



Consolidated Financial Statements

FY24 Interim Report

For the six month period ended
30 September 2023

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Consolidated interim statement of profit or loss and other comprehensive income

Unaudited
6 months to
September 2023 Unaudited
6 months to
September 2022

Continuing operations		NZ\$000	NZ\$000
Operating revenue	4	10,519	15,417
Cost of sales		(4,344)	(7,248)
Gross profit		6,175	8,169
Other income	4	97	196
Foreign exchange gains		223	2,239
Movement of fair value assets and liabilities	4	73	2,723
Total other income, gains, and (losses)		393	5,158
Support costs		(678)	(512)
Sales and marketing expenses		(3,970)	(3,902)
Research and engineering expenses		(5,308)	(3,798)
Corporate costs		(3,594)	(4,002)
Expenses	4	(13,550)	(12,214)
Operating profit/(loss)		(6,982)	1,113
Net finance (expense)		132	(5)
Net profit/(loss) before income tax		(6,850)	1,108
Income tax expense		-	-
Profit/(loss) attributable to owners of ikeGPS Group		(6,850)	1,108
Other comprehensive gains			
Exchange differences on translation of foreign operations		443	2,888
Comprehensive income/(loss)		(6,407)	3,996
Basic and diluted earnings/(loss) per share	\$	(0.04)	\$ 0.03

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
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 (loss)/ income	-	1,108	-	2,888	3,996
Issue of ordinary shares	-	-	-	-	-
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

	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 2023 (audited)	105,118	(75,492)	3,699	610	33,935
Loss for the period	-	(6,850)	-	-	(6,850)
Currency translation differences	-	-	-	443	443
Total comprehensive income	-	(6,850)	-	443	(6,407)
Recognition of vesting of share-based options	-	-	471	-	471
Issue of shares from exercise of share options	57	-	(57)	-	-
Share based options forfeited during the period	-	71	(121)	-	(50)
Equity movements arising from business combinations	201	-	(165)	-	36
Total transactions with owners	258	71	128	-	457
Balance at 30 September 2023 (unaudited)	105,376	(82,271)	3,827	1,053	27,985

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

Consolidated interim balance sheet

		Unaudited September 2023	Audited March 2023
		NZ\$000	NZ\$000
ASSETS			
Current assets			
Cash and cash equivalents		10,233	18,048
Trade and other receivables		6,082	5,212
Prepayments		1,441	902
Contract costs		311	295
Financial instruments		266	193
Lease assets			12
Inventory		1,742	2,472
Total current assets		20,075	27,134
Non-current assets			
Property, plant and equipment		3,347	2,798
Intangible assets	5	13,964	13,104
Inventory		224	238
Lease assets		1,415	-
Total non-current assets		18,950	16,140
Total assets		39,025	43,274
LIABILITIES			
Current liabilities			
Trade and other payables		1,197	2,284
Employee entitlements		1,233	1,326
Current tax payable		8	8
Provision	10	271	262
Other liabilities	6	277	534
Lease liabilities		305	14
Deferred income		6,256	4,728
Total current liabilities		9,547	9,156
Non-current liabilities			
Lease liabilities		1,172	-
Deferred income		321	183
Total non-current liabilities		1,493	183
Total liabilities		11,040	9,339
Total net assets		27,985	33,935
EQUITY			
Share capital	8	105,376	105,118
Share based payment reserve		3,827	3,699
Accumulated losses		(82,271)	(75,492)
Foreign currency translation reserve		1,053	610
Total equity		27,985	33,935

Director

NZ (New Zealand Time)

Date: 28 November 2023

Director

NZ (New Zealand Time)

Date: 28 November 2023

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 2023 NZ\$000	Unaudited 6 months to September 2022 NZ\$000
Operating activities		
Receipts from customers	11,189	17,257
Payments to suppliers and employees	(16,475)	(16,304)
Payment of low value and short term leases	(24)	(80)
Government Grants received	97	
Interest paid	-	(17)
Net cash from/(used in) operating activities	9	856
Investing activities		
Purchases of property, plant, and equipment	(1,209)	(1,113)
Additions to intangible assets	(1,693)	(1,490)
Payment for financial instruments	-	36
Interest received	177	8
Net cash used in investing activities	(2,725)	(2,559)
Financing activities		
Payments of principal portion of lease liabilities	(138)	(141)
Proceeds from issuance of shares	-	-
Net cash (used in)/from financing activities	(138)	(141)
Net (decrease)/increase in cash and cash equivalents	(8,076)	(1,844)
Cash and cash equivalents at 1 April	18,048	24,354
Effect of exchange rate fluctuations on cash held	261	2,957
Cash and cash equivalents at the end of the period	10,233	25,467

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 2023 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 2023.

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 2023 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 2023, 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 2023.

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 2023, 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 loss of NZ\$6.9M for the period ended 30 September 2023 (2022: NZ\$1.1M profit) 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\$10.2M, 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 2023 Annual Report for CGU1, CGU2, and CGU3.

