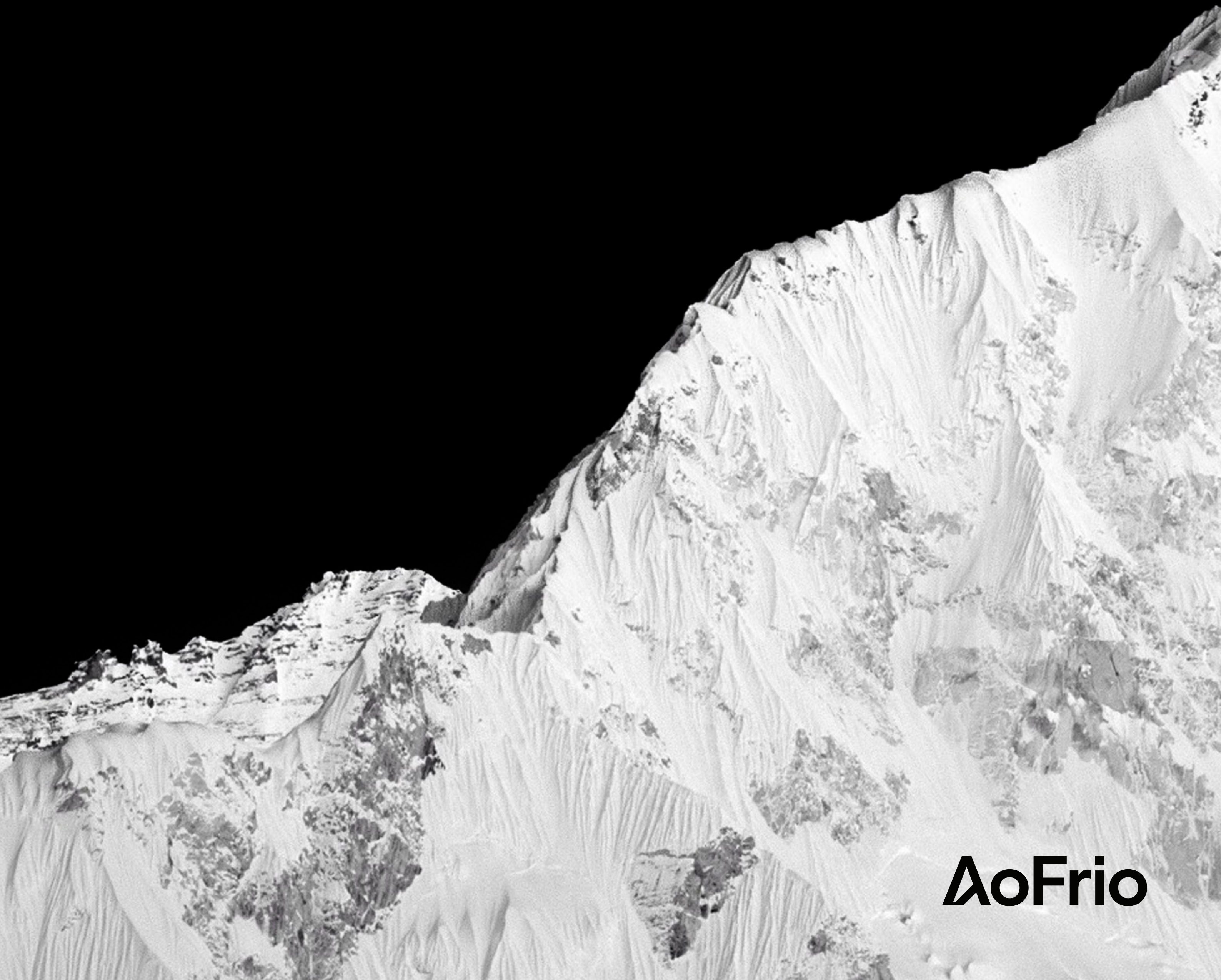
AoFrio
Interim Report 2023



Letter from the CEO and Chair

Gottfried Pausch
Chairman

Greg Balla
Chief Executive Officer

AoFrio experienced softer demand than expected during H1 FY23. This was as a result of customers over purchasing inventory in FY22 to protect against supply chain disruption and the impact of macroeconomic conditions on overall demand. While there is still uncertainty, we are expecting conditions to moderately improve in H2 FY23. Against this backdrop we are focused on navigating through FY23, looking to maintain a base level of EBITDA and an adequate level of liquidity. We are confident we have maintained our market share and have won new business that will enable us to grow revenue in FY24 as these conditions further improve.

Financial performance

Revenue for H1 FY23 was $30.1 million, compared to $31.9 million for the same period last year.

Earnings before interest, tax, depreciation, and amortisation (EBITDA) was a loss of $0.7m compared to a $0.6m loss for the corresponding period last year. The pre-tax result was a loss of $2.7 million compared to a pre-tax loss of $1.9 million in H1 FY22.

Metric (NZ$m)	H1 FY23	H1 FY22	Variance
Revenue	**30.1**	**31.9**	**(1.8)**
IoT Revenue	17.1	16.3	0.8
Motors & Fans Revenue	13.0	15.6	(2.6)
Gross Margin %	30.3%	26.6%	3.7pp
EBITDA	(0.7)	(0.6)	(0.1)
Profit / (Loss)	(2.6)	(1.9)	(0.7)

Revenue
Across our core business segments, we shipped 238,000 IoT devices and 338,000 motors in the period. This resulted in a change in revenue of 5.3% for IoT and -16.9% for Motors compared to H1 FY22.

