



Consolidated Financial Statements

FY23 Interim Report

For the six month period
ended 30 September 2022

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Consolidated interim statement of profit or loss and other comprehensive income

Unaudited
6 months to
September 2022

Unaudited
6 months to
September 2021

Continuing operations		NZ\$000	NZ\$000
Operating revenue	4	15,417	5,715
Cost of sales		(7,248)	(2,130)
Gross profit		8,169	3,585
Other income	4	196	4
Foreign exchange gains		2,239	5
Movement of fair value assets and liabilities	4	2,723	(412)
Total other income, gains, and (losses)		5,158	(403)
Support costs		(512)	(204)
Sales and marketing expenses		(3,902)	(3,182)
Research and engineering expenses		(3,798)	(2,369)
Corporate costs		(4,002)	(3,614)
Expenses	4	(12,214)	(9,369)
Operating profit/(loss)		1,113	(6,187)
Net finance (expense)		(5)	(28)
Net profit/(loss) before income tax		1,108	(6,215)
Income tax expense		-	-
Profit/(loss) attributable to owners of ikeGPS Group		1,108	(6,215)
Other comprehensive gains			
Exchange differences on translation of foreign operations		2,888	109
Comprehensive income/(loss)		3,996	(6,106)
Basic and diluted earnings/(loss) per share		\$ 0.03	\$ (0.04)

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Consolidated interim statement of changes in equity

	Share capital	Accumulated losses	Share based payment reserve	Foreign currency translation reserve	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Restated balance at 1 April 2021 (audited)	80,932	(59,817)	1,178	(591)	21,702
Loss for the period	-	(6,215)	-	-	(6,215)
Currency translation differences	-	-	-	109	109
Total comprehensive (loss)/ income	-	(6,215)	-	109	(6,106)
Issue of ordinary shares	23,134	-	-	-	23,134
Recognition of vesting of share-based options	-	-	919	-	919
Issue of shares from exercise of share options	52	-	(52)	-	-
Share based options forfeited during the period	-	-	(2)	-	(2)
Equity movements arising from business combinations	-	-	209	-	209
Total transactions with owners	23,186	-	1,074	-	24,260
Balance at 30 September 2021 (unaudited)	104,118	(66,032)	2,252	(482)	39,856

	Share capital	Accumulated losses	Share based payment reserve	Foreign currency translation reserve	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Opening balance at 1 April 2022 (audited)	104,751	(67,674)	2,768	(640)	39,205
Profit for the period	-	1,108	-	-	1,108
Currency translation differences	-	-	-	2,888	2,888
Total comprehensive income	-	1,108	-	2,888	3,996
Recognition of vesting of share-based options	-	-	838	-	838
Issue of shares from exercise of share options	7	-	(7)	-	-
Share based options forfeited during the period	-	20	(67)	-	(47)
Equity movements arising from business combinations	201	-	(201)	-	-
Total transactions with owners	208	20	563	-	791
Balance at 30 September 2022 (unaudited)	104,959	(66,546)	3,331	2,248	43,992

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Consolidated interim balance sheet

	Unaudited September 2022	Audited March 2022
	NZ\$000	NZ\$000
ASSETS		
Current assets		
Cash and cash equivalents	25,467	24,354
Trade and other receivables	3,891	4,959
Prepayments	1,151	1,284
Contract costs	235	191
Financial instruments	467	33
Inventory	1,580	1,003
Total current assets	32,791	31,824
Non-current assets		
Property, plant and equipment	2,639	1,803
Intangible assets	5	17,305
Inventory	242	269
Lease assets	110	210
Total non-current assets	20,296	16,417
Total assets	53,087	48,241
LIABILITIES		
Current liabilities		
Trade and other payables	3,096	1,756
Employee entitlements	744	676
Provision	-	40
Other liabilities	6	2,651
Lease liabilities	121	232
Deferred income	4,385	3,575
Total current liabilities	9,007	8,930
Non-current liabilities		
Deferred income	88	106
Total non-current liabilities	88	106
Total liabilities	9,095	9,036
Total net assets	43,992	39,205
EQUITY		
Share capital	8	104,751
Share based payment reserve	3,331	2,768
Accumulated losses	(66,546)	(67,674)
Foreign currency translation reserve	2,248	(640)
Total equity	43,992	39,205



Director Date: 29 November 2022
NZ (New Zealand Time)



