Annual Report 2023

AoFrio
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AoFrio

Management commentary
(no financial statements)

Results at a glance

Revenue

Revenue down 10.5%

$66.6million

Gross margin

Gross margin up 2.3pp

30.0%

EBITDA

EBITDA down $0.6m

$1.0million

Total IoT connections to date

More than

2.4million

Average staff engagement score

72%

Staff gender split

♂ 76% ♀ 24%

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Chair and CEO report

John Scott
Chairman

Greg Balla
Chief Executive Officer

AoFrio, a leader in IoT solutions and energy-efficient motors for the Cold Drinks Equipment market, is committed to growing its core business and providing customers with value in four key areas: Asset & Fleet Management, Service & Maintenance, Energy & Sustainability, and Commercial Performance.

The FY23 result was significantly impacted by challenging macroeconomic conditions, as well as customers holding excess inventory purchased in FY22 to protect against supply chain disruption that took longer to work down than forecast.

Despite lower revenue in FY23, AoFrio continued developing its food service and retail and ice-cream market with a plan to prioritise food service and retail for further development in FY24. During the year the Company joined the BIER Coolition – a global collaboration with the Beverage Industry Environmental Roundtable (BIER).

FY23 summary and financial performance

During the first six months of the year, in addition to the previous year's effort, we focused extensively on redesigning products for alternative components to manage supply shortages.

With revenue running below expectations, AoFrio constrained its FY23 growth plans by tightly controlling costs and cash. This cost control limited progress on the development of new products, which slowed entry into new markets and verticals.

Significant effort by the AoFrio team to reduce working capital throughout FY23 enabled the Company to maintain its cash position, while internally funding operating activities and progressing selected growth initiatives.

Despite lower volumes shipped, AoFrio maintained its IoT market share and secured significant recent market share wins.

Revenue for FY23 was $66.6m, 10.5% below FY22. The gross margin improved from 27.7% to 30.0% through reduced costs and pricing increases implemented in late FY22.

Earnings before interest, tax, depreciation, and amortisation (EBITDA) was $1.0m in FY23 compared to $1.6m in FY22. The pre-tax result was a loss of $3.3m compared to a pre-tax loss of $1.2m in FY22. The increased loss was the result of lower EBITDA earnings, higher depreciation and amortisation charges, and increased finance costs.

Metric (NZ$m)	FY23	FY22	Variance
Revenue	66.6	74.3	-10.5%
IoT	35.1	36.5	-4.0%
Motors	31.5	37.8	-16.7%
Gross Margin %	30.0%	27.7%	+2.3pp
EBITDA	1.0	1.6	-37.6%
Loss before tax	(3.3)	(1.2)	-2.1m
(Loss) / profit for year	(3.5)	3.3	-$6.8m
Net operating cash flow	3.9	(4.4)	+$8.3m

Revenue
In FY23 AoFrio shipped 519,000 IoT devices (FY22: 620,000) and 834,000 motors (FY22: 1,074,000). This resulted in lower revenue of 4.0% for IoT and 16.7% for motors compared to FY22.

Both IoT and motor sales volumes declined as customer inventory overstocking from FY22 took longer to work down than initially estimated. For example, demand for AoFrio's ECR® 2 range was 16.0% lower than FY22, which is attributed to North American customers reducing orders early in the year as they worked through excess stock overhang. Both IoT and motor volumes saw negative demand impact from macroeconomic conditions.

AoFrio invoiced $4.4m for cloud data connection and software development charges in FY23 compared to $5.1m in FY22. This revenue is multi-year and is recognised in the Income Statement over the duration of the data contract. At 31 December 2023, $12.3m of revenue was deferred for recognition in subsequent periods (2022: $10.2m).

Regional performance
South America was the stand-out regional performer, recording 49.4% year-on-year revenue growth. This was driven by customer wins for AoFrio's market leading IoT solutions, including volume won from a local competitor. AoFrio sold 166,000 IoT devices in South America in FY23 compared to 87,000 in FY22.

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In APAC, revenue was lower due to reduced motor volumes. IoT devices supplied increased by 17.0% compared to FY22.

EMEA motor volumes held up reasonably well despite the macroeconomic issues in Europe and Turkey, mainly caused by geopolitical uncertainty and natural disasters. AoFrio sold 190,000 motors in FY23 compared to 256,000 in FY22.

As outlined in the overall revenue summary, North American revenue was 15.1% lower than in FY22 as customers took longer to work through stock in hand before placing new orders.

Gross margin

FY23 overall gross margin was 30.0% compared to 27.7% in FY22. This significant increase was due to improved component supply resulting in lower input costs, reduced shipping costs, increased contribution from higher margin IoT product revenue and the impact of pricing changes late in 2022.

The gross margin in FY23 for IoT products was 41.7% and 17.1% for motors. This compares to 37.8% and 18.0% respectively in FY22.

Operating expenses

Operating expenses for FY23 were $19.8m, 3.6% higher than the prior year.

Staff costs (including contractors) of $18.0m represented 91% of total operating expenses ($15.1m – 79% in FY22). The increase in staff costs can be attributed to new roles added in FY22 and FY23 and necessary salary increases in a challenging labour market.

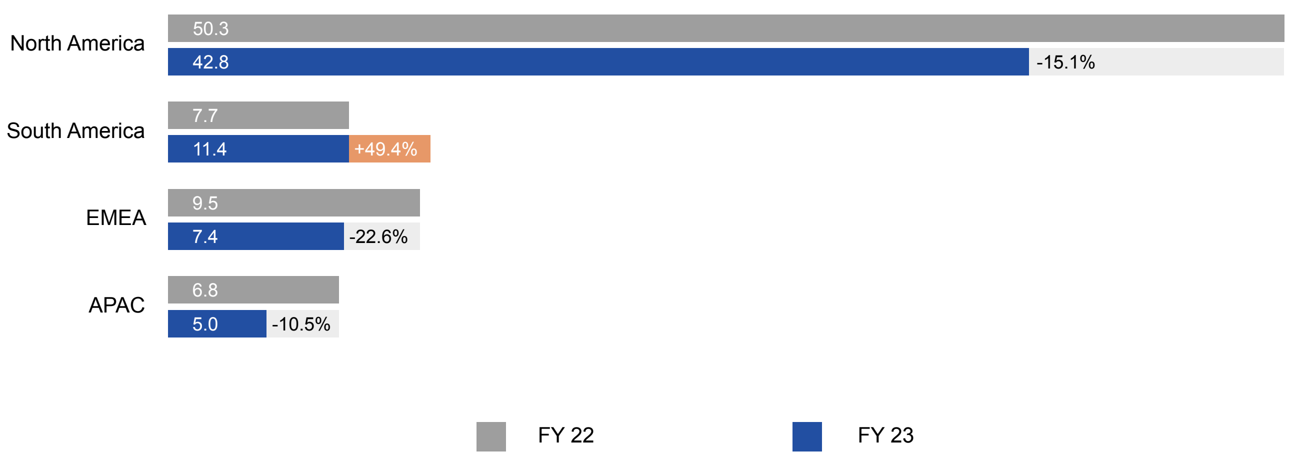
From 31 December 2022, staff numbers increased by six to a total of 116. The increase is less than initially planned. AoFrio will continue to prudently manage resource levels and balance implementing product and new market growth initiatives against trading conditions.

Capitalised development time increased from $1.4m in FY22 to $3.2m in FY23. In the first six months of FY23, AoFrio focused on non-capitalisable component swap work (selecting and validating alternative components to the current design due to ongoing component shortages) to support the base business.

In the second half of FY23, the engineering and product teams resumed their focus on new product development to progress AoFrio's strategies of protecting and growing the Cold Drinks Equipment market and diversification into new markets.

These developments include a new higher power motor (ECR 2 26W) to launch in early 2024, a new variable speed compressor solution, new higher margin software products, and new connected hardware.

Revenue (NZ$m) by geography



Finance costs

Finance costs for the year increased from $0.4m in FY22 to $1.3m in FY23 due to higher interest rates, increased bank borrowing, supplier payment term extensions and new property leases.

Working capital

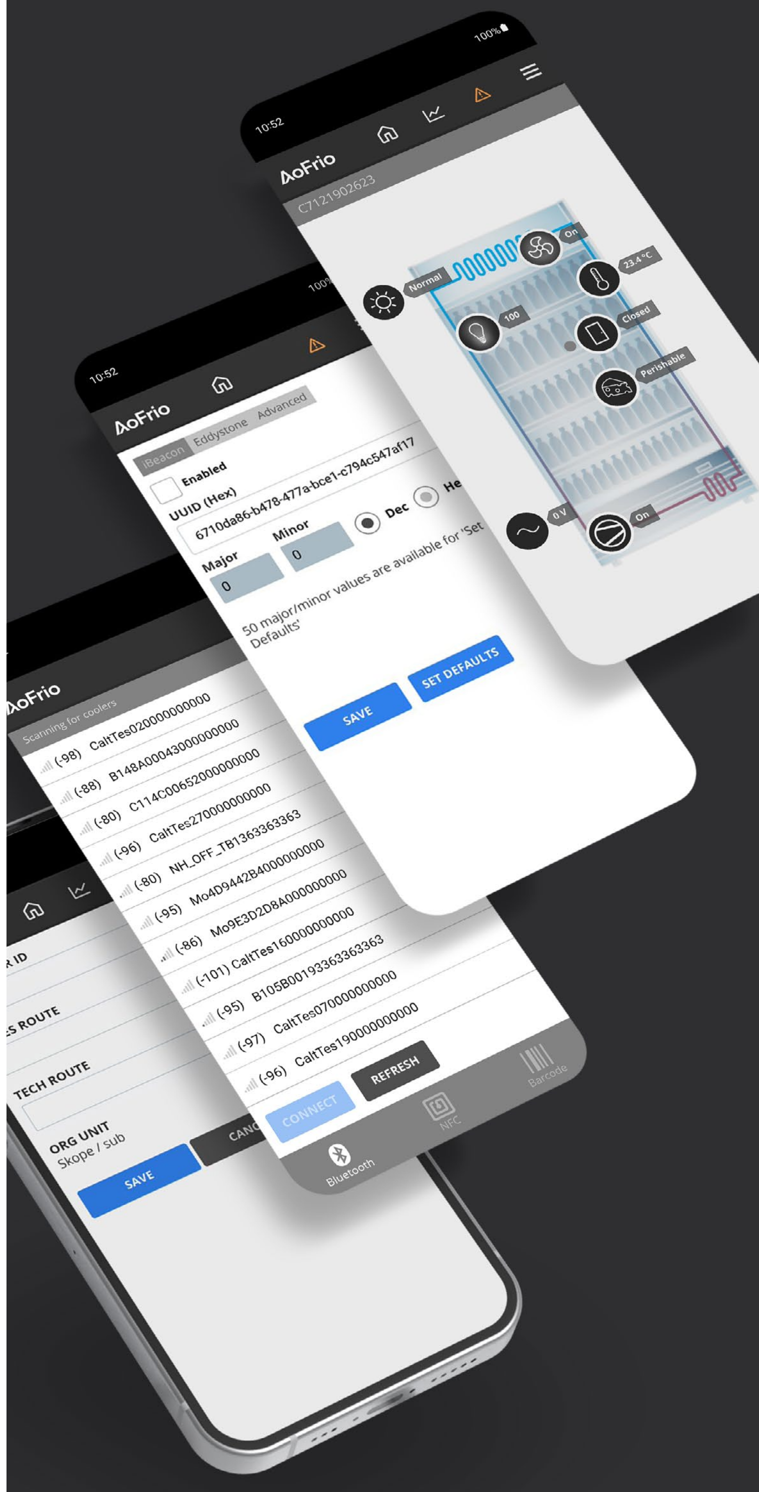
Cash at 31 December 2023 was $3.3m compared to $2.8m at 31 December 2022.

