



**connexionz**  
SMARTER TRANSIT SOLUTIONS

# Annual Report 2023



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*Connexionz' Intelligent Transit Systems...*

*... Assist public transport operators to manage their day-to-day systems...*





*...Provide public transport management with alerts and insights for oversight and future planning...*

*...improve the experience of their passengers with access to accurate real time information that takes away the uncertainty around using public transport*

# WELCOME TO CONNEXIONZ

Connexionz is trusted by transit agencies globally for developing innovative and robust Intelligent Transport System (ITS) solutions. With over 25 years industry experience, we are one of the world's top experts in creating modern bus, rail, and ferry technology solutions.

## WHO WE ARE

Established in 1996, Connexionz has delivered intelligent transit systems in Asia, Australasia, Europe, South America, and the Caribbean.

The company is headquartered in Christchurch, New Zealand, with a North American customer support centre in Santa Clarita, California, and a sales office in Denver, Colorado.

## OUR FOCUS

Our system provides world-class intelligent transit solutions for public transport providers. Connexionz provides technologies and services that:

Allow middle to senior management to oversee their public transport operations that provides them with information that gives them insights that can be used to plan future services.

Allow operations teams to manage their day-to-day workflow and meet the unique demands that each new day brings. Central to our customers' success is our world-class Computer- Aided Dispatch/Automatic Vehicle Location (CAD/AVL) tracking solution that allows them to manage their day- to-day operations in real time.

Enhance their passengers' experience by giving them real time arrival information that allows them to plan their journeys, keep informed of events along the way and gives them assurance that their public transport system is working as it should.

## OUR VISION

Connexionz produces intelligent transit systems because it believes that greater use of public transport will help:

- Build a more sustainable world through reduced carbon emissions
- Build a more equitable world through improving the experience for public transport users

Building world class intelligent transit systems will give public transport operators:

- Better control of their operations
- Better insights to tune and improve their existing services and plan new services
- Higher satisfaction among their passengers
- More passenger numbers

# 2023 KEY NEWS

**Executive  
Chair made  
permanent**

**Significant  
investments in new  
technologies**

**Sales remain near  
historical highs at  
\$7.4 million**

**New investments in  
sales and marketing  
resources**

**Nearly 1.2 billion  
GPS positions  
served by our  
systems each year**

**Over 32 million  
passenger trips served  
by our customers**



# THE INTELLIGENT TRANSIT SYSTEM 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 enabling passengers to use smartphones, electronic signs, and solar powered displays to see in real time when their next bus is arriving.

From dispatching drivers and mobile assets to tracking sensors and integrating data for better decision making, the benefits and opportunities that modern transit technologies bring are extraordinary.

## PREPARING FOR TOMORROW'S WORLD

Technology enables network providers to offer flexible demand response services with smaller more efficient transit vehicles.

Electric buses are now being 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 multi-agency feeds enable passengers to book all their transport needs in a single smartphone transaction – right down to the last mile.

Other technologies, such as Artificial Intelligence (AI) and the Internet of Things (IoT) are creating new opportunities to further optimise public transport operations. For example, through a combination of AI and IoT, scheduled fleet maintenance can be replaced with 'as required' fleet maintenance. In this way, vehicles and ferries need not be taken out of service as often for maintenance, improving fleet availability and reducing overall fleet size.



## CREATING NEW OPPORTUNITIES

Connexionz has the technologies and capability to help transit agencies adapt systems to meet market demand and customer expectations. We have 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

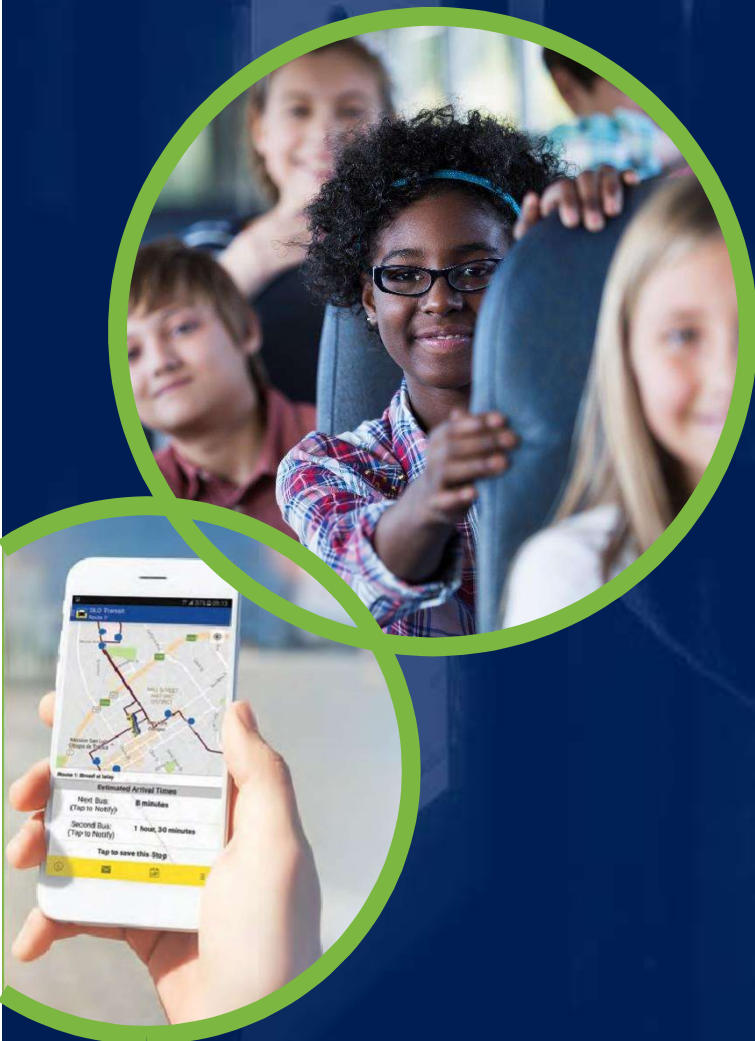
- Track and predict vehicle location and performance in real time
- Dispatch mobile assets and drivers
- Optimise terminal space with dynamic bus stop allocations
- Capture vehicle diagnostics data to optimise maintenance schedules
- Know how many customers have boarded the vessel with accurate laser 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





# EXECUTIVE CHAIR

## YEAR IN REVIEW

The year ending 31 March 2023 has been a fascinating, exciting and eventful year.

### Sales remain near historical highs

I'm excited to report that our sales have remained near historical highs at \$7,459,590. However, a combination of inflation, intense price competition, and our decision to make some big investments in technology, sales and marketing capabilities, resulted in a net loss after tax of (\$474,015). Allow me to expand on these themes.

### Significant investments in new technologies

I'm glad to report that we have been able to recruit good developers to replace those lost near the beginning of 2022. We have had to raise staff remuneration levels significantly in order to ensure that we retain talent.

Paul our CTO says that this is one of the best teams he has led in many years. Disciplined, tons of ability, and an eagerness to make a difference.

We're establishing a thrilling platform on which we can launch some fantastic new features. Watch this space.

### New investments in sales and marketing resources

Because of COVID-19, we in New Zealand, were unable to see our US customers and even our own staff face to face for two and half years. When travel restrictions began to fall, Vaughan our COO, Paul our CTO and myself headed over to see our customers and fellow team members.

I called it our "Kiss and Make Up" tour. The feedback from our customers and re-connecting with staff in a way that only face to face contact can do, was invaluable.

We have been making a lot of changes in our sales and marketing area. Putting in a more disciplined sales process is one of the changes. I took our sales team to Washington DC where we attended a workshop on sales in the public sector environment. I suspect we were one of the few attendees who didn't have a security clearance.

What we learnt there has already made our work much more methodical, structured and decision-making is much more evidence based than before. Our sales executives and bid manager bring many decades of experience and prior industry relationships to the team. Since Christmas, we have been processing and screening a lot of leads every week.