We continue to experience the impact of some customers over-purchasing inventory in FY22 to protect their businesses from supply chain disruptions. We expected this excess stock to be largely consumed during the first half of FY23, but this is taking longer than expected and some customers are still holding excess stock and have therefore reduced their order rate.

Within the motors segment, demand for AoFrio's ECR 2 range was 15% lower than the first half of FY22. This was largely due to North American customers reducing orders due to overstocking and the challenging macroeconomic conditions impacting overall demand. In particular, one of the Company's largest North American motor customers reduced demand to near zero for the first half of the year. We are pleased to see monthly demand from this customer is now returning.
IoT equipment volumes held up well in the difficult environment as customers continued to connect their coolers to the AoFrio cloud. South America was the stand-out regional performer, recording 30.4% year-on-year revenue growth. This was driven by customer wins for AoFrio's market leading IoT solutions, including volume won off a local competitor. We sold 65,000 IoT devices in South America during H1 FY23 compared to 33,000 during H1 FY22.

EMEA volumes also held up reasonably well, with a small year over year volume reduction, despite the macroeconomic issues in Europe and in Turkey, mainly caused by geopolitical uncertainty and natural disasters.

Revenue by geography:

Revenue (NZ$m)	H1 FY23	H1 FY22	Change
North America	19.2	21.8	-11.8%
South America	4.7	3.6	+30.4%
EMEA	3.3	3.4	-2.9%
APAC	2.9	3.1	-7.1%
	30.1	31.9	-5.6%

We invoiced $2.1 million for cloud data connection and software development charges during H1 FY23 compared to $2.8 million for the same period last year. This revenue is multi-year and is recognised in the Income Statement over the duration of the contract. At 30 June 2023, $11.6 million of revenue has been deferred for recognition in subsequent periods. (2022:$9.0 million).

Gross Margin

H1 FY23 gross margin was 30.3% compared to 26.6% during the same period last year. This significant lift is due to improved component supply, reduced shipping costs, higher mix of IoT and the impact of pricing changes late in 2022.

Across the first half of FY23, the margin for IoT products was 41.8% and 15.2% for motors. This compares to 41.0% and 11.7% for the same period last year, demonstrating that the company managed to maintain its product margins despite pressures in the market.

Operating expenses

Operating expenses for the six months ending 30 June 2023 were $10.5 million, 17% higher than for the comparable period last year.

Staff costs of $8.3 million represent 80% of our total operating expenses ($6.3 million - 71% in H1 FY22).

The increase in staff costs was largely the result of new roles added over the eighteen-month period in FY22 and H1 FY23 and to salary increases required in what was a challenging labour market. There were 86 staff at the commencement of FY22, 98 in June 2022, 105 at 31 December 2022 and 115 at 30 June 2023. We recruited ten new roles out of the forty planned for this year in H1 FY23 to support our business growth plan. This level of staff hires was required to accelerate our long-term strategy of growth, but we are managing our spending and investments carefully in the short term given more difficult than expected trading conditions. We will continue to prudently manage AoFrio's resource levels through H2 FY23.

Capitalised development time increased from $0.5 million to $1.1 million in H1 FY23. Our engineering and product teams are focused on new product development to progress AoFrio's strategies of protecting and growing the bottle cooler market and diversification into new markets. These developments include completing development of a new higher power motor (ECR 2+), a new variable speed compressor solution, new higher margin software products and new connected hardware for ice-cream and food service customers. In H1 FY22 the teams were focussed on component swap work to support our base business which is non-capitalisable work.

Working Capital
Cash on 30 June 2023 was $2.5 million compared to $2.8 million at 31 December 2022.

The $5 million BNZ Trade Finance facility was increased to $8 million for a three-month term expiring 31 July 2023 to provide short-term working capital flexibility given longer than expected customer payment cycles. The facility was drawn to $7.7 million at 30 June 2023 and has since been reduced to below the $5 million approved limit in July 2023.

Net trade receivables at 30 June 2023 was $18.5 million compared to $23.0 million at 31 December 2022. North and South American customers typically have payment terms of 90-120 days, although foreign currency controls in Argentina mean payments from Argentinian customers take 180 days.

Inventory at 30 June 2023 was $10.3 million, a $0.9 million decrease compared to 31 December 2022. This inventory included components sourced in 2022 to ensure component supply issues didn't continue to impact in FY23.

Trade and other payables at 30 June 2023 was $16.7 million, a $8.4 million reduction compared to 31 December 2022.

H1 FY23 Operational Summary
The first half result was significantly impacted by customers holding excess inventory and macroeconomic issues.

We have increased AoFrio's gross margin percentage through reduced costs and pricing increases implemented during FY22.

We have maintained our IoT market share on lower volumes and have had some significant recent market share wins that will positively impact FY24 revenue.

We continue to manage costs and cash tightly to respond to the challenging market conditions.

Strategy update

Historically, we described our business as (a) Motors and fans and (b) IoT. As we progressively broaden the markets we serve, Motors and our IoT products are being incorporated into our key vertical product segments:

- Branded bottle coolers
- Food service and retail
- Ice cream

Our top strategic initiatives are:

- Continuous Improvement
  - Margin Improvement. Cost down initiatives for our ECR 2 motor and SCS controller products.
  - Cash Management: focussed on reducing inventories held by AoFrio and its suppliers.
- Protecting and growing AoFrio’s existing bottle cooler market
- Diversifying into the food service and retail markets
- Diversifying into the ice cream market

Protecting and growing AoFrio’s existing bottle cooler market

Our market share of the approximately $300 million serviceable and available bottle cooler market is strong. We have approximately 25% market share of the new build branded bottle cooler business.