The $5.0m BNZ trade finance facility was increased to $8.0m for two 3-month terms, expiring 31 July 2023 and 29 December 2023. This provided short-term working capital flexibility given longer than expected customer payment cycles. The amount owing at 31 December 2023 on the trade finance facility was $4.0m (2022: $2.7m).

Accounts receivable at 31 December 2023 was $15.4m compared to $23.0m at 31 December 2022. It's worth noting that 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 at least 180 days.

Inventory at 31 December 2023 was $8.8m, a $2.5m decrease compared to 31 December 2022. Inventory in 2023 also included components sourced in FY22 to resolve component supply.

Trade payables at 31 December 2023 was $14.2m, a $7.6m reduction compared to 31 December 2022.



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Environment, Social and Governance (ESG)

In early FY23, AoFrio completed a review of its ESG frameworks and created a plan to continue to improve performance and effectiveness. Implementation of this plan is ongoing and includes:

- Updating Board and Committee charters to clarify roles and responsibilities.
- Current policies have been updated and new policies implemented including a Sustainability Policy and a Modern Slavery Statement.
- Starting measurement framework to establish baselines for reporting and target setting.
- Integrating product circularity into the product development process.

AoFrio undertook recertification of its ESG systems and processes through an independent global body, EcoVadis and was awarded a bronze medal.

Additionally, there has been a focus on evolving organisational culture and enhancing global collaboration, inclusivity, and innovation. Team engagement focus areas were highlighted in the employee engagement (72% average score) and diversity, equity, and inclusion surveys (80% inclusion score).

One of AoFrio's strengths is its global footprint and cultural diversity which has been recognised through Matariki and Diwali celebrations and culture learning events. Ensuring we have the right environment to attract and retain talent is vital in a very competitive labour market and a flexible working policy and career planning programmes are examples of key initiatives to support this.

Governance changes

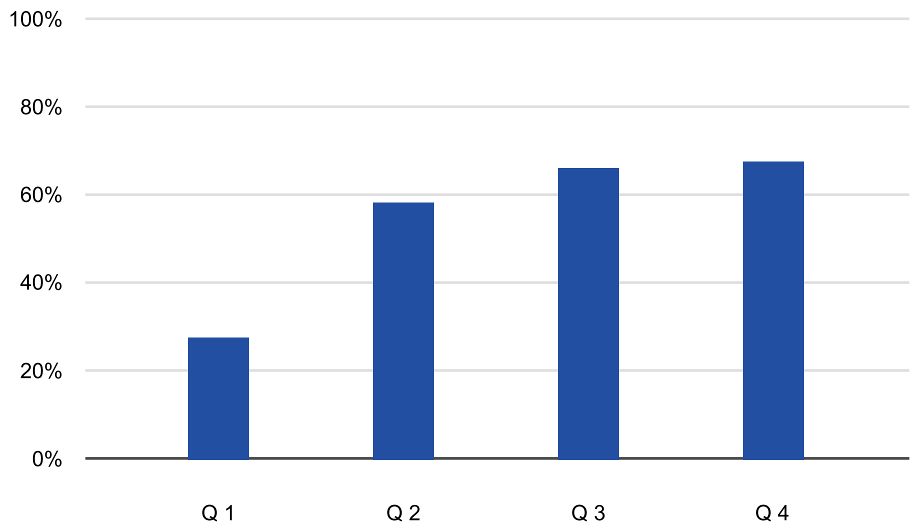
As part of our Board succession planning process, the Board announced the appointment of John Scott as Board Chairman following the resignation of Gottfried Pausch, who had been on the AoFrio Board for almost ten years with the last three years as Chair. John Scott acknowledged and thanked Gottfried for the support and expertise he had contributed to the organisation during the ten years.

AoFrio also appointed two new Board Members. Melissa Clark-Reynolds commenced on 21 August 2023 and Roz Buick on 1 January 2024. Melissa and Roz's biographies are on page 17.

New product and market development

FY23 concluded the transition from a long period of efforts around component-swap out and supply chain resilience in response to global supply chain challenges in 2021 and 2022. AoFrio has seen a progressive positive momentum shift throughout 2023, from an initial ~70% product support and sustaining work and ~30% invested in new product development, to consistent investment of at least ~70% in engineering effort devoted to new product development during the third quarter.

% of Engineering Resource focused on New Product Development (by Quarter)



This shift accelerated AoFrio's new product and market development effort with the following launches taking place across the end of FY23 and the start of FY24.

ECR 2 26W

The new higher-power ECR 2 26W motor is near-launch, with production ramp-up expected by the end of Q1 2024. AoFrio has several customer trials underway and is finalising compliance and certification requirements ahead of planned production in early 2024. The ECR 2 26W has been designed for use in larger supermarket and larger bottle cooler applications.

Network Pro ONE

As part of the US and Europe market entry strategy, AoFrio launched Network™ Pro ONE in October 2023. This is a new variant of the Network™ Pro and is a cost-effective, single-cooler cellular connected gateway. It's installed as a part of the cooler manufacturing process, with a further option to retrofit to existing coolers with an AoFrio™ SCS Controller.

While the original Network Pro has proven effective at activating stores with multiple coolers, the Network Pro ONE is targeted at offering a cost-effective new build and retrofit cellular connected solution for single coolers. This new option has been well-received by customers, with trials underway across 13 different OEMs/Bottlers,

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primarily in North America. AoFrio received the first order in December 2023.

Remote asset management

As part of the Network Pro ONE launch, AoFrio introduced the capability to change cooler parameter settings remotely via the web. This offers significant benefits for customers looking to optimise their fleet energy consumption by allowing the remote change of seasonal energy parameters. AoFrio plans to extend this capability in 2024 to further manage, adjust, and report on energy initiatives and carbon reduction.

Energy efficiency

Customers focusing on building the most efficient refrigeration systems continue to choose SCS controllers to variably control the speed of the fan motors, enabling a 14% reduction in energy consumption.

A SCS controller firmware upgrade in Q1 2024, launching in conjunction with the *AoFrio Inside* energy initiative, will include the capability to vary the compressor's speed. Early test results on this combination show a potential to reduce energy consumption by a further 25%.

AoFrio joins the BIER Coalition and wins global prize

In 2023 AoFrio joined the global Beverage Industry Environmental Roundtable (BIER) Coolition.

The BIER Coolition is a collection of the world's foremost beverage brands and their suppliers, formed with the purpose of accelerating sustainability within the global industry.

There are three main fronts where BIER is looking to drive global change – Standards and Legislation, Circularity, and Energy Efficiency and Innovation.

In October 2023, the BIER Coolition held the inaugural Cool Challenge competition, which was open to the entire industry and invited companies to submit sustainability innovations under a range of categories.

AoFrio entered the competition with *AoFrio Inside*, an offering which integrates high efficiency motors, smart IoT hardware, and an insights platform to deliver customers energy savings of an estimated 54% when compared to standard coolers. *AoFrio Inside* won the **'Incremental Change in Energy Efficiency'** category at the Cool Challenge, and is currently being developed for commercial release in H1 2024.

AoFrio Inside will meet the growing demand for solutions within the beverage industry that help brands and bottlers move towards their net zero targets.

AoFrio INSIDE

Cold Drinks Equipment

During 2023, many soda and beer brands announced aggressive energy-saving and carbon targets for their refrigeration fleets to reduce energy consumption. The award-winning *AoFrio Inside* solution integrates the Company's hardware and software and, once installed, enables bottlers to reduce energy consumption by up to 54% compared to their shaded pole cooler configuration. AoFrio intends to commercialise the *AoFrio Inside* solution across several vertical markets in 2024.

At the 2023 Women's World Cup Football Championship, Coca-Cola Australia (CCEP- Australia) trialled an AoFrio interactive software solution that allowed the remote monitoring of CCEP-A's refrigeration fleet at each venue. This AoFrio software solution provided CCEP-A with valuable sales performance, maintenance insights and, importantly, actual energy usage data.

During 2023, AoFrio successfully converted some initial proof-of-concept and trial bottlers into customers, including:

- FEMSA Brazil, the largest bottler of Coca-Cola products globally.
- The expansion of an existing customer, Arca, into new territories.
- Winning Coca-Cola Embenor in Chile.
- The expansion of Coca-Cola Euro Pacific Partners (CCEP) into more Asia Pacific territories.

Several proof-of-concepts are still progressing, and these are expected to close out with customer orders from early 2024.