We expect sales activity to remain high as Congress has committed to maintaining public transportation investments at 35% above pre-COVID levels for several more years. And as the new team settles into its work, we expect win/loss ratios to rise too.

A lot of work has gone into refreshing our branding, and conference expo presence and already this has translated into greater traffic on our website, and LinkedIn.

### Inflation and geo-political tensions create risks

Last year supply chain issues meant many electronic components were in short supply. This resulted in significant increases in component prices. Prices have remained above pre-COVID levels.

At the same time, intense competition has meant that prices have not proportionally risen so margins are squeezed.

Geo-Political tensions in SE Asia mean that supply chains for electronic componentry are again at risk. Federal warnings have also been issued and discussed in the industry. We have taken early steps to begin mitigating these risks.

### Dividend Policy

The board intends to review its dividend policy.

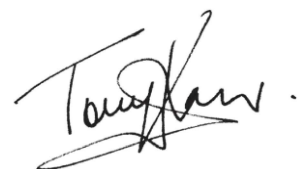
### Outlook

It will take time for the investments we are making this year to reach their full potential. But as we remain faithful and diligent in executing our new processes, the results will follow.

Steve Pont, an outgoing Chief Operating Officer for Tridelta Transit retired at the end of last year. He said, "When we went looking for a new system, we wanted to find a partner not just a vendor. After all these years with Connexionz, I want to tell you Tony, that I can say, we found that partner." Such compliments don't come by accident.

Thanks to our team for the top job they do day in, day out.

Tony Kan



Executive Chair

# BOARD OF DIRECTORS

## TONY KAN

### *Executive Chair*

Prior to being appointed as Executive Chair, Tony had his own corporate advisory business and investment company and remains a chartered member of the Institute of Directors (CMinstd). He provided clients with corporate advice, and assists with restructuring, business development services, business strategy, mergers, and acquisitions.

He has considerable experience in sales contract negotiations of complex technological engineering products and services, the development of financial derivative contracts for risk management, and financial management.

Tony holds electrical engineering, mathematics and physics degrees from the University of Canterbury, a diploma of business studies in Marketing, and an MBA with distinction from Massey University in Corporate Finance and Marketing.



## 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. He was previously CEO of logistics provider, NZ Express Transport Group.



## SANDY MAIER

### *Director*

Sandy has a twenty five-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 at independent chair, director, CEO, and advisory levels.

In recent years, Sandy has lectured, taught, and written extensively about corporate governance in New Zealand.



## MARK FIGGITT

### *Director*

Mark has earned a solid reputation in the New Zealand technology industry over the last 27 years having held several product development and senior management positions for companies including Telecom, Meridian Energy, Arc Innovations, and Airways New Zealand.

Mark is a chartered member of the Institute of Directors (CMinstd), an Independent Director for Gymnastics NZ and the Executive Director for HealthStream, leading the global business development activities for the Scheduling & Capacity Management Division.





# SENIOR LEADERSHIP TEAM

## VAUGHAN KEENAN

### *Chief Operating Officer*

Vaughan heads our Customer Success Team which is responsible for deployment and maintaining our product and services, managing customer relations and account management.

Originally from Wellington New Zealand, he is proud to call Christchurch home after living there for the past 9-years. He lives with his partner of 21 years, two children aged 4 and 7, and their dog Jiro. In his spare time, readers will likely find him either walking with his family on a beach or in the hills around Christchurch or working on building projects around their home. In the past, he has been a professional chef specializing in French cuisine.



## PAUL STEVENS

### *Chief Technology Officer*

Paul leads our Technology Team and is responsible for developing and supporting our technology products and services, as well as helping to vet and select third-party technology partners. The systems we supply are based on our own core proprietary technologies from which quite a number of other third-party technologies are integrated

He has over 25 years of experience in software design and development. Paul also has 15 years of customer-facing development as an owner and part owner of his own bespoke software and software support business.

His software development and technology experience span Business Intelligence, ERP, Enterprise Procurement, Infrastructure maintenance and engineering, Government Statistics, Plumbing, Construction, Global Charities, Spatial Analysis, GIS, 3D Terrain Modelling, Agricultural Disease Control industries.

Paul has certifications in Rational Rose Business Analysis, SQL Server design and development, MapInfo development, Pivotal Development, SAP Financial Processes, NetSuite Scripting and Customization.

When not at work, Paul can be seen mountain running in Wilderness areas. He has also competed at two Junior World Gold Championships, been a photojournalist, and a Football Association referee.

## ANGELA GARTERY

### *Finance Manager*

Angela looks after our finance and administration matters. She is responsible for managing our accounts, liaising with auditors, producing our internal and external reports as well as ensuring that we fulfil all our tax obligations in both New Zealand and abroad.

She has over 30 years of accounting experience in private practice, property management, retailing, manufacturing, agricultural marketing, and research industries.

Angela and her family live on a lifestyle block in Canterbury. Outside of work she likes to keep active enjoying the outdoors and appreciating the beauty of New Zealand.



# DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 MARCH 2023

The Directors of Connexionz Limited submit the following report in respect of the year ended 31 March 2023.

## RESULTS FOR THE YEAR

The net result of operations for the Entity for the year ended 31 March 2023 is a pre-tax loss from continued operations of (\$474,015) (2022: pre-tax profit of \$595,649).

## ACTIVITIES

The Company is engaged in the provision of automatic transit 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
Mark Figgitt	First Interconnect Group	Director
	Gymnastics NZ	Non-Exec Director
Samford Lee (Sandy) Maier	Ben Gough Family Office and Related Entities	Chair - Advisory Board
	Healthcare Applications	Chair – Advisory Board Chair
	Alvarium and Related Companies	Chair/Director
	NZ Equity Partners Limited	Director
	NZ Equity Management Limited	Director

## DIRECTORS' HOLDINGS

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

	Holding as at 31 March 2023		Holdings as at 31 March 2022	
	Ordinary shares	Preference Shares	Ordinary Shares	Preference Shares
Richard Riley	2,496,933	-	2,256,024	-
Resolutionz 101 Ltd	-	60,000	-	60,000
Tony Kan	741,717	20,000	741,717	20,000
Richard Riley (Riley Account)	-	-	481,817	-

## DIRECTORS' REMUNERATION DURING THE 12 MONTHS ENDING 31 MARCH 2023

Director	Directors Fees to 31 March 2023	Directors Fees to 31 March 2022
Richard Riley	\$22,695	\$21,230
Tony Kan	\$45,380	\$42,450
Sandy Maier	\$22,695	\$21,230
Mark Figgitt	\$25,475	\$23,830

Board Resolution passed on the 11 April 2018 to increase director fees by the inflation rate as measured by the New Zealand Consumer Price index for the 12 months, on April 1 each year unless otherwise agreed.

### 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.

### Directors Liability Insurance

The Company holds current Directors Liability Insurance.

