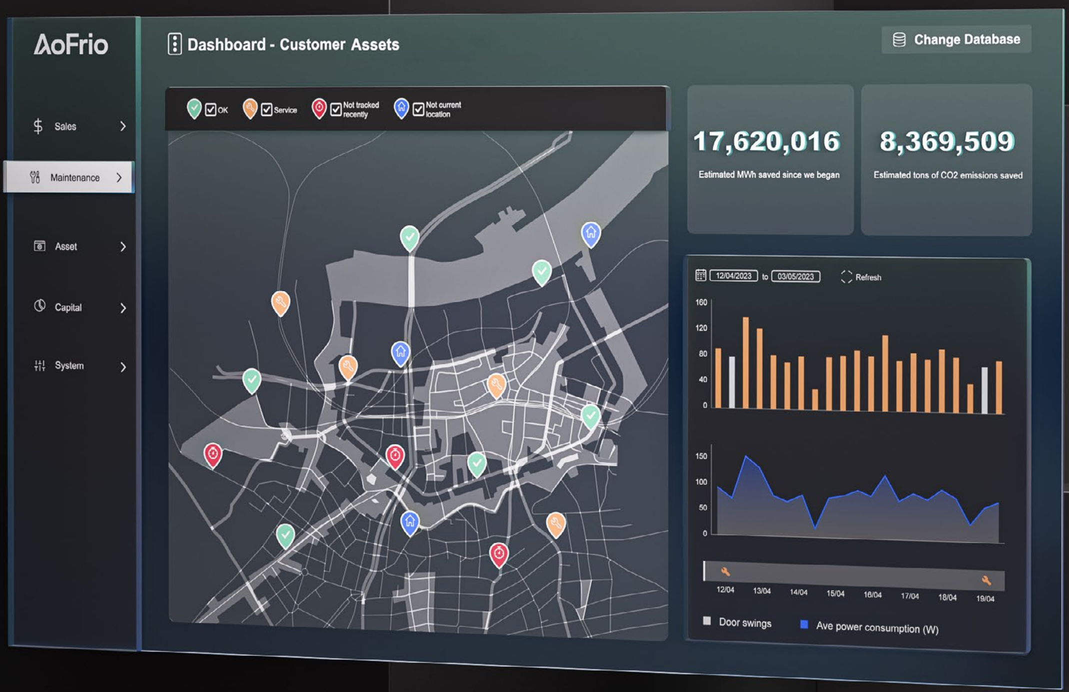
AoFrio
Interim Report 2024



AoFrio®

Interim Report 2024

AoFrio is pleased to release its interim report for the six months ended 30 June 2024 ("H1 FY24"). The results show a strong first half performance, as previously indicated, built on its new USA IoT strategy, new business wins in both North America and South America and strong customer satisfaction scores.

AoFrio's growth strategy remains focused on investing, as internally generated cashflow allows, in new market vertical development as well as protecting and growing the core Cold Drink Equipment (CDE) business.

Financial performance

Revenue for H1 FY24 increased 27.4% to $38.4 million, compared to $30.1 million for the same period last year.

Earnings before interest, tax, depreciation, and amortisation (EBITDA) was a profit of $1.1 million compared to a $0.7 million loss for the corresponding period last year. The pre-tax result was a loss of $1.1 million compared to a pre-tax loss of $2.7 million in H1 FY23.

Metric (NZ$m)	H1 FY24	H1 FY23	Variance
Revenue	**38.4**	30.1	8.3
IoT	**21.8**	17.1	4.7
Motors & Fans	**16.6**	13.0	3.6
Gross Margin %	**30.0%**	30.3%	(0.3) pp
EBITDA	**1.1**	(0.7)	1.8
EBIT	**(0.3)**	(2.1)	1.8
Loss	**(1.0)**	(2.7)	1.6
Operating cash inflow / (outflow)	**2.3**	(2.8)	5.1

Revenue

Across the first half of the year, AoFrio made significant progress across key strategic initiatives, which translated into solid revenue growth. The business is experiencing the cumulative effect of these initiatives with Q1 revenue hitting $16.6 million and Q2 revenue growing to $21.8 million.

In core markets, AoFrio shipped 326,000 IoT devices and 437,000 motors in the period. This resulted in revenue increases of 27.1% for IoT and 27.9% for Motors compared to H1 FY23.

Regional Performance:

Revenue (NZ$m)	H1 FY24	H1 FY23	Change
North America	**26.0**	19.2	6.8
South America	**6.4**	4.7	1.7
EMEA	**3.2**	3.3	(0.1)
APAC	**2.8**	2.9	(0.1)
	38.4	30.1	8.3

There was strong revenue growth in the Americas due to a series of sales initiatives and, in part, because 2023 was adversely impacted by higher inventories carried over from 2022. North American year-on-year growth was 36.0% and South America was 34.2%. There were significant market share wins during the period:

- Launching IoT in the USA – the launch of AoFrio's always-on connected device opened this market to AoFrio's connectivity solution. In H1 FY24, AoFrio's IoT revenue for the USA market was $0.5 million and there is significant potential to grow this further.
- ECR® 2 motors into the USA – AoFrio has been working with its USA distributor to secure ECR 2 motor demand with a major USA manufacturer of water heaters. First orders were received in May 2024 and revenue in H1 FY24 was $0.6 million.
- IoT in Brazil – AoFrio won volume from a local competitor during the first half of the year and is now providing its IoT solution to one of the biggest Coca-Cola bottlers in the country.

EMEA and APAC revenue for the period was consistent with H1 FY23. AoFrio has recruited additional sales staff in July 2024 to deliver revenue growth in these regions.

AoFrio invoiced $2.5 million for cloud data connection and software development charges during H1 FY24 compared to $2.1 million for the same period last year. This service revenue is multi-year and is recognised in the Income Statement over the duration of the contract. At 30 June 2024, $14.1 million of revenue was deferred for recognition in subsequent periods.

Gross Margin

H1 FY24 gross margin was slightly lower at 30.0% compared to 30.3% during the same period last year.

The margin for IoT products was 40.1% and 16.9% for motors. This compares to 41.8% and 15.2% for the same period last year.

Operating expenses

Operating expenses for the six months ending 30 June 2024 were $10.5 million which is consistent with the comparable period last year.

Staff costs of $10.0 million (pre-capitalised development) increased $1.7 million compared with H1 FY23. New roles were recruited in H1 FY24 to support the business growth plan, not as many as originally planned because spending and investments are being carefully managed.

AoFrio will accelerate investment when forecast demand is confirmed through customer orders.

Capitalised development time increased to $2.5 million from $1.1 million in H1 FY23. This reflects the focus this year on new product development to progress AoFrio's strategies of protecting and growing the bottle cooler market and diversification into new markets. These initiatives include completing developments for launch in H2 FY24 of a new higher power motor (ECR 2 26W), a new energy solution (AoFrio® INSIDE™) a new Gateway for the bottle cooler market and new solutions for food service/food retail customers.