Food Service and Retail

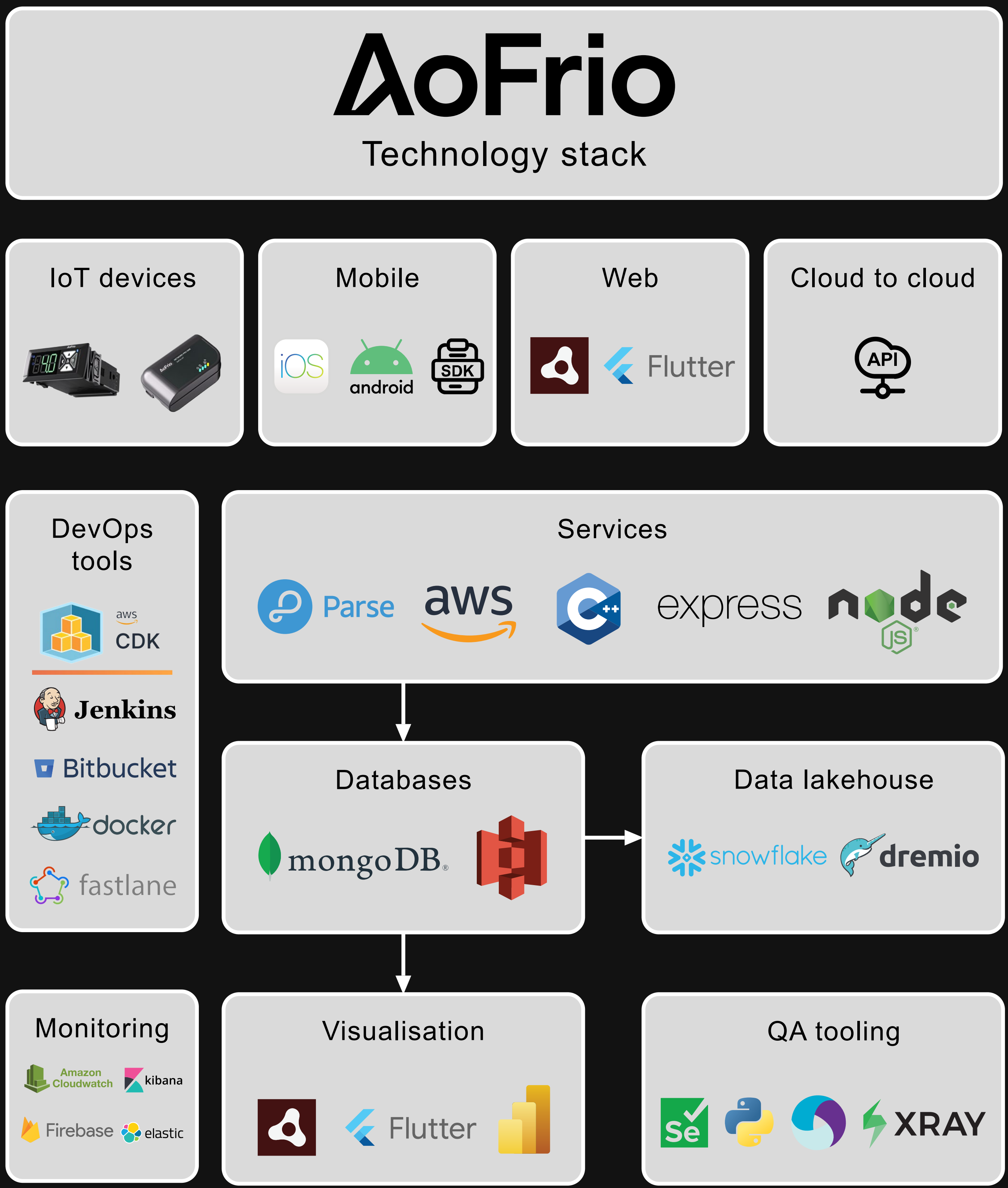
Managing the cost base in FY23 required AoFrio to rebalance and prioritise its market diversification efforts. As a result, AoFrio focussed on a single market segment with the most promising opportunities – Food Service and Retail.

While this constrained development activity for the Ice Cream market, early discovery efforts indicate that most of the customer needs in this market overlap with Cold Drinks Equipment and Food Service and Retail markets, meaning much of the work invested to date will also benefit customers in this market.

Within the Food Service market there are two main proof-of-concept initiatives well underway, helping to refine the solution to be offered to customers.

- In New Zealand, a major quick-service restaurant brand is undertaking a proof-of-concept trial for cold and ambient space monitoring. Early trial results identified opportunities for efficiency, resulting in a fast return on investment for the brand. The proof-of-concept progressed to a five-site trial from October 2023 through to March 2024, after which AoFrio hopes to contract and expand to all the brand's New Zealand sites within nine months. During FY24, AoFrio will also deliver a warm space monitoring proof-of-concept solution for this customer. The integration of AoFrio SCS with the Network Pro communications gateway will allow the warm and cold spaces to be jointly monitored, alarmed, and remotely controlled in the future.
- In Argentina, AoFrio is working with a major global supermarket chain to automate their refrigeration monitoring. Within large supermarket formats, AoFrio often sees more than 100 cold spaces requiring food safety compliance monitoring. The proof-of-concept has been completed, during which AoFrio developed interactive dashboards delivering actionable insights and alarms for each cold space's temperature performance. Working alongside the supermarket's service and maintenance contractor, AoFrio is hoping to move to formal trials in FY24.

AoFrio also plans to launch the first of its Food Service solutions in Q2 FY24.



Technology platform

AoFrio's ongoing investment in its technology stack is crucial to supporting new product development. AoFrio is working with its cloud partner AWS to explore new cutting-edge services that can help increase speed-to-market for new market exploration.

AoFrio is also investing growing capability in Flutter (multi-platform technology) to help build reusable components and building blocks to provide a connected ecosystem across all applications to customers in future. The latest visualisation tools provide faster and easier access to dashboards for real time insights to end users.

Outlook for FY24

AoFrio expects FY24 to show positive momentum with new solutions coming to market, including:

- The launch of new solution *AoFrio Inside* for energy reduction in the Cold Drinks Equipment market.
- The first targeted solution release for the Food Service and Retail markets.

Additionally, AoFrio expects a modest recovery in its base business as the customer inventory overstocking that impacted FY23 appears to have worked off, resulting in a return to more normal order patterns.

AoFrio is continuing to align its investment in new product development and launch activity to revenue and gross margin generation and is tightly managing operational expenditure. This should ensure that both ongoing operations and growth activities can be funded through internally generated cash flows.

AoFrio's sustainability efforts for FY24 are centred around three key pillars: Our Team, Our Operations, and Our Products.

- Our Team: In FY24 AoFrio is committed to providing equal opportunities, prioritising employee engagement and well-being, and nurturing a diverse and inclusive workforce. AoFrio will invest in training and development programs to enhance sustainability knowledge and skills among our team.
- Our Operations: In FY24 AoFrio is committed to creating a base year for waste and energy reduction in its New Zealand operations. We are also committed to implementing circular economy practices, whilst creating a focus on reducing our energy footprint.
- Our Products: In FY24 we will continue to deliver sustainable solutions to our customers by embedding sustainable design principles, responsible sourcing of materials, and ensuring a focus on innovation to reduce carbon footprints is embedded in AoFrio's product strategy.

ESG efforts in FY24 build on the foundations laid in FY23 and focus on developing governance structures, data sourcing, storage, and evaluation to enable ESG target setting. The Company remains committed to continuous improvement, seeking feedback, and implementing changes to ensure an inclusive workplace and sustainable business practices.

Revenue in FY24 is expected in the range $70m to $80m, a 13% increase over FY23 at the midpoint of the range. AoFrio's EBITDA guidance for FY24 is targeting around $2.5m. Macroeconomic conditions may impact this guidance, including the NZ$ / US$ cross rate which averaged 0.613 in FY23. AoFrio continues to manage its investment in growth (mainly additional staff) to align with trading conditions and expects to be able to continue expanding through internally generated cash.

The Directors would like to thank the AoFrio team for their efforts in what was a challenging year, and shareholders for their continued support.

John Scott
Chairman

Greg Balla
Chief Executive Officer

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Governance

John Scott

Chairman, Independent Director

John has been an AoFrio board member since 2019. His in-depth knowledge of SaaS, IoT and global supply chains has seen him play a pivotal role in recalibrating the business into a hardware-enabled, SaaS company. Alongside his role on the AoFrio Board, John is the Head of Product at Invenco by GVR, global provider of retail payment solutions, and Director of As-Built, a construction digital twin company. John has previously held positions at Invenco, Navico, Brunswick, Navman, and Volex.

John McMahon

Independent Director

John has more than 30 years of experience in the Australasian equity markets, predominantly as an equity analyst covering the telecommunications, media, gaming, transport, and industrials sectors.

John's previous roles include Head of Research and Head of Equities for ABN AMRO NZ and Managing Director of ASB Securities. John is a director and Chair of Solution Dynamics Ltd (SDL), is Director and Chair of Vital Ltd (VTL) and Director and Chair of NZX Ltd (NZX).

John owns (through his investment company) around 4.4% of AoFrio and is strongly committed to delivering improved operational and shareholder returns.

Greg Allen

Director

Greg has been a Director at AoFrio since April 2021 and chairs the AoFrio risk committee. He was CEO of AoFrio from 2011 to 2021. Residing in Vancouver, he is currently a Partner with Chrysalix Venture Capital and a board member for Canadian ultra-low-power wireless solutions provider HaiLa. Greg also sits on the Economic Advisory Committee for the City of Richmond, British Columbia and the Policy Advisory Committee for the Chamber of Commerce. He has over 30 years of experience leading business development, supply chain, tech manufacturing, and public and private company governance. He holds the ICD.D Directors Designation of the Canadian Institute of Corporate Directors.

Keith Oliver

Independent Director

Keith is an Independent Director at Rakon Limited, Chairman of Blackhawk.io, and a director at VWork Limited and Alto Capital. Keith's previous roles include Executive Chairman at high-tech company Compac Sorting Ltd and independent Director of the science-led Crown Research Institute ESR.

Melissa Clark-Reynolds

Independent Director

Melissa Clark-Reynolds became a Futurist after 25 plus years' experience as an entrepreneur and CEO of a number of Technology companies. She was awarded the ONZM for Services to Technology in 2015. Melissa is a director of Atkins Ranch Lamb, Alpine Energy and Wētā workshop. Melissa works with food companies to execute transformational strategies, through futurecentre.nz.