### Employees Remuneration

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

Number of Employees Remuneration	2023	2022
\$400,000 - \$409,999 pa	-	1
\$310,000 - \$319,999 pa	1	-
\$300,000 - \$309,999 pa	1	-
\$260,000 - \$269,999 pa	1	-
\$200,000 - \$209,999 pa	1	-
\$190,000 - \$199,999 pa	1	-
\$180,000 - \$189,999 pa	1	-
\$160,000 - \$169,999 pa	1	1
\$140,000 - \$149,999 pa	1	3
\$130,000 - \$139,999 pa	5	2
\$120,000 - \$129,999 pa	1	2
\$110,000 - \$119,999 pa	-	2
\$100,000 - \$109,999 pa	3	1

### Donations

Donations made by the Company during the year ended 31 March 2023 totaled nil (2022: 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 15 May 2023, is provided below:

	<b>Substantial Security Holding</b>	<b>Holding</b>	<b>Percent</b>
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	Richard Arnold Riley	2,496,933	4.61%
6	Robert Burke	2,375,780	4.38%
7	Chao Yang Lui	2,000,000	3.69%
8	Paul Zwaan	1,972,067	3.64%
9	Lorraine Gray & Allan Coull	1,897,783	3.50%
10	Paul Bernard McCormack	1,819,714	3.36%
11	Ace Finance Limited	1,677,975	3.10%
12	Brett Russell Whiston	1,525,152	2.81%
13	Gregor James Moyle & Grant Hally	1,503,925	2.77%
14	Bevan Hugh Wallace	1,260,000	2.32%
15	Bevan Hugh Wallace	1,150,000	2.12%
16	Wiltshire Family Trust Company Limited	1,077,200	1.99%
17	Extra Strength Number 164 Limited	824,550	1.52%
18	Anthony Norman Len Joe Kan	741,717	1.37%
19	Russell Gard	718,769	1.33%
20	Robert Barry Burling	711,372	1.31%
	<b>Total top 20 holders</b>	<b>46,683,023</b>	<b>86.12%</b>
	<b>Total shares issued</b>	<b>54,205,249</b>	<b>100.00%</b>

## Substantial Security Holders

A “substantial security holder” means a person who has a relevant interest in 5 percent or more of the voting securities of the public issuer or body. A list of substantial security holders, and a date not earlier than 3 months before the date that the annual report is seen, namely 15 May 2023 is provided below:

	<b>Holding</b>	<b>Percent</b>
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	7.07%
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 15 May 2023, is provided below:

Range	Number of Holders	Number of Shares held	\$
1 to 1,000	13	9,962	0.02%
1,001 to 5,000	211	610,650	1.13%
5,001 to 10,000	40	344,946	0.64%
10,001 to 50,000	53	1,107,233	2.04%
50,001 to 100,000	15	1,154,036	2.13%
100,001 and over	35	50,978,422	94.05%
Total	372	54,205,249	100.0%

## Credit Rating

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

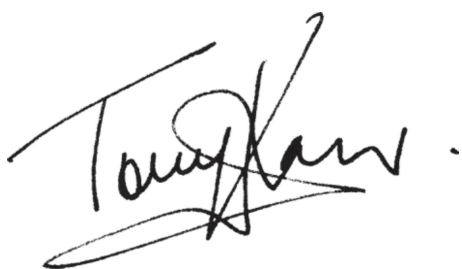
## Waivers

There were no waivers issued in the current period.

## Auditor

It is proposed that the auditor, BDO Christchurch Audit Limited, 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 2023 were \$37,000 (2022: \$36,000).

For and on behalf of the Board



Tony Kan – Executive Chair

28 July 2023

# APPROVAL OF FINANCIAL STATEMENTS

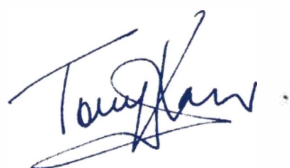
FOR THE YEAR ENDED 31 MARCH 2023

## AUTHORISATION FOR ISSUE

The Directors authorised the issue of these financial statements on 28 July 2023.

## APPROVAL BY DIRECTORS

The Directors are pleased to present the financial statements of Connexionz Limited for the year ended 31 March 2023 on pages 18 to 46.



**Tony Kan Executive Chair**

**28 July 2023**



**Richard Riley Director**

**28 July 2023**

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	<b>Notes</b>	<b>2023 \$</b>	<b>2022 \$</b>
Revenue	5	7,459,590	7,472,970
Other Income	5	138,490	238,546
Raw Materials and Consumables Used		(3,013,031)	(2,594,285)
Depreciation and amortisation expenses	14, 15	(296,107)	(328,987)
Employee Benefits Expense	6	(3,422,780)	(2,944,646)
Finance Costs	13	(22,017)	(15,202)
Consulting Expense		(77,449)	(130,842)
Other Expenses	6	(1,240,711)	(1,101,906)
Profit/(Loss) Before Tax		(474,015)	595,649
Income Tax Benefit (Expense)	17	-	-
<b>PROFIT/(LOSS) FOR THE YEAR</b> attributed to Shareholders		<b>(474,015)</b>	<b>595,649</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b> attributed to Shareholders		<b>(474,015)</b>	<b>595,649</b>

To be read in conjunction with the notes on pages 18 - 46.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Notes	2023 \$	2022 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	159,501	868,535
Contract Asset (Accrued Income)	12	39,995	800,441
GST and sales tax receivable	17	18,284	45,238
Inventories	11	896,175	680,161
Trade and other receivables	12	1,058,824	383,886
Bid Bond		-	65,383
Prepayments		115,296	94,740
<b>Total Current Assets</b>		<b>2,288,076</b>	<b>2,938,384</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment, ROUA (Property Lease)	14	652,395	140,045
Intangible assets	15	477,081	393,916
<b>Total Non-Current Assets</b>		<b>1,129,475</b>	<b>533,961</b>
<b>TOTAL ASSETS</b>		<b>3,417,551</b>	<b>3,472,345</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current Liabilities</b>			
Cash and cash equivalents	10	387,618	-
Employee benefits	16	227,868	192,350
GST and sales tax payable	17	-	15,268
Contract Liability (Revenue received in advance)	18	495,201	1,003,021
Lease Liability	9a, 20	56,563	101,124
Trade and other payables	16	800,476	624,269
<b>Total Current Liabilities</b>		<b>1,967,726</b>	<b>1,936,033</b>
<b>Non-Current Liabilities</b>			
Contract Liability (Revenue received in advance)	18	150,131	284,594
Lease Liability	9a, 20	575,829	8,117
<b>Total Non-Current Liabilities</b>		<b>725,960</b>	<b>292,712</b>
		<b>2,693,686</b>	<b>2,228,744</b>
<b>TOTAL LIABILITIES</b>			
<b>Equity</b>			
Share Capital	19	5,354,385	5,354,385
Accumulated Loss		(4,630,520)	(4,110,784)
<b>TOTAL EQUITY</b>		<b>723,865</b>	<b>1,243,600</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,417,551</b>	<b>3,472,345</b>

To be read in conjunction with the notes on pages 18 - 46.

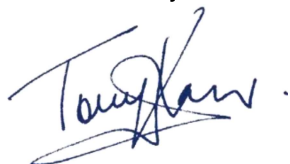


# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDING 31 MARCH 2023

	Notes	Share Capital \$	Accumulated Loss \$	Total \$
<b>Balance at 1 April 2021</b>		5,354,385	(4,660,713)	693,672
Profit/(Loss) for the year		-	595,649	595,649
Total comprehensive income for the year		-	595,649	595,649
Payment of preference share dividends		-	(45,720)	(45,720)
<b>Balance at 31 March 2022</b>	19	5,354,385	(4,110,784)	1,243,601
Profit/(Loss) for the year		-	(474,015)	(474,015)
Total Comprehensive Income for the Year		-	(474,015)	(474,015)
Payment of preference share dividends		-	(22,797)	(22,797)
Accrued preference share dividend yet to be declared		-	(22,923)	(22,923)
<b>Balance at 31 March 2023</b>	19	5,354,385	(4,630,520)	723,865

To be read in conjunction with the notes on pages 18 - 46.