Working Capital

Cash at 30 June 2024 was $2.0 million compared to $3.3 million at 31 December 2023. Trade receivables at 30 June 2024 was $19.9 million compared to $15.4 million at 31 December 2023. Inventory at 30 June 2024 was $10.2 million, a $1.4 million increase compared to 31 December 2023, and included components sourced in 2022 to ensure component supply issues didn't continue to impact production capacity in 2023 and 2024.

Trade payables at 30 June 2024 were $20.6 million, a $6.4 million increase compared to 31 December 2023.

Throughout the first half of the year, there has been pressure on working capital due to changes in customer mix (increased sales to customers with longer payment terms) and higher inventory (longer shipping times due to capacity out of Asia, the Red Sea crisis, and component inventory). AoFrio's contract manufacturer, East West, agreed to extended payment terms to help manage working capital pressure.

Delivering our Growth Strategy

In its journey to become a hardware-enabled SaaS company, AoFrio is focused on delivering solutions that support customers' intense drive to become more sustainable and efficient in the food and beverage industry. AoFrio is committed to our two strategic objectives: protecting and growing the core business in the CDE market and diversifying into new market segments.

Protect and grow our core market (Cold Drink Equipment market)

AoFrio is focused on growing its core CDE business by 20% by entering new geographies, launching new solutions and continuing to take market share.

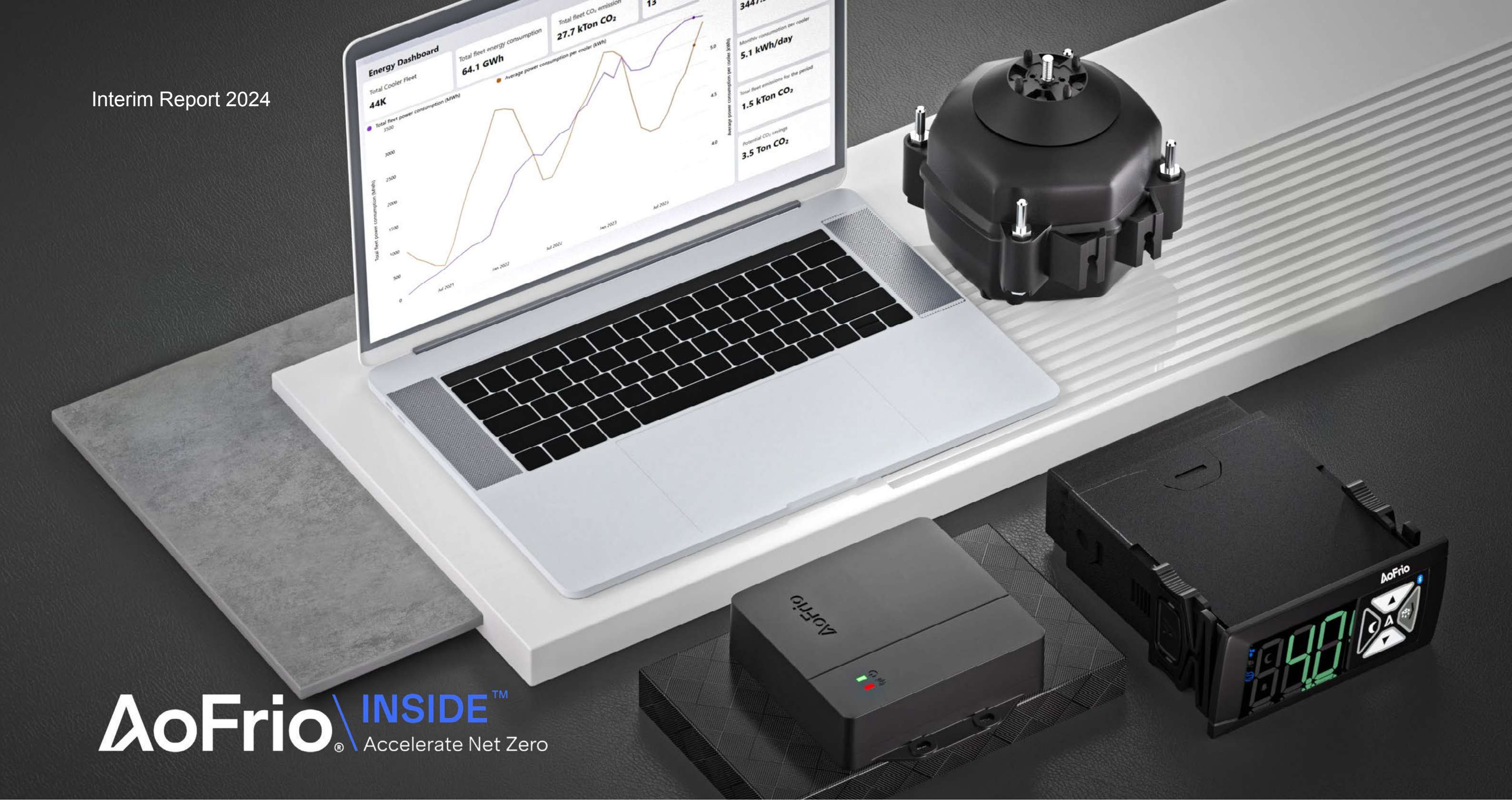
Entering new geographies, USA and Europe with a new IoT solution (estimated Serviceable Available Market (SAM)* is $75 million annually)

Customers in these geographies want to be able to improve the return on investment of their cooler fleets and manage energy consumption with the least amount of direct interaction with the cooler. The solution AoFrio launched in Q4 FY23 delivers for customers because it allows two-way cellular communication with the cooler to optimise its performance (utilisation, energy consumption and predictive maintenance).

AoFrio has made good progress with its connected IoT solution in the USA market, indicated by sales to a Coca-Cola bottler. Trials are in place with many customers (Coca-Cola, Heineken, Carlsberg, PepsiCo) in the US and Europe. While further orders are expected this year, the trial work positions AoFrio for the FY25 customer capital purchase cycle.

A strategic pricing approach supports a focus on achieving a strong product and market fit for AoFrio's cellular solutions. Within the next three years, the goal is to become the preferred solution for branded cooler prospects in the USA, including major players like Coca-Cola and PepsiCo. Cellular connectivity is also the first preference in Europe for major brands such as Heineken, AB InBev, and Carlsberg. Additional sales resources have been added in the region to support this growth initiative and the launch of AoFrio INSIDE noted below.

* TAM (Total Addressable Market), SAM (Serviceable Addressable Market) are estimates only and are not additive.



New Solutions

Refrigerator Energy Management Solution: AoFrio INSIDE (estimated Total Addressable Market (TAM)* is $300 million)

AoFrio is set to launch its energy efficiency solution, AoFrio INSIDE in August 2024.

AoFrio INSIDE addresses the industry's focus on rapidly reducing the energy consumption of commercial refrigeration. Customers with cooler fleets have stated that refrigeration can make up 30-35% of their carbon footprint. AoFrio has tested its solution with Original Equipment Manufacturer (OEM) partners and has seen cooler energy consumption reduced by up to 54%.

