighter alliances with partner companies so we can deliver the complex functions and services that customers want."

What do you see as the biggest risk to your plans?

The rapid emergence of innovative technology entering the market, and heavier spend in R&D programmes by larger competitors is a big risk to any technology business.

Companies that accelerate their R&D programmes do so not just to keep pace with competitors, but to leapfrog them with new products and services.

To supplement our own R&D efforts and reduce competitive risk, we are forming tighter alliances with partner companies so we can deliver the complex functions and services that customers want.

Grouping other products and services to provide a total smart transit solution addresses the issue of technically demanding contracts, and adds value to our existing customers.

Many large companies are forming in the marketplace through consolidation so they can provide end-to-end services for their customers.

Are you confident you have the right team to deliver this strategy?

The team we have is amazing, but we need more of them – particularly technical support staff and development engineers.

Most businesses want their apps to be on the cloud and accessible through a web browser, so we need to get our apps on there too if we are to keep up with the competition.

This is a development priority on the R&D programme, but it is a time-consuming task and the more resources we can throw at it the faster it will happen.

Our aim is to position ourselves for emerging tech trends. We're making good progress, but we need to expand the team to be able to develop and deliver the solutions customers want before our competitors.

What investments do you see the company making and what can customers expect in the future?

In addition to developing new customer services, integrating strategic partner services, and developing cloud-based hardware and software, we are exploring other markets for the solar BusFinder™.

There is strong interest in this product and its ability to support multiple feeds from different transit agencies on the one display.

This feature can also create several new opportunities for location-based information and advertising purposes, as well as for non-transit related environments.

For example, as a hired "finder" the unit that can be used for informing people at events about schedules, maps, special notices, safety messages, and more.

Connexionz is exploring and investing in the best opportunities for growth, and customers can expect to see some exciting developments in the future.

"Our aim is to position ourselves for emerging tech trends. We're making good progress, but we need to expand the team to be able to develop and deliver the solutions customers want before our competitors."

BOARD OF DIRECTORS

TONY KAN
Chair

Tony has his own corporate advisory business and investment company. He provides clients with corporate finance advice, assists with structuring, business development services and business strategy.

Prior to setting up his own business in 1996, he worked in various executive roles with ECNZ, including three years as Market Development Manager and three years as Account Manager. In these roles, he was closely involved in power price negotiations, development of financial derivative contracts for risk management, and negotiations to acquire electricity distribution businesses.

Tony holds electrical engineering and science degrees from the University of Canterbury, and a diploma of business studies and an MBA from Massey University.

BRIAN OLORENSHAW
Director

Brian is the owner and director of Dream Marketing Team Limited, a marketing agency specialising in marketing and strategic planning. Prior to this Brian has held senior marketing roles with Meadow Mushrooms, New Zealand Honey Producers Co-Operative Limited, New Zealand Breweries, Waitaki Meats Limited and Waitaki International Limited. Brian holds a marketing & economics degree from Lincoln University and a diploma of business studies from Massey University. He is a past Chairman of a school Board of Trustees, and is a member of the Institute of Directors.

RICHARD RILEY
Director

Richard brings over 40 years of transport industry management experience to Connexionz. Richard, who is now retired, is a life member of the Road Transport Forum NZ Inc. and the Road Transport Association NZ Region 4, a Fellow of the Chartered Institute of Transport (FCIT), and a member of the Institute of Directors.

SANDY MAIER
Director

Sandy has a twenty-year record of successful, hands-on problem solving relating to growth, restructuring, human resources and international business. Sandy has worked with hundreds of businesses in many markets as independent chair / director, CEO, and advisory levels. Sector experience covers banking, finance, primary production, start-ups and venture capital, printing, electricity generation and distribution, viticulture, aquaculture, investment management, property, plastics manufacturing, public sector economic development organisations, franchise groups and many more.

In recent years Sandy has lectured, taught, and written extensively about corporate governance in New Zealand. Sandy has served, as Chairman or Director for numerous organisations in both New Zealand and overseas. He has a wealth of experience in corporate governance and finance, having spent 15 years working in international commercial and investment banking, including as CEO of Citibank New Zealand.

Sandy is currently a Director of Ngai Tahu Holdings, Ringa Matau Limited, NZ Equity Management Limited and Tahumatua Limited.

STATUTORY & REGULATORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2017

The Directors of Connexionz Limited submit the following report in respect of the year ended 31 March 2017.

Results for the Year

The net result of operations for the Group for the year ended 31 March 2017 is a pre-tax loss from continued operations of $371,620 (2016: pre-tax profit of $144,115).

Activities

The Company is 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 during the year:

Director	Company	Position
Richard Riley	Resolutionz 101 Limited	Director
Tony Kan	Kan & Company Limited	Director
Bruce Sheppard	Arlo Software Limited (formerly Learning Source Software Limited)	Director
	Bensan Servicing Limited (Argus Group)	Director
	Blueseventy Limited	Director
	BoardPro Limited	Director
	Gilligan Sheppard Limited	Director
	Islay Group Limited	Director
	LPF Group Limited	Director
	Mobit Technologies Limited	Director
	New Ground Capital Limited	Director
	Online Accounting Office Limited	Director
	One Room Limited	Director
	Southern Hills Imperial Timber (1932) Pty Limited	Director
	Swashpump Technologies Limited	Director
	T & T Fashions Limited	Director
	Winnow Software Limited	Director
Brian Olorenshaw	Dream Team Marketing Limited	Director
	Juice 2006 Limited	Director
	Love NZ Fresh Limited	Director
	Gramart Foods Limited	Director
	Simo's Food Brand Limited	Director

Interests Register *(continued)*

Director	Company	Position
Samford Lee (Sandy) Maier	GEON Group	Chairman
	Pathfinder Asset Management Limited	Chairman
	PowerbyProxi Limited	Chairman
	Radius Properties Limited	Chairman
	Fronde Limited	Director
	NZ Equity Partners Limited	Director
	NZ Equity Management Limited	Director
	Ngai Tahu Holdings Corporation Limited	Director

Directors' Holdings

The Equity Securities in which each Director has a Relevant Interest at the reporting date are listed below.