AoFrio is the only company with its own fully integrated hardware and software IoT solution in the bottle cooler market. Having a single, integrated supplier is a preference for many customers and a clear advantage for us, as we expect the new-build bottle cooler market size to double in value during the next five years as more bottlers choose to add cellular devices for near real-time monitoring of their fleet.

In anticipation of this, we have many proof-of-concept trials underway across North America, South America, Eastern Europe, Southeast Asia and Australia. During H1 FY23 we completed a trial in South America which enabled us to win the business of one of the biggest bottlers in the region and which will result in new volume in FY24.

At our May 2023 ASM we talked about the development of our higher powered ECR 2+ motor. Since then, this work programme has tracked well, and samples of this new motor are with early adopter customers from August 2023.

We have internally validated the results from our variable speed compressor control trials in July and are relaunching our complete energy saving value proposition to customers. This solution involves demonstrating the significant energy saving we can produce, for an individual refrigerator, and further sizeable savings for a cooler fleet, by leveraging our complete ecosystem of a SCS controller with algorithms, our variable speed ECR 2 motor, and our software solution. This solution will be launched in September this year when third party validation of energy savings is complete.

To deliver against our strategy of protecting and growing our existing bottle cooler market, we have advanced our connected Network Pro solution to target the North American and European markets. We updated investors about this at our ASM and it remains on track for trials to commence in Q1 FY24.

Diversifying into food service & retail

Our focus on expanding into food service & retail markets is based on the opportunity to leverage and build on our existing hardware and software product investments.

Food retail and food service has a serviceable available market of $4.5B and this space includes mid-size supermarkets, convenience stores and micro

markets or food service companies such as restaurants andfast-food chains.

We have three trials underway globally with food service and retail customers, including with a New Zealand quick service restaurant chain and a major coffee chain in South Africa.

These trials will help us better understand our value proposition and refine the optimal solution. Since our ASM, we have demonstrated to customers that our controllers can control hot food service devices and have developed the initial firmware functionality to support our South African trial partner.

These trials are currently tracking well. If successful they will convert into revenue during FY24.

Diversifying into ice cream
The ice cream segment presents clear opportunity for AoFrio, because it is similar to the branded bottle cooler market in the way product is deployed by large brands through their fleet of freezers at the point of sale.

While it has taken us several years to get to where we are with our IoT solutions in the branded bottle coolers space, we anticipate it will be faster to market for ice cream. We have existing in-region relationships with customers that we can work with closely, an existing product base to build on, and an early adopter customer already willing to work with us beyond MVP.

We have two key trials underway with ice cream retailers, in Chile and Peru.

Governance and policy update

Following Gottfried Pausch announcing his intention to step down as Board Chair and Director and recently resigning effective August 31,2023, the Board resolved to appoint John Scott as the new Chair effective September 1,2023. The Board has also implemented governance changes to add new skills and experience. AoFrio welcomes new directors Melissa Clark-Reynolds and Roz

Buick, effective 21 August 2023 and 31 January 2024, respectively. Both bring extensive expertise in global markets, alongside deep software, strategic oversight, innovation, and governance experience.

We have progressed our people and culture workstreams in line with our FY23 plan. This includes launching a whistleblower policy, a diversity and inclusion policy, and conducting our first annual diversity and inclusion survey. Pleasingly, this survey showed 80% of participants felt they belonged and were respected at AoFrio. and we are working with the team to develop an ongoing improvement plan.

During the first half of the year, we also advanced our ESG strategy and before the end of FY23 will be releasing our Sustainability Policy and a new Modern Slavery Policy that governs supply chain and other business relationships. AoFrio's software and hardware products support our customers carbon reduction goals through reduced energy consumption, and from 2008 to the end of June 2023 we have helped customers save an estimated 7.4m tonnes of CO2 emissions.

Looking forward

The financial performance for the first half was a reflection of the global economic uncertainty impacting customers, including the residual effects from global supply chain issues that have lasted longer than expected and resulted in a number of AoFrio's customers still working through excess inventory from FY22. AoFrio's challenge is delivering the balance between managing its financial position while continuing to invest in the significant opportunities from new products and adjacent markets.

Our markets remain more volatile than usual, making short-term forecasting difficult. Our customers excess inventories are taking longer than initially anticipated to be consumed. Global beverage brands have also adopted a more conservative stance due to market uncertainty which has exacerbated the position for AoFrio's customers that supply those brands.

We are confident we have maintained market share in our core motor and IoT markets, so we expect more usual volumes to return as conditions normalise. However, any meaningful improvement now seems unlikely until Q4 FY23 and it is therefore appropriate to update our FY23 guidance.

We now expect FY23 revenue to be similar to FY22 and for EBITDA to be around $2.5 million, which is 50% ahead of FY22 although down from prior guidance of around $3.5 million. Some risk remains that the improvement in market conditions may be delayed beyond Q4 FY23 and the Company will update its projections and guidance as it progresses further through FY23.

We are increasingly measured in our approach to managing the investment required for new product and adjacent market growth, including cost controls, and tighter criteria for investment in innovation. These investments are nevertheless setting the groundwork for FY24, which we expect to produce improved results.

We are focused on ensuring we can deliver sustainable growth and shareholder value utilising the existing capital and resources available to the business.

Thank you to the AoFrio team and our shareholders as we continue our commitment to delivering the AoFrio strategy.