Roz Buick

Independent Director

Roz has 27 years' experience leading businesses that digitally transform industries via innovative workflow re-engineering and automation across hardware, SaaS, and software platforms. A catalyst for change, she has consistently scaled growth via synergistic product and go-to-market strategies across agriculture, architecture, engineering and construction, geospatial, property and land management.

Previously Senior Vice President at Oracle and Trimble Inc, leading global businesses, she is now an independent consultant and Board Director on technology, research and construction companies in ANZ, the Americas. Trained at Virginia Tech USA and Lincoln University NZ in applied systems modelling and AI for complex decision making, she has a Bachelor of Agricultural Science and Ph.D. (Lincoln. NZ), and an Executive MBA (Duke, NC). In November 2023, Roz joined the board of ikeGPS.

Executive Team

Greg Balla

Chief Executive Officer

Greg was appointed CEO of AoFrio in May 2021. He brought extensive experience leading marketing, procurement, supply chain, manufacturing, process engineering, IT and HR teams across his multi-decade career.

Prior to AoFrio, he spent eight years working at Orion Health, where he started as Executive Vice President of Clinical Workflow and Business Transformation and spent four years as Chief Operating Officer.

Greg, along with the whole AoFrio team, is wholly committed to growing AoFrio and delivering clear customer insights, sustainable transformative technologies, and a connected advantage for customers around the world.

Howard Milliner

Chief Financial Officer & Company Secretary

With more than ten years at AoFrio, Howard has been instrumental in driving the organisation's strategy to become a hardware-enabled, SaaS company. He is also responsible for all financial and administrative operations across AoFrio and brings a wealth of experience from previous roles.

Prior to joining AoFrio, Howard spent 14 years working as the CFO and then CEO of NZX-listed engineering business, Mercer Group (now MHM Automation).

David Burden

Chief Business Development Officer - Emerging Markets

As Chief Business Development Officer, David is focused on driving AoFrio's expansion into new geographic and industry markets.

David has more than 30 years of experience leading start-ups and technology businesses. Notably, he founded and led what became Australia's largest and best-recognised interactive and mobile services company, Legion Interactive. In 2013, David co-founded IoT company iProximity, focusing on digital information services and proximity marketing, which was acquired by AoFrio in 2018.

Genevieve Dawick

Vice President of Product

As VP of Product, Genevieve leads the development and execution of a product vision and roadmap that complements and delivers to AoFrio's business strategy. She is committed to nurturing a strong, value-based product culture and mindset within AoFrio.

Prior to joining AoFrio, Genevieve gained over 20 years' experience in developing, implementing, and commercialising solutions in complex global environments, working with technology companies including Orion Health, Vista Entertainment Solutions and Qrious, as well as large enterprises and government entities such as Air New Zealand, Auckland Council and Te Toka Tumai.

Genevieve is also a trust board member for Wāhine Connect, a not-for-profit mentoring service for women working in the health sector.

Rami Elbeltagi

Vice President of Engineering & IT

As the Vice President of Engineering & IT, Rami is responsible for leading the engineering and IT teams. His role focuses on developing products and solutions to keep AoFrio delivering clear customer insights, sustainable transformative technologies, and a connected advantage.

Rami has over 15 years of experience shaping technology and product development at renowned companies such as Compac (now Tomra) and Fisher & Paykel Appliances where he most recently held the role of Group Chief Engineer. Rami's leadership skills, product design and agile innovation experience play a key role in accelerating the development of AoFrio's product offering.

James Rice

Chief Revenue Officer

James, formerly Managing Director at iSOFT, General Manager at DXC and most recently Chief Revenue Officer at Orion Health, leads AoFrio's regional sales and service teams.

James has extensive experience in SaaS sales strategy, new market entry and leadership, which aligns well with AoFrio's growth ambitions.

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Danielle Scott

Manager People, Sustainability and Executive Operations

As Manager People, Sustainability and Executive Operations, Danielle is responsible for operational and strategic visibility within the executive and people teams whilst championing sustainability and ESG initiatives. Danielle contributes operational expertise gained in publicly listed company environments, with a focus on the technology industry and experience in navigating global teams.

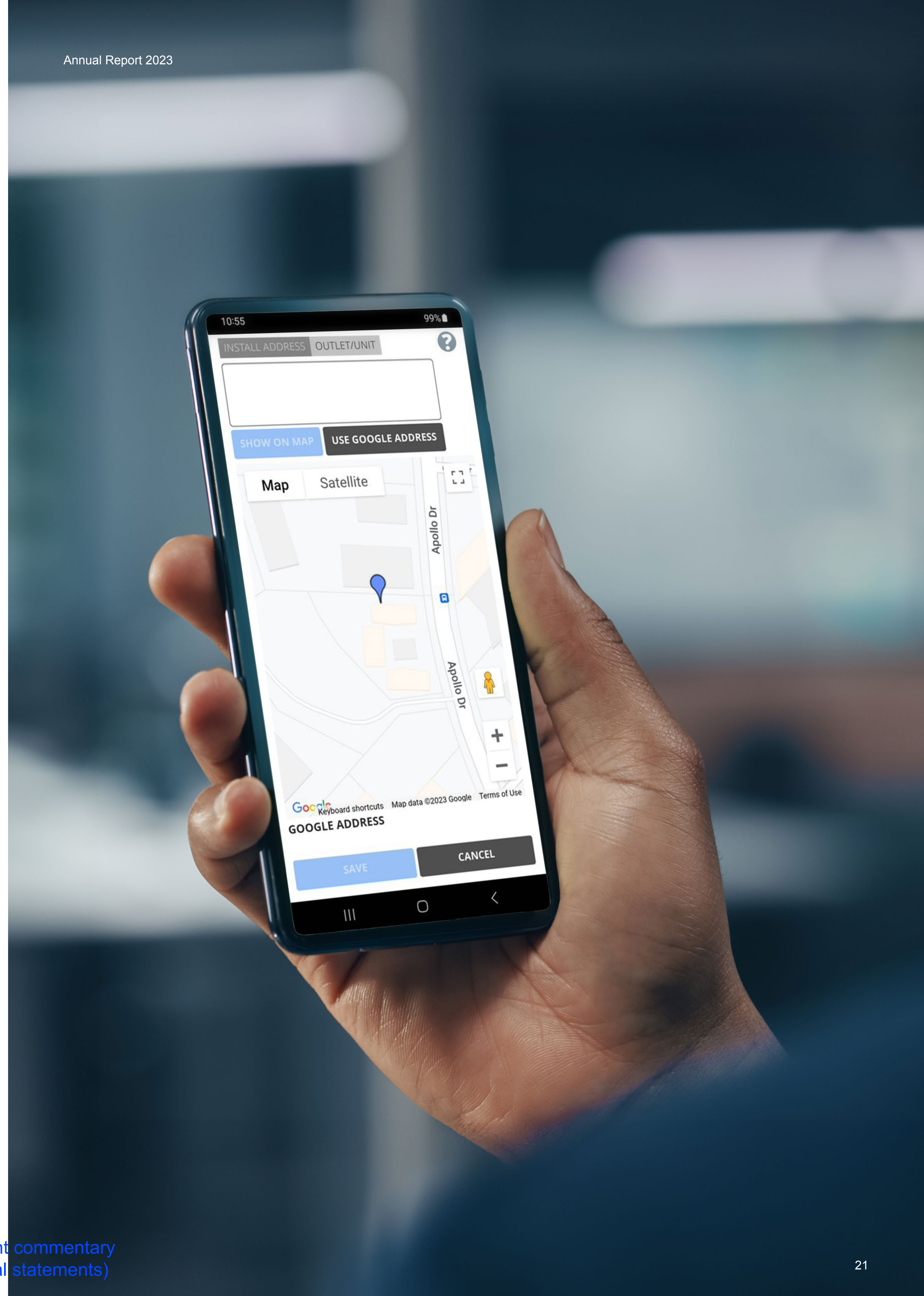
Danielle, committed to AoFrio's core values of Explore Together, Thrive Together, and a Better World Together, leverages her diverse background and experience to optimise outcomes and drive continuous improvement for AoFrio. She is dedicated to supporting the team, fostering a collaborative environment where each member can flourish and contribute to the collective success of AoFrio.

Marc Tinsel

Executive Vice President Operations

As Executive Vice President of Operations, Marc is responsible for AoFrio's day-to-day manufacturing, logistics, supply chain, quality, and associated operations. Marc started at AoFrio as a Programme Manager for Sustaining Engineering in 2013 and was promoted to Head of Manufacturing in 2015 and then Vice President Supply Chain and Operations in 2018. He was also supporting the business as General Manager of Engineering for 23 months in parallel with his other responsibilities until October 2022.

Before joining AoFrio, Marc worked as a Project Manager for Omexom, managing multiple projects, budgets, contractors, and multidisciplinary teams in the electrical distribution industry and had worked for 13 years in senior technical and management positions in international safety standard testing and certification laboratories in New Zealand and the United Kingdom.