	Holdings as at 31 March 2017		Holdings as at 31 March 2016	
Director	Ordinary Shares	Preference Shares	Ordinary Shares	Preference Shares
Bruce Sheppard (Southern Hills Imperial Timber (1932) Pty Limited)	8,100,000	100,000	8,100,000	100,000
Richard Riley	2,256,024	40,000	2,256,024	40,000
Tony Kan	741,717	20,000	591,717	20,000
Richard Riley (Riley Account)	481,817	–	481,817	–
Brian Olorenshaw	320,000	–	320,000	–

Directors' Remuneration during the 12 months ending 31 March 2017

Director	Directors fees to 31st March 2017	Directors fees to 31st March 2016
Bruce Sheppard	$20,000	$20,000
Tony Kan	$17,500	$17,500
Richard Riley	$15,000	$15,000
Brian Olorenshaw	$15,000	$15,000
Sandy Maier	$15,000	$5,000

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

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

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

	Number of employees	
Remuneration	**2017**	**2016**
$230,000 – $239,999 p.a.	–	1
$220,000 – $229,999 p.a.	–	–
$210,000 – $219,999 p.a.	–	–
$200,000 – $209,999 p.a.	–	–
$190,000 – $199,999 p.a.	–	–
$180,000 – $189,999 p.a.	–	1
$170,000 – $179,999 p.a.	–	–
$160,000 – $169,999 p.a.	1	–
$150,000 – $159,999 p.a.	–	1
$140,000 – $149,999 p.a.	–	2
$130,000 – $139,999 p.a.	1	1
$120,000 – $129,999 p.a.	2	–
$110,000 – $119,999 p.a.	–	1
$100,000 – $109,999 p.a.	–	–

Donations

Donations made by the Company during the year ended 31 March 2017 totalled nil (2016: nil).

Twenty Largest Security Holders

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 31 March 2017, is provided below:

	Substantial Security Holder	Holding	Percent
1	Southern Hills Imperial Timber (1932) Limited	8,100,000	14.94
2	Jin Ming Yang	8,000,000	14.76
3	Ronald Joseph Gillatt	3,830,086	7.07
4	Michael Simson	3,000,000	5.53
5	Robert Brian Burke	2,375,780	4.38
6	Richard Riley	2,256,024	4.16
7	Russell John Field and Anthony James Palmer	2,200,000	4.06
8	Chao Yang Luo	2,000,000	3.69
9	Paul Zwaan	1,972,067	3.64
10	Lorraine Gray and Allan Coull	1,897,783	3.50
11	Ace Finance Limited	1,677,975	3.10
12	Brett Russell Whiston	1,525,152	2.81
13	Gregor James Moyle and Grant Hally	1,503,925	2.77
14	Robert Barry Burling	1,261,372	2.33
15	Bevan Hugh Wallace	1,160,258	2.14
16	Alan Wiltshire, Beverley Wiltshire and David Rishworth	1,077,200	1.99
17	Extra Strength Number 164 Limited	824,550	1.52
18	Russell Gard	807,135	1.49
19	Anthony Norman Len Joe Kan	741,717	1.37
20	Paradise Finance Limited	687,604	1.27
Total top 20 holders		**46,628,872**	**86.52**
Total shares issued		**54,205,249**	**100.00**

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 31 May 2017 is provided below:

Substantial Security Holder	Holding	Percent
Southern Hills Imperial Timber (1932) Limited	8,100,000	14.94
Jin Ming Yang	8,000,000	14.76
Ronald Joseph Gillatt	3,830,086	6.55
Michael Simson	3,000,000	5.53

Spread of Quoted Security Holders

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 31 May 2017, is provided below:

Range	Number of holders	Number of shares held	Percent
1 – 1,000	13	9,962	0.00
1,001 – 5,000	218	633,650	1.20
5,001 – 10,000	38	324,446	0.60
10,001 – 50,000	58	1,267,946	2.30
50,001 – 100,000	13	906,822	1.70
100,001 and over	35	51,062,423	94.20
Total	**375**	**54,205,249**	**100.00**

Credit Rating

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

Waivers

There were no waivers issued in the current period.

Auditor

It is proposed that the auditor, BDO Christchurch, continue in office in accordance with Section 200 of the Companies Act 1993. Audit fees for the audit services provided by BDO for the year ended 31 March 2017 were $25,000 (2016: $25,000).

For and on behalf of the Board

Tony Kan
Chair

17 August, 2017

APPROVAL OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Authorisation For Issue

The Directors authorised the issue of these financial statements on 17 August, 2017.

Approval By Directors

The Directors are pleased to present the financial statements of Connexionz Limited for the year ended 31st March 2017 on pages 28 – 53.

Tony Kan
Chair

17 August, 2017

Richard Riley
Director

17 August, 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

		Company	
	Notes	2017 ($)	2016 ($)
Revenue	5	2,782,474	3,922,791
Other income	5	167,253	164,871
Raw materials and consumables used		(1,240,904)	(1,595,674)
Depreciation and amortisation expenses	15,16	(128,351)	(137,860)
Employee benefits expense	6	(1,002,958)	(1,254,820)
Finance costs	14	–	(1,911)
Consulting expense		(62,278)	–
Other expenses	6	(886,856)	(953,282)
Profit before tax		(371,620)	144,115
Income tax expense	18	102,000	(90,400)
Profit/(loss) for the year		**(269,620)**	**53,715**
Other comprehensive income		–	–
Total comprehensive income for the year		**(269,620)**	**53,715**
Total profit or loss attributable to:			
Owners of the Company		(269,620)	53,715
Total comprehensive income attributable to:			
Owners of the Company		(269,620)	53,715
Earnings per share	7		
Basic (cents per share)		(0.50)	0.10
Diluted (cents per share)		(0.50)	0.09

To be read in conjunction with the notes on pages 32 – 53.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

		Company	
	Notes	2017 ($)	2016 ($)
ASSETS			
Current assets			
Cash and cash equivalents	11	766,433	631,582
Inventories	12	157,849	312,477
Trade and other receivables	13	655,004	1,426,670
Prepayments		81,026	32,298
Total current assets		**1,660,312**	**2,403,027**
Non-current assets			
Deferred taxation	18	306,186	204,188
Property, plant and equipment	15	15,722	21,201
Intangible assets	16	646,914	730,977
Total non-current assets		**968,822**	**956,366**
Total assets		**2,629,134**	**3,359,393**
EQUITY AND LIABILITIES			
Current liabilities			
Employee benefits	17	75,638	123,782
GST and sales tax payable	18	8,864	37,752
Revenue received in advance		333,658	462,822
Trade and other payables	17	220,273	428,996
Total current liabilities		**638,433**	**1,053,352**
Total liabilities		**638,433**	**1,053,352**
Equity			
Share capital	19	5,354,385	5,354,385
Accumulated loss		(3,363,684)	(3,048,344)
Total equity		**1,990,701**	**2,306,041**
Total equity and liabilities		**2,629,134**	**3,359,393**

To be read in conjunction with the notes on pages 32 – 53.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