Gottfried Pausch
Chairman

Greg Balla
Chief Executive Officer

Financial Statements

Consolidated and Condensed Interim Statement of Comprehensive Income

	Note	Six months ended Unaudited **30 Jun 2023 $000s**	Six months ended Unaudited 30 Jun 2022 $000s	Year ended Audited 31 Dec 2022 $000s
Revenue	2.1,2.3	**30,108**	31,892	74,324
Cost of sales		**(20,974)**	(23,397)	(53,734)
Gross profit		**9,134**	8,495	20,590
Foreign exchange gains / (losses)		**474**	(250)	(133)
Other income	2.4	**149**	32	202
Operating expenses	2.5	**(10,464)**	(8,924)	(19,114)
Gain on remeasurement of contingent consideration		**-**	68	68
Earnings before interest, taxation, depreciation, amortisation and impairment		**(707)**	(579)	1,613
Depreciation	3.5	**(315)**	(283)	(559)
Amortisation	3.6	**(1,107)**	(908)	(1,887)
Impairment	3.6	**-**	-	-
Loss before interest and taxation		**(2,129)**	(1,770)	(833)
Finance income	4.2	**33**	40	64
Finance expenses	4.2	**(556)**	(136)	(386)
Loss before income tax		**(2,652)**	(1,866)	(1,155)
Income tax (expense) / credit	2.7	**(22)**	(1)	4,415
(Loss) / profit for the period		**(2,674)**	(1,867)	3,260
Other comprehensive income: *Items that may be reclassified subsequently to the profit or loss:*				
Exchange differences on translation operations		**(306)**	886	115
Other comprehensive income for the period		**(306)**	886	115
Total comprehensive (loss) / income for the period		**(2,980)**	(981)	3,375
(Loss) / profit for the period attributable to the Owners of the Company		**(2,674)**	(1,867)	3,260
Total comprehensive (loss) / income attributable to the Owners of the Company		**(2,980)**	(981)	3,375
Basic earnings per share – cents	2.6	**(0.62)**	(0.43)	0.75
Diluted earnings per share – cents	2.6	**(0.62)**	(0.43)	0.73

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

	Note	Share capital $000s	Accumulated losses $000s	Other reserves $000s	Total equity $000s
Unaudited for the six months ended 30 June 2023					
Balance on 1 January 2023		**135,578**	**(108,207)**	**(3,590)**	**23,781**
Comprehensive income					
Loss for the period		**-**	**(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 options compensation expensed		**-**	**-**	**33**	**33**
Contributions of equity, net of costs	4.3		**-**	**-**	
Balance at 30 June 2023		**135,578**	**(110,881)**	**(3,863)**	**20,834**

Unaudited for the six months ended 30 June 2022	Note	Share capital $000s	Accumulated losses $000s	Other reserves $000s	Total equity $000s
Balance at 1 January 2022		135,555	(111,467)	(3,800)	20,288
Comprehensive income:					
Loss for the period		-	(1,867)	-	(1,867)
Other comprehensive income					
Exchange differences on translation of foreign operations		-	-	886	886
Total comprehensive income		-	(1,867)	886	(981)
Share options compensation expensed		-	-	47	47
Part paid shares repayment		(2)	-	-	(2)
Contributions of equity, net of costs	4.3	253	-	-	253
Balance at 30 June 2022		135,806	(113,334)	(2,867)	19,605

Consolidated and Condensed Interim Statement of Movements in Equity - continued

Audited for year ended 31 December 2022	Note	Share capital $000s	Accumulated losses $000s	Other reserves $000s	Total equity $000s
Balance at 1 January 2022		135,555	(111,467)	(3,800)	20,288
Comprehensive income					
Profit for the year		-	3,260	-	3,260
Other comprehensive income					
Exchange differences on translation of foreign operations		-	-	115	115
Total comprehensive income		-	3,260	115	3,375
Share options compensation expensed		-	-	95	95
Contributions of equity, net of costs		23	-	-	23
Balance at 31 December 2022		135,578	(108,207)	(3,590)	23,781

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 2023 $000s	 30 Jun 2022 $000s	Audited 31 Dec 2022 $000s
Current Assets				
Cash and cash equivalents		**2,515**	4,839	2,839
Trade and other receivables	3.1	**19,817**	15,677	24,281
Derivative financial instruments		**-**	-	140
Inventories	3.2	**10,346**	6,703	11,272
Total current assets		**32,678**	27,219	38,532
Non-Current Assets				
Property, plant and equipment	3.5	**5,853**	1,891	1,156
Deferred tax asset		**10,538**	6,051	10,538
Intangible assets	3.6	**13,539**	13,275	12,907
Total non-current assets		**29,930**	21,217	24,601
Total assets		**62,608**	48,436	63,133
Current Liabilities				
Trade and other payables	3.3	**16,735**	17,171	25,095
Contract liability	2.3	**2,209**	1,874	2,008
Provisions	3.4	**184**	225	177
Derivative financial instruments		**56**	274	-
Liabilities in respect of right-of-use assets	5.3	**62**	233	83
Borrowings	4.1	**8,461**	796	3,369
Total current liabilities		**27,707**	20,573	30,732
Non-Current Liabilities				
Borrowings	4.1	**342**	513	466
Liabilities in respect of right-of-use assets	5.3	**4,289**	645	-
Contract liability	2.3	**9,436**	7,100	8,154
Total non-current liabilities		**14,067**	8,258	8,620
Total liabilities		**41,774**	28,831	39,352
Net assets		**20,834**	19,605	23,781
Equity				
Contributed equity	4.3	**135,578**	135,806	135,578
Accumulated losses		**(110,881)**	(113,334)	(108,207)
Other reserves		**(3,863)**	(2,867)	(3,590)
Total equity		**20,834**	19,605	23,781