AoFrio INSIDE combines AoFrio's energy-efficient hardware with the new AoFrio iQ platform. It allows customers to understand energy consumption for both a fleet of coolers or an individual cooler and make changes remotely to manage performance and reduce energy usage. For example, remotely change the temperature for summer/winter profile or initiate a remote defrost cycle.

Remote Fleet Management powered by advanced analytics and workflow technology

As a part of the AoFrio INSIDE launch, AoFrio is releasing its new software solution AoFrio iQ. This enables remote fleet management, provides algorithms that can predict when a refrigerator is starting to operate incorrectly, recommends and initiates actions, and offers fleet performance analytics and dashboards.

AoFrio is continuing to invest to ensure its data platform is organised to be Artificial Intelligence and Machine Learning ready. AoFrio's innovation roadmap and AoFrio INSIDE solution have initial algorithms to support refrigeration predictive maintenance workflows and can be released to customers who are ready to adopt leading technology.

Growing AoFrio's Data Ecosystem

Currently, AoFrio gathers data from more than 2.7 million connected coolers. This extensive database enables the Company to provide its customers with significant insights to optimise fleet performance. This asset is unparalleled in the industry and constitutes the basis of AoFrio's Machine Learning training and the value delivered to customers.

The Company has been collaborating with customers who manage mixed fleets of both AoFrio and third-party controllers. AoFrio's team has developed a method to extract data from non-AoFrio hardware and integrate it into AoFrio iQ. This gives customers the flexibility to access data from both third-party and AoFrio hardware onto one platform. It enables AoFrio to gain access to more data in its system, increasing market share and data revenue. This has been successfully implemented for one customer in Brazil.

* TAM (Total Addressable Market), SAM (Serviceable Addressable Market) are estimates only and are not additive.

Motor range expansion (estimated SAM* for ECR 2 26W is $60 million)

The new high-power ECR 2 26W motor is set for launch in Q3 2024. This product was developed to meet the demand for a more powerful motor in supermarkets and large cooler markets. Several customer trials are currently being conducted. AoFrio is in the final stages of obtaining compliance and certification for each geography and a first order has been received from China.

Significant work is in progress to expand AoFrio's fan pack product range, particularly for the supermarket business. Many large customers require a complete range of fan packs to meet their application requirements and prefer to work with one fan pack supplier. AoFrio's fan packs have high reliability and low noise, positioning them at the premium end of the market.

Diversifying into new markets (TAM* for Food Service/Retail $17 billion)

In H1 FY24, AoFrio had two proof of concept (POC) initiatives in place for the Food Retail market; these ran from Q4 FY23 to the end of Q2 FY24. The POCs allowed AoFrio to test a range of its products and optimise or develop them to meet customers' requirements. The main customer benefit is improved food safety compliance management (monitoring, alerting and workflow).

Both POCs were successful in terms of solution development, and one for a supermarket chain in Argentina, has progressed to commercial discussion for an initial roll out. These discussions are ongoing and are expected to be complete in Q3 FY24.

Ahead of the official launch of AoFrio's initial Food Services/Retail solution, which is targeted for Q4 FY24, AoFrio is working on two additional, large commercial proposals, one in New Zealand and one in the USA.

Sustainability

AoFrio is continuing to implement its sustainability strategy, driving sustainable decision making in its operations and supply chain through its three sustainability pillars: Team, Operations, and Products.

Team
AoFrio has trained its Auckland team on recycling and waste management to ensure the team is aware of what can or cannot be recycled through Auckland recycling centres. AoFrio fostered diverse conversations as part of an International Women's Day event themed 'Inspire Inclusion' hosted by its internal AoFrio Woman Leaders group (AoWLead).

Operations
AoFrio has worked alongside its core manufacturer, East West Industries, to review its sustainability practices, including a solar panel project at their Vietnam factory. East West has committed to aligning with AoFrio's sustainability journey and is being encouraged to become certified by EcoVadis. EcoVadis is a globally recognised assessment platform that rates businesses' sustainability across four key categories: environmental impact, labour and human rights standards, ethics, and procurement practices. AoFrio currently holds a bronze medal which places it among the top 35% of rated companies, reflecting its efforts across environmental, social, and ethical aspects.

Products
AoFrio has commenced its circularity work, to ensure life cycle management is built into the design of products and services. This includes end of life management (recycling, reuse, refurbishment, effective disposal etc). Partnering with environmental and corporate sustainability leader Thinkstep ANZ, AoFrio has trained the organisation on what a circular economy is and has begun circularity reviews of its ECR and Monitor products. The aim is to complete similar reviews for other AoFrio products by the end of FY25.

AoFrio has commenced setting up systems for collecting Scope 1 Emissions data for its New Zealand locations.

* TAM (Total Addressable Market), SAM (Serviceable Addressable Market) are estimates only and are not additive.

Looking Forward

On the back of a strong H1 FY24 performance, AoFrio is maintaining its 2024 guidance. Revenue in FY24 is expected in the range $70m to $80m, a 13% increase over FY23 at the midpoint of the range. AoFrio's EBITDA guidance for FY24 is targeting around $2.5m. Macroeconomic conditions may impact this guidance. AoFrio notes it is working on significant large opportunities that, if they eventuate, would push revenue to the top end of guidance.

AoFrio remains measured in its approach to managing the investment required for new product and adjacent market growth, including cost controls, and tighter criteria for investment in innovation. AoFrio continues to manage its investment to align with trading conditions and expects to be able to continue expanding through internally generated cashflows.

Thank you to the AoFrio team and stakeholders for your support.

Financial Statements

Consolidated and Condensed Interim Statement of Comprehensive Income

		Six months ended Unaudited		Year ended Audited
	Note	**30 Jun 2024 $000s**	30 Jun 2023 $000s	31 Dec 2023 $000s
Revenue	2.1,2.3	**38,362**	30,108	66,552
Cost of sales		**(26,844)**	(20,974)	(46,564)
Gross profit		**11,518**	9,134	19,988
Foreign exchange gains		**39**	474	490
Other income	2.4	**75**	149	327
Operating expenses	2.5	**(10,528)**	(10,464)	(19,799)
Earnings before interest, taxation, depreciation, amortisation and impairment		**1,104**	(707)	1,006
Depreciation	3.5	**(412)**	(315)	(748)
Amortisation	3.6	**(971)**	(1,107)	(2,306)
Impairment	3.6	**-**	-	-
Loss before interest and taxation		**(279)**	(2,129)	(2,048)
Finance income	4.2	**23**	33	59
Finance expenses	4.2	**(808)**	(556)	(1,322)
Loss before income tax		**(1,064)**	(2,652)	(3,311)
Income tax credit / (expense)	2.7	**21**	(22)	(223)
Loss for the period		**(1,043)**	(2,674)	(3,534)
Other comprehensive income: *Items that may be reclassified subsequently to the profit or loss:*				
Exchange differences on translation		**(225)**	(306)	(781)
Other comprehensive income for the period		**(225)**	(306)	(781)
Total comprehensive income for the period		**(1,268)**	(2,980)	(4,315)
Loss for the period attributable to the Owners of the Company		**(1,043)**	(2,674)	(3,534)
Total comprehensive income attributable to the Owners of the Company		**(1,268)**	(2,980)	(4,315)
Basic earnings per share – cents	2.6	**(0.24)**	(0.62)	(0.82)
Diluted earnings per share – cents	2.6	**(0.24)**	(0.62)	(0.82)