Company	Notes	Share capital ($)	Accumulated loss ($)	Total ($)
Balance at 1st April 2015		**5,354,385**	**(3,056,213)**	**2,298,172**
Profit for the year		–	53,715	53,715
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year		**–**	**53,715**	**53,715**
Transactions with owners in their capacity as owners		–	–	–
Payment of preference share dividends		–	(45,846)	(45,846)
Balance at 31st March 2016	**19**	**5,354,385**	**(3,048,344)**	**2,306,041**
Profit for the year		–	(269,620)	(269,620)
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year		**–**	**(269,620)**	**(269,620)**
Transactions with owners in their capacity as owners		–	–	–
Payment of preference share dividends		–	(45,720)	(45,720)
Balance at 31st March 2017	**19**	**5,354,385**	**(3,363,684)**	**1,990,701**

For and on behalf of the Board

Tony Kan
Chair

17 August, 2017

Richard Riley
Director

17 August, 2017

To be read in conjunction with the notes on pages 32 – 53.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

		Company	
	Notes	2017 ($)	2016 ($)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		4,055,038	4,532,676
Interest received		14	14
Payments to suppliers and employees		(3,835,672)	(4,025,858)
Interest paid		–	(1,911)
Net cash (used in)/provided by operating activities	**10**	**219,380**	**504,921**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(10,877)	(6,337)
Purchase of intangible assets		(27,932)	(146,532)
Net cash used in investing activities		**(38,809)**	**(152,869)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to preference shareholders		(45,720)	(45,845)
Net cash provided by/(used in) financing activities		**(45,720)**	**(45,845)**
Net increase in cash and cash equivalents		134,851	306,207
Cash and cash equivalents as at beginning of year		**631,582**	**325,375**
Cash and cash equivalents as at end of year	**11**	**766,433**	**631,582**

To be read in conjunction with the notes on pages 32 – 53.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1. Reporting Entity

These financial statements are in respect of Connexionz Limited ("the Company").

Connexionz Limited is a company registered under the Companies Act 1993. Connexionz Limited transitioned in the current accounting period under the Financial Reporting Act 2013 and has elected to report as a Tier 1 entity for financial reporting purposes. Connexionz Limited is incorporated and domiciled in New Zealand. The Company's registered office is 1 Show Place, Addington, Christchurch, New Zealand.

Principal Business Activities

The principal activity of the Company 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"). The financial statements comply with International Financial Reporting Standards. The financial statements have been prepared in accordance with the Financial Reporting Act of 2013. The financial statements were authorised for issue by the Board of Directors on xx August 2017.

2. Basis of Preparation

The financial statements have been prepared on the basis of historical cost.

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.

3. Statement of Accounting Policies

(a) Presentation and Functional Currency

These financial statements are presented in New Zealand dollars ($) rounded to the nearest whole dollar. The functional currency is 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) Revenue

Sales of goods are recognised when goods are delivered, title has passed, the revenue can be measured reliably and the costs incurred in respect of the sale can be reliably measured.

Revenue for system installation contracts are recognised with reference to the stage of completion of the contract as determined by the defined contract milestones. Variations in contract work are included to the extent they have been agreed with the customer.

Maintenance revenue is recognised as earned by the terms of the individual maintenance agreements with our customers.

Interest income is accrued using the effective interest method.

(d) Development Grants

Development grants are assistance by the government in the form of transfers of resources to the 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 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 entity with no future related costs are recognised as income of the period in which it becomes receivable.

(e) Taxation

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax liability arising from the deferral of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and many involve a series of judgements regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same tax entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable and future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) 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 (loss)/profit attributable to the shareholders of the Company, divided by the weighted average number of ordinary shares issued and fully paid during the year.

Diluted earnings per share is based on the (loss)/profit attributable to the shareholders, 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.

(g) 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 reporting date at the closing rate.

Exchange differences on foreign currency balances are recognised in the profit or loss in the period in which they arise.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(h) Financial Instruments

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

(i) Financial Assets

Financial assets are classified into the following specified category: "loans and receivables" which comprises cash and cash equivalents, trade and other receivables and accrued income and retentions. Loans and receivables are accounted for by initially recognising cost at fair value plus directly attributable transaction costs and then carried at amortised cost using the effective interest method, less impairment. 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 classes of financial assets are outlined as follows:

(ii) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits (including bank 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 Company invests as part of its day-to-day cash management.

(iii) 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).

Accrued income is recognised for a defined contract milestone under the terms of system installation contract based on percentage completion when the milestone is at least 50% complete and there is no uncertainty regarding the completion of the outstanding milestone delivery. Retentions are recognised as 80% of the applicable retention when the Company has fully completed a defined contract milestone under the terms of system installation contract and the customer has confirmed their acceptance of completion by acknowledging the milestone may be invoiced.

(iv) Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where in the opinion of management and in line with accounting principles there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss.

(v) Financial Liabilities

Financial liabilities are classified into the following specified category: "Financial Liabilities at Amortised Cost". Policies in respect of individual classes of financial liabilities are outlined as follows:

(vi) Trade and Other Payables

Trade and Other Payables fall under the category of "Financial Liabilities at Amortised Cost". Trade and Other Payables are recognised when the Company 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 plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. Payables of a short-term nature are not discounted.

(vii) Borrowings

Borrowings fall under the category of "Financial Liabilities at Amortised Cost". Borrowings are recorded initially at fair value, plus directly attributable 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 profit or loss over the period of the borrowing using the effective interest rate method.

(viii) De-recognition and Off-setting of Financial Assets and Liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained is recognised as a separate asset or liability.

A financial liability is derecognised when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(i) Derivative Financial Instruments

The Company does not have any derivative financial instruments and do not use derivative financial instruments for speculative purposes.

(j) 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss 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 to their residual value over their expected useful lives, as follows:

Leasehold improvements	16.7% per annum
Equipment and fittings	9.6% – 48.0% per annum
Vehicles	13.5% per annum

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 profit or loss.

(k) Intangible Assets

(i) Internally Generated Intangible Assets – Research and Development Expenditure

Internally generated intangible assets are new technology or computer software that will enhance or expand our product range and generate further sales opportunities. Research costs are expensed as incurred. Development costs that meet the following criteria are recognised as an asset in the Statement of Financial Position:

- 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 and the product will generate probable future economic benefits;
- The Company intends to produce, and market, the product or process;

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. When the criterion above no longer applies, the unamortised balance of development costs is written off and recognised immediately as an expense. Intangible assets under development are tested annually for impairment, and are only amortised once completed.

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

Development Costs	16.67% per annum

(ii) Patents

Purchased patents are recognised at cost and amortised in the profit or loss on a straight line basis over their estimated useful lives, as follows:

Patents	5.0% per annum

Where the carrying amount of the intangible asset exceeds its recoverable amount, it is written down to its recoverable amount. The assets' residual values, amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(iii) Software

Acquired computer software licenses expected to last more than one year 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.