Director Date: 29 November 2022
NZ (New Zealand Time)

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Consolidated interim statement of cash flows

	Unaudited 6 months to September 2022	Unaudited 6 months to September 2021
	NZ\$000	NZ\$000
Operating activities		
Receipts from customers	17,257	6,547
Payments to suppliers and employees	(16,304)	(9,341)
Payment of low value and short term leases	(80)	(14)
Interest paid	(17)	(25)
Net cash from/(used in) operating activities	9	(2,833)
Investing activities		
Purchases of property, plant, and equipment	(1,113)	(1,051)
Additions to intangible assets	(1,490)	(761)
Payment for financial instruments	36	-
Interest received	8	-
Net cash used in investing activities	(2,559)	(1,812)
Financing activities		
Payments of principal portion of lease liabilities	(141)	(172)
Proceeds from issuance of shares	-	23,136
Net cash (used in)/from financing activities	(141)	22,964
Net (decrease)/increase in cash and cash equivalents	(1,844)	18,319
Cash and cash equivalents at 1 April	24,354	11,342
Effect of exchange rate fluctuations on cash held	2,957	(33)
Cash and cash equivalents at the end of the period	25,467	29,628

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Notes to the consolidated interim financial statements

1. Reporting entity

ikeGPS Group Limited (the "Company") is a limited liability company domiciled and incorporated in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX") and Australian Securities Exchange ("ASX"). The Company is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The interim financial statements for the six months ended 30 September 2022 comprise the Company and its subsidiaries (together referred to as the "Group"), which include ikeGPS Limited and ikeGPS Inc.

The principal activity of the Group is that of design, sale, and delivery of a solution for the collection, analysis, and management of distribution assets for electric utilities and communications companies.

The consolidated interim financial statements were authorised for issue by the Directors on 29 November 2022.

2. Basis of preparation

The principal accounting policies applied in the preparation of these interim consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of measurement

These unaudited interim financial statements for the six months ended 30 September 2022 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and NZ IAS 34, Interim Financial Reporting.

The consolidated financial statements have been prepared on the historical cost basis with the exception of certain financial instruments, which are measured in accordance with the specific relevant accounting policy.

These unaudited interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2022, which were prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements of the Group for the year ended 31 March 2022.

Critical estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2022, unless separately identified in the notes.

Notes to the consolidated interim financial statements

2. Basis of preparation (continued)

Going concern

The considered view of the Board Directors is that the going concern assumption continues to be valid, and these financial statements have been prepared on that basis. This view has been reached after making due enquiry and having regard to the circumstances that the Directors consider will occur, and that are reasonably likely to affect the Group, during the period of one year from the date of approving these financial statements.

The Group recorded operating profit of NZ\$1.1M for the period ended 30 September 2022 (2021: NZ\$6.2M loss) and is expected to make losses in the following period.

Notwithstanding, the Group has prepared cash flow forecasts and sensitivity analyses that indicate cash-on-hand at period-end of NZ\$25.5M, combined with the net cash flows from operations, will enable the Group to continue operating as a going concern for at least twelve months from the date of authorising these consolidated financial statements.

Impairment of non-financial assets

At the end of the period, the Group has reviewed the cash generating unit (CGU) carrying amounts, key assumptions, and estimates for indicators of impairment. The Directors have identified the following CGUs:

+ CGU1 – IKE Core platform

+ CGU2 – Spike

+ CGU3 – IKE Structural

+ CGU4 – IKE Insight

The Directors determined that there have been no significant changes since the 31 March 2022 Annual Report for CGU1, CGU2, and CGU3.

However, due to the significant market growth and demand for the IKE Analyze product, the Group reallocated CGU4's resources towards developing productivity benefits for IKE Analyze during the period. Given this temporary reallocation, the revenue for the period was below forecast and the Directors have determined this to be an impairment indicator for the period. Going forward the Group plans to focus the business segment on revenue growth and to onboard large utility and communications customers.

CGU4 is an early-stage business segment and technology that IKE acquired in January 2021 and was determined to have a carrying value of \$11.1M including goodwill at the end of the period. Future cash flows are forecasted based on a five-year business model, with the business forecasting approximately \$0.6m revenue in the next 12 months, and with continuing strong growth rates in Year 2 to Year 5 at an average of 159% and operating expenses reflecting the current business plan. A pre-tax discount rate of 33.5% was used to establish the recoverable amount on a value in use basis. In determining the terminal value, the Group applied a 2% growth rate. The Directors have concluded that no impairment exists as CGU4 continues to have a useful life, and the carrying value does not exceed the value in use.