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

Consolidated and Condensed Interim Cash Flow Statement

	Note	Six months ended Unaudited 30 Jun 2023 $000s	30 Jun 2022 $000s	Year ended Audited 31 Dec 2022 $000s
Cash flows from operating activities				
Receipts from customers exclusive of GST/VAT		**36,300**	37,064	71,586
Payments to suppliers and employees exclusive of GST/VAT		**(39,432)**	(37,506)	(75,874)
Foreign exchange gains / (losses)		**474**	(250)	(133)
Other income		**149**	32	53
Interest paid		**(503)**	(136)	(344)
Interest received	4.2	**33**	40	64
Taxation paid		**(89)**	(97)	(225)
Net GST/VAT received		**245**	303	509
Net cash outflow from operating activities		**(2,823)**	(550)	(4,364)
Cash flows from investing activities				
Payments for property, plant, and equipment	3.5	**(655)**	(292)	(415)
Proceeds from disposals of property, plant, and equipment		**55**	25	36
Payments for intangible assets	3.6	**(1,265)**	(554)	(1,431)
Net cash outflow from investing activities		**(1,865)**	(821)	(1,810)
Cash flows from financing activities				
Cash payment to acquire ordinary shares	4.3	**-**	-	(230)
New loans and drawdowns	4.1	**12,396**	422	6,945
Loan repayments	4.1	**(7,828)**	(189)	(4,027)
Principal payments for lease liabilities	4.1	**(77)**	(114)	(232)
Net cash inflow from financing activities		**4,491**	119	2,456
Net decrease in cash and cash equivalents		**(197)**	(1,252)	(3,718)
Cash and cash equivalents at the beginning of the financial period		**2,839**	5,953	5,953
Effect of exchange rate movements on cash		**(127)**	138	604
Cash and cash equivalents at end of period		**2,515**	4,839	2,839

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 2023

1. Basis of preparation

1.1 General Information

AoFrio Limited (the “Company”) and its subsidiaries (together the “Group”) develop Internet of Things (IoT) solutions and manufacture, market and sell energy saving, electronically commutated (EC) motors, connected controllers and fans for worldwide use.

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 2022.

These consolidated and condensed financial statements have been approved for issue by the Board of Directors on 23 August 2023 and have not been audited.

1.2 Summary of Significant 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 significant 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 following accounting standards, amendments and interpretations have not had a material impact on the financial statements.

- NZ IFRS 17 - Insurance Contracts
- NZ IAS 1 - Disclosure of Accounting Policies
- NZ IAS 8 - Definition of Accounting Estimates
- NZ IAS 12 - Deferred Tax Related Assets and Liabilities from a Single Transaction

Going concern assumption

The Group reported a loss for the six months ended 30 June 2023 of $2,674,000 (2022: loss of $1,867,000) and operating cash outflows of $2,823,000 (2022: outflows of $550,000). Cash at 30 June 2023 was $2,515,000 (2022: $4,839,000) and net debt (defined as cash balances net of borrowings) was $6,288,000 (2022: net cash $3,530,000).

Revenue in the interim period was impacted by excess inventory in the global supply chain along with generally lower demand due to macro-economic factors. Management has prepared forecasts for the period through to 31 December 2024 that show improved trading performance partly on the basis that global supply chain conditions in particular, progressively normalise. The Board has reviewed these forecasts which show revenue growth, improved profitability from increased revenues and positive cash flows. The Board is satisfied that if global supply chain or macro-economic conditions continue to adversely impact demand or 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 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 and taxation	(204)	2,151	(4,076)	(2,129)
Finance income	1	-	32	33
Finance expense	-	-	(556)	(556)
(Loss) / profit 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 & 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**

June 2022 (six months)	Motors $000s	IoT $000s	Unallocated $000s	Total $000s
Revenue	15,619	16,273	-	31,892
Cost of goods sold	(13,797)	(9,600)	-	(23,397)
Gross profit	1,822	6,673	-	8,495
Gross margin %	11.7%	41.0%	-	26.6%
Foreign exchange losses	-	-	(250)	(250)
Other income	6	3	23	32
Operating expenses	(1,497)	(3,346)	(4,081)	(8,924)
Gain on remeasurement of contingent consideration	-	68	-	68
EBITDA	331	3,398	(4,308)	(579)
Depreciation	(161)	(87)	(35)	(283)
Amortisation	(167)	(739)	(2)	(908)
Profit / (loss) before interest & taxation	3	2,572	(4,345)	(1,770)
Finance income	-	-	40	40
Finance expense	-	-	(136)	(136)
Profit / (loss) before income tax	3	2,572	(4,441)	(1,866)
Income tax expense	-	-	(1)	(1)
Profit / (loss) for the period	3	2,572	(4,442)	(1,867)
Non-current assets				
Property, plant & equipment	554	119	1,218	1,891
Deferred tax asset	-	-	6,051	6,051
Goodwill	-	3,254	-	3,254
Intangible assets	3,775	6,147	99	10,021
Total	4,329	9,520	7,368	21,217