However, the forecasted sales of CGU4 - Ike Insight products continue to be delayed, and the revenue for the period was below forecast. Therefore, Directors have determined this to be an indicator of potential impairment for the period.

CGU4 is an early-stage business segment and technology that IKE acquired in January 2021 and was determined to have a carrying value of \$7.5M 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 117% and operating expenses reflecting the current business plan. A pre-tax discount rate of 35.7% 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 4% 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 is 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 of America.

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.

The segment information provided to the CEO and Board of Directors for the six months ended 30 September 2023 was as follows:

	Unaudited 6 months to September 2023 NZ\$000	Unaudited 6 months to September 2022 NZ\$000
Platform Transactions		
IKE Analyze revenue	3,747	9,459
Cost of sales	(3,040)	(5,844)
Contribution	707	3,615
Platform Subscriptions		
Platform as a Service revenue	1,745	1,434
IKE Structural pole loading software licenses and subscription revenue	908	941
Subscription revenue	2,444	1,744
Cost of sales	(638)	(489)
Contribution	4,459	3,630
Hardware and other services		
Hardware and accessories revenue	1,365	1,733
Other service revenue	310	106
Cost of sales	(666)	(915)
Contribution	1,009	924
Total Operating Revenue	10,519	15,417
Total Cost of Sales	(4,344)	(7,248)
Total Gross Profit	6,175	8,169
Sales and marketing costs	(3,970)	(3,902)
Net attributable (other corporate income and expenses)	(9,055)	(3,159)
Net profit/(loss) before tax	(6,850)	1,108

Notes to the consolidated interim financial statements

4. Revenue and expenses

	Unaudited 6 months to September 2023 NZ\$000	Unaudited 6 months to September 2022 NZ\$000
Revenue		
Sale of product (point in time)	1,365	1,733
Platform as a Service (over time and point in time)	1,745	1,434
IKE Analyze (point in time)	3,747	9,459
IKE Insight (point in time)	-	-
IKE subscription (over time)	2,444	1,744
Pole loading licence and subscription (over time and point in time)	908	941
Services (point in time)	310	106
Total operating revenue	10,519	15,417
Government grants ¹	97	192
Other income	-	4
Total other income	97	4
Fair value movement on other liabilities	-	2,261
Fair value movement on financial instruments	73	462
Total movement of fair value assets and liabilities	73	2,723

Operating expenses

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

Amortisation of intangible assets	1,186	827
Depreciation ²	256	228
Total amortisation and depreciation	1,442	1,055
Audit of financial statements	113	99
Employee benefit expense	8,124	7,486
External contractors and consultants	1,237	777
Employee benefit, contractors and consultants expense capitalised ³	(1,434)	(1,490)
Share-based payment	421	684
Operating lease expenses ⁴	109	78
Direct selling and marketing ⁵	1,532	1,462
Movement of sales tax provision	-	-
Impairment of inventories	-	54
Other operating expenses ⁶	2,006	2,009
Total operating expenses	13,550	12,214

Notes to the consolidated interim financial statements

4. Revenue and expenses (continued)

- 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.
- Total depreciation for the period is \$868k (2022: \$648k), comprised of depreciation on fixed assets of \$716k (2022: \$524k) and depreciation on leased assets of \$152k (2022: \$124k). Engineering and research expenses included \$105k (2022: \$104k) and corporate costs included \$152k (2022: \$124k) of depreciation on leased assets under NZ IFRS 16. The balance of depreciation totalling to \$611k (2022: \$420k) is included in cost of sales.
- Relates to employee benefit expenses, external contractors, and consultants' expenses that are directly attributable to the development of intangible assets and have been capitalised.
- Relates to short term and low value leases and common area maintenance costs.
- Direct selling and marketing expenses includes expenses incurred mainly in relation to promotional activities such as commissions, travel, and other direct marketing expenses.
- Other operating expenses include corporate advisory, travel, engineering, facilities, and IT costs.