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

Consolidated and Condensed Interim Statement of Movements in Equity

	Share capital $000s	Accumulated losses $000s	Other reserves $000s	Total equity $000s
Unaudited for the six months ended 30 June 2024				
Balance at 1 January 2024	**135,578**	**(111,741)**	**(4,294)**	**19,543**
Comprehensive income				
Loss for the period	**-**	**(1,043)**	**-**	**(1,043)**
Other comprehensive income:				
Exchange differences on translation of foreign operations	**-**	**-**	**(225)**	**(225)**
Total comprehensive income	**-**	**(1,043)**	**(225)**	**(1,268)**
Share options compensation expensed	**-**	**-**	**43**	**43**
Balance at 30 June 2024	**135,578**	**(112,784)**	**(4,476)**	**18,318**
Unaudited for the six months ended 30 June 2023				
Balance at 1 January 2023	135,578	(108,207)	(3,590)	23,781
Comprehensive income				
Loss for the year	-	(2,674)	-	(2,674)
Other comprehensive income:				
Exchange differences on translation of foreign operations	-	-	(306)	(306)
Total comprehensive income	-	(2,674)	(306)	(2,980)
Share option compensation expensed	-	-	33	33
Balance at 30 June 2023	135,578	(110,881)	(3,863)	20,834
Audited for year ended 31 December 2023				
Balance at 1 January 2023	135,578	(108,207)	(3,590)	23,781
Comprehensive income				
Loss for the year	-	(3,534)	-	(3,534)
Other comprehensive income:				
Exchange differences on translation of foreign operations	-	-	(781)	(781)
Total comprehensive income	-	(3,534)	(781)	(4,315)
Share option compensation expensed	-	-	77	77
Balance at 31 December 2023	135,578	(111,741)	(4,294)	19,543

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

Consolidated and Condensed Interim Statement of Financial Position

	Note	Unaudited 30 Jun 2024 $000s	Unaudited 30 Jun 2023 $000s	Audited 31 Dec 2023 $000s
Current Assets				
Cash and cash equivalents		**1,951**	2,515	3,295
Trade and other receivables	3.1	**21,443**	19,817	16,480
Derivative financial instruments		**38**	-	254
Inventories	3.2	**10,208**	10,346	8,803
Total current assets		**33,640**	32,678	28,832
Non-Current Assets				
Property, plant and equipment	3.5	**5,597**	5,853	5,482
Deferred tax asset		**10,363**	10,538	10,363
Intangible assets	3.6	**16,038**	13,539	13,923
Total non-current assets		**31,998**	29,930	29,768
Total assets		**65,638**	62,608	58,600
Current Liabilities				
Trade and other payables	3.3	**24,319**	16,735	17,251
Contract liability	2.3	**2,312**	2,209	2,269
Provisions	3.4	**139**	184	133
Derivative financial instruments		**-**	56	-
Liabilities in respect of right-of-use assets	5.3	**232**	62	181
Borrowings	4.1	**4,139**	8,461	4,674
Total current liabilities		**31,141**	27,707	24,508
Non-Current Liabilities				
Borrowings	4.1	**320**	342	311
Liabilities in respect of right-of-use assets	5.3	**4,092**	4,289	4,213
Contract liability	2.3	**11,767**	9,436	10,025
Total non-current liabilities		**16,179**	14,067	14,549
Total liabilities		**47,320**	41,774	39,057
Net assets		**18,318**	20,834	19,543

Consolidated and Condensed Interim Statement of Financial Position - continued

		Unaudited		Audited
	Note	**30 Jun 2024 $000s**	30 Jun 2023 $000s	31 Dec 2023 $000s
Equity				
Contributed equity	4.3	**135,578**	135,578	135,578
Accumulated losses		**(112,784)**	(110,881)	(111,741)
Other reserves		**(4,476)**	(3,863)	(4,294)
Total equity		**18,318**	20,834	19,543

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

Director
2 August 2024

Director
2 August 2024

Consolidated and Condensed Interim Cash Flow Statement

	Note	Six months ended Unaudited 30 Jun 2024 $000s	30 Jun 2023 $000s	Year ended Audited 31 Dec 2023 $000s
Cash flows from operating activities				
Receipts from customers exclusive of GST/VAT		**35,906**	36,300	76,130
Payments to suppliers and employees exclusive of GST/VAT		**(32,586)**	(39,432)	(71,969)
Foreign exchange gains		**39**	474	490
Other income		**75**	149	327
Interest paid		**(816)**	(503)	(1,284)
Interest received	4.2	**23**	33	59
Taxation paid		**-**	(89)	(104)
Net GST/VAT received		**(370)**	245	299
Net cash inflow / (outflow) from operating activities		**2,271**	(2,823)	3,948
Cash flows from investing activities				
Payments for property, plant, and equipment	3.5	**(314)**	(655)	(1,030)
Proceeds from disposals of property, plant, and equipment		**27**	55	51
Payments for intangible assets	3.6	**(2,583)**	(1,265)	(3,349)
Net cash outflow from investing activities		**(2,870)**	(1,865)	(4,328)
Cash flows from financing activities				
New loans and drawdowns	4.1	**7,083**	12,396	21,654
Loan repayments	4.1	**(7,759)**	(7,828)	(20,614)
Principal payments for lease liabilities	5.3	**(70)**	(77)	(78)
Net cash (outflow) / inflow from financing activities		**(746)**	4,491	962
Net (decrease) / increase in cash and cash equivalents		**(1,345)**	(197)	582
Cash and cash equivalents at the beginning of the financial period		**3,295**	2,839	2,839
Effect of exchange rate movements on cash		**1**	(127)	(126)
Cash and cash equivalents at end of period	5.7	**1,951**	2,515	3,295

The above Consolidated and Condensed Interim Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the six months ended 30 June 2024

1. Basis of preparation

1.1 General Information

AoFrio Limited (the “Company”) and its subsidiaries (together the “Group”) is a hardware-enabled SaaS company that supplies hardware and solutions to the food and beverage industry.

The Company is a limited liability incorporated and domiciled in New Zealand. The address of its registered office is 78 Apollo Drive, Rosedale, Auckland 0632 New Zealand. The Company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

These interim financial statements do not include all the notes and disclosures set out in the annual report. As a result, this report should be read in conjunction with the annual financial statements for the year ended 31 December 2023.

These consolidated and condensed financial statements have been approved for issue by the Board of Directors on 2 August 2024 and have not been audited.