December 2022 (12 months)	Motors $000s	IoT $000s	Unallocated $000s	Total $000s
Revenue	37,798	36,526	-	74,324
Cost of goods sold	(31,007)	(22,727)	-	(53,734)
Gross profit	6,791	13,799	-	20,590
Gross profit %	18.0%	37.8%		27.7%
Foreign exchange losses	-	-	(133)	(133)
Other income	(93)	22	273	202
Operating expenses	(3,903)	(7,562)	(7,649)	(19,114)
Gain on remeasurement of contingent consideration	-	68	-	68
EBITDA	2,795	6,327	(7,509)	1,613
Depreciation	(154)	(35)	(370)	(559)
Amortisation	(221)	(1,001)	(665)	(1,887)
Impairment	-	-	-	-
Profit / (loss) before interest & taxation	2,420	5,291	(8,544)	(833)
Finance income	-	-	64	64
Finance expense	-	-	(386)	(386)
Profit / (loss) before income tax	2,420	5,291	(8,866)	(1,155)
Income tax credit	(1)	-	4,416	4,415
Profit / (loss) for the year	2,419	5,291	(4,450)	3,260
Non-current assets				
Property, plant & equipment	338	73	745	1,156
Deferred tax asset	-	-	10,538	10,538
Goodwill	-	3,151	-	3,151
Intangible assets	3,674	5,986	96	9,756
Total non-current assets	4,012	9,210	11,379	24,601

(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 2023 $000s**	30 Jun 2022 $000s	Year ended 31 Dec 2022 $000s
Americas	**23,882**	25,416	58,042
Asia / Pacific (APAC)	**2,879**	3,086	6,770
Europe / Middle East / Africa (EMEA)	**3,347**	3,390	9,512
Total	**30,108**	31,892	74,324

Revenue is allocated above based on the country in which the customer is located. APAC revenue includes $1,382,000 (2022: $597,000) from New Zealand customers.

Total non-current assets	**30 Jun 2023 $000s**	30 Jun 2022 $000s	31 Dec 2022 $000s
Americas	**1,134**	32	1,134
Asia / Pacific – mainly in New Zealand	**28,790**	21,159	23,455
Europe / Middle East / Africa	**6**	26	12
Total	**29,930**	21,217	24,601

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 the case this year so far due to reduced demand in the 1st half year and current forecasts show a higher 2nd half 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 2023 $000s**	30 Jun 2022 $000s	Year ended 31 Dec 2022 $000s
Sales of goods revenue	**28,986**	30,764	72,128
Services revenue	**1,122**	1,128	2,196
Total	**30,108**	31,892	74,324

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods andservices, excluding GST / VAT, rebates and discounts and after eliminating sales within the Group. The Group disaggregates revenues from contracts by geographical regions.

(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 in-market distributors in China and Brazil to supply goods to buyers in those markets who require local delivery. These distributors transact as agents. The Group is the principal in these transactions. Sales of product are recognised when these distributors deliver 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. A receivable is recognised when the goods are delivered as this is the point of time that the consideration is unconditional because only the passage of time is required before the payment is due.

(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 2023 $000s**	 30 Jun 2022 $000s	Year ended 31 Dec 2022 $000s
Carrying amount at start of period	**10,162**	6,793	6,793
Invoiced in the period	**2,145**	2,768	5,137
Recognised in revenue	**(1,122)**	(1,128)	(2,196)
Exchange adjustment	**460**	541	428
Carrying amount at end of period	**11,645**	8,974	10,162
Current portion	**2,209**	1,874	2,008
Non-current portion	**9,436**	7,100	8,154
	11,645	8,974	10,162

2.4 Other income

	Six months ended **30 Jun 2023 $000s**	 30 Jun 2022 $000s	Year ended 31 Dec 2022 $000s
Remeasurement of right-of-use liability	**-**	-	149
Other income	**149**	32	53
Total	**149**	32	202

2.5 Operating expenses include

	Six months ended **30 Jun 2023 $000s**	 30 Jun 2022 $000s	Year ended 31 Dec 2022 $000s
Wages and salaries and other short-term benefits	**8,071**	6,059	12,673
Employer contributions to Kiwisaver and 401K plans	**268**	231	459
Employee share options expense	**33**	47	95
Employee benefits	**8,372**	6,337	13,227
Payments to contractors	**528**	893	1,886
Capitalisation of labour and expenses to intangible assets	**(1,077)**	(526)	(1,382)

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 twelve 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 0.62 cents (June 2022 – loss of 0.43 cents) is calculated by dividing the loss attributable to equity holders of the Company of $2,674,000 (June 2022 – loss of $1,867,000) by the weighted average number of ordinary shares in issue during the period of 431,853,006 (June 2022 – 432,229,459).

Diluted EPS for the six months ended 30 June 2023 of a loss of 0.62 cents (June 2022 - loss of 0.43 cents) is calculated by dividing the loss attributable to equity holders of the Company of $2,674,000 (June 2022: - loss of $1,867,000) by the weighted average number of shares in issue adjusted to reflect any commitments the Group has to issue shares in future that would decrease EPS. The weighted average number of ordinary shares is compared with the number of shares that would have been issued assuming the exercise of share options.