Tony Kan Executive Chair

28 July 2023



Richard Riley Director

28 July 2023

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		8,122,118	7,929,500
Interest received		209	17
Payments to suppliers and employees		(8,745,146)	(7,573,115)
Lease Interest	9a, 20,13	(13,981)	(15,202)
Interest paid		(8,036)	-
<b>Net cash (used in)/provided by operating activities</b>	<b>9</b>	<b>(644,837)</b>	<b>341,200</b>
<b>Cashflows from investing activities</b>			
Purchase of Property, Plant & Equipment		(19,877)	(40,287)
Purchase of Intangible Assets		(356,541)	(19,334)
Proceeds from Disposal of PPE		16,350	-
<b>Net cash used in investing activities</b>		<b>(359,468)</b>	<b>(59,621)</b>
<b>Cashflows from Financing activities</b>			
IRD Loan Repayment		-	(29,800)
Lease Principal Repayment	9a, 20	(111,139)	(97,247)
Dividends Paid to Preference Shareholders		(22,797)	(45,720)
<b>Net cash provided by / (used in) financing activities</b>		<b>(133,936)</b>	<b>(172,767)</b>
Net decrease in cash and cash equivalents		(1,138,240)	108,812
Cash and cash equivalents as at beginning of year		868,534	771,341
Exchange (losses)/gains		41,588	(11,619)
<b>Cash and cash equivalents as at end of year</b>	<b>10</b>	<b>(228,117)</b>	<b>868,536</b>

To be read in conjunction with the notes on pages 18 - 46.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

## 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. The Company is an FMCA Reporting Entity under the Financial Markets Conduct Act 2013. 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”), for the purpose of complying with GAAP, the company is a for-profit entity. 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 Markets Conduct Act of 2013. The financial statements were authorised for issue by the Board of Directors on 28 July 2023.

## 2. BASIS OF PREPARATION

The financial statements have been prepared based on 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 with no new accounting policy additions applied in the current year.

### (C) REVENUE

Revenue arises mainly from the sale of hardware and software, after-sales maintenance, and warranty services. To determine whether to recognise revenue, the Group follows a 5-step process:

- a. Identifying the contract with a customer
- b. Identifying the performance obligations
- c. Determining the transaction price
- d. Allocating the transaction price to the performance obligations
- e. Recognising revenue when and as its performance obligation(s) are satisfied.

The Company often enters into transactions involving a range of the Company’s products and services, for example for the delivery of hardware, software and related after-sales service. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

#### **Hardware and software contract Revenue:**

Contract revenue derived from hardware sales/services that are stand-alone in nature and not customised or significant integration is recognised at a point in time when control of good/service has been transferred to the customer. When hardware sales/services are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Company has an enforceable right to payment for the work completed to date. Revenue for these performance obligations is recognised over time as the customisation or integration work is performed, using the cost incurred plus estimated profit margin to estimate progress towards completion. As costs are generally incurred uniformly as the work progresses and are considered to be proportionate to the entity's performance, the cost-plus margin method provides a faithful depiction of the transfer of goods and services to the customer.

#### **Maintenance Revenue:**

Service and Maintenance revenue (SMA) is mainly derived from customer contracts to maintain installed systems/ hardware and revenue is recognised over time as per the contracted monthly fee as the Company has satisfied its performance obligation and the customer has consumed the benefit. Where Service and Maintenance is provided outside of a SMA contract the revenue is generally realised at a point in time when control of good/service has been transferred to the customer. This revenue generally rises from hardware replacements/repairs that are not covered by a SMA contract.

### **(D) GOVERNMENT GRANTS**

#### **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 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) 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.

## **(G) FINANCIAL INSTRUMENTS**

### **Recognition and derecognition**

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

### **Classification and initial measurement of financial assets**

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with NZ IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified at amortised cost.

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables (if any) which is presented within impairment gains (losses) of financial assets in profit or loss.

### **Subsequent measurement of financial assets**

#### ***Financial assets at amortised cost***

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.



### ***Impairment of financial assets***

NZ IFRS 9's recognises expected credit losses using the 'expected credit loss' (ECL) model.

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

There are no financial assets that could be subject to general 3 stage impairment model. For the sake of completeness of the account policy it is important to mention that NZ IFRS 9 requires entities to think and apply a 3-stage model (Stage 1 to stage 3). Under note 23 (iii) you can see the financial assets subject to credit risk.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

### ***Trade receivables and contract assets***

The Company makes use of a simplified approach in accounting for trade receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses.

### ***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:

#### ***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.

#### ***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.

### ***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.



## Patents

Purchased patents are recognised at cost and amortised in the profit or loss on a straight-line basis over their estimated useful lives.

- Patents – 5.00% per annum

## Software

Acquired computer software licenses expected to last more than one year are capitalised based on 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.

- Software – 40.00% per annum

## Amortisation Rates

Development 21.00% per annum based on useful life of 4.8 years

Patents 5.00% per annum

Software 40.00% per annum

## (J) IMPAIRMENT – NON-FINANCIAL ASSETS

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

## (K) LEASES

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee.
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease.
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove, or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

## **(L) 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.

## **(M) 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.

## **(N) 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.

## **(O) 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 required impairment applied as at 31 March 2023 – refer Note 11.
- The estimated selling price and estimated costs to sell, in determining the net realisable value of inventories has been reviewed by Directors and required impairment applied as at 31 March 2023 – refer Note 11.
- Determination of the useful lives of property, plant, and equipment – refer Note 14.
- Determination of the useful lives of intangible assets – refer Note 15.
- Determination of deferred taxation asset recoverability – refer Note 17.
- 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 15. 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 2023 at \$477,082 (2022: \$393,916). 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.

- Determination of the Incremental Borrowing Rate on Lease Liability – refer Note 20.
- Determination of Revenue Recognition (completion over time) is a critical estimate – refer to note (C).
- Assessment of Going Concern, - refer to Note 24.

## **(P) 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 Directors.

## **(R) 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.

#### **(S) 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.

#### **(T) 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. CHANGES IN ACCOUNTING POLICY -**

### **New Standards and Interpretations that are not yet effective and have not been adopted early by the Company**

At the date of authorisation of these financial statements, certain NZ IFRS new standards and interpretations to existing standards have been published but not yet effective and have not been adopted early by the Company.

All pronouncements will be adopted in the first accounting period beginning on or after the effective date of the new standard. Certain other new standards and interpretations issued but not yet effective, that are not expected to have a material impact on the Company's financial statements, have not been disclosed.

There are no other NZ IFRSs or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

## 5. REVENUE AND OTHER INCOME

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

	2023 \$	2022 \$
<b>Revenue</b>		
Contract	5,926,631	5,855,708
Maintenance	1,532,959	1,617,262
<b>Total Revenue</b>	<b>7,459,590</b>	<b>7,472,970</b>

### Timing of Transfer of Goods and Services from Operational Revenue

Point in Time - Contract	2,326,060	2,184,343
Over Time - Contract	3,600,571	3,671,365
Point in Time - Maintenance (outside of SMA)		330
Over Time - Maintenance (SMA)	1,532,959	1,616,932
<b>Total Operation Revenue</b>	<b>7,459,590</b>	<b>7,472,970</b>

### Revenue from external customers

New Zealand	-	313,534
North America	7,459,590	7,159,436
<b>Total Revenue external customers</b>	<b>7,459,590</b>	<b>7,472,970</b>

### Other Income

Development Grants	5,385	238,382
Financial Assets at Amortised Cost (Interest Received)	209	17
Unrealised FX Gain	14,058	-
Realised FX Gain	105,349	
Sundry Income	13,489	148
<b>Total Other Income</b>	<b>138,490</b>	<b>238,546</b>

## 6. EMPLOYEE BENEFITS AND OTHER EXPENSES

### Employee Benefits

	2023 \$	2022 \$
<b>Profit/(Loss) for the period has been arrived at after charging the following expenses:</b>		
Salaries & Wages	3,377,735	2,901,538
Bonuses & Incentives	-	-
Defined Contribution Scheme Expenses	41,661	40,646
Other Employee Benefit Expenses	3,384	2,462
<b>Employee Benefit Expense</b>	<b>3,422,780</b>	<b>2,944,646</b>



## Other Expenses

	2023 \$	2022 \$
<b>Profit/(Loss) for the period has been arrived at after charging the following expenses:</b>		
Audit fees to BDO Wellington Audit Limited	3,237	49,471
Audit fees to BDO Christchurch Audit Limited	37,000	-
Directors fees (refer Note 7)	116,245	108,740
Sales commissions	31,773	281,391
Unrealised FX loss	-	21,335
Realised FX loss	-	12,104
Communication and Software expense	208,327	132,067
Travel	156,329	43,747
Accounting	29,455	17,273
Insurance	61,346	64,571
US Office	46,370	69,315
Marketing	251,824	74,389
Other operating expenses	298,805	227,503
<b>Other Expenses</b>	<b>1,240,711</b>	<b>1,101,906</b>

Total research and development expenses for 2023 excluding capitalised development expenditures were \$927,328 (2022: \$1,110,478). Most of research and development expenses are booked as part of employee benefits expense.