Sensitivity analysis was performed on key assumptions for CGU4. An impairment would need to be considered if the year-on-year growth rate was 16% lower than forecasted.

The forecasted financial performance of CGU4 requires judgements to be made on revenue growth, operating cost projections, long sales cycle for new technology adoption, and market opportunity for the product. It is sensitive to changes in the assumptions outlined and actual results may be substantially different.

Notes to the consolidated interim financial statements

3. Operating segments

The CEO and Board of Directors are assessed to be the Chief Operating Decision Maker (CODM), who regularly review financial information by product and gross margin. Reporting of overheads and balance sheet position is not undertaken at a level lower than the Group as a whole. Geographically, revenue is substantially generated in the United States.

The CODM now views financial information by products with similar revenue drivers, so to reflect this the segment note has been reformatted. The comparative information has been presented on a consistent basis to the revised format. The key change being consolidation of the customer segments, due to the immateriality of 'Other Business'.

The Group derives its revenue from:

Platform transactions:

- + IKE Analyze revenue by providing an end-to-end technical solution for customers; IKE captures and analyses pole loading and make-ready engineering assessments, or customers capture pole data and transact on the platform,
- + transactional revenue by analysing pole data through an artificial intelligence and machine learning platform.

Platform subscriptions:

- + the IKE Platform solution where customers use the functionality of IKE Office and if applicable the IKE Device,
- + pole loading software licences and ongoing subscriptions for maintenance and support.

Hardware and other services:

- + IKE Device and Spike device sales,
- + Other services including training and deployment.

Notes to the consolidated interim financial statements

3. Operating segments (continued)

	Unaudited 6 months to September 2022 NZ\$000	Unaudited 6 months to September 2021 NZ\$000
Platform Transactions		
IKE Analyze revenue	9,459	2,221
Cost of sales	(5,844)	(1,286)
Contribution	3,615	935
Platform Subscriptions		
Platform as a Service revenue	1,434	689
IKE Structural pole loading software licenses and subscription revenue	941	480
Subscription revenue	1,744	1,301
Cost of sales	(489)	(310)
Contribution	3,630	2,160
Hardware and other services		
Hardware and accessories revenue	1,733	951
Other service revenue	106	73
Cost of sales	(915)	(534)
Contribution	924	490
Total Operating Revenue	15,417	5,715
Total Cost of Sales	(7,248)	(2,130)
Total Gross Profit	8,169	3,585
Sales and marketing costs	(3,902)	(3,182)
Net attributable (other corporate income and expenses)	(3,159)	(6,618)
Net profit/(loss) before tax	1,108	(6,215)

Previous presentation for the comparative period:

	Unaudited 6 months to September 2022			Unaudited 6 months to September 2021		
	Utility & Communication NZ\$000	Other Business NZ\$000	Group NZ\$000	Utility & Communication NZ\$000	Other Business NZ\$000	Group NZ\$000
Sales of Product						
Sale of product and services	1,681	-	1,681	792	-	792
Subscriptions	1,724	-	1,724	1,285	-	1,285
Contribution	2,529	-	2,529	1,663	-	1,663
IKE Platform Solution						
Platform as a Service	1,434	-	1,434	689	-	689
IKE Analyze	9,459	-	9,459	2,282	-	2,282
Contribution	4,561	-	4,561	1,375	-	1,375
IKE Structural						
Pole loading software licenses, services and subscriptions	941	-	941	492	-	492
Contribution	941	-	941	492	-	492
Spike						
Sale of product		158	158		159	159
Subscriptions		20	20		16	16
Contribution		138	138		55	55
Gross Profit			8,169			3,585
Sales and marketing costs			(3,902)			(3,182)
Other corporate income and expenses			(3,159)			(6,618)
Net profit/(loss) before tax			1,108			(6,215)

Notes to the consolidated interim financial statements

4. Revenue and expenses

Revenue	Unaudited 6 months to September 2022	Unaudited 6 months to September 2021
	NZ\$000	NZ\$000
Sale of product (point in time)	1,733	825
Platform as a Service (over time and point in time)	1,434	689
IKE Analyze (point in time)	9,459	2,221
IKE Insight (point in time)	-	61
IKE subscription (over time)	1,744	1,301
Pole loading licence and subscription (over time and point in time)	941	492
Services (point in time)	106	126
Total operating revenue	15,417	5,715
Government grants ¹	192	-
Other income	4	4
Total other income	196	4
Fair value movement on other liabilities	2,261	(412)
Fair value movement on financial instruments	462	-
Total movement of fair value assets and liabilities	2,723	(412)

Operating expenses

Operating expenses consist of operations, sales, marketing, engineering, research, and corporate costs.