5. Intangible assets

	Development assets	Work in progress	Patents	Goodwill	Customer contracts, relationships, trademarks	Training materials	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Cost							
Balance at 1 April 2022	18,241	1,674	174	3,309	667	188	24,253
Additions	-	2,998	-	-	-	-	2,998
Transfers	1,787	(1,787)	-	-	-	-	-
Disposals/Expensed	-	(68)	-	-	-	-	(68)
Exchange differences	1,036	118	-	380	79	22	1,635
Balance at 31 March 2023	21,064	2,935	174	3,689	746	210	28,818
Balance at 1 April 2023	21,064	2,935	174	3,689	746	210	28,818
Additions	-	1,466	-	-	264	-	1,730
Transfers	56	(56)	-	-	-	-	-
Disposals	-	(24)	-	-	-	-	(24)
Exchange differences	554	20	-	131	31	8	744
Balance at 30 September 2023	21,674	4,341	174	3,820	1,041	218	31,268
Amortisation and impairment losses							
Balance at 1 April 2022	9,677	-	174	-	219	48	10,118
Amortisation for the year	2,086	-	-	-	128	21	2,235
Impairment	61	-	-	2,969	-	-	3,030
Exchange differences	299	-	-	-	26	6	331
Balance at 31 March 2023	12,123	-	174	2,969	373	75	15,714
Balance at 1 April 2023	12,123	-	174	2,969	373	75	15,714
Amortisation for the period	1,079	-	-	-	86	35	1,200
Impairment	-	-	-	-	-	-	-
Exchange differences	249	-	-	115	24	2	390
Balance at 30 September 2023	13,451	-	174	3,084	483	112	17,304
Carrying amounts							
At 31 March 2023	8,941	2,935	-	720	373	135	13,104
At 30 September 2023	8,223	4,341	-	736	558	106	13,964

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. They are deferred consideration and are subsequently measured at amortised cost.

	Unaudited 6 months to September 2023	Audited year ended March 2023
	NZ\$'000	NZ\$'000
Accrued liabilities for services	277	534
	277	534

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.

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. Additionally, the institutional placement and share purchase plan completed during the 2022 financial year was predominantly in AUD, creating additional foreign currency risk exposure. Therefore, the Group has purchased AUD/USD foreign exchange options to mitigate the risk on its AUD cash holdings.

If the NZD strengthened / weakened against the USD or AUD by 10% at 30 September 2023, the effect on profit / loss is as follows:

	September 2023		March 2023	
	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	2,526	4,008	5,321	5,615
Trade and other receivables	3,706	-	3,147	-
Trade and other payables	(264)	(3)	(882)	(9)

Sensitivity analysis	Carrying amount US\$'000	Change in USD rate %	Effect on profit/ loss before tax NZ\$'000
September 2023	5,967	10%	(903)
		-10%	1,104
March 2023	7,586	10%	(989)
		-10%	1,208

	Carrying amount AU\$'000	Change in AUD rate %	Effect on profit/ loss before tax NZ\$'000
September 2023	4,005	10%	(391)
		-10%	478
March 2023	5,606	10%	(549)
		-10%	671

Notes to the consolidated interim financial statements

8. Contributed equity

Share capital

	Unaudited 6 months to September 2023	Audited year ended March 2023
	NZ\$000	NZ\$000
On issue at 01 April	105,118	104,751
Issued under share placement	-	-
Issued under retail entitlement offer	-	-
Less listing costs offset against issue proceeds	-	-
Exercise of share options	57	27
Issued as part of business combination	201	340
Total share capital	105,376	105,118

Share capital on issue

	Qty	Qty
Fully paid total shares at beginning of year	159,731,745	159,296,738
New ordinary shares offered	-	-
Ordinary shares issued on settlement of options	28,241	9,811
Ordinary shares issued as part of business combination	264,352	425,196
Fully paid ordinary shares	160,024,338	159,731,745

9. Reconciliation of operating cash flows

	Unaudited 6 months to September 2023	Unaudited 6 months to September 2022
	NZ\$000	NZ\$000
Profit/(loss) for the period	(6,850)	1,108
Less investment interest received	(177)	(17)
Non-cash items included in net profit/loss		
Depreciation	868	648
Amortisation of intangible assets	1,186	827
Interest accrued	-	(9)
Impairment of inventories	-	54
Raw materials and finished goods written down	22	85
Share based payment expense	729	792
Write off of obsolete materials and assets	77	168
Fair value movement	(73)	(2,723)
Finance lease interest	45	-
Unrealised foreign exchange (gain)/loss	(210)	-
Foreign exchange (gains)	(443)	(3,029)
	2,201	(3,187)
Add/(less) movement in working capital items		
Decrease in trade and other receivables	(992)	1,076
(Increase) in inventories	744	(689)
Decrease/(increase) in prepayments	(558)	133
Increase/(decrease) in trade and other payables	(1,187)	1,341
Increase in deferred revenue	1,662	792
Increase in other liabilities	(73)	272
(Decrease) in provision	110	(41)
Increase in employee entitlements	(93)	68
	(387)	2,952
Net cash from/(used in) operating activities	(5,213)	856

Notes to the consolidated interim financial statements

10. Provisions

Corporate Tax

	Unaudited 6 months to September 2023 NZ\$000	Audited year ended March 2023 NZ\$000
Opening balance	262	-
Provision added	-	262
Provision used	-	-
Foreign exchange movement	9	-
Closing balance	271	262

The Group has identified a potential tax obligation linked to a series of intercompany transactions. As the transactions have occurred the Group considers it to be more likely than not the obligation exists.

11. Related parties

The group issued 994,667 unlisted share options at NZD\$0.79 to key management during the period, in accordance with the ikeGPS Group Limited Employee Share Scheme.

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