1.2 Summary of Material Accounting Policies

(a). Basis of preparation

These consolidated and condensed financial statements of the Group have been prepared in accordance with generally accepted accounting practice in New Zealand. The Group is a for-profit entity for the purposes of financial reporting. The consolidated and condensed financial statements comply with New Zealand International Accounting Standard 34: Interim Financial Reporting.

All material accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Entities reporting

The financial statements are for the consolidated group which is the economic entity comprising of AoFrio Limited and its subsidiaries.

Historical cost convention

These financial statements have been prepared under the historical cost convention except for derivative financial information which is measured at fair value.

New standards, amendments, and interpretations not yet adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Supplier Finance Arrangements (Amendments to NZ IAS 7 and NZ IFRS 7) and Supplier Finance Arrangements Reduce Disclosure Regime. In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: • What is meant by a right to defer settlement • That a right to defer must exist at the end of the reporting period • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments had no impact on the Group's interim condensed consolidated financial statements.

Going concern assumption

The Group reported a loss for the six months ended 30 June 2024 of $1,043,000 (2023: loss of $2,674,000) and operating cash inflows of $2,271,000 (2023: outflows of $2,823,000). Cash at 30 June 2024 was $1,951,000 (2023: $2,515,000) and net debt (defined as cash balances net of borrowings) was $2,508,000 (2023: $6,288,000).

Management has prepared forecasts for the period through to 31 December 2024 that show a continuation of strong customer demand. The Board has reviewed these forecasts and is satisfied that if customer demand is lower than forecast or if global supply chain or macro-economic conditions cause other issues for the Group, the Group can and will manage its planned increases in operating and capital expenditure to ensure the Group maintains adequate cash reserves.

Therefore, the Board has at the time of approving the financial statements, assessed it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

(b). Significant accounting estimates and judgements

Estimates and judgments 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed in the following notes to the financial statements:

Areas of estimation

- Going concern – forecasts – note 1.2

Areas of judgement

- Deferred tax asset – recognition – note 2.7
- Development costs – capitalisation of expenses and impairment testing – note 3.6

2. Results for the period

2.1 Segment information

An operating segment is a component of an entity that engages in business activities from which it earns revenues and incurs expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available.

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer supported by the management team who report directly to the CEO.

(a). Reportable segments

The Group is organised on a global basis into two operating divisions – Motors and IoT. These divisions offer different products and services and are managed separately because they require different technology and marketing strategies. The Group's chief executive officer reviews the financial performance of each division at least monthly. Each division is a reportable segment.

There are varying levels of integration between the segments. There are engineering and sales staff that support both segments as well as shared logistical and quality management services.

Information related to each reportable segment is set out below:

June 2024 (six months)	Motors $000s	IoT $000s	Unallocated $000s	Total $000s
Revenue	16,595	21,767	-	38,362
Cost of goods sold	(13,796)	(13,048)	-	(26,844)
Gross profit	2,799	8,719	-	11,518
Gross margin %	16.9%	40.1%	-	30.0%
Foreign exchange gains	-	-	39	39
Other income	-	-	75	75
Operating expenses	(2,007)	(3,560)	(4,961)	(10,528)
EBITDA	792	5,159	(4,847)	1,104
Depreciation	(53)	(10)	(349)	(412)
Amortisation	(160)	(781)	(30)	(971)
Profit / (loss) before interest & taxation	579	4,368	(5,226)	(279)
Finance income	-	-	23	23
Finance expense	-	-	(808)	(808)
Profit / (loss) before income tax	579	4,368	(6,011)	(1,064)
Income tax credit	-	-	21	21
Profit / (loss) for the period	579	4,368	(5,990)	(1,043)

June 2024 (six months)	**Motors $000s**	**IoT $000s**	**Unallocated $000s**	**Total $000s**
Non-current assets				
Property, plant and equipment	**204**	**41**	**5,352**	**5,597**
Deferred tax asset	**-**	**-**	**10,363**	**10,363**
Goodwill	**-**	**3,230**	**-**	**3,230**
Intangible assets	**4,625**	**7,604**	**579**	**12,808**
Total	**4,829**	**10,875**	**16,294**	**31,998**

June 2023 (six months)	Motors $000s	IoT $000s	Unallocated $000s	Total $000s
Revenue	12,976	17,132	-	30,108
Cost of goods sold	(11,001)	(9,973)	-	(20,974)
Gross profit	1,975	7,159	-	9,134
Gross margin %	15.2%	41.8%	-	30.3%
Foreign exchange gains	-	-	474	474
Other income	-	3	146	149
Operating expenses	(1,954)	(4,118)	(4,392)	(10,464)
EBITDA	21	3,044	(3,772)	(707)
Depreciation	(67)	(16)	(232)	(315)
Amortisation	(158)	(877)	(72)	(1,107)
Profit / (loss) before interest & taxation	(204)	2,151	(4,076)	(2,129)
Finance income	1	-	32	33
Finance expense	-	-	(556)	(556)
Profit / (loss) before income tax	(203)	2,151	(4,600)	(2,652)
Income tax expense	-	-	(22)	(22)
Profit / (loss) for the period	(203)	2,151	(4,622)	(2,674)
Non-current assets				
Property, plant and equipment	364	75	5,414	5,853
Deferred tax asset	-	-	10,538	10,538
Goodwill	-	3,224	-	3,224
Intangible assets	3,787	5,880	648	10,315
Total	4,151	9,179	16,600	29,930

December 2023 (12 months)	Motors $000s	IoT $000s	Unallocated $000s	Total $000s
Revenue	31,498	35,054	-	66,552
Cost of goods sold	(26,118)	(20,446)	-	(46,564)
Gross profit	5,380	14,608	-	19,988
Gross margin %	17.1%	41.7%		30.0%
Foreign exchange gains		-	490	490
Other income	-	3	324	327
Operating expenses	(3,905)	(7,083)	(8,811)	(19,799)
EBITDA	1,475	7,528	(7,997)	1,006
Depreciation	(127)	(30)	(591)	(748)
Amortisation	(317)	(1,821)	(168)	(2,306)
Profit / (loss) before interest & taxation	1,031	5,677	(8,756)	(2,048)
Finance income	1	-	58	59
Finance expense	-	-	(1,322)	(1,322)
Profit / (loss) before income tax	1,032	5,677	(10,020)	(3,311)
Income tax expense	-	-	(223)	(223)
Profit / (loss) for the year	1,032	5,677	(10,243)	(3,534)

Non-current assets				
Property, plant & equipment	245	49	5,188	5,482
Deferred tax asset	-	-	10,363	10,363
Goodwill	-	3,190	-	3,190
Intangible assets	3,996	6,203	534	10,733
Total	4,241	9,442	16,085	29,768

(b). Geographical segments

The Group operates in three main geographical areas, although it is managed on a global basis.

Revenue from external customers by geographic areas	Six months ended **30 Jun 2024 $000s**	Six months ended 30 Jun 2023 $000s	Year ended 31 Dec 2023 $000s
Americas	**32,386**	23,882	54,214
Asia / Pacific (APAC)	**2,803**	2,879	4,974
Europe / Middle East / Africa (EMEA)	**3,173**	3,347	7,364
Total	**38,362**	30,108	66,552

Revenue is allocated above based on the country in which the customer is located. APAC revenue includes $492,000 (2023: $1,382,000) from New Zealand customers.