Amortisation of intangible assets	827	707
Depreciation ²	228	243
Total amortisation and depreciation	1,055	950
Audit of financial statements	99	90
Employee benefit expense	7,486	5,789
External contractors and consultants	777	233
Employee benefit, contractors and consultants expense capitalised ³	(1,490)	(759)
Share-based payment	684	1,126
Operating lease expenses	78	113
Direct selling and marketing ⁴	1,462	727
Movement of sales tax provision	-	(233)
Impairment of inventories	54	-
Other operating expenses ⁵	2,009	1,333
Total operating expenses	12,214	9,369

1. Government grants were payments received under the research and development tax incentive scheme relating to FY22 research and development costs and the NZTE International Growth Fund.

2. Total depreciation for the period was \$648k (2021:\$483k), comprised of depreciation on fixed assets of \$524k (2021: \$343k) and depreciation on leased assets of \$124k (2021: \$140k). Engineering and research expenses included \$104k (2021: \$103k) and corporate costs included \$124k (2021: \$140k) of depreciation on leased assets under NZ IFRS 16. The balance of depreciation totalling to \$420k (2021: \$240k) is included in cost of sales.

3. Relates to employee benefit expenses, external contractors, and consultants' expenses that are directly attributable to the development of intangible assets and have been capitalised.

4. Direct selling and marketing expenses includes expenses incurred mainly in relation to promotional activities such as commissions, travel, and other direct marketing expenses.

5. Other operating expenses include corporate advisory, travel, engineering, facilities, and IT costs.

Notes to the consolidated interim financial statements

5. Intangible assets

	Development assets	Work in progress	Goodwill	Customer contracts, relationships, trademarks	Training materials	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Cost						
Balance at 1 April 2021	16,942	1,339	3,284	667	188	22,420
Additions	1,473	348	-	-	-	1,821
Exchange differences	-	(13)	25	-	-	12
Balance at 31 March 2022	18,415	1,674	3,309	667	188	24,253
Balance at 1 April 2022	18,415	1,674	3,309	667	188	24,253
Additions	1,227	263	-	-	-	1,490
Exchange differences	2,065	133	721	152	43	3,114
Balance at 30 September 2022	21,707	2,070	4,030	819	231	28,857
Amortisation and impairment losses						
Balance at 1 April 2021	8,434	-	-	112	29	8,575
Amortisation for the year	1,330	-	-	110	19	1,459
Impairment	100	-	-	-	-	100
Exchange differences	(13)	-	-	(3)	-	(16)
Balance at 31 March 2022	9,851	-	-	219	48	10,118
Balance at 1 April 2022	9,851	-	-	219	48	10,118
Amortisation for the period	754	-	-	63	10	827
Exchange differences	537	-	-	59	11	607
Balance at 30 September 2022	11,142	-	-	341	69	11,552
Carrying amounts						
At 31 March 2022	8,564	1,674	3,309	448	140	14,135
At 30 September 2022	10,565	2,070	4,030	478	162	17,305

Notes to the consolidated interim financial statements

6. Other liabilities

Other liabilities are obligations from prior year business combinations and were initially recorded at fair value. Those that are deferred consideration are subsequently measured at amortised cost, and those liabilities that are the results of contingent consideration are subsequently measured at fair value through profit or loss.

	Unaudited 6 months to September 2022	Audited year ended March 2022
	NZ\$000	NZ\$000
Accrued liabilities for services	661	728
Earn-out consideration on business combination	-	1,923
	661	2,651

Accrued liabilities for services

The Group has employment agreements that result in cash payments being made to certain staff at the end of a service period. The expense is accrued as services are delivered and payment is made at the end of the service period. The liability was initially measured at fair value and subsequently measured at amortised cost.