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Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	Note	**2023 $000s**	2022 $000s
Revenue	2.2	**66,552**	74,324
Cost of sales		**(46,564)**	(53,734)
Gross profit		**19,988**	20,590
Net foreign exchange gains / (losses)		**490**	(133)
Other income	2.3	**327**	202
Operating expenses	2.4	**(19,799)**	(19,114)
Gain on remeasurement of contingent consideration		**-**	68
Earnings before interest, taxation, depreciation, amortisation & impairment		**1,006**	1,613
Depreciation	3.2	**(748)**	(559)
Amortisation	3.3	**(2,306)**	(1,887)
Loss before interest & taxation		**(2,048)**	(833)
Finance income	4.2	**59**	64
Finance expenses	4.2	**(1,322)**	(386)
Loss before income tax		**(3,311)**	(1,155)
Income tax (expense) / credit	2.5a	**(223)**	4,415
(Loss) / profit for the year		**(3,534)**	3,260
Other comprehensive income: Items that may be reclassified subsequently to the profit or loss:			
Exchange differences on translation of foreign operations	4.5b	**(781)**	115
Other comprehensive (loss) / income for the year		**(781)**	115
Total comprehensive (loss) / income for the year		**(4,315)**	3,375
(Loss) / profit for the year attributable to the Owners of the Company		**(3,534)**	3,260
Total comprehensive (loss) / income attributable to the Owners of the Company		**(4,315)**	3,375
Basic (loss) profit per share – cents	2.6	**(0.82)**	0.75
Diluted (loss) profit per share – cents	2.6	**(0.82)**	0.73

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

Consolidated Statement of Movements in Equity

for the year ended 31 December 2023

2023	Note	Contributed equity $000s	Accumulated losses $000s	Other reserves $000s	Total equity $000s
Balance on 1 January 2023		**135,578**	**(108,207)**	**(3,590)**	**23,781**
Comprehensive income					
Loss for year		**-**	**(3,534)**	**-**	**(3,534)**
Other comprehensive income					
Exchange differences on translation of foreign operations	4.5b	**-**	**-**	**(781)**	**(781)**
Total comprehensive income		**-**	**(3,534)**	**(781)**	**(4,315)**
Share option compensation expensed	4.5a	**-**	**-**	**77**	**77**
Balance on 31 December 2023		**135,578**	**(111,741)**	**(4,294)**	**19,543**

2022	Note	Contributed equity $000s	Accumulated losses $000s	Other reserves $000s	Total equity $000s
Balance on 1 January 2022		135,555	(111,467)	(3,800)	20,288
Comprehensive income					
Profit for year		-	3,260	-	3,260
Other comprehensive income					
Exchange differences on translation of foreign operations	4.5b	-	-	115	115
Total comprehensive income		-	3,260	115	3,375
Contributions of equity, net of costs	4.3	23	-	-	23
Share option compensation expensed	4.5a	-	-	95	95
Balance on 31 December 2022		135,578	(108,207)	(3,590)	23,781

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

Consolidated Statement of Financial Position

as at 31 December 2023

	Note	2023 $000s	2022 Restated $000s
Current Assets			
Cash and cash equivalents	3.1a	**3,295**	2,839
Trade and other receivables	3.1b	**16,480**	24,281
Derivative financial instruments	6.4	**254**	140
Inventories	3.1c	**8,803**	11,272
Total current assets		**28,832**	38,532
Non-Current Assets			
Property, plant and equipment	3.2	**5,482**	1,156
Deferred tax asset	2.5b	**10,363**	10,538
Intangible assets	3.3	**13,923**	12,907
Total non-current assets		**29,768**	24,601
Total assets		**58,600**	63,133
Current Liabilities			
Trade and other payables	3.1d	**17,251**	25,095
Contract liability	2.2	**2,269**	2,008
Provisions	3.1e	**133**	177
Liabilities in respect of right-of-use assets	6.5	**181**	83
Borrowings	4.1	**4,674**	3,369
Total current liabilities		**24,508**	30,732
Non-Current Liabilities			
Borrowings	4.1	**311**	466
Liabilities in respect of right-of-use assets	6.5	**4,213**	-
Contract liability	2.2	**10,025**	8,154
Total non-current liabilities		**14,549**	8,620
Total liabilities		**39,057**	39,352
Net assets		**19,543**	23,781

Consolidated Statement of Financial Position - continued

as at 31 December 2023

	Note	2023 $000s	2022 $000s
Equity			
Contributed equity	4.3	**135,578**	135,578
Accumulated losses	4.4	**(111,741)**	(108,207)
Other reserves	4.5	**(4,294)**	(3,590)
Total equity		**19,543**	23,781

For and on behalf of the Board

Director
29 February 2024

Director
29 February 2024

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

Consolidated Cash Flow Statement

for the year ended 31 December 2023

	Note	2023 $000s	2022 $000s
Cash flows from operating activities			
Receipts from customers exclusive of GST / VAT		**76,130**	71,586
Payments to suppliers and employees exclusive of GST / VAT		**(71,969)**	(75,874)
Foreign exchange gains / (losses)		**490**	(133)
Other income		**327**	53
Interest paid		**(1,284)**	(344)
Interest received	4.2	**59**	64
Taxation paid		**(104)**	(225)
Net GST / VAT received		**299**	509
Net cash inflow / (outflow) from operating activities		**3,948**	(4,364)
Cash flows from investing activities			
Payments for property, plant, and equipment		**(1,030)**	(415)
Proceeds from disposals of property, plant, and equipment		**51**	36
Payments for intangible assets	3.3	**(3,349)**	(1,431)
Net cash outflow from investing activities		**(4,328)**	(1,810)
Cash flows from financing activities			
Cash payment to acquire ordinary shares	4.3	**-**	(230)
New loans and drawdowns	4.1	**21,654**	6,945
Loan repayments	4.1	**(20,614)**	(4,027)
Principal payments for right-of-use assets	6.5	**(78)**	(232)
Net cash inflow from financing activities		**962**	2,456
Net increase in cash and cash equivalents		**582**	(3,718)
Cash and cash equivalents at the beginning of the financial period		**2,839**	5,953
Effect of exchange rate movements on cash		**(126)**	604
Cash and cash equivalents at end of year	3.1a	**3,295**	2,839

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

Notes to the Consolidated Financial Statements

1. Basis of preparation

This section sets out the Group's significant accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a note, that policy is stated in the note to which it relates.

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 efficient motors and IoT hardware to the food and beverage markets.

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 consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2024.

1.2 Summary of Significant Accounting Policies

(a). Basis of preparation

These consolidated 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 financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

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 and contingent consideration which is measured at fair value.

New standards, amendments, and interpretations

The following accounting standards, amendments and interpretations have not had a material impact on the financial statements.

- International Tax Reform – Pillar Two Model Rules (Amendments to NZ IAS 12)
- NZ IFRS 17 - Insurance Contracts

- NZ IAS 1 - Disclosure of Accounting Policies (Amendments to NZ IAS 1 and IFRS Practice Statement 2)
- NZ IAS 8 - Definition of Accounting Estimates (Amendments to NZ IAS 8)
- NZ IAS 12 - Deferred Tax Related Assets and Liabilities from a Single Transaction (Amendments to IAS 12)

The following accounting standards, amendments and interpretations are not yet effective and are not expected to have a material impact on the financial statements.

- Classification of Liabilities as Current or Non-current (Amendments to NZ IAS 1)
- Non-current liabilities with covenants (Amendments to NZ IAS 1)
- Lease liability in a Sale and leaseback (Amendments to NZ IFRS 16)
- Disclosure of Fees for Audit Firms' Services (Amendments to FRS 44)

Going concern assumption

The Group reported a loss for the year ended 31 December 2023 of $3,534,000 (2022: profit of $3,260,000) and operating cash inflows of $3,948,000 (2022: outflows of $4,364,000). Cash at 31 December 2023 was $3,295,000 (2022: $2,839,000) and net debt (defined as cash balances net of borrowings) was $1,690,000 (2022: $1,079,000).

Revenue in the 2023 year was impacted by excess inventory in the global supply chain along with generally lower demand due to macro-economic factors, including the impacts of higher energy prices in Europe. Turkey is an important market for the Group and demand there was also impacted by political uncertainty and earthquakes. Profitability in the 2023 year was also impacted by increased operating expenses and higher finance costs due to increased interest rates and borrowing to support higher working capital requirements.

The Board approved budget for 2024 forecasts improved profitability from growth in revenues and positive cash flows.

The Board is satisfied that if global supply chain or macro-economic conditions continue to adversely impact demand 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 for at least the next 12 months after reporting date.

The Board is closely monitoring the Group's compliance with banking covenants.

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). Principles of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect these returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets transferred and equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income.

Intercompany transactions, balances, and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the Group.

(c). Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's functional currency is US Dollars because its purchase and sale of product is mainly denominated in US Dollars. Subsidiaries and operations in the USA, China, Brazil, Turkey, Mexico, Italy, Australia, and Singapore use their local currency as the functional currency.

The consolidated financial statements are presented in New Zealand dollars, rounded to the nearest thousand, which is the Group's presentation currency. The presentation currency remains New Zealand dollars due to the Company's shareholder base being concentrated in New Zealand.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(iii) Foreign operations

The results and balance sheets of all foreign operations that have a functional currency different from New Zealand dollars are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the Statement of Financial Position.
- Income and expenses for each Statement of Comprehensive Income are translated at the rates prevailing on the transaction dates; and
- All resulting exchange differences are recognised in other comprehensive income as a separate component of equity.

(d). Critical 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 1.2a

Areas of judgement

- Deferred tax asset – recognition – note 2.5b
- Development costs – capitalisation of expenses and impairment testing – note 3.3

(e). Prior period restatement

Consolidated statement of financial position

The Group has determined that for the purposes of the Consolidated Statement of Financial Position, $2.4 million of the trade and other receivables amount in 2022 should be reclassified to inventory to better reflect the nature of the transaction. Goods dispatched in relation to intergroup sales, has been reclassified from trade and other receivables to inventory. This is a current asset reclassification therefore no income statement impact in 2022 or 2023.

	2022 $000s	Adjusted $000s	2022 Restated $000s
Trade and other receivables	26,676	(2,395)	24,281
Inventories	8,877	2,395	11,272

2. Results for the year

This section focuses on the results and performance for the Group and how those numbers are calculated.

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:

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

2023	**Motors $000s**	**IoT $000s**	**Unallocated $000s**	**Total $000s**
Non-current assets				
Property, plant & equipment	**245**	**49**	**5,188**	**5,482**
Deferred tax asset	**-**	**-**	**10,363**	**10,363**
Goodwill	**-**	**3,190**	**-**	**3,190**
Other intangible assets	**3,996**	**6,203**	**534**	**10,733**
Total	**4,241**	**9,442**	**16,085**	**29,768**

2022	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 margin %	*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)
Loss before interest & taxation	2,420	5,291	(8,544)	(833)
Finance income	-	-	64	64
Finance expense	-	-	(386)	(386)
(Loss) / profit before income tax	2,420	5,291	(8,866)	(1,155)
Income tax credit	(1)	-	4,416	4,415
(Loss) / profit 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
Other intangible assets	3,674	5,986	96	9,756
Total	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	**2023 $000s**	2022 $000s
Americas	**54,214**	58,042
Asia / Pacific (APAC)	**4,974**	6,770
Europe / Middle East / Africa (EMEA)	**7,364**	9,512
Total	**66,552**	74,324

Revenue is allocated above based on the country in which the customer is located.