Computer software licenses are amortised on a straight-line basis over their estimated useful life for current and prior period of:

Software	36.0% – 48.0% per annum

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 profit or loss. The assets' residual values, amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(l) Impairment – Non-financial Assets

Assets, other than deferred tax assets and inventories, but including intangible assets under development, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. 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).

The carrying amounts of the Company's tangible and intangible assets, other than inventories and deferred tax assets are reviewed at each reporting 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 Company 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 profit or loss.

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, less depreciation or amortisation, 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 profit or loss immediately.

(m) Operating Leases

Payments made under operating leases are recognised in profit or loss 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.

(n) Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Position with the exception of receivables and payables.

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

"Cash and cash equivalents" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes on 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.

(o) Goods and Services Tax

All items in the Statement of Financial Position are stated exclusive of GST, with the exception of receivables and payables, which include GST. All items in the Statement of Profit and Loss and Other Comprehensive Income are stated exclusive of GST.

(p) Employee Benefits

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

Accruals made in respect of employee benefits expected to be wholly 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 and sick leave where usage for the coming year is expected to be greater than the entitlement earned in the coming year.

Accruals are 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 Company in respect of services provided by employees up to reporting date.

(q) Critical Accounting Judgements and Estimates

The Company 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:

- The effect of technical obsolescence on inventories has been reviewed by Directors and confirmed that no impairment should be made as at 31 March 2017 – refer Note 12.
- The estimated selling price and estimated costs to sell, in determining the net realisable value of inventories has been reviewed by Directors and determined no impairments should be made as at 31 March 2017 – refer Note 12.
- Determination of the useful lives of property, plant and equipment – refer Note 15.
- Determination of the useful lives of intangible assets – refer Note 16.
- Determination of deferred taxation asset recoverability – refer Note 18.
- 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.
- Determination of the recoverability of internally generated capitalised development costs and impairment testing of intangible assets under development – Refer Note 16. During the year the Directors reconsidered the recoverability of the Company's internally generated capitalised development costs, which is included in the Statement of Financial Position at 31 March 2017 at $646,914 (2016: $730,977). Detailed sensitivity analysis has been carried out and the Directors are confident that the carrying amount will be recovered in full, even if returns are reduced.

(r) Preference Share Capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(s) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(t) Finance Income and Finance Costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, dividends on preference shares classified as liabilities and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(u) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Connexionz Limited includes warranty clauses in its contracts.

4. New Standards and Interpretations

The following Standards and Interpretations were effective for the first time for Connexionz Limited. The effect of the application of these amendments to standards did not have a material effect on the financial statements.

New Revised or Amended Standard	Title	Effective date
Annual improvements	Annual Improvements to NZ IFRS 2012 – 2014 Cycle	1 January 2016
NZ IAS 1	Presentation of Financial Statements: Disclosure Initiative	1 January 2016

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that are applicable to the business of the entity and may have an impact on future financial statements:

Standard/Interpretation		Effective date	Date issued by XRB	Expected impact
NZ IFRS 9 (2014)	Financial Instruments	1 January 2018	September 2014	NZ IFRS 9 (2014) is the final version of NZ IFRS 9. This version of the Standard replaces the three earlier versions issued in 2009, 2010 and 2013. There are two main differences in this version of the Standard. • There is an additional category of financial assets called 'fair value through other comprehensive income'. This category is for financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. There has been a change to accounting for the impairment of financial assets. The Standard applies an expected credit loss model (rather than an incurred loss model). The model also applies to commitments to extend credit. The entity does not have any financial liabilities designated at Fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to NZ IFRS 9 are first adopted.

4. New Standards and Interpretations *(continued)*

Standard/interpretation		Effective date	Date issued by XRB	Expected impact
NZ IFRS 15	Revenue from Contracts with Customers	1 January 2018	July 2014	NZ IFRS 15 will be adopted by Connexionz for the first time for its financial reporting period ended 31 March 2019. The adoption will require revenue to be recognised in such a way that depicts the transfer of distinct promised goods or services ('performance obligations') to customers in an amount that reflects the fair value of consideration to which the entity expects to be entitled in exchange for those goods or services. Therefore revenue is recognised when control of goods or services is transferred to the customer, rather than on transfer of risks and rewards (as is currently the case). NZ IFRS 15 includes specific requirements in respect of: • Identifying customers, contracts, and modifications to contracts • Identifying distinct performance obligations • Determining the transaction price, including: • Accounting for financing components, and • The estimation, and constraint, of variable consideration. • Allocation of total consideration to individual performance obligations • Whether revenue is recognised over-time or at a point-in-time. The adoption of NZ IFRS 15 will likely effect the amount and/or timing of revenue recognition. Management of Connexionz are yet to fully assess the full impact of the adoption of NZ IFRS 15.
NZIFRS 16	Leases	February 2016	1 January 2019	NZ IFRS 16 Will be adopted be adopted for the first time for its financial reporting period ended 31 December 2020. The main implications of the new standard on current practice for lessees include: All operating leases under NZ IFRS 16 will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value of the obligation. All leases will incur a front-end loaded expense, comprising depreciation on the right-of-use asset, and interest on the lease liability. Management are yet to fully assess the full impact of the adoption of NZ IFRS 16

4. New Standards and Interpretations *(continued)*

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity.

NZ IAS 27, NZ IAS 28, NZ IFRS 10, NZ IFRS 11 NZ IFRS 12 and *NZ IFRIC 20* are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

5. Revenue and Other Income

An analysis of the revenue and other income is as follows:

	Company	
	2017 ($)	2016 ($)
REVENUE		
Contract	1,806,312	2,953,456
Maintenance	976,161	969,335
Total Revenue	**2,782,473**	**3,922,791**
OTHER INCOME		
Development grants	84,564	118,854
Interest received from loans to employees	14	14
Realised FX gain	–	36,446
Unrealised FX gain	73,315	–
Sundry income	9,360	9,556
Total other income	**167,253**	**164,870**

6. Employee Benefits and Other Expenses

	Company	
(a) Employee Benefits	**2017 ($)**	**2016 ($)**
Profit for the period has been arrived at after charging the following expenses:		
Salaries and wages	936,745	1,173,650
Bonuses and incentives	39,360	48,253
Defined contribution scheme expenses	23,319	29,453
Other employee benefit expenses	3,534	3,464
Employee benefits expense	**1,002,958**	**1,370,577**

6. Employee Benefits and Other Expenses *(continued)*

	Company	
(b) Other Expenses	**2017 ($)**	**2016 ($)**
Profit/(loss) for the period has been arrived at after charging the following expenses:		
Audit fees:		
• Audit fees to BDO Christchurch	22,008	21,996
• R&D expense review by BDO Christchurch	3,000	3,000
Directors fees (refer Note 8)	82,500	72,500
Operating lease rental expenses	86,590	87,041
Sales commissions	29,377	32,963
Unrealised FX loss	–	650
Realised FX loss	94,495	–
Communications expense	48,595	49,833
Travel	124,542	246,490
US sales agency expense	195,492	213,837
Other operating expenses	200,257	224,972
Other expenses	**886,856**	**953,282**

Total research and development expenses for 2017 excluding capitalised development expenditures were $515,761 (2016: $747,792). Most of research and development expenses are booked as part of employee benefits expense.