Total non-current assets	**30 Jun 2024 $000s**	30 Jun 2023 $000s	31 Dec 2023 $000s
Americas	**109**	1,134	266
Asia / Pacific – mainly in New Zealand	**31,865**	28,790	29,483
Europe / Middle East / Africa	**24**	6	19
Total	**31,998**	29,930	29,768

Total non-current assets are allocated based on where the assets are located.

2.2 Seasonality of operations

Revenues and operating profits are generally expected to be higher in the first six months of a calendar year, lower in the 3rd quarter due to customers in the northern hemisphere shutting down for summer holidays and increasing again in the 4th quarter.

This does not appear to be position this year and current forecasts show relatively consistent revenue throughout the year.

Revenues and operating profits in the 4th and 1st quarters of a calendar year can be impacted by the timing of the China New Year and Vietnam Tet holidays.

2.3 Revenue

	Six months ended **30 Jun 2024 $000s**	Six months ended 30 Jun 2023 $000s	Year ended 31 Dec 2023 $000s
Sales of goods	**37,083**	28,986	64,228
Services	**1,279**	1,122	2,324
	38,362	30,108	66,552

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, excluding GST / VAT, rebates and discounts and after eliminating sales within the Group. The Group disaggregates revenues from contracts by geographical regions, which is detailed in note 2.1(b).

(a). Sale of goods

The Group manufactures and sells a range of energy efficient motors and IoT hardware to the food and beverage market. Sales are recognised when control has transferred to the buyer which is usually when delivery of the goods to the buyer pursuant to the Incoterms that apply is fulfilled, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered in accordance with the pre-agreed Incoterms between the Group and the buyer, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales arrangement, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance and performance obligations under the contract with the customer have been satisfied.

Some of the sales of goods are subject to CIF (Cost, Insurance and Freight) Incoterms. The Group considers these freight and insurance services to be a distinct service. For these sales, the total sales price is allocated to the separate performance obligations, being the product and the insurance and freight costs. Further, the Group considers itself an agent only in the provision of the freight services. Revenue for the CIF element is recognised only to the extent of the margin for providing the agent services. However, there are limited sales under CIF terms and the impact on revenue is estimated to be minor.

The Group has an in-market distributor in Brazil to supply goods to buyers in that market who require local delivery. This distributor transacts as agent. The Group is the principal in these transactions. Sales of product are recognised when the distributor delivers the product to buyers at which point control passes to the buyer.

Products may be sold with retrospective volume rebates based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebates. Accumulated experience and customer knowledge are used to determine the rebate amounts using the expected value method and revenue is only recognised to the extent that it is highly probable significant reversals will not occur. The liability to pay volume rebates is recognised (included in trade and other payables) in respect of sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of 30 - 120 days which is consistent with market practice.

(b). Sale of services

Associated with the supply of IoT hardware, the Group supplies a range of data, and reporting services, all installed on every AoFrio SCS, AoFrio Monitor and AoFrio Click sold and are distinct services from the sale of goods. Revenue from the provision of such services is recognised when services are rendered to the buyer. Contracts typically cover a period from hardware supply of anywhere from 1 to 10 years, dependent on customer requirements. Contracts specify the price for the provision of the services. Revenue from such contracts is recognised on a straight-line basis over the contract term because the customer receives and uses the benefits simultaneously. As set out in note 2.3(a), no explicit element of financing is deemed present as the purpose of the advance payment of revenue is for reasons other than financing.

The Group also provides software development services for customers. Revenue from these services is recognised when the contracted development is completed according to the agreed scope of work.

Contract liabilities	Six months ended **30 Jun 2024 $000s**	Six months ended 30 Jun 2023 $000s	Year ended 31 Dec 2023 $000s
Carrying amount at start of period	**12,294**	10,162	10,162
Invoiced in the period	**2,540**	2,145	4,403
Recognised in revenue	**(1,279)**	(1,122)	(2,324)
Exchange adjustment	**524**	460	53
Carrying amount at end of period	**14,079**	11,645	12,294
Current portion	**2,312**	2,209	2,269
Non-current portion	**11,767**	9,436	10,025
	14,079	11,645	12,294

2.4 Other income

	Six months ended **30 Jun 2024 $000s**	Six months ended 30 Jun 2023 $000s	Year ended 31 Dec 2023 $000s
Research and Development tax incentive claims received	**-**	-	290
Other income	**75**	149	37
Total	**75**	149	327

2.5 Operating expenses include

	Six months ended **30 Jun 2024 $000s**	Six months ended 30 Jun 2023 $000s	Year ended 31 Dec 2023 $000s
Wages and salaries and other short-term benefits	**9,675**	8,071	16,613
Employer contributions to Kiwisaver and 401K plans	**304**	268	545
Employee share options expense	**43**	33	77
Employee benefits	**10,022**	8,372	17,235
Payments to contractors	**315**	528	798
Capitalisation of labour and expenses to intangible assets	**(2,540)**	(1,074)	(3,161)

The amount disclosed above for wages and salaries is stated before capitalisation of labour to intangible assets.

Liability for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The Group recognises a liability and an expense for bonuses and creates a provision where contractually obliged or where there is past practice that has created a constructive obligation.

2.6 Earnings per share

Earnings per share ('EPS') is the amount of post-tax profit attributable to each share.

Basic EPS of a loss of 0.24 cents (June 2023 – loss of 0.62 cents) is calculated by dividing the loss attributable to equity holders of the Company of $1,043,000 (June 2023 – loss of $2,674,000) by the weighted average number of ordinary shares in issue during the period of 431,853,006 (June 2023 – 431,853,006).

Diluted EPS of a loss of 0.24 cents (June 2023 - loss of 0.62 cents) is calculated by dividing the loss attributable to equity holders of the Company of $1,043,000 (June 2023: - loss of $2,674,000) by the weighted average number of shares in issue during the period. No adjustment was made for effects of 12,930,000 dilutive potential ordinary shares, refer to note 5.1(c), because the effect in that period would have been anti-dilutive.

2.7 Income tax

	Six months ended		Year ended
	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Current year income tax credit / (expense)	**21**	(22)	(48)
Deferred tax – recognition of deferred tax asset	**-**	-	(175)
Income tax credit / (expense)	**21**	(22)	(223)

The charge for the period can be reconciled to the result before tax as follows:

	Six months ended		Year ended
	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Reported loss for the year before tax	**(1,064)**	(2,652)	(3,311)
Tax at 28%	**(298)**	(743)	(927)
Adjustment of prior periods	**-**	-	992
Effect of different tax rates of subsidiaries in other jurisdictions	**(3)**	-	-
Tax effect of non-deductible / non-assessable items	**(120)**	(102)	(113)
Tax effect of utilisation of losses in current period	**442**	823	-
Recognition of carried forward tax losses	**-**	-	(175)
Income tax credit / (expense)	**21**	(22)	(223)

As it is probable that future taxable amounts will be available to utilise temporary differences and losses, a deferred tax asset was recognised at 31 December 2023 for deductible temporary differences and for that portion of the unused tax losses expected to be utilised in the five years 2024 through to 2028. No additional deferred tax has been recognised in H1 FY24. The key judgements within the forecast taxable profit model include revenue growth rates and gross margin. No deferred tax asset has been recognised in respect of the remaining tax losses to carry forward due to uncertainty as to forecast taxable income after the five years.