APAC revenue includes $1,824,000 (2022: $1,085,000) from New Zealand customers.

Major Customers

The Group has three major customers (defined as customers representing 10% or more of revenues) accounting for invoiced revenues of $26,018,000 (2022: three customers accounting for invoiced revenues of $30,381,000), all within the Americas geographic segment.

Total non-current assets	**2023 $000s**	2022 $000s
Americas	**266**	1,134
Asia / Pacific – mainly in New Zealand	**29,483**	23,455
Europe / Middle East / Africa	**19**	12
Total	**29,768**	24,601

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

2.2 Revenue

	2023 $000s	2022 $000s
Sales of goods revenue – recognised at a point in time	**64,228**	72,128
Services revenue – recognised over time	**2,324**	2,196
	66,552	74,324

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

(a). Sale of Goods

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

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

The Group has 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 extended 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 2.2(a), no explicit element of financing is deemed present as the purpose of the advance payment 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	**2023 $000s**	2022 $000s
Carrying amount at start of year	**10,162**	6,793
Invoiced in the year	**4,403**	5,137
Recognised in revenue	**(2,324)**	(2,196)
Exchange adjustment	**53**	428
Carrying amount at end of year	**12,294**	10,162
Current portion	**2,269**	2,008
Non-current portion	**10,025**	8,154
	12,294	10,162

2.3 Other income

	2023 $000s	2022 $000s
Remeasurement of right-of-use liability	**-**	149
Research & Development tax incentive claims received	**290**	-
Other income	**37**	53
	327	202

2.4 Operating expenses include

	2023 $000s	2022 $000s
Wages and salaries and other short-term benefits	**16,613**	12,673
Employer contributions to Kiwisaver and 401K plans	**545**	459
Employee share options expense	**77**	95
Total employee benefits	**17,235**	13,227
Payments to contractors	**798**	1,886
Capitalisation of labour and expenses to intangible assets	**(3,161)**	(1,382)

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

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

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

2.5 Income tax expense

Current and deferred income tax

The income tax expense or revenue for the year is the tax payable on the current period's taxable income (based on the national income tax rate for each jurisdiction) adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Goods and Services Tax (GST) and Value Added Tax (VAT)

The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST and VAT. All items in the Statement of Financial Position are stated net of GST and VAT, except for receivables and payables, which include GST and VAT invoiced.

(a). Income tax

	2023 $000s	2022 $000s
Current year income tax expense	**(48)**	(72)
Deferred tax – recognition of deferred tax asset	**(175)**	4,487
Income tax (expense) / credit	**(223)**	4,415

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

	2023 $000s	2022 $000s
Reported (loss) for the year before tax	**(3,311)**	(1,155)
Tax at 28%	**(927)**	(323)
Adjustment of prior periods	**992**	67
Effect of different tax rates of subsidiaries in other jurisdictions	**-**	(14)
Tax effect of non-deductible / non-assessable items	**(113)**	(84)
Tax effect of utilisation of losses not previously recognised	**-**	(1,430)
Recognition of carried forward tax losses	**(175)**	6,199
Income tax (expense) / credit for the year	**(223)**	4,415

(b). Deferred tax

As it is probable that future taxable amounts will be available to utilise temporary differences and losses, a deferred tax asset is recognised for deductible temporary differences and for that portion of the unused tax losses that are expected to be utilised in the five years 2024 through to 2028 (2022: 2023 to 2027). Judgement is required when assessing the recoverability of capitalised tax losses, due to the need to forecast future taxable profits for which those taxable losses will be recognised. Cash flows projections are forecast at a country level and discounted back at a pre-tax discount rate of 13.5% (2022: 14.0%). 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset, and they relate to the same tax authority. The tax rate applicable to each group company has been used to determine the below recognised and unrecognised deferred tax assets:

	2023 $000s	2022 $000s
Doubtful debts	**12**	10
Inventory provisions and unrealised profit eliminations	**200**	(118)
Employee benefits	**224**	283
Internally generated development	**(2,638)**	(2,549)
Warranty provision	**37**	50
Contract liabilities	**2,860**	1,281
Rebates	**237**	242
Fixed assets	**(986)**	(11)
Right of use lease liability	**1,224**	(213)
Other timing differences	**(148)**	57
Total temporary differences	**1,022**	(968)

	2023 $000s	2022 $000s
Tax losses to carry forward	**25,977**	31,944
Total temporary differences and tax losses to carry forward	**27,138**	30,976
Deferred tax asset recognised for:		
Temporary differences	**1,022**	(968)
Carry forward tax losses utilised	**9,341**	11,506
Total recognised	**10,363**	10,538

The benefit of unrecognised tax losses is $ 16,636,000 (2022: $20,438,000). Of the total consolidated losses available to carry forward to future years, $ 2,955,000 (2022: $2,922,000) arises in the USA and is subject to their continuity requirements. USA Federal tax losses expire after 15 to 20 years, depending on when those losses were incurred. During the 2023 year no USA Federal tax losses expired (2022: None).

(c). Imputation credits

The Group has no imputation credits available (2022: $nil) and no movements occurred in the Imputation Credit Account (2022: $nil).

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 0.82 cents (2022: profit of 0.75 cents) is calculated by dividing the loss attributable to equity holders of the Company of $3,534,000 (2022: profit of $3,260,000) by the weighted average number of ordinary shares in issue during the year of 431,853,006 (2022: 432,198,399).

Diluted EPS of a loss of 0.82 cents (2022: loss of 0.73 cents) is calculated by dividing the loss attributable to equity holders of the Company of $3,534,000 (2022: profit of $3,260,000) by the weighted average number of shares in issue during the year. No adjustment was made in 2023 for effects of 12,930,000 dilutive potential ordinary shares, refer to note 6.2(c), because the effect in that year would have been anti-dilutive.

3. Operating assets and liabilities

This section focuses on the assets used to generate the Group's trading performance and the liabilities incurred as a result.

3.1 Working capital

Working capital represents the assets and liabilities the Group generates through its trading activities. The Group therefore defines working capital as cash, trade and other receivables, inventory, trade and other payables and provisions.

(a). Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	2023 $000s	2022 $000s
Cash on hand and at bank	**2,921**	2,254
Call deposits	**6**	230
Short term bank deposit	**368**	355
	3,295	2,839

The carrying amount of the Group's cash and cash equivalents is denominated in the following currencies:

NZD	**420**	534
USD	**2,637**	1,757
Other	**238**	548
	3,295	2,839

(b). Trade and other receivables

Trade receivables are recognised initially at the value of the invoice sent to the customer. The Group generally holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Trade receivables are generally due for settlement no more than 120 days from the date of recognition.

The Group applies the simplified approach permitted by NZ IFRS 9 which requires expected lifetime 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.

NZ IFRS 9 requires the Group to calculate expected credit losses on trade receivables using a provision matrix. The Group has reviewed its credit loss experience and has determined that the probability weighted credit loss experience over that period was approximately 0.1% of revenue. Consideration has been given to market environmental factors to determine whether future conditions will impact. The provision for expected credit loss at balance date has been calculated at 1.5% for customers assessed as higher risk and 0.1% for all others (2022: 1.5% and 0.1% respectively).

	2023 $000s	2022 Restated $000s
Trade receivables	**15,483**	23,094
Provision for loss allowance	**(41)**	(92)
Net trade receivables	**15,442**	23,002
Prepayments	**239**	620
VAT / GST refunds due	**96**	166
Income tax refund due	**361**	281
Other receivables	**342**	212
	16,480	24,281

The carrying amount of the Group's trade and other receivables is denominated in the following currencies:

NZD	**50**	660
USD	**14,497**	21,815
EUR	**527**	853
MXP	**380**	296
Other	**1,026**	657
	16,480	24,281

Provision for loss allowance		
Carrying amount at start of year	**92**	90
Decrease in loss allowance	**(51)**	(3)
Exchange adjustment	**-**	5
Carrying amount at end of year	**41**	92

The decrease in provision is recognised within 'Operating expenses' in the Statement of Comprehensive Income.

(c). Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory based on first in first out. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Management reviews inventory on a line-by-line basis. Judgments are made about expected selling prices and obsolescence based on forecast sales. A provision is recognised for inventory which is expected to sell for less than cost.

	2023 $000s	2022 Restated $000s
Finished goods – at cost	**6,886**	**9,082**
Raw materials – at cost	**2,203**	**2,572**
Less inventory provisions	**(286)**	**(382)**
Total inventories	**8,803**	**11,272**

Cost of inventories recognised as an expense and included in cost of sales $44,112,000 (2022: $51,245,000).

(d). Trade and other payables

Trade payables are recognised at the value of the invoice received from a supplier. These amounts represent liabilities for goods and services provided to the Group prior to balance date. The amounts are unsecured and are usually paid within 90 days of recognition.

	2023 $000s	2022 $000s
Trade payables	**14,198**	21,787
Employee entitlements	**1,313**	1,668
GST / VAT payable	**388**	394
Income tax payable	**24**	-
Accrued expenses	**1,328**	1,246
	17,251	25,095

The carrying amount of the Group's trade and other payables is denominated in the following currencies:

NZD	**1,344**	2,293
USD	**15,204**	21,720
Other	**703**	1,082
	17,251	25,095

(e). Provisions

Provisions are recognised when the Group has a present legal or constructive obligation because of past events, is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group sells goods with warranty periods of up to five years. The terms of the warranty provide that the Group will repair or replace items that fail to perform satisfactorily. A provision has been recognised based on historical data and average levels of repairs and warranty claims experienced by the Group. It is expected that the provision will be utilised within one year as any product failures are typically exhibited within one year of sale.

Warranty provision	2023 $000s	2022 $000s
Carrying amount at start of year	**177**	205
Additional provisions recognised	**45**	29
Amounts used	**(89)**	(74)
Exchange adjustment	**-**	17
Carrying amount at end of year	**133**	177

3.2 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items and the costs of bringing the asset to the location and condition for it to be capable of operating in the manner intended.

Costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

Depreciation of owned plant and equipment is calculated using the straight-line method to allocate their cost net of their residual values, over their estimated useful lives, as follows:

	Useful Life
Plant and equipment	3 – 15 years
Property	12 years
Office equipment, furniture and fittings	3 – 15 years

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Plant and equipment can be analysed as follows:

	Plant & equipment $000s	Office equipment, furniture & fittings $000s	Properties $000s	Total $000s
Year ended 31 December 2022				
Opening net book amount	719	196	809	1,724
Additions	271	144	-	415
Depreciation	(256)	(112)	(191)	(559)
Disposals	-	-	-	-
Remeasurement of right-of-use asset	-	-	(517)	(517)
Exchange adjustment	39	5	49	93
Closing net book amount	773	233	150	1,156

	Plant & equipment $000s	Office equipment, furniture & fittings $000s	Properties $000s	Total $000s
At 31 December 2022				
Cost	6,260	1,236	1,661	9,157
Accumulated depreciation and impairment	(5,477)	(961)	(1,570)	(8,008)
Exchange adjustment	(10)	(42)	59	7
Net book amount	773	233	150	1,156
Year ended 31 December 2023				
Opening net book amount	**773**	**233**	**150**	**1,156**
Additions	**228**	**326**	**4,821**	**5,375**
Depreciation	**(241)**	**(129)**	**(378)**	**(748)**
Disposals	**(17)**	**-**	**(38)**	**(55)**
Exchange adjustment	**(30)**	**(19)**	**(197)**	**(246)**
Closing net book amount	**713**	**411**	**4,358**	**5,482**
At 31 December 2023				
Cost	**4,952**	**844**	**4,829**	**10,625**
Accumulated depreciation and impairment	**(4,199)**	**(372)**	**(333)**	**(4,904)**
Exchange adjustment	**(40)**	**(61)**	**(138)**	**(239)**
Net book amount	**713**	**411**	**4,358**	**5,482**

The above amounts include those relating to right-of-use assets. Refer to note 6.5 for further disclosures.

Capital commitments

Capital commitments contracted for at 31 December 2023 amounted to $328,000 (2022: $229,000).

3.3 Intangible assets

Research, development and patent costs

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Statement of Comprehensive Income as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design to produce new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. This involves the use of judgement. Development costs are capitalised once it can be demonstrated that the asset is supported by future economic benefits. Management considers the following criteria when making its judgment as to when it is appropriate to commence capitalisation of development costs:

- Technical feasibility of completing the development so that it will be available for use or sale.
- Intention to complete the development.
- Ability to use the developed asset or sell it.
- Existence of a market.
- Availability of adequate technical, financial, and other resources to complete and commercialise the development; and
- Ability to measure reliably the expenditure attributable to the development.

All capitalised development costs met the criteria as outlined above.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

Development expenditure which does not meet the criteria for capitalisation is recognised in the Statement of Comprehensive Income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, up to a maximum of 10 years for motors and up to a maximum of 5 years for IoT hardware. Judgment is involved in determining this period of benefit. For motors, the Group considered the earlier versions of motors and the length of time from completion to continued sales contribution; whereas for IoT hardware, the Group considered that 5 years is an appropriate life given the inherent risk of rapid technological change.

Patents

Capitalised patent costs are amortised on a straight-line basis over the period of expected benefit no longer than the life of the patent, up to a maximum of 20 years.

Computer software

Acquired computer software licences are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Impairment testing of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Goodwill is tested annually for impairment, or immediately if events or changes in circumstances indicate that it might be impaired and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

	Internally Generated Development $000s	Patents $000s	Goodwill $000s	Other $000s	Total $000s
Year ended 31 December 2022					
Opening net book amount	9,085	215	3,127	192	12,619
Additions	1,386	40	-	5	1,431
Amortisation	(1,818)	(55)	-	(14)	(1,887)
Impairment	-	-	-	-	-
Exchange adjustment	687	18	24	15	744
Closing net book amount	9,340	218	3,151	198	12,907
At 31 December 2022					
Cost	24,032	1,650	3,219	874	29,775
Accumulated amortisation & impairment	(15,690)	(1,478)	-	(673)	(17,841)
Exchange adjustment	998	46	(68)	(3)	973
Net book amount	9,340	218	3,151	198	12,907
Year ended 31 December 2023					
Opening net book amount	**9,340**	**218**	**3,151**	**198**	**12,907**
Additions	**3,159**	**44**	**-**	**146**	**3,349**
Amortisation	**(2,244)**	**(53)**	**-**	**(9)**	**(2,306)**
Exchange adjustment	**(66)**	**2**	**39**	**(2)**	**(27)**
Closing net book amount	**10,189**	**211**	**3,190**	**333**	**13,923**
At 31 December 2023					
Cost	**23,998**	**1,694**	**3,219**	**1,020**	**29,931**
Accumulated amortisation & impairment	**(14,741)**	**(1,531)**	**-**	**(682)**	**(16,954)**
Exchange adjustment	**932**	**48**	**(29)**	**(5)**	**946**
Net book amount	**10,189**	**211**	**3,190**	**333**	**13,923**

Goodwill relates to the iProximity Pty Limited which is a component of the IoT reportable segment.

Internally generated development costs include $5,193,000 (2022: $2,969,000) for projects underway and not complete at balance date. This cost is not yet being amortised.

Movement in intemally generated development costs	2023 $000s	2022 $000s
Opening net book amount - projects not completed	**2,969**	3,383
Additions	**3,159**	1,386
Completed	**(811)**	(1,800)
Exchange adjustment	**(124)**	-
Closing net book amount - projects not completed	**5,193**	2,969

An impairment assessment has been performed at 31 December 2023 considering costs to complete the developments, costs to set up the manufacturing capability, estimates of market volume and price and estimated manufacturing unit costs.

Amortisation and impairment	2023 $000s	2022 $000s
Amortisation of intangible assets	**2,306**	1,887
Impairment of intangible assets	**-**	-
	2,306	1,887

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 its impairment test at 31 December 2023.

The recoverable amount of the IoT CGU at 31 December 2023 has been determined based on a value in use calculation using cash flow projections from the annual operating budget approved by senior management for 2024. The pre-tax discount rate applied to cash flow projections is 13.5% (2022: 16%) and cash flows beyond 2024 using the 9.92% growth rate for IoT revenue over the period from 2019 to 2024 (2022: 9.4%).

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

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

Gross margins are based on the 2024 budget pricing and product costs. The gross margin in 2023 was 41.7% and is forecast at 47.8% for 2024 and later years. Operating expenses for 2024 are budgeted 35% higher than 2023 and increase at 10% per annum in later years. In the 2024 annual operating budget, the ratio of operating expenses to revenue is 23.6%.

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

4. Capital and financing costs

This section sets out the Group's capital structure and shows how it finances its operations and growth.

To finance the Group's activities (now and in the future) the Board monitors and determines the appropriate capital structure for AoFrio to execute strategy and to deliver its business plan.

4.1 Borrowings

	2023 $000s	2022 $000s
Current portion		
Bank trade finance facility	**4,004**	2,652
Bank loans	**486**	436
Other borrowings	**184**	281
Liability at end of year	**4,674**	3,369
Non-Current portion		
Bank loans	**311**	306
Other borrowings	**-**	160
Liability at end of year	**311**	466

Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date. Borrowing costs are expensed when incurred.

Movements in bank and other loans during the year were:

	2023 $000s	2022 $000s
Liability at start of year	**3,835**	1,005
New loans and drawdowns	**21,654**	6,945
Repayments	**(20,614)**	(4,027)
Exchange adjustment	**110**	(88)
Liability at end of year	**4,985**	3,835

Bank trade finance facility

The bank trade finance facility increased from $2.5m to $5m on 2 November 2022. The facility was temporarily increased to $8m for three-month terms in May 2023 and September 2023 to provide working capital flexibility. The facility 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 at a 3% margin above bank base lending rate. The weighted average interest rate charged in 2023 was 9.34% (2022: 7.92%). Refer to note 5.1(d) for covenants details.

Bank term loans

The Company's US subsidiary loan is US$199,800 under the Small Business Act. The SBA loan has monthly repayments over a 30-year term. Interest is payable at 3.75% pa.

The Company's Mexican subsidiary has a 5 million Mexican Pesos loan ($466,000 at 31 December 2023) from the Banco del Bajio. The loan is repayable after 180 days and interest is payable at 5% pa above the Tiie Rate.

4.2 Finance

	2023 $000s	2022 $000s
Finance income		
Other interest income	59	64
	59	64
Finance expenses		
Interest expense – Bank loans	552	90
Other interest expense	770	296
	1,322	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.

	2023 Shares	2022 Shares	**2023 $000s**	2022 $000s
Total shares and options on issue	**431,853,006**	432,336,600	**135,578**	135,578

(a). Ordinary shares – fully paid

Opening balance of ordinary shares on issue	**431,853,006**	431,914,620	**135,578**	135,553
Issue of ordinary shares during the year:	**-**	1,574,196	**-**	253
Ordinary shares acquired and cancelled	**-**	(1,635,810)	**-**	(228)
Ordinary fully paid shares on issue at year end	**431,853,006**	431,853,006	**135,578**	135,578

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

4.4 Accumulated losses

	2023 $000s	2022 $000s
Opening balance	**(108,207)**	(111,467)
(Loss) / profit for the year	**(3,534)**	3,260
Accumulated losses at end of year	**(111,741)**	(108,207)

4.5 Other reserves

	2023 $000s	2022 $000s
Share option compensation reserve	**525**	448
Currency translation reserve	**(4,819)**	(4,038)
	(4,294)	(3,590)

(a). Share Option Compensation Reserve

	2023 $000s	2022 $000s
Share based compensation recognised at start of year	**448**	353
Net compensation expensed	**77**	95
	525	448

(b). Currency Translation Reserve

	2023 $000s	2022 $000s
Opening balance	**(4,038)**	(4,153)
Exchange (loss) / gains on translation of foreign operations	**(781)**	115
	4,819	(4,038)

5. Risk

This section presents information about the Group's exposure to financial and commercial risks; the Group's objectives, policies and processes for managing those risks.

5.1 Key financial risks

The Group's principal financial instruments comprise receivables, payables, cash and cash equivalents, borrowings, and derivatives.

The Group manages its exposure to the key financial risks – market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group enters into derivative transactions (principally forward currency contracts) to manage currency risks.