7. Earnings Per Share

	Company	
	2017 ($)	**2016 ($)**
Profit/(loss) for the year attributable to equity holders of the company	**(269,620)**	**53,715**
Earnings used in calculation of total basic and diluted earnings per share	**(269,620)**	**53,715**
Weighted average number of ordinary shares during the year	54,205,249	54,205,249
Shares deemed to be issued in respect of:		
Convertible preference share options	3,810,000	3,810,000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	58,015,249	58,015,249

8. Related Parties

(a) Key Management Personnel

Director fees and miscellaneous travel and other expenses paid to Resolutionz 101 Limited totalled $15,408 (2016: $15,000). A balance of $4,313 in trade payables for Resolutionz 101 Limited is outstanding at reporting date (2015: $4,313). Mr Riley is a director and shareholder of Resolutionz 101 Limited and Connexionz Limited.

Director fees and miscellaneous travel and other expenses paid to Kan and Co Limited totalled $18,151 (2016: $17,500). There was an outstanding balance of $5,031 to Kan and Co Limited at reporting date (2016: $5,031). Mr Kan is a director and shareholder of Kan and Co Limited and Connexionz Limited.

Director fees paid to Dream Team Marketing Limited totalled $15,000 (2016: $15,000). There was an outstanding balance of $4,313 to Dream Team Marketing Limited at reporting date (2016: $4,313). Mr Olorenshaw is a director and shareholder of Dream Team Marketing Limited and Connexionz Limited.

Director fees and miscellaneous travel and other expenses paid to Mr Sandy Maier totalled $18,339 (2016: $5,000). There was no outstanding balance due to Mr Maier at reporting date (2016: $nil). Mr Maier is a director of Connexionz Limited.

Director fees and miscellaneous travel and other expenses for Mr Sheppard during the year in his role as Director of Connexionz Limited paid to Gilligan Sheppard Limited totalled $24,964 (2016: $21,059). There was an outstanding balance of $5,908 to Gilligan Sheppard Limited at reporting date (2016: $12,146). Mr Sheppard is a director and shareholder of Gilligan Sheppard Limited and Connexionz Limited.

The above are liabilities that are at amortised cost. The total interest expense paid for these liabilities in 2017 was $nil (2016: $nil).

Compensation paid to key management personnel in 2017 were:

	2017 ($)	2016 ($)
Short-term employee benefits	166,281	231,672
Post-employment benefits	6,373	9,267
Total	**172,654**	**240,939**

9. Securities

The bank holds an overdraft security by way of a registered first debenture over the assets, undertakings (if any) and uncalled capital (if any) of the Company. The interest rate at reporting date was 10.95% p.a. (2016: 10.95% p.a.).

10. Net Cash Flow from Operating Activities

	Company	
	2017 ($)	2016 ($)
Reconciliation of profit/(loss) for the period to net cash flows from operating activities:		
Profit/(loss) after tax for the period	**(269,620)**	**53,715**
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	16,357	18,418
Amortisation of other intangible assets	111,994	119,441
Recognition of income tax benefit of deferred tax asset from accumulated losses	(102,000)	90,400
CHANGES IN NET ASSETS AND LIABILITIES		
Decrease/(increase) in assets:		
Trade and other receivables (current)	1,088,799	(356,632)
Inventories	154,628	(56,625)
Accrued income and retentions	(317,133)	338,837
Taxation refund due	–	–
Prepayments	(48,729)	(4,206)
Increase/(decrease) in liabilities:		
Trade and other payables	(237,610)	(19,015)
Revenue received in advance	(129,164)	304,694
Employee entitlements	(48,144)	15,894
Net cash inflow/(outflow) from operating activities	**219,380**	**504,921**

11. Cash and Cash Equivalents

	Company	
	2017 ($)	2016 ($)
Cash held in NZ$ accounts	61,240	98,851
Cash held in US$ accounts	705,192	532,731
Total cash and cash equivalents	**766,432**	**631,582**

12. Inventories

	Company	
	2017 ($)	2016 ($)
Contract work in progress	14,012	112,188
Stock	143,837	200,289
Trade inventories	**157,849**	**312,477**

Inventory write downs for the year were $47,352 (2016: ($5,227)).

13. Current Trade and Other Receivables

	Company	
	2017 ($)	2016 ($)
Trade receivables	282,625	1,371,423
Accrued income	287,924	–
Retentions	84,456	55,247
Total current trade and other receivables	**655,005**	**1,426,670**

Included in the Company's trade receivables balance are debtors with a carrying value of $1,805 (2016: $141,779) which is past due at the reporting date for which the Company has not provided an impairment allowance. The Directors are of the opinion that there is no impairment of any past due trade receivables or accrued income and retentions as there has not been a significant change in credit quality and the amounts are considered fully collectable.

	Company	
Aging past due trade receivables (not impaired)	2017 ($)	2016 ($)
30 – 60 days	66,621	75,137
61 – 90 days	460	–
> 90 days	1,345	141,779
	67,966	**141,779**

14. Finance Costs

	Company	
	2017 ($)	2016 ($)
Interest on finance leases	–	312
Late payment penalties	–	1,599
Total Finance Costs	**–**	**1,911**

15. Property Plant and Equipment

	Leasehold improvements ($)	Equipment and fittings ($)	Vehicle ($)	Total ($)
COST				
Opening balance at 1 April 2015	86,514	356,944	22,222	465,680
Additions	–	6,337	–	6,337
Balance at 31 March 2016	86,514	363,281	22,222	472,017
Additions	–	10,877	–	10,877
Balance at 31 March 2017	86,514	374,158	22,222	482,894
ACCUMULATED DEPRECIATION				
Opening balance at 1 April 2015	78,499	331,676	22,222	432,397
Depreciation	1,662	16,756	–	18,418
Balance at 31 March 2016	80,161	348,432	22,222	450,815
Depreciation	1,662	14,694	–	16,356
Balance at 31 March 2017	81,823	363,126	22,222	467,171
Net book value as at 31 March 2015	8,015	25,268	–	33,283
Net book value as at 31 March 2016	6,353	14,849	–	21,202
Net book value as at 31 March 2017	4,691	11,032	–	15,722