Losses available to be carried forward are subject to the shareholder continuity requirements of the New Zealand Income Tax Act 1994 and the countries in which the losses have arisen.

3. Operating assets and liabilities

3.1 Trade and other receivables

	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Trade receivables	**19,994**	18,566	15,483
Provision for loss allowance	**(69)**	(96)	(41)
Net trade receivables	**19,925**	18,470	15,442
Prepayments	**577**	530	239
VAT / GST refunds due	**321**	93	96
Income tax refund due	**347**	372	361
Other receivables	**273**	352	342
	21,443	19,817	16,480

The Group applies the simplified approach permitted by NZ IFRS 9 which requires lifetime expected credit losses to be recognised from initial recognition of the trade receivable. Trade receivables are written off when there is no reasonable expectation of recovery.

The Group takes out trade credit insurance to hedge against some of the credit risk.

3.2 Inventories

	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Finished goods – at cost	**8,464**	8,165	6,886
Raw materials – at cost	**2,041**	2,580	2,203
Less inventory provisions	**(297)**	(399)	(286)
Total inventories	**10,208**	10,346	8,803

3.3 Trade and other payables

	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Trade payables	**20,621**	13,224	14,198
Employee entitlements	**2,014**	1,480	1,313
VAT / GST payable	**164**	416	388
Income tax payable	**-**	24	24
Accrued expenses	**1,520**	1,591	1,328
	24,319	16,735	17,251

3.4 Provisions

Warranty provision	**30 Jun 2024 $000s**	30 Jun 2023 $000s	31 Dec 2023 $000s
Carrying amount at start of period	**133**	177	177
Additional provisions recognised	**23**	45	45
Amounts used	**(23)**	(45)	(89)
Exchange adjustment	**6**	7	-
Carrying amount at end of period	**139**	184	133

3.5 Property plant and equipment

	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Net book amount at start of period	**5,482**	1,156	1,156
Additions	**314**	5,000	5,375
Depreciation	**(412)**	(315)	(748)
Disposals	**(27)**	(59)	(55)
Exchange adjustment	**240**	71	(246)
Net book amount at end of period	**5,597**	5,853	5,482
Depreciation			
Property	**235**	154	378
Plant and equipment	**111**	115	241
Office equipment, furniture & fittings	**66**	46	129
	412	315	748

Capital commitments

Capital commitments contracted at 30 June 2024 amounted to $114,000 (June 2023 $326,000)

3.6 Intangible assets

	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Net book amount at start of period	**13,923**	12,907	12,907
Additions	**2,583**	1,265	3,349
Amortisation	**(971)**	(1,107)	(2,306)
Exchange adjustment	**503**	474	(27)
Net book amount at end of period	**16,038**	13,539	13,923

Analysis of net book amount	**30 Jun 2024 $000s**	30 Jun 2023 $000s	31 Dec 2023 $000s
Internally generated development assets	**12,229**	9,721	10,189
Patents	**221**	248	211
Goodwill	**3,230**	3,224	3,190
Other	**358**	346	333
	16,038	13,539	13,923

Additions in the six months to 30 June 2024 include $2,540,000 (2023: $1,081,000) for internally generated development costs and $43,000 (2023: $184,000) for patents, trademarks and software. Payments for intangible assets in the period amounting to $2,583,000 (2023: $1,265,000) are included in the Consolidated and Condensed Interim Cash Flow Statement.

Internally generated development costs include $7,948,000 (2023: $3,336,000) for projects underway and not complete at balance date. This cost is not yet being amortised.

Goodwill and intangible assets with indefinite lives

Goodwill acquired through business combinations with indefinite lives has been allocated to the IoT Cash Generating Unit (CGU) which is also an operating and reportable segment for impairment testing. The Group performed an impairment test at 30 June 2024.

The recoverable amount of the IoT CGU at 30 June 2024 has been determined based on a value in use calculation using cash flow projections from the latest forecast approved by senior management for 2024. The pre-tax discount rate applied to the cash flow projections is 13.5% (2023: 16%) and cash flows beyond 2024 using a 9.92% growth rate for IoT revenue over the period from 2019 to 2024.

The calculation of value in use is most sensitive to the following assumptions:

- Gross margins
- Completion and launch of new IoT products under development and retaining volumes to current customers
- Growth rates used to extrapolate cash flows beyond the forecast period
- Operating expense increases.

Gross margins are based on current pricing and product costs. The gross margin for the period to 30 June 2024 was 40.1% and is forecast at 42.2% for later years. Operating expenses for the period to 30 June 2024 was 16.4% of sales. This rate has been maintained for later years.

As a result of this analysis, management did not identify an impairment for this CGU.

4. Capital and financing costs

4.1 Borrowings

	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Current portion			
Bank trade finance facility	**4,092**	7,677	4,004
Bank term loans	**20**	516	486
Other borrowings	**27**	268	184
	4,139	8,461	4,674

	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Non-Current portion			
Bank term loans	**320**	319	311
Other borrowings	**-**	23	-
	320	342	311

BNZ trade finance facility

The bank trade finance facility is $5 million. The facility has no term, is repayable on demand and is secured. The Company can finance invoices to certain customers over a maximum term of 120 days. Interest is payable on repayment at a 3.25% margin above bank base lending rate.

Bank loans

The Company’s US subsidiary borrowed US$198,100 under the Small Business Act. The SBA loan has monthly repayments over a 30-year term. Interest is payable at 3.75% pa.

The Company’s Mexican subsidiary repaid its 5 million Mexican Pesos loan from the Banco del Bajio during the period ($481,000 at 30 June 2023).

Movements in bank and other loans during the period were:

	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Liability at start of period	**4,985**	3,835	3,835
New loans and drawdowns	**7,083**	12,396	21,654
Repayments	**(7,759)**	(7,828)	(20,614)
Exchange adjustment	**150**	400	110
Liability at end of period	**4,459**	8,803	4,985

4.2 Finance income and expenses

	Six months ended		Year ended
	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Finance income			
Interest income	**23**	33	59
	23	33	59
Finance expenses			
Interest expense – Bank loans	**246**	239	552
Other interest expense	**562**	317	770
	808	556	1,322

4.3 Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares – fully paid

	30 Jun 2024 Shares	30 Jun 2023 Shares	**30 Jun 2024 $000s**	30 Jun 2023 $000s
Opening balance of ordinary shares on issue	**431,853,006**	431,853,006	**135,578**	135,578
New shares issued	**-**	-	**-**	-
Ordinary fully paid shares on issue at period end	**431,853,006**	431,853,006	**135,578**	135,578

All ordinary shares are authorised and have no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held.