## 7. RELATED PARTIES

### Key Management Personnel

Director fees paid to Resolutionz 101 Limited totalled \$22,695 excl. GST (2022: \$21,252). A balance was outstanding of \$6,525 due to Resolutionz 101 Limited at reporting date (2022: \$6,104). Mr Riley is a director and shareholder of Connexionz Limited and Resolutionz 101 Limited.

Director fees paid to Kan and Co Limited totalled \$45,380 excl. GST (2022: \$42,944). There was an outstanding balance of \$4,348.92 due to Kan and Co Limited at reporting date (2022: \$23,235). Mr Kan is a director and shareholder of Connexionz Limited and Kan and Co Limited.

Director fees and miscellaneous travel and other expenses paid to Mr Sandy Maier totalled \$24,597 excl. GST (2022: \$24,233). There was an outstanding balance of \$5,674 due to Mr Maier at reporting date (2022: \$6,766). Mr Maier is a director of Connexionz Limited.

Director fees paid to First Interconnect Group totalled \$25,475 excl. GST (2022: \$23,830). There was an outstanding balance of \$6,369 to First Interconnect Group at reporting date (2022: \$5,958). Mr Mark Figgitt is a director of Connexionz Limited and a Director of First Interconnect Group with shareholdings.

The above are liabilities that are at amortised cost. The total interest expense paid for these liabilities in 2023 was \$nil (2022: \$nil). Compensation paid to key management personnel in 2023 were:

	2023 \$	2022 \$
Short term employee benefits	275,000	251,006
Post-employment benefits	-	5,258
<b>Total</b>	<b>275,000</b>	<b>256,264</b>



## 8. SECURITIES

Westpac bank holds a General Security Agreement over the company with first ranking giving it first priority against any assets of the company that are not specifically charged elsewhere under a SSA (Specific Security Agreement) to which the bank would usually agree to being put in place.

## 9. NET CASH FLOW FROM OPERATING ACTIVITIES

### Reconciliation of profit/(loss) for the period to net cash flows from operating

<b>activities:</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Profit (loss) after tax for the period</b>	(474,015)	595,649
<b>Adjustment for non-cash items:</b>		
Depreciation of property, plant and equipment, and ROUA	113,096	138,269
Impairment of other intangible assets	107,893	10,306
Amortisation of other intangible assets	165,483	180,412
<b>Changes in net assets and liabilities:</b>		
<b>Decrease/ (Increase) in assets:</b>		
Trade and other receivables (current)	(657,410)	157,918
Inventories	(216,013)	25,153
Accrued income and retentions	760,446	(734,712)
Bid Bond	65,383	(65,383)
Taxation refund due	26,954	(20,592)
Prepayments	(20,556)	8,709
<b>Increase/(decrease) in liabilities:</b>		
Trade and other payables	90,667	174,183
Revenue received in advance	(507,820)	45,157
Employee entitlements	35,518	(64,173)
Contract Income in Advance	(134,463)	(109,697)
<b>Net cash inflow /(outflow) from operating activities</b>	<b>(644,837)</b>	<b>341,200</b>

## 9A. NOTES SUPPORTING THE STATEMENT OF CASH FLOWS

	Non Current Lease \$	Current Lease \$	Totals \$
Opening balance at 1 April 2022	8,117	101,124	109,241
Loan Interest Accrued	-	13,981	13,981
Additions/Adjustment to Market Value	576,464	57,824	634,288
Loans classified as non-current at 31 March 2022 becoming current during period to 31 March 2023	(8,752)	8,752	-
Cash Flows	-	(125,119)	(125,119)
<b>Closing balance at 31 March 2023</b>	<b>575,829</b>	<b>56,562</b>	<b>632,391</b>

## 10. CASH AND CASH EQUIVALENTS

	2023 \$	2022 \$
Cash held in NZ\$ Overdraft	(387,618)	-
Cash held in NZ\$ accounts	176	84,946
Cash held in US\$ accounts	159,325	783,589
<b>Total cash and cash equivalents</b>	<b>(228,117)</b>	<b>868,535</b>

Net exchange (losses)/gains on Cash and Cash Equivalents 2023 \$41,588 (2022: (\$11,619))

NZ\$ Cheque account 2023 zero interest earned (2022: 0.00%) – Overdraft facility in place 2023 \$400,000 on demand 14.05% interest charged (2022: no overdraft facility in place)

US\$ Cheque account 2023 zero interest earned (2022: 0.00%)

US\$ Collateral account 2023 0.01% p.a interest earned (2022: 0.01%)

## 11. INVENTORY

	2023 \$	2022 \$
Work in Progress	131,778	314,871
Stock	764,398	365,290
<b>Trade inventories</b>	<b>896,175</b>	<b>680,161</b>

Inventory write downs for the year 2023: \$76,716 (2022: \$11,196)

## 12. CURRENT TRADE AND OTHER RECEIVABLES

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	1,058,824	382,276
Contract Assets (Accrued Income)	39,995	800,441
Other Receivables	-	1,610
<b>Total current trade and other receivables</b>	<b>1,098,819</b>	<b>1,184,327</b>

Included in the Company's trade receivables balance are debtors with a carrying value of nil (2022: \$72,588) which is past due at the reporting date. When measuring expected credit losses, the Company considers possible loss scenarios. In doing so, the Company considers the risk that a credit loss occurs by reflecting the possibility that a credit loss may or may not occur. The Directors are of the opinion that no credit loss ratio is to be applied. Due to the short-term nature of these debtors' time value of money is not considered to be a material factor. The impairment loss calculated is not considered material and thus has not been provided for.

<b>Aging Profile of Trade Receivables</b>	<b>Expected credit loss rate</b>	<b>Expected credit loss value</b>	<b>2023</b>	<b>2022</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
< 30 days	0%	-	995,398	309,688
30 – 60 days	0%	-	63,426	-
61 - 90 days	0%	-	-	-
>90 days	0%	-	-	72,588
<b>Total aging trade receivables</b>			<b>1,058,824</b>	<b>382,276</b>

## 13. FINANCE COSTS

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Interest on Westpac Overdraft Facility -liability at amortised cost	8,036	-
Interest on Lease Liability – refer to lease note 20.	13,981	15,202
<b>Total Finance Costs</b>	<b>22,017</b>	<b>15,202</b>