16. Intangible Assets

	Development costs ($)	Software ($)	Total ($)
COST			
Opening balance at 1 April 2015	1,471,924	36,306	1,508,230
Amortisation	146,532	–	146,532
Balance at 31 March 2016	1,618,456	36,306	1,654,762
Amortisation	27,931	–	27,931
Balance at 31 March 2017	1,646,387	36,306	1,682,693
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Opening balance at 1 April 2015	768,038	36,306	804,344
Amortisation	119,441	–	119,441
Balance at 31 March 2016	887,479	36,306	923,785
Amortisation	111,994	–	111,994
Balance at 31 March 2017	999,473	36,306	1,035,779
Net book value as at 31 March 2015	703,886	–	703,886
Net book value as at 31 March 2016	730,977	–	730,977
Net book value as at 31 March 2017	646,914	–	646,914

16. Intangible Assets *(continued)*

Internally generated intangible assets net book value for 2017 is $646,914 (2016: $730,977). The Directors are of the opinion that there was no impairment of intangible assets during the period. The remaining amortisation periods for the intangible assets are as follows:

	Cost ($)	Accumulated amortisation ($)	Book value ($)
Fully depreciated	469,218	469,218	–
Remaining amortisation period 1 – 2 years	454,603	431,508	23,095
Remaining amortisation period 2 – 3 years	83,104	55,414	27,690
Remaining amortisation period 3 – 4 years	100,626	43,333	57,293
Remaining amortisation period 4 – 5 years	–	–	–
Remaining amortisation period 5 or more years	538,836	–	538,836
Total	**1,646,387**	**999,473**	**646,914**

Development costs recognised as an intangible asset are amortised on a straight line basis over the period of 6 years at an amortisation rate of 16.67% per annum. Directors assess the useful life of intangible assets based on the type of asset and determine if the finite useful life is less than 6 years.

17. Current Trade and Other Payables and Employee Benefits

	Company	
(i) Current Trade and Other Payables	**2017 ($)**	**2016 ($)**
Trade payables	57,043	267,914
Related party payables (see Note 8)		
• Resolutionz 101 Limited	4,313	4,313
• Kan & Co Limited	5,031	5,031
• Gilligan Sheppard Limited	5,908	12,146
• Dream Team Marketing	4,313	4,313
Other payables	143,666	135,279
Balance at end of period	**220,274**	**442,860**

Current trade and other payables are non-interest bearing and terms are in accordance with the suppliers terms which are either 30 days or the 20th on the month following invoice.

	Company	
(ii) Employee Benefits	**2017 ($)**	**2016 ($)**
Holiday pay accrual	46,618	96,418
PAYE payable	14,265	22,665
Kiwi saver payable	4,171	4,760
Other wage accruals	10,594	(60)
Closing balance	**75,648**	**123,783**

18. Taxation

(a) Income Tax Recognised in Profit or Loss	Company 2017 ($)	2016 ($)
Tax expense/(benefit) comprises:		
Current tax expense/(income)	(139,399)	23,117
Prior period adjustments	20,385	33,289
Deferred tax expense relating to the origination and reversal of temporary differences	17,014	33,994
Total tax expense/(income)	**(102,000)**	**90,400**

The total tax expense/(benefit) for the year can be reconciled to the income/(deficit) from operations as follows:

Income/(loss) from continued operations	(371,619)	144,115
Income tax expense/(benefit) calculated at 28%	(104,053)	40,352
Non-deductible expenses	(18,332)	16,759
Prior period adjustments	20,385	33,289
Deferred tax not recognised	–	–
Total tax expense/(benefit)	**(102,000)**	**90,400**

(b) Deferred Tax Balances

Taxable and deductible temporary differences arise from the following:

Year ended 31 March 2017	Opening balance	Charged to income	Charged to equity	Prior period adjustment	Closing balance
DEFERRED TAX ASSETS					
Employee entitlements and provisions	26,995	(13,945)	–	–	13,050
Bonuses and incentives	13,512	(2,491)	–	–	11,021
ACC accrual	1,965	(580)	–	–	1,385
Tax losses recognised/(utilised)	161,716	139,399	–	(20,385)	280,730
Net deferred tax asset	**204,188**	**122,383**	–	**(20,385)**	**306,186**

Year ended 31 March 2016	Opening balance	Charged to income	Charged to equity	Prior period adjustment	Closing balance
DEFERRED TAX ASSETS					
Employee entitlements and provisions	–	4,171	–	22,824	26,995
Bonuses and incentives	–	(37,910)	–	51,422	13,512
ACC accrual	–	(255)	–	2,220	1,965
Tax losses recognised/(utilised)	218,122	(23,117)	–	(33,289)	161,716
Net deferred tax asset	**218,122**	**(57,111)**	–	**43,177**	**204,188**

18. Taxation *(continued)*

	Company	
(c) Unrecognised Tax Losses Balances	**2017 ($)**	**2016 ($)**
Tax losses balance at beginning of period	(577,555)	(779,005)
Adjustment to prior period calculations	72,805	118,889
Net Assessable Income	(497,852)	82,561
Tax losses balance at end of period	**(1,002,602)**	**(577,555)**
(d) Imputation Credit Account Balances		
Balance at beginning of the period	–	–
Resident withholding tax on interest income	–	–
Balance at end of the period	**–**	**–**
(e) Taxes Payable		
Balance at beginning of period	–	–
GST and sales tax payable	8,864	37,752
Balance at end of the period	**8,864**	**37,752**

Connexionz Limited has recognised the deferred tax asset derived from the unrecognised tax loss balance (18 (b) above) in the Statement of Financial Position in 2017 as $306,186 (2016: $204,188). The Directors are of the opinion that probable and future profits will be available against which the deferred tax asset can be realised.

19. Share Capital

	2017 (number)	2017 (value $)	2016 (number)	2016 (value $)
FULLY PAID ORDINARY SHARES				
Balance at 1 April	54,205,229	4,973,385	54,205,229	4,973,385
Balance at end of period	**54,205,229**	**4,973,385**	**54,205,229**	**4,973,385**
PREFERENCE SHARES				
Balance 1 April	381,000	381,000	381,000	381,000
Balance at end of period	**381,000**	**381,000**	**381,000**	**381,000**
Total share capital at end of period	**–**	**5,354,385**	**–**	**5,354,385**

Fully paid ordinary shares carry one vote per share and carry a right to dividends. Ordinary shares have no par value.