2.7 Income tax

	Six months ended		Year ended
	30 Jun 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
Current year income tax expense	**(22)**	(1)	(72)
Deferred tax – recognition of deferred tax asset	**-**	-	4,487
Income tax (expense) / credit	**(22)**	(1)	4,415

The income tax credit for the year can be reconciled to the result before tax as follows:

	Six months ended		Year ended
	30 Jun 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
Reported loss for the year before tax	**(2,652)**	(1,866)	(1,155)
Tax at 28%	**(743)**	(522)	(323)
Adjustment of prior periods	**-**	-	67
Effect of different tax rates of subsidiaries in other jurisdictions	**-**	(7)	(14)
Tax effect of non-deductible / non-assessable items	**(102)**	(40)	(84)
Tax effect of utilisation of losses in current period	**823**	568	(1,430)
Recognition of carried forward tax losses	**-**	-	6,199
Income tax (expense) / credit	**(22)**	(1)	4,415

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 2022 for deductible temporary differences and for that portion of the unused tax losses expected to be utilised in the five years 2023 through to 2027. No additional deferred tax has been recognised in H1 FY23. 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 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
Trade receivables	**18,566**	14,289	23,094
Provision for loss allowance	**(96)**	(47)	(92)
Net trade receivables	**18,470**	14,242	23,002
Prepayments	**530**	862	620
VAT/GST refunds due	**93**	60	166
Income tax refund due	**372**	310	281
Other receivables	**352**	203	212
	19,817	15,677	24,281

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 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
Finished goods – at cost	**8,165**	4,627	9,082
Raw materials – at cost	**2,580**	2,477	2,572
Less inventory provisions	**(399)**	(401)	(382)
Total inventories	**10,346**	6,703	11,272

3.3 Trade and other payables

	30 Jun 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
Trade payables	**13,224**	13,877	21,787
Employee entitlements	**1,480**	1,365	1,668
VAT / GST payable	**416**	310	394
Income tax payable	**24**	-	-
Accrued expenses	**1,591**	1,619	1,246
	16,735	17,171	25,095

3.4 Provisions

Warranty provision	**30 Jun 2023 $000s**	30 Jun 2022 $000s	31 Dec 2022 $000s
Carrying amount at start of period	**177**	205	205
Additional provisions recognised	**45**	56	29
Amounts used	**(45)**	(56)	(74)
Exchange adjustment	**7**	20	17
Carrying amount at end of period	**184**	225	177

3.5 Plant and equipment

	30 Jun 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
Net book amount at start of period	**1,156**	1,724	1,724
Additions	**5,000**	292	415
Depreciation	**(315)**	(283)	(559)
Disposals	**(59)**	-	-
Remeasurement of right-of-use asset	**-**	-	(517)
Exchange adjustment	**71**	158	93
Net book amount at end of period	**5,853**	1,891	1,156

Additions comprise $ 4,404,000 of right-of-use assets, refer to note 5.3 for lease details, and $596,000 of property plant and equipment.

Depreciation			
Property	**154**	97	191
Plant and equipment	**115**	124	256
Office equipment, furniture & fittings	**46**	62	112
	315	283	559

Capital commitments

Capital commitments contracted at 30 June 2023 amounted to $326,000 (June 2022 $136,000)

3.6 Intangible assets

	30 Jun 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
Net book amount at start of period	**12,907**	12,619	12,619
Additions	**1,265**	554	1,431
Amortisation	**(1,107)**	(908)	(1,887)
Impairment	**-**	-	-
Exchange adjustment	**474**	1,010	744
Net book amount at end of period	**13,539**	13,275	12,907
Analysis of net book amount			
Internally generated development assets	**9,721**	9,421	9,340
Patents	**248**	235	218
Goodwill	**3,224**	3,254	3,151
Other	**346**	365	198
	13,539	13,275	12,907

Additions in the six months to 30 June 2023 include $1,081,000 (2022: $526,000) for internally generated development costs and $184,000 (2022: $28,000) for patents, trademarks and software. Payments for intangible assets in the period amounting to $1,265,000 (2022: $554,000) are included in the Consolidated and Condensed Interim Cash Flow Statement.

Internally generated development costs include $3,336,000 (2022: $4,256,000) 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 2023. The recoverable amount of the IoT CGU at 30 June 2023 has been determined based on a value in use calculation using cash flow projections from the latest forecast for 2023. The pre-tax discount rate applied to the cash flow projections is 16% (2022: 14%) and cash flows beyond 2023 using a 9.4% growth rate. The calculation of value in use is most sensitive to assumptions on gross margins, completion and launch of new products and retaining volumes to current customer, growth rates used to extrapolate cash flows beyond the forecast period and operating expense increases. Gross margins are based on current pricing and product costs. The assumption is that operating expenses are maintained at the same ratio to sales. 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 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
Current portion			
Bank trade finance facility	**7,677**	134	2,652
Bank loans	**516**	424	436
Other borrowings	**268**	238	281
	8,461	796	3,369
Non-Current portion			
Bank loans	**319**	311	306
Other borrowings	**23**	202	160
	342	513	466

BNZ trade finance facility

The bank trade finance facility is $5 million. A temporary $3 million increase was in place for May to July 2023 and has been repaid subsequent to balance date. 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% 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 with repayments commencing in July 2021. Interest is payable at 3.75% pa.

The Company’s Mexican subsidiary borrowed 5 million Mexican Pesos from the Banco del Bajio ($481,000 at 30 June 2023). The loan is repayable after six months and interest is payable at 4% above the Tiee Rate.

4.2 Finance income and expenses

	Six months ended		Year ended
	30 Jun 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
Finance income			
Interest income	**33**	40	64
	33	40	64
Finance expenses			
Interest expense – Bank loans	**239**	7	90
Other interest expense	**317**	129	296
	556	136	386

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.