Earn-out consideration on business combination (cash and shares)

The Group acquired Visual Globe assets in the 2021 year, and a contingent consideration was recognised relating to achieving revenue milestones. The consideration consisted of both cash payments and share issuances. The contingent consideration liability was initially and subsequently measured at fair value, with gains or losses recognised in the consolidated statement of profit or loss.

The fair value of the contingent consideration was estimated by calculating the present value of the future expected earn-out payment, using a 27.5% discount rate. The timing and likelihood of payment was determined based on the forecasted revenue in the earnout period to end-March 2024. The Group now assumes no revenue targets will be met within the earnout period, and therefore no consideration has been allocated to these targets. A fair value gain of \$2.3m has been recognised in the period from the movement of this instrument (Sep 2021: \$0.4m loss).

The estimates of probability and timing of the revenue targets being met are based on forecasted cashflows and subject to both timing and achievement uncertainty, due to the early-stage nature of the business.

7. Foreign currency risk management

The Group is exposed to foreign currency risk on its revenue and a significant portion of its expenses that are denominated in USD, which is different to the Group's presentational and parent's functional currency NZD. Foreign exchange options mitigate some of the risk on AUD cash holdings.

The period end USD/NZD rate was 0.57 (March 2022: 0.70) and the AUD/NZD rate was 0.88 (March 2022: 0.93)

If the NZD strengthened / weakened against the USD or AUD by 10% at 30 September 2022, the effect on profit / loss is as follows:

	September 2022		March 2022	
	Carrying amount in USD US\$'000	Carrying amount in AUD AU\$'000	Carrying amount in USD US\$'000	Carrying amount in AUD AU\$'000
Cash and cash equivalents	7,246	8,454	6,420	13,144
Trade and other receivables	2,184	-	3,367	-
Trade and other payables	(1,523)	(13)	(824)	(8)

Sensitivity analysis	Carrying amount US\$'000	Change in USD rate %	Effect on profit/ loss before tax NZ\$'000
	September 2022	7,908	10% -10%
March 2022	8,963	10% -10%	(1,168) 1,428

	Carrying amount AU\$'000	Change in AUD rate %	Effect on profit/ loss before tax NZ\$'000
	September 2022	8,441	10% -10%
March 2022	13,137	10% -10%	(1,286) 1,572

Notes to the consolidated interim financial statements

8. Contributed equity

Share capital

	Unaudited 6 months to September 2022	Audited year ended March 2022
	NZ\$000	NZ\$000
On issue at 01 April 2022	104,751	80,932
Issued under share placement	-	19,293
Issued under retail entitlement offer	-	5,476
Less listing costs offset against issue proceeds	-	(1,639)
Exercise of share options	7	204
Issued as part of business combination	201	485
Total share capital	104,959	104,751

Share capital on issue

	Qty	Qty
Fully paid total shares at beginning of year	159,296,738	133,140,763
New ordinary shares offered	166,954	24,801,112
Ordinary shares issued on settlement of options	9,811	564,092
Ordinary shares issued as part of business combination	-	790,771
Fully paid ordinary shares	159,473,503	159,296,738

9. Reconciliation of operating cash flows

	Unaudited 6 months to September 2022	Unaudited 6 months to September 2021
	NZ\$000	NZ\$000
Profit/(loss) for the period	1,108	(6,215)
Less investment interest received	(17)	-
Non-cash items included in net profit/loss		
Depreciation	648	483
Amortisation of intangible assets	827	707
Interest accrued	(9)	3
Impairment of inventories	54	-
Raw materials and finished goods written down	85	83
Share based payment expense	792	1,126
Write off of obsolete materials and assets	168	105
Fair value movement	(2,723)	412
Foreign exchange (gains)	(3,029)	(44)
	(3,187)	2,875
Add/(less) movement in working capital items		
Decrease in trade and other receivables	1,076	536
(Increase) in inventories	(689)	(39)
Decrease/(increase) in prepayments	133	(714)
Increase/(decrease) in trade and other payables	1,341	(19)
Increase in deferred revenue	792	338
Increase in other liabilities	272	387
(Decrease) in provision	(41)	(127)
Increase in employee entitlements	68	145
	2,952	507
Net cash from/(used in) operating activities	856	(2,833)

10. Related parties

The group issued 864,000 unlisted share options at NZD\$0.78 to key management during the period, in accordance with the ikeGPS Group Limited Employee Share Scheme.

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