Preference shares are treated as equity as they are non-redeemable, or redeemable at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

The preference shares are convertible to ordinary shares on a dividend payment date at the option of the holder of the preference shares at a rate of ten ordinary shares per preference share.

Preference shares rank ahead of ordinary shares upon a liquidation, for payment of the issue price of the preference shares. Holders of preference shares would not be entitled to participate further in the distribution of the assets of Connexionz Limited. The preference shares rank behind all other creditors of Connexionz Limited and claims against Connexionz Limited.

19. Share Capital *(continued)*

Fully paid preference shares do not confer any right to vote on any resolution of shareholders. Preference shares are convertible to ordinary shares at the option of the preference shareholder at the rate of 10 ordinary shares per preference share. Preference shares carry the right to a discretionary non-cumulative dividend at the rate of 12%.

Value of Shares is the number of shares issued multiplied by the issue price per share.

A dividend at the rate of 12% per share was accumulated for preference shares held during the year amounting to a total dividend of $45,720 (2016: $45,845). The amount distributed was $15,358 on December 15 2016 and $15,358 on June 15 2016 with the balance accrued at year end. No dividends were paid on ordinary shares in 2017 (2016: nil). The dividend per preference share is 12% p.a.

20. Operating Lease Arrangements

	Company	
	2017 ($)	2016 ($)
Lease commitments under non-cancellable operating leases:		
Not later than one year	86,721	84,589
One to two years	86,721	84,589
Two to five years	55,247	133,932
Five years or more	–	–
Total	**228,689**	**303,110**

The lease commitments include the lease of the company premises. The premises contract is for a 6 year term (expiring on 15 November 2019). There are no renewal options under this premises contract.

21. Contingent Liabilities and Commitments

At 31 March 2017 there is a contingent liability as described below related to legal proceedings in the US as described below (2016: nil).

The Company has been served a complaint from ETA, a Florida based competitor, alleging a breach in a restraint of trade provision in a contract of an ex-ETA employee hired by the Company in December 2016. The Company took legal advice on the contract prior to hiring the employee and does not believe the complaint is substantiated and is vigorously defending the claims. A jurisdiction hearing in a US Court regarding this complaint is expected to take place in August 2017.

Due to inherent uncertainties, no accurate quantification of any cost, or timing of such cost, which may arise from any of the legal proceedings can be made, but the Company believes it is unlikely to significantly effect on the financial position or profitability of Connexionz Limited.

At 31 March 2017 there were no capital commitments (2016: nil).

22. Segment Information

Products and Services From Which Reportable Segments Derive Their Revenues

The information reported to the Company's chief operating decision maker for the purposes of resource allocation and assessment of performance is focussed on the single type of goods and services supplied and a single customer category. The Company supports and provides automatic vehicle tracking systems through direct sales to customers. The accounting policies of the reportable segment are the same as the Company's accounting policies described in Note 3. As there is only one reportable product and service based segment for the Company the segment profit represents profit earned for the segment after all costs including all administration costs, directors salaries', interest revenue, finance costs and income tax expense.

22. Segment Information *(continued)*

The Board makes resource allocation decisions to this segment based on the expected cash flows and results of Company operations as a whole. For the purposes of monitoring segment performance and allocating resources to the segment, the Board monitors the tangible, intangible and financial assets attributable to the segment. All assets are allocated to the reportable segment.

Geographical Information

The Company operates in two principle geographical areas: New Zealand (country of domicile) and North America. The total balances are as per those reported on face of primary statements. The Company's revenue from external customers and information about its segment assets and liabilities by geographical location are detailed below.

	Revenue from external customers	
	2017 ($)	2016 ($)
New Zealand	777,076	1,113,485
North America	2,005,398	2,809,306
	2,782,474	**3,922,791**

	Assets		Liabilities	
	2017 ($)	2016 ($)	2017 ($)	2016 ($)
New Zealand	1,295,170	1,681,837	282,215	371,484
North America	1,333,964	1,677,556	356,218	681,868
	2,629,134	**3,359,393**	**638,433**	**1,053,352**

	Asset additions by segment	
	2017 ($)	2016 ($)
New Zealand	38,808	152,870
North America	–	–
	38,808	**152,870**

Included in the revenue from external customers of $2,782,474 (2016: $3,922,791) (see Geographical Information above) are revenues of approximately $1.294 million which arose from sales to the Company's three largest customers (2016: $2.033 million from the Group's three largest customers).

There are three customers in the North America geographic segment with revenues of more than 10% of total revenue from external customers (2016: two customers) and one customer in the New Zealand geographic segment with revenues of more than 10% of total revenue from external customers (2016: one customer).

23. Financial Instruments

(i) Financial Risk and Capital Management

The Company's capital includes share capital, preference shares and retained earnings. The objective of the Company's capital management is to ensure a strong credit rating to support business growth and maximise shareholder value.

The Company's capital structure is managed and adjustments are made, with Board approval, to the structure in light of economic conditions at the time. Capital structure is reviewed by the Board at every monthly Board meeting. There were no changes to objectives, policies or processes during the year.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

23. Financial Instruments *(continued)*

(ii) Categories of Financial Instruments	Loans and receivables ($)	Financial liabilities at amortised cost ($)	Total ($)
COMPANY – 31 MARCH 2016			
Assets			
Cash and cash equivalents	631,582	–	631,582
Trade and other receivables	1,426,670	–	1,426,670
Total financial assets	**2,058,252**	**–**	**2,058,252**
Liabilities			
Bank overdraft	–	–	–
Trade and other payables	–	428,996	428,996
Total financial liabilities	**–**	**428,996**	**428,996**
COMPANY – 31 MARCH 2017			
Assets			
Cash and cash equivalents	766,432	–	766,432
Trade and other receivables	655,004	–	655,004
Total financial assets	**1,421,436**	**–**	**1,421,436**
Liabilities			
Bank overdraft	–	–	–
Trade and other payables	–	220,273	220,273
Total financial liabilities	**–**	**220,273**	**220,273**

Fair value is considered to approximate the carrying amount.

(iii) Credit Risk

Credit risk is the risk that a counterparty will default on its obligation resulting in a financial loss to the Company. Financial assets, which potentially subject the Company to concentrations of credit risk, consist principally of cash, bank balances and trade and other receivables. The Company has adopted a policy of only dealing with credit worthy counterparties (based on built up knowledge in the marketplace), and for major customers who generate significant trade receivables contracts are in place to define the obligations of both parties. The maximum credit risk at 31 March 2016 is the carrying value of these assets. The Company's cash equivalents are placed with high credit quality financial institutions.

Please refer to Note 13 for details of overdue debtors as at reporting date.