(a). Ordinary shares – fully paid

	30 Jun 2023 Shares	30 Jun 2022 Shares	**30 Jun 2023 $000s**	30 Jun 2022 $000s
Opening balance of ordinary shares on issue	**431,853,006**	431,914,620	**135,578**	135,553
New shares issued	**-**	1,574,196	**-**	253
Share issue costs	**-**	-	**-**	-
Ordinary fully paid shares on issue at period end	**431,853,006**	433,488,816	**135,578**	135,806

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.

	30 Jun 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
Salaries, fees and other short-term benefits	**1,113**	1,422	2,400
Share based remuneration	**33**	31	95
Directors' remuneration	**168**	119	281
Total	**1,314**	1,572	2,776

(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 2022 - $nil).

5.3 Leases

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

Right-of-use assets	**30 Jun 2023 $000s**	30 Jun 2022 $000s	31 Dec 2022 $000s
Properties	**4,283**	740	114
Plant & equipment	**-**	12	3
Office equipment, furniture & fittings	**-**	4	2
Total	**4,283**	756	119

Liabilities in respect of right-of-use assets	**30 Jun 2023 $000s**	30 Jun 2022 $000s	31 Dec 2022 $000s
Current	**62**	233	83
Non-current	**4,289**	645	-
Total	**4,351**	878	83

Liabilities in respect of right-of-use assets comprise leases of the premises at Apollo Drive Rosedale through to final expiry in 2035 and Dallan Place Rosedale through to final expiry in 2032. The lease of the premises at Arrenway Drive Rosedale terminated in March 2023.

Additions to right-of-use assets in the period	**30 Jun 2023 $000s**	30 Jun 2022 $000s	31 Dec 2022 $000s
Properties	**4,404**	-	-
Plant and equipment	**-**	-	-
Office equipment, furniture and fittings	**-**	-	-
	4,404	-	-

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 2023 $000s**	30 Jun 2022 $000s	31 Dec 2022 $000s
Properties	**119**	99	193
Plant & equipment	**3**	9	18
Office equipment, furniture & fittings	**2**	2	3
	124	110	214
Interest expense on lease liabilities	**119**	31	47
Expense relating to short-term leases (included in operating expenses)	**50**	26	50

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 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
Total principal payments for right-of-use assets	**77**	114	232

5.4 Financial instruments by category

	30 Jun 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
Assets per Statement of Financial Position			
Financial assets measured at amortised cost			
Trade and other receivables	**18,822**	15,307	23,214
Cash and cash equivalents	**2,515**	4,839	2,839
Derivatives used for hedging at fair value			
Derivative financial instruments	**-**	-	140
	21,337	20,146	26,193
Liabilities per Statement of Financial Position at amortised cost			
Trade and other payables	**16,735**	17,171	25,095
Borrowings	**13,154**	2,187	3,918
Liabilities at fair value			
Derivative financial instruments	**56**	274	-
	29,945	19,632	29,013

Fair value estimation

The only financial instruments carried at fair value at 30 June 2023 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 2023	**Trade and other payables $000s**	**Borrowings $000s**	**Right-of-Use asset Liabilities $000s**	**Total $000s**
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**
30 June 2022				
Less than 6 months	17,171	679	117	17,967
7 to 12 months	-	117	116	233
2 to 5 years	-	513	645	1,158
	17,171	1,309	878	19,358
31 December 2022				
Less than 6 months	25,095	3,232	83	28,410
7 to 12 months	-	137	-	137
2 to 5 years	-	466	-	466
	25,095	3,835	83	29,013

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

	Six months ended Unaudited		Year ended Audited
	30 Jun 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
(Loss) / profit after taxation for the period	**(2,674)**	(1,867)	3,260
Adjustments for:			
Income tax (credit) / expense	**22**	1	(4,415)
Depreciation, amortisation & impairment	**1,422**	1,191	2,446
Share based payments	**33**	47	95
Increase / (decrease) in Inventory provision	**17**	(46)	(65)
Increase / (decrease) in loss allowance provision	**4**	(43)	2
Increase / (decrease) in provision for warranty	**7**	20	(28)
Change in fair value of contingent consideration	**-**	(68)	(68)
Net foreign exchange differences	**(146)**	(127)	(1,845)
Decrease / (increase) in trade & other receivables	**4,460**	2,214	(8,831)
Increase in contract liabilities	**1,483**	2,181	3,369
Decrease / (increase) in inventories	**909**	(2,057)	(4,212)
(Decrease) / increase in trade & other payables	**(8,360)**	(1,996)	5,928
Net cash (outflow) / inflow from operating activities	**(2,823)**	(550)	(4,364)

5.7 Net cash reconciliation

	30 Jun 2023 $000s	30 Jun 2022 $000s	31 Dec 2022 $000s
Cash and cash equivalents	**2,515**	4,839	2,839
Borrowings – repayable within one year	**(8,461)**	(796)	(3,369)
Borrowings – repayable after one year	**(342)**	(513)	(466)
Net cash	**(6,288)**	3,530	(996)

5.8 Events after reporting date

There are no events after reporting date requiring disclosure.

Contacts

Directors

Gottfried Pausch, Chairman

John McMahon, Independent Director

John Scott, Independent Director

Keith Oliver, Independent Director

Greg Allen, Director

Melissa Clark - Reynolds, Independent Director

Executive Team

Greg Balla, CEO

Howard Milliner, CFO & Company Secretary

Laura Bocock, Transformation Lead

Angela Lewis, Chief People Officer

David Burden, Chief Customer Officer

Rami Elbeltagi, Vice President Engineering and IT

Genevieve Dawick, Vice President, Product

Marc Tinsel, Executive Vice President, Operations

Danielle Scott, Manager Executive Operations and Sustainability

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