(a). Financial market risk

Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures. Presently the Group's revenue is based on USD pricing and invoicing is substantially USD denominated. The Company's functional currency is USD. The majority of the Group's product, manufacturing and logistics cost is invoiced and settled in USD. This provides a strong natural hedge position between revenues and costs. USD funds are converted to NZD to meet New Zealand operational costs as required.

The Group is primarily exposed to changes in other currencies against the USD exchange rate. The Group's exposure to foreign currency risk at the end of the reporting period for currencies other than USD, expressed in NZD was:

2023	**EUR $000s**	**NZ $000s**	**Turkish Lira $000s**	**Mexican Peso $000s**	**Other $000s**
Cash	**1**	**420**	**2**	**150**	**85**
Trade and other receivables	**527**	**50**	**715**	**380**	**310**
Trade and other payables	**(40)**	**(1,344)**	**(25)**	**(605)**	**(33)**
Borrowings	**-**	**(184)**	**-**	**(467)**	**-**
2022					
Cash	96	534	-	143	309
Trade and other receivables	853	660	125	296	532
Trade and other payables	(55)	(2,293)	(31)	(593)	(403)
Borrowings	-	(523)	-	(408)	-

The sensitivity of profit or loss to changes in the exchange rates arises mainly from changes in currencies against the local functional currency of the group company. The impact on post tax profit holding all other variables constant at 10% sensitivity movement against the functional currency is as follows:

	2023 $000s	2022 $000s
Gain from decrease relative to the functional currencies	**313**	12
Loss from increase relative to the functional currencies	**(313)**	(12)

The impact on other components of equity is not material because of minimal foreign forward exchange contracts designated as cash flow hedges.

Interest Rate Risk

The interest rate on the bank trade finance facility is at variable rates. All other debt is fixed interest.

The Group has cash deposits in various currencies to facilitate trading in the countries in which it has a presence. Most of the cash deposits are held in either NZD or USD.

The impact of a 1% increase / decrease in interest rates over a one-year period on the closing cash balance is not significant.

(b). Credit risk

The Group generally trades with customers and banking counterparties who are well established. While there are individually significant customers, the Group takes out trade credit insurance to provide better security. Receivables balances are managed by and reported regularly to senior management according to credit management policies and procedures. The amount outstanding at balance date represents the maximum exposure to credit risk.

At balance date, the Group had three major debtors (defined as debtors representing 10% or more of trade receivables) accounting for outstanding debt of $6,211,000 (2022: three debtors accounting for outstanding debt of $8,257,000).

At balance date, trade receivables of $1,203,000 were past due but not considered impaired (2022: $1,387,000). Of this amount $1,021,000 (2022: $685,000) was 3 months or more overdue.

The Group enters into forward foreign exchange contracts within specified policy limits and only with counterparties approved by Directors.

Cash and cash equivalents are deposited with several financial institutions in New Zealand and overseas. $674,000 is deposited with a major NZ trading bank with a Standard & Poors rating of AA- (2022: $794,000 AA-) and $1,480,000 (2022: $336,000) with Convera, the largest non-bank B2B cross-border payments company in the world. The remaining balance of $1,142,000 (2022: $1,679,000) is held across several territories and non-performance of obligations by the relevant banks is not expected due to the credit rating of the counter parties considered.

(c). Liquidity risk

The Group maintains regular forecasts of liquidity based on expected cash flows. The table below analyses the Group's financial liabilities into relevant groups based on the remaining period at the reporting date to the end of the contractual date.

The amounts disclosed are the contractual undiscounted cash flows.

2023	Trade and other payables $000s	Borrowings $000s	Right-of-use liabilities $000s	Total $000s
Less than 6 months	**17,251**	**4,638**	**71**	**21,960**
7 to 12 months	**-**	**36**	**110**	**146**
2 to 5 year	**-**	**311**	**4,213**	**4,524**
	17,251	**4,985**	**4,394**	**26,630**
2022				
Less than 6 months	25,095	3,232	83	28,410
7 to 12 months	-	137	-	137
2 to 5 year	-	466	-	466
	25,095	3,835	83	29,013

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

(d). Capital risk management

The Company closely monitors its cash requirements.

Gearing ratio	2023 $000s	2022 $000s
Total borrowing (excluding liabilities in respect of right-of-use assets)	**4,985**	3,835
Total equity	**19,718**	23,781
Gearing	**25.3%**	16.1%

The Group is required to comply with the following financial covenants under the bank trade finance facility:

EBITDA / Interest covenant – EBITDA to be a minimum of 3 times gross interest expense (calculated as if IFRS16 does not apply) to be tested annually at 31 December.

Working capital covenant - Inventory and receivables / debt under the trade finance facility to be a minimum of 2.5 times.

The Group advised the bank in November 2023 that it would likely breach the EBITDA / Interest covenant when tested at 31 December 2023. The bank formally waived this potential noncompliance for the 2023 year. The Group remained in compliance with the working capital covenant throughout 2023.

6. Other information

This section includes other information that must be disclosed to comply with accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

6.1 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.2b.

	Country of incorporation	Class of shares	2023	2022
Wellington Drive Sales Ltd	New Zealand	Ordinary	**100%**	100%
Wellington Drive Technologies US, Inc	USA	Ordinary	**100%**	100%
Wellington Motor Teknolojileri San Tic Ltd Sti	Turkey	Ordinary	**100%**	100%
Wellington Italia Srl	Italy	Ordinary	**100%**	100%
Wellington Drive Technologies Pte Ltd	Singapore	Ordinary	**100%**	100%
Wellington Latin America Services SA de CV	Mexico	Ordinary	**100%**	100%
iProximity Pty Limited	Australia	Ordinary	**100%**	100%

All subsidiaries have a common balance date of 31 December.

6.2 Related party transactions

(a). Directors

The names of persons who are directors of the Company are on pages 16 to 17.

(b). Key management personnel and compensation

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

	2023 $000s	2022 $000s
Salaries, fees, and other short-term benefits	**2,404**	2,400
Share based remuneration	**77**	95
Directors' remuneration	**316**	281
Total	**2,797**	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 part paid shares or 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 the partly paid share proceeds are received, or options are exercised.

Fair value is assessed at the date that the share options are issued using a binomial option pricing model that takes into account the exercise price, the term of the options, the exercise criteria, the likelihood of staff turnover, the non-tradable nature of the option, the share price at the issue date, the volatility of the returns on the underlying share and the risk-free interest rate for the term of the options.

(d). East West Manufacturing LLC

East West Legacy LLC, a substantial security holder in the Company, is considered a related party under NZX Listing Rules. The Group does not transact with East West Legacy LLC. The Group transacts with East West Manufacturing LLC independent from East West Legacy LLC and is not a related party.

6.3 Contingencies

There are no material contingent liabilities or assets (2022 - $nil).

6.4 Financial instruments by category

	2023 **$000s**	2022 Restated $000s
Assets per Statement of Financial Position **Financial assets measured at amortised cost**		
Trade and other receivables	**15,784**	23,214
Cash and cash equivalents	**3,295**	2,839
Derivatives used for hedging (at fair value)		
Derivative financial instruments	**254**	140
	19,333	26,193
Liabilities per Statement of Financial Position **at amortised cost**		
Trade and other payables	**17,251**	25,095
Borrowings	**4,985**	3,835
Liabilities in repect of right-of-use assets	**4,394**	83
	26,630	29,013

Fair value estimation

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

The carrying amount of borrowings approximates fair value.

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.

6.5 Leases

Property, plant and equipment in the Statement of Financial Position shows the following amounts related to leases of right-of-use assets:

Right-of-use assets	**2023** **$000s**	2022 $000s
Properties	**3,918**	114
Plant & equipment	**-**	3
Office equipment and furniture & fittings	**15**	2
Total	**3,933**	119

Additions to right-of-use assets	**2023** **$000s**	2022 $000s
Properties	**4,345**	-
Plant & equipment	**26**	-
Office equipment, furniture & fittings	**18**	-
Total	**4,389**	-

Liabilities in respect of right-of-use assets	**2023** **$000s**	2022 $000s
Current	**181**	83
Non-current	**4,213**	-
Total	**4,394**	83

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

	2023 $000s	2022 $000s
Liability at start of year	**83**	992
New liabilities	**4,389**	-
Remeasurement	**-**	(677)
Repayments	**(78)**	(232)
Liability at end of year	**4,394**	83

The Consolidated Statement of Comprehensive Income shows the following amounts related to right-of-use leases:

Depreciation charge for right-of-use assets	2023 $000s	2022 $000s
Properties	**342**	193
Plant & equipment	**7**	18
Office equipment and furniture & fittings	**4**	3
Total	**353**	214
Interest expense on liabilities in respect right-of-use assets	**299**	47
Expense relating to short-term leases (included in operating expenses)	**103**	50

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

Total principal payments on liabilities in respect right-of-use assets	**78**	232

The Group leases property, equipment, and cars. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms for equipment and cars tend to be industry standard. Other leases are negotiated on an individual basis.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to Statement of Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments based on an index or rate.
- Amounts expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Payments or penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Statement of Comprehensive Income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets of a value of US$5,000 or less.

Lease renewal options are included in the property lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the renewal option. Renewal options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

6.6 Other disclosures

Auditors' remuneration	2023 $000s	2022 $000s
Deloitte		
- Audit of financial statements of the Group – current year	**191**	177
- Non audit services *1	**36**	48
Audit of subsidiaries by other auditors – Thong & Lim	**4**	4
	231	229

*1 Non audit services relate to tax compliance.

6.7 Cash flow information

(a). Reconciliation of (loss) / profit for the year to net cash inflow / (outflow) from operating activities

	2023 **$000s**	2022 Restated $000s
(Loss) / profit for the year	**(3,534)**	3,260
Adjustments for:		
Income tax expense / (credit)	**223**	(4,415)
Depreciation, amortisation & impairment	**3,054**	2,446
Share based payments	**77**	95
Decrease in inventory provision	**(96)**	(65)
Decrease / (increase) in loss allowance provision	**(51)**	2
Decrease in provision for warranty	**(44)**	(28)
Change in fair value of contingent consideration	**-**	(68)
Net foreign exchange differences	**(386)**	(1,845)
Decrease / (increase) in trade and other receivables	**7,852