5. Other information

5.1 Related party transactions

(a). Directors

The names of persons who are Directors of the Company are on page 33.

(b). Key management personnel and compensation

Key management personnel compensation is set out below. Key management personnel comprises the Directors, the Chief Executive Officer (CEO) and all the senior executives that report directly to the CEO.

	Six month ended		Year ended
	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Salaries, fees and other short-term benefits	**1,206**	1,113	2,404
Share based remuneration	**43**	33	77
Directors' remuneration	**177**	168	316
Total	**1,426**	1,314	2,797

(c). Employee share-based remuneration

In 2021, 12,930,000 options were issued to the Chief Executive Officer. 8,620,000 options (Tranche One) will vest on 1 October 2024 and 4,310,000 options (Tranche Two) will vest on 1 October 2025, if the CEO remains a full-time employee on those dates. The exercise price of the Tranche One options is 9.1 cents and of the Tranche Two options is 11.5 cents.

The fair value of the employee services received in exchange for the grant of options are recognised as an expense over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when options are exercised.

5.2 Contingencies and commitments

There are no material contingent liabilities or assets (June 2023 - $nil).

5.3 Leases

The Consolidated and Condensed Interim Statement of Financial Position shows the following amounts related to leases of right of use assets:

Right-of-use assets	**30 Jun 2024 $000s**	30 Jun 2023 $000s	31 Dec 2023 $000s
Properties	**3,891**	4,283	3,918
Plant & equipment	**20**	-	23
Office equipment, furniture & fittings	**14**	-	15
	3,925	4,283	3,956

	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Liabilities in respect of right-of-use assets			
Current	**232**	62	181
Non-current	**4,092**	4,289	4,213
	4,324	4,351	4,394
Additions to right-of-use assets in the period			
Properties	**-**	4,404	4,345
Plant and equipment	**-**	-	26
Office equipment, furniture and fittings	**-**	-	18
	-	4,404	4,389

Movements in liabilities in respect of right-of-use assets in the period were:

	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Liability at start of period	**4,394**	83	83
New liabilities	**-**	4,345	4,389
Repayments	**(70)**	(77)	(78)
Exchange adjustment	**-**	-	-
Liability at end of period	**4,324**	4,351	4,394

The Consolidated and Condensed Interim Statement of Comprehensive Income shows the following amounts related to leases of right of use assets:

	Six months ended		Year ended
Depreciation charge for right-of-use assets	**30 Jun 2024 $000s**	30 Jun 2023 $000s	31 Dec 2023 $000s
Properties	**193**	119	342
Plant & equipment	**3**	3	7
Office equipment, furniture & fittings	**2**	2	4
	198	124	353
Interest expense on lease liabilities	**180**	119	299
Expense relating to short-term leases (included in operating expenses)	**38**	50	103

The Consolidated and Condensed Interim Cash Flow Statement shows the following amounts related to right-of-use leases:

	Six months ended		Year ended
	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Total principal payments for right-of-use assets	**70**	77	78

5.4 Financial instruments by category

	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Assets per Statement of Financial Position			
Financial assets measured at amortised cost			
Trade and other receivables	**20,198**	18,822	15,784
Cash and cash equivalents	**1,951**	2,515	3,295
Derivatives used for hedging at fair value			
Derivative financial instruments	**38**	-	254
	22,187	21,337	19,333
Liabilities per Statement of Financial Position at amortised cost			
Trade and other payables	**24,319**	16,735	17,251
Borrowings	**4,459**	8,803	4,985
Liabilities in respect of right-of-use assets	**4,324**	4,351	4,394
Liabilities at fair value			
Derivative financial instruments	**-**	56	-
	33,102	29,945	26,630

Fair value estimation

The only financial instruments carried at fair value at 30 June 2024 are derivatives comprising forward foreign exchange contracts.

The forward exchange contract has been classified as Level 2.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (Level 3)

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

5.5 Maturity analysis

The amounts disclosed are the contractual undiscounted cash flows.

30 June 2024	**Trade and other payables $000s**	**Borrowings $000s**	**Right-of-Use asset Liabilities $000s**	**Total $000s**
Less than 6 months	**24,319**	**4,129**	**110**	**28,558**
7 to 12 months	**-**	**10**	**122**	**132**
2 to 5 years	**-**	**320**	**4,092**	**4,412**
	24,319	**4,459**	**4,324**	**33,102**
30 June 2023				
Less than 6 months	16,735	8,319	(5)	25,049
7 to 12 months	-	142	67	209
2 to 5 years	-	342	4,289	4,631
	16,735	8,803	4,351	29,889
31 December 2023				
Less than 6 months	17,251	4,638	71	21,960
7 to 12 months	-	36	110	146
2 to 5 years	-	311	4,213	4,524
	17,251	4,985	4,394	26,630

Trade and other payables above exclude any liabilities for tax (including payroll taxes), statutory liabilities and contract liabilities.

5.6 Reconciliation of loss for the period to net cash inflow from operating activities

	Six months ended Unaudited		Year ended Audited
	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Loss after taxation for the period	**(1,043)**	(2,674)	(3,534)
Adjustments for:			
Income tax (credit) / expense	**(21)**	22	223
Depreciation, amortisation & impairment	**1,383**	1,422	3,054
Share based payments	**43**	33	77
Increase / (decrease) in Inventory provision	**11**	17	(96)
Increase / (decrease) in loss allowance provision	**28**	4	(51)
Increase / (decrease) in provision for warranty	**6**	7	(44)
Net foreign exchange differences	**(582)**	(146)	(386)
(Increase) / decrease in trade & other receivables	**(4,991)**	4,460	7,852
Increase in contract liabilities	**1,785**	1,483	2,132
(Increase) / decrease in inventories	**(1,416)**	909	2,565
Increase / (decrease) in trade & other payables	**7,068**	(8,360)	(7,844)
Net cash inflow / (outflow) from operating activities	**2,271**	(2,823)	3,948

5.7 Net debt reconciliation

	30 Jun 2024 $000s	30 Jun 2023 $000s	31 Dec 2023 $000s
Cash and cash equivalents	**1,951**	2,515	3,295
Borrowings – repayable within one year	**(4,139)**	(8,461)	(4,674)
Borrowings – repayable after one year	**(320)**	(342)	(311)
Net debt	**(2,508)**	(6,288)	(1,690)

The bank trade finance facility is at variable interest rates. All other borrowings are at fixed interest rates, with borrowings movements disclosed in note 4.1. The decrease in cash during the period of $1,344,000 (2023: decrease $324,000) included a $1,000 increase (2023: $127,000 decrease) caused by exchange rate movement.

5.8 Events after reporting date

There are no events after reporting date requiring disclosure.

Contacts

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Greg Allen, Independent Director
Melissa Clark - Reynolds, Independent Director
Roz Buick, Independent Director

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