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements \$	Right of Use Asset Property Lease \$	Equipment and Fittings \$	Vehicle \$	Total \$
<b>Cost</b>					
Opening balance at 1 April 2021	89,640	322,130	493,759	29,130	934,659
Additions (note 3H)	-	23,460	40,287	-	63,747
Disposals	-	-	-	-	-
<b>Balance at 31 March 2022</b>	<b>89,640</b>	<b>345,590</b>	<b>534,046</b>	<b>29,130</b>	<b>998,406</b>
Additions (note 3H)	-	640,047	19,276	-	659,324
Disposals	-	-	(4,747)	(29,130)	(33,877)
<b>Balance at 31 March 2023</b>	<b>89,640</b>	<b>985,637</b>	<b>548,575</b>	<b>-</b>	<b>1,623,852</b>
<b>Accumulated depreciation</b>					
Opening balance at 1 April 2021	85,282	158,429	467,531	8,849	720,091
Depreciation	915	98,471	34,950	3,933	138,268
<b>Balance at 31 March 2022</b>	<b>86,197</b>	<b>256,899</b>	<b>502,481</b>	<b>12,782</b>	<b>858,359</b>
Depreciation	916	99,777	29,931	-	130,625
Disposals	-	-	(4,747)	(12,782)	(17,529)
<b>Balance at 31 March 2023</b>	<b>87,113</b>	<b>356,676</b>	<b>527,665</b>	<b>-</b>	<b>971,455</b>
<b>Net book value as at 31 March 2021</b>	<b>4,358</b>	<b>163,701</b>	<b>26,228</b>	<b>20,281</b>	<b>214,568</b>
<b>Net book value as at 31 March 2022</b>	<b>3,443</b>	<b>88,690</b>	<b>31,565</b>	<b>16,349</b>	<b>140,045</b>
<b>Net book value as at 31 March 2023</b>	<b>2,527</b>	<b>628,961</b>	<b>20,910</b>	<b>-</b>	<b>652,395</b>

See note 20 for Lease Liability balances.

## 15. INTANGIBLE ASSETS

	<b>Development Costs</b>
	<b>\$</b>
<b>Cost</b>	
Opening balance at 1 April 2021	1,707,087
Additions (note 3I)	29,641
<b>Balance at 31 March 2022</b>	<b>1,736,728</b>
Additions (note 3I)	356,541
<b>Balance at 31 March 2023</b>	<b>2,093,269</b>
<b>Accumulated amortisation and impairment</b>	
Opening balance at 1 April 2021	1,141,786
Amortisation	190,718
Written off as Impaired	10,306
<b>Balance at 31 March 2022</b>	<b>1,342,811</b>
Amortisation	165,483
Written off as impaired	107,893
<b>Balance at 31 March 2023</b>	<b>1,616,187</b>
<b>Net book value as at 31 March 2021</b>	<b>565,299</b>
<b>Net book value as at 31 March 2022</b>	<b>393,916</b>
<b>Net book value as at 31 March 2023</b>	<b>477,082</b>

Internally generated intangible assets net book value for 2023 is \$477,082 (2022: \$393,916). The Directors are of the opinion that impairment of intangible assets during the period was required of \$107,893.

Development costs recognised as an intangible asset are amortised on a straight-line basis over the period of 4.8 years at an amortisation rate of 21.00% per annum.



## 16. CURRENT TRADE AND OTHER PAYABLES AND EMPLOYEE BENEFITS

	2023 \$	2022 \$
<b>(i) Current Trade and Other Payables</b>		
Trade payables	565,682	344,830
Related party payables (see Note 7):		
Resolutionz 101 Limited	6,525	6,104
Kan & Co Limited	8,131	23,235
First Interconnect Group	6,369	5,958
Sandy Maier	5,674	6,766
Other payables	208,096	237,377
<b>Balance at end of period</b>	<b>800,476</b>	<b>624,269</b>

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 of the month following invoice.

	2023 \$	2022 \$
<b>(ii) Employee Benefits</b>		
Holiday pay accrual	182,416	154,534
PAYE payable	35,979	29,047
Kiwi saver payable	9,472	6,969
Other wage accruals	-	1,800
<b>Closing Balance</b>	<b>227,868</b>	<b>192,350</b>

## 17. TAXATION

### a) Income tax recognized in profit or loss

	2023 \$	2022 \$
<b>Tax expense / (benefit) comprises:</b>		
Current tax expense / (income)	(45,487)	217,565
Reconciling adjustments	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	(82,309)	(48,538)
Deferred Tax not Recognised	127,795	-
Deferred Tax Recognised (Utilisation of previously unrecognized tax losses)	-	(169,027)
<b>Total tax expense benefit/(income)</b>	<b>-</b>	<b>-</b>

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

Income/(loss) from continued operations	(474,015)	595,649
Income tax expense/(benefit) calculated at 28%	(132,724)	166,782
Non-deductible expenses	4,929	2,245
Current Year Tax Losses not recognized as Deferred Tax	45,487	-
Prior Year Tax Losses de-recognized From Deferred Tax	53,584	-
Current year timing differences not recognized as Deferred Tax	28,725	-
Deferred Tax Recognised (Utilisation of previous unrecognized tax losses)	-	(169,027)
<b>Total tax expense / (benefit)</b>	<b>-</b>	<b>-</b>

### b) Deferred tax balances

#### Taxable and deductible temporary differences arise from the following:

Year Ended 31 March 2023	Opening Balance \$	Charged to Income \$	Charged to Equity \$	Reconciling Adjustment \$	Closing Balance \$
<b>Deferred Tax Assets</b>					
Employee Entitlements & Provisions	37,145	8,678	-	-	45,823
ACC Accrual	409	10	-	-	419
Audit Accrual	10,080	(60)	-	-	10,020
General Accrual	3,323	1,929	-	-	5,253
Development Costs - Tax Amortisation on Intangibles	(110,296)	46,335	-	-	(63,961)
IFRS16 Lease Liability/ROUA adjustment	5,754	(4,793)	-	-	961
Fixed Asset (Gain)/Loss on Disposal	-	(3,777)	-	-	(3,777)
Tax Gain/Loss on Disposal	-	3,777	-	-	3,777
Development Impairment	-	30,210	-	-	30,210
Tax Losses recongnised/(de-recognized)	53,584	(53,584)	-	-	0
Timing differences recongnised/(de-recognized)	-	(28,725)	-	-	(28,725)
<b>Net Deferred Tax Asset 31 March 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Year Ended 31 March 2022</b>	<b>Opening Balance</b> \$	<b>Charged to Income</b> \$	<b>Charged to Equity</b> \$	<b>Reconciling Adjustment</b> \$	<b>Closing Balance</b> \$
<b>Deferred tax Assets</b>					
Employee Entitlements & Provisions	35,446	1,699	-	-	37,145
ACC Accrual	596	(187)	-	-	409
Audit Accrual	8,400	1,680	-	-	10,080
General Accrual	3,422	(99)	-	-	3,323
Development Costs - Tax Amortization on Intangibles	(162,937)	45,102	-	7,539	(110,296)
IFRS16 Lease Liability/ROUA Adjustment	10,238	343	-	(4,827)	5,754
Tax Losses Recognised/ (utilised)	104,834	(48,538)	-	(2,712)	53,584
<b>Net Deferred Tax Asset as at 31 March 2022</b>	-	-	-	-	-

### c) Recognised Tax Losses Balances

	<b>2023</b> \$	<b>2022</b> \$
Tax losses balance at beginning of period	(191,369)	(374,407)
Net Assessable Income	(162,452)	777,017
Unrecognised Tax Losses	353,822	
Recognition of Prior Year Tax Losses		(593,979)
<b>Tax losses balance at end of period</b>	<b>-</b>	<b>(191,369)</b>

For the year ended 31 March 2023, the Company recorded an accounting loss of (\$474,015). After allowing for permanent tax adjustments of \$17,604 and temporary tax adjustments of \$293,959, the Company recorded tax loss of (\$162,452) for 2023. The Directors of Connexionz Limited have not recognised a deferred tax asset derived from operating losses (17(b) above) in the Statement of Financial Position in 2023 (2022: \$53,584). In addition, a deferred tax asset relating to timing differences of \$28,725 has not been recognised. In 2023 the Company derecognized tax Losses of \$353,822. Unrecognized Net Deferred Tax Asset at the 31 March 2023 totals \$379,170 (2022: \$280,100).