Total credit risk was as follows:

	Company	
	2017 ($)	2016 ($)
Cash	766,432	631,582
Current trade and other receivables	655,004	1,426,670
Total credit risk	**1,421,436**	**2,058,252**

23. Financial Instruments *(continued)*

(iv) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's short, medium, and long-term funding and liquidity management requirements. The Company 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.

The following table details the Company's exposure to liquidity risk (including undiscounted contractual interest obligations):

	Interest rate	Carrying value	Less than 1 month	1 – 3 Months	3 Months to 1 year	1 – 5 Years	5 + Years
COMPANY – 31 MARCH 2016							
Financial liabilities							
Trade and other payables	Non-interest bearing	428,996	428,996	–	–	–	–
Total		**428,996**	**428,996**	**–**	**–**	**–**	**–**
COMPANY – 31 MARCH 2017							
Financial liabilities							
Trade and other payables	Non-interest bearing	220,273	220,273	–	–	–	–
Total		**220,273**	**220,273**	**–**	**–**	**–**	**–**

(vi) Currency Risk

The Company undertakes transactions which are denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. At present the Company does not actively manage currency risk. A sensitivity analysis of currency risk is recorded in part (ix) of this note. The Company's foreign currency denominated assets and liabilities were as follows:

	Company	
	2017 ($)	2016 ($)
Financial assets		
United States dollars (USD)	1,318,760	1,677,556
Total	**1,318,760**	**1,677,556**
Financial liabilities		
United States dollars (USD)	21,452	190,923
Total	**21,452**	**190,923**
The net assets/(liabilities) by currency was as follows:		
United States dollars (USD)	1,297,308	1,486,633
Total	**1,297,308**	**1,486,633**

The Company did not have any forward exchange contracts in place at year end (2016: nil).

23. Financial Instruments *(continued)*

(viii) Sensitivity Analysis – Currency Exchange Rates

The Company is exposed to movements in the currencies of the United States (USD). The tables below display the effect of a 10% swing (in both directions) in the exchange rate on Company's current year net profit after tax and equity and prior year comparative sensitivity analysis. The 10% rate is based on the actual currency movements in 2017 of 11% for the USD.

Foreign currency	Impact on 2017 profit of Company with a 10% appreciation of the NZD ($)	Impact on 2017 profit of Company with a 10% depreciation of the NZD ($)
United States (USD)	(129,731)	129,731
Total	**(129,731)**	**129,731**

Foreign currency	Impact on 2016 profit of Company with a 10% appreciation of the NZD ($)	Impact on 2016 profit of Company with a 10% depreciation of the NZD ($)
United States (USD)	(148,663)	148,663
Total	**(148,663)**	**148,663**

24. Subsequent Events To Reporting Date

No significant events have occurred subsequent to the reporting date. (2016: No significant events occurred subsequent to the reporting date).

25. Going Concern

The financial statements have been prepared using the going concern assumption.

Connexionz Limited recorded a loss from continuing operations of $269,620 for the year ended 31 March 2017 (2016: Profit of $53,715) and has a net bank balance of $766,433 at 31 March 2017 (2016: $631,582), with a positive working capital of $1,021,878 (2016: $1,349,675).

The Company has prepared business plans, budgets and cash flow forecasts and actively monitors performance against these to determine the appropriateness of the use of the going concern assumption. The cash flow forecast has been prepared assuming no major new contracts for the year ended 31 March 2018, which still indicates sufficient cash flows to continue operations for at least 12 months from the date the financial statements are approved by the Board of Directors.

The Directors believe the going concern assumption is a valid basis on which to prepare the financial statements. They have reached this conclusion having regard to the circumstances, which they consider likely to affect the Company during the period of 12 months 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. The Directors understand that revenue streams are cyclical due to the nature of the entity, with revenue fluctuations based on the number of contracts held and when milestones are met, and still believe the use of the going concern assumption is appropriate.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CONNEXIONZ LIMITED

Opinion

We have audited the financial statements of Connexionz Limited ("the Company"), which comprise the statement of financial position as at date, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at date, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Other Information

The directors are responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Who we Report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Warren Johnstone.

BDO Christchurch

BDO Christchurch
Christchurch
New Zealand
17 August 2017

GLOSSARY

Artificial Intelligence (AI)

The ability of a computer system to perform tasks normally requiring human intelligence, such as the ability to reason, discover meaning, generalise, learn from past experience, and make decisions.

Digital Transformation

Change associated with the application of digital technology in all aspects of human society.

Global Positioning System (GPS)

A system that uses signals from satellites to pinpoint the geographic location of an object embedded with a ground receiver (e.g. a smartphone or vehicle tracking unit).

Infotainment

Broadcast material which is intended both to entertain and to inform.

ITS

Intelligent Transit System that improves the quality of transportation by applying information, data processing, communication, and sensor technologies to vehicles (cars, trucks, trains, planes and ships), transport infrastructure and transport users to increase the effectiveness, environmental performance, safety, resilience and efficiency of the transport system.

Internet of Things (IOT)

The interconnection of computing devices embedded in everyday objects that enable them to collect and exchange data via the Internet with computer systems – ideal for intelligent transportation and smart cities. It allows objects to be sensed or controlled remotely, creating opportunities for more direct integration of the physical world into computer-based systems, and resulting in improved efficiency, accuracy and cost-savings through automation.

Interchange

A transport interchange (also transport hub) is a place where passengers and cargo are exchanged between vehicles or between transport modes. Public transport interchanges include train stations, rapid transit stations, bus stops, tram stop, airports and ferry slips.

Internet Enabled

An object with technology embedded that can connect to the internet or be used on the internet, such as an internet-enabled phone.

IP Based

Technology that is connected to a TCP/IP network (the basic communication language or protocol of the Internet), including computers, printers, smartphones, tablets, cordless phones and sensors.

LED Display

A flat panel display, which uses an array of light-emitting diodes as pixels for a video display. Their brightness allows them to be used outdoors in store signs and billboards, and in recent years they have also become commonly used in destination signs on public transport vehicles.

Medius In-Vehicle Unit

A central processing unit that interfaces to all on-vehicle hardware and GPS tracking and communicates over a wireless network (cell, radio, Wi-Fi) to the ITS system. The data is used by transit agencies to plan, optimise and control the scheduling of vehicle fleets and personnel.

Real-time

Computer systems that update information at the same rate as data is being received.

USB

A Universal Serial Bus (USB) interface enables communication between peripheral devices (e.g. cameras, scanners, media devices) and a host computer.

User Interface (UI)

The visual part of computer application or operating system through which a user interacts with a computer or a software.

Wi-Fi

Short for wireless fidelity. The ability to access or connect to a network using radio waves, without needing to use wires.

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