While the Directors remain confident of generating future profits, due to the previous cyclical performance of the business and current global supply chain disruptions, the Directors have taken a conservative approach and will recognize tax losses annually as profit is generated.

The Directors have approved a breakeven growth budget for the 2024 financial year. Confirmed contracts won in USA contribute to the anticipated result, as well extensive sales opportunities as continued strong demand for the Company's products and services, and a strong sales focus across the USA.

### d) Imputation Credit Account Balances

	<b>2023</b> \$	<b>2022</b> \$
Balance at beginning of the period	-	-
Resident withholding tax on interest income	-	-
Balance at end of the period	-	-

## e) Other Taxes payable

	2023 \$	2022 \$
GST	(18,284)	(45,238)
US sales and use tax	-	15,268
Balance at end of the period	(18,284)	(29,970)

## 18. CONTRACT LIABILITY

	2023 \$	2022 \$
<b>At 1 April</b>	1,287,615	1,352,155
Deferred during the year	6,817,307	7,408,431
Released to profit or loss	(7,459,590)	(7,472,970)
<b>At 31 March</b>	645,332	1,287,616

Current	495,201
Non-Current	150,131
<b>Total</b>	<b>645,332</b>

The contract liabilities represent amounts received in advance for the sale of hardware/services and maintenance. The performance obligations will be performed as stipulated in the contract over the next 0-48 months when the hardware product is ready, service and maintenance performed, and control is transferred to the customer.

## 19. SHARE CAPITAL

	2023 Number	2023 Value \$	2022 Number	2022 Value \$
<b>Fully paid ordinary shares</b>				
Balance at 1 April	54,205,249	4,973,385	54,205,249	4,973,385
<b>Balance at end of period</b>	<b>54,205,249</b>	<b>4,973,385</b>	<b>54,205,249</b>	<b>4,973,385</b>
<b>Preference Shares</b>				
Balance 1 April	381,000	381,000	381,000	381,000
<b>Balance at end of period</b>	<b>381,000</b>	<b>381,000</b>	<b>381,000</b>	<b>381,000</b>
<b>Total share capital at end of period</b>		<b>5,354,385</b>		<b>5,354,385</b>

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 Directors.

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.

Fully paid preference shares do not confer any right to vote on any resolution of shareholders. Preference shares carry the right to a discretionary non-cumulative dividend at the rate of 12% p.a.

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 \$38,330 (2022: \$45,720). The amount distributed was \$22,797 on 31 August 2022. No dividends were paid on ordinary shares in 2023 (2022: nil).

## 20. LEASE

Lease Liability Year End 31 March 2023	Non-Current lease Liability \$	Current Lease Liability \$	Total Lease Liability \$
Opening balance at 1 April 2022	8,117	101,124	109,241
Interest Accrued	-	13,981	13,981
Additions	575,828	66,280	642,109
Market Value Adjustment		(1,141)	(1,141)
Classified as non-current at 31 March 2022 becoming current during period to 31 March 2023	(8,752)	8,752	-
Closing Present Value Foreign Currency Adjustment	635	(7,314)	(6,679)
Cash Flows	-	(125,119)	(125,119)
<b>Closing balance at 31 March 2023</b>	<b>575,828</b>	<b>56,562</b>	<b>632,391</b>

Lease Liability Year End 31 March 2022	Non-Current lease Liability \$	Current Lease Liability \$	Total Lease Liability \$
Opening balance at 1 April 2021	95,108	78,232	173,341
Interest Accrued	-	15,202	15,202
Additions	-	26,154	26,154
Market Value Adjustment	-	10,476	10,476
Classified as non-current at 31 March 2021 becoming current during period to 31 March 2022	(86,356)	86,356	-
Closing Present Value Foreign Currency Adjustment	(635)	(2,849)	(3,484)
Cash Flows	-	(112,449)	(112,449)
<b>Closing balance at 31 March 2022</b>	<b>8,117</b>	<b>101,124</b>	<b>109,241</b>

The lease commitments include the lease of the company premises. For the NZ lease the company entered into a new lease for the term of ten years from 15 November 2022 to the 14 November 2032 being the final expiry date of the lease. The US Avenue Scott lease expires 15 June 2023 with the option of renewal of which as a subsequent event to reporting date has been extended for a further three years. The weighted average incremental borrowing rate on lease liabilities in 2023 is 7.00% to 6.65%.



## 21. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 March 2023 there were no contingent liabilities (2022: nil)

As at 31 March 2023 there were no capital commitments (2022: nil).

## 22. FINANCIAL INSTRUMENTS

### Financial risk and capital management

The Company's capital includes share capital, preference shares and retained earnings.

The Company's capital structure is managed and adjustments are made, with Board approval, to the structure considering 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 or trade financial instruments, including derivative financial instruments, for speculative purposes.

### Categories of Financial Instruments

	Financial Assets at Amortised Cost \$	Financial Liabilities at Amortised Cost \$	Total \$
<b>COMPANY - 31 MARCH 2022</b>			
<b>Assets</b>			
Cash & Cash Equivalents	868,535	-	868,535
Contract Assets	800,441	-	800,441
Trade & Other Receivables	383,886	-	383,886
<b>Total Financial Assets</b>	<b>2,052,862</b>	<b>-</b>	<b>2,052,862</b>
<b>Liabilities</b>			
Contract Liabilities	-	1,287,616	1,287,616
Trade & Other Payables	-	624,269	624,269
<b>Total Financial Liabilities</b>	<b>-</b>	<b>1,911,885</b>	<b>1,911,885</b>
<b>COMPANY - 31 MARCH 2023</b>			
<b>Assets</b>			
Cash & Cash Equivalents	159,501	-	159,501
Contract Assets	39,995	-	39,995
Trade & Other Receivables	1,058,824	-	1,058,824
<b>Total Financial Assets</b>	<b>1,258,321</b>	<b>-</b>	<b>1,258,321</b>
<b>Liabilities</b>			
Bank Overdraft	-	387,618	387,618
Contract Liabilities	-	645,332	645,332
Trade & Other Payables	-	800,476	800,476
<b>Total Financial Liabilities</b>	<b>-</b>	<b>1,833,427</b>	<b>1,833,427</b>

Fair value is considered to approximate the carrying amount.

## 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 2023 is the carrying value of these assets. The Company's cash equivalents are placed with high credit quality financial institutions.

Please refer to Note 12 for details of overdue debtors as at reporting date. Total credit risk was as follows:

	2023 \$	2022 \$
Cash	(228,117)	868,535
Contract Assets	131,778	314,871
Current trade and other receivables	1,098,819	1,184,327
<b>Total credit risk</b>	<b>1,002,480</b>	<b>2,367,733</b>

## 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):

Financial Liabilities	Interest Rate	Carrying Value	Less than 1 Month	1 - 3 months	3 months to 1 year	1 - 5 years	5+ years	Total Cash Flows
<b>Company - 31 March 2022</b>								
Trade & Other Payables	Non-Interest Bearing	624,269	624,269	-	-	-	-	624,269
Lease Liability US	7.00%	58,065	4,200	8,400	34,459	8,848	-	55,907
Lease Liability NZ	7.00%	51,177	7,551	15,102	37,755	-	-	60,408
<b>Total</b>		<b>733,511</b>	<b>636,020</b>	<b>23,502</b>	<b>72,214</b>	<b>8,848</b>	<b>-</b>	<b>740,584</b>
<b>Company - 31 March 2023</b>								
Trade & Other Payables	Non-Interest Bearing	800,476	800,476	-	-	-	-	800,476
Bank Overdraft	14.05%	387,618	-	387,618	-	-	-	387,618
Lease Liability US	7.00%	8,990	3,032	6,064	-	-	-	9,095
Lease Liability NZ	6.65%	623,401	8,394	16,788	75,552	402,942	503,679	1,007,355
<b>Total</b>		<b>1,820,486</b>	<b>811,902</b>	<b>410,470</b>	<b>75,552</b>	<b>402,942</b>	<b>503,679</b>	<b>2,204,544</b>

## 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. The Company's foreign currency denominated assets and liabilities were as follows:

	2023 \$	2022 \$
<b>Financial Assets:</b>		
United States dollars (USD) – cash balances	1,058,824	447,659
United States dollars (USD) – trade & other receivables	159,325	783,589
<b>Total</b>	<b>1,218,149</b>	<b>1,231,248</b>
<b>Financial Liabilities:</b>		
United States dollars (USD)	558,894	233,659
<b>Total</b>	<b>558,894</b>	<b>233,659</b>
The net assets / (liabilities) by currency was as follows:		
United States dollars (USD)	659,255	997,590
<b>Total</b>	<b>659,255</b>	<b>997,590</b>

The Company did not have any forward exchange contracts in place at year end (2022: nil).

The Company is exposed to movements in the currencies of the United States (USD). The tables below display the effect of a 15.53% 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 15.53% rate is based on the actual currency movements in 2023 of 15.53% for the USD. Appreciation of NZD creating a reduction in profit of (\$102,382) and Depreciation creating an increase in profit of \$102,382.

	Impact on 2023 profit of Company with a 15.53% appreciation of the NZD \$	Impact on 2023 profit of Company with a 15.53% depreciation of the NZD \$
United States (USD)	(102,382)	102,382
<b>Total</b>	<b>(102,382)</b>	<b>102,382</b>
	Impact on 2022 profit of Company with a 10.72% appreciation of the NZD \$	Impact on 2022 profit of Company with a 10.72% depreciation of the NZD \$
United States (USD)	(106,382)	106,382
<b>Total</b>	<b>(106,382)</b>	<b>106,382</b>

## 23. SUBSEQUENT EVENTS TO REPORTING DATE

Significant events that have occurred subsequent to the reporting date are that the Company extended its lease in California USA and committed to a lease from 1 July 2023 to 30 June 2026. The impact on the accounts will be the recognition of a Lease Liability and a Right of Use Asset of \$99,246. (2022: No significant events)

## 24. GOING CONCERN

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

Connexionz Limited recorded a loss from continuing operations of (\$474,015) and cash flows from operating activities of (\$644,837) for the year ended 31 March 2023 (2022: Profit \$595,649 and cashflows \$341,200) and has a net bank balance of (\$228,117) at 31 March 2023 (2022: \$868,535), with a positive working capital of \$327,740 (2022: \$1,002,352).

The Company has prepared, and the Director's have approved, a growth budget for 2024 and consequently the financial statements for the year ending 31 March 2023 are prepared on the going concern basis. However, the budget for 2024 includes revenue from contracts which are not yet secured and therefore there is uncertainty as to the timing and quantum of cash receipts from these sales. Therefore there is a material uncertainty relating to the Company's ability to meet the growth targets and manage its cashflows and that may cast significant doubt on the Company's ability to continue as a going concern and therefore; that it maybe unable to realise its assets and discharge its liabilities in the normal course of business. The Company has business plans, budgets, confirmed contracts and cash flow forecasts and actively monitors performance against these to determine the appropriateness of the use of the going concern assumption and has concluded from these the validity of the going concern assumption. The Company's year to date performance as at 30 June 2023 is showing revenue in line with budget and profit ahead of forecasts. The financial position shows an improved liquidity ratio, including returning to a positive cash position since the 31 March 2023.

The Director's have taken a conservative approach understanding that revenue streams are highly variable 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 with considerable sales confirmed and extensive sales opportunities in the next 12 months.

The Director's 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, and to circumstances, which they believe will occur after that date which could affect the validity of the going concern assumption.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CONNEXIONZ LIMITED

We have audited the financial statements of Connexionz Limited ("the Company"), which comprise the statement of financial position as at 31 March 2023, 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 31 March 2023, 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") and International Financial Reporting Standards ("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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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.

### Material Uncertainty Related to Going Concern

We draw attention to Note 24 to the financial statements, which indicates that the Company incurred a net loss of \$474,015 and net cash outflows of \$644,837 during the year ended 31 March 2023. As stated in Note 24, these events or conditions, along with other matters as set forth in Note 24, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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#### Revenue Recognition -Contract revenue over time

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##### Key Audit Matter

The Company's largest revenue stream is from contract revenue with customers is recognised over time, in as measured by relation to the percentage of completion of those projects. The Company recorded contract revenue recognised over-time for 2023 of: \$3,600,751 (2022: \$3,671,365).

##### How The Matter Was Addressed in Our Audit

Our procedures included:

- assessing the compliance of the Company's revenue recognition policies with applicable accounting standards;
- assessing the revenue recognition processes and practices;
- obtaining a sample of revenue contracts to assess whether the

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The percentage of completion is subject to estimation by management, and incorrect revenue recognition could result in a misstatement in the amounts recognised through profit or loss as revenue, or balances in the statement of financial position as contract assets or contract liabilities.

The Company's accounting policy in relation to revenue recognition is included as accounting policy (C) at Note 3, and revenue is disclosed at Note 5.

We focussed on this area as a key audit matter due to the risk of incorrect timing of revenue recognition and estimation and the resulting impact this could have on profit or loss for the year, and the balances recorded as contract assets or liabilities at the reporting date.

method for the recognition of revenue was in accordance with the requirements of NZ IFRS 15 Revenue from Contracts with Customers;

- testing the accuracy of cut off with substantive procedures;
- assessing management's estimates applied to determine the percentage of completion;
- obtaining an understanding of the design and implementation of controls in relation to revenue recognition;
- assessing the adequacy of the Company's disclosures related to revenue recognition.

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## Valuation of Intangible Assets

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### Key Audit Matter

The Company has capitalised development costs on new technology and software as internally generated intangible assets.

As disclosed in Note 15 to the financial statements, as at 31 March 2023 the Company has recorded intangible assets with a carrying value of \$477,082 (2022: 393,916.) For the year ended 31 March 2023 the Company recorded intangible additions of \$356,541 (2022: \$29,641) and an impairment charge of \$107,983 (2022: Nil).

We focussed on this area the valuation and impairment of intangible assets (capitalised development costs) as a key audit matter due to the significance of these balances in the Company's statement of financial position and the estimation of the recoverable amount of the asset involves complex and subjective estimates based on management's judgement of key variables such as future operating performance and cash flows, the timing and approval of future capital expenditure and the discount rate.

### How The Matter Was Addressed in Our Audit

Our procedures included:

- assessing management's determination of the Company's cash generating units (CGUs) based on our understanding of the nature of the Company's business;
- using our internal valuation specialists, we challenged the Company's key assumptions and estimates used to determine the recoverable value, including those relating to discount rates, growth assumptions and terminal growth rate;
- comparing the cash flow forecasts to Board approved business plans. We also compared previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting;
- performing a sensitivity analysis over key assumptions such as discount rates, forecast growth rates and the terminal growth rate to further challenge management's assumptions;
- verifying on a sample basis the development costs capitalised during the year meet the requirements of NZ IAS 38 *Intangible Assets*; and
- assessing management's evaluation of the indicators that capitalised software intangible assets may be impaired. In assessing this, we compared the assumptions underlying the estimated future benefits to Board approved projects and our understanding of the business.

## Other Information

The directors are responsible for the other information. The other information comprises the reports per pages 4 to 17 and 51, 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 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.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>.

This description forms part of our auditor's report.

## 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 Michael Rondel.

*BDO Christchurch Audit Limited*

**BDO Christchurch Audit Limited**

Christchurch

New Zealand

28 July 2023

# DIRECTORY

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## DIRECTORS

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## SOLICITORS

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## AUDITOR

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## REGISTRY

### **Link Market Services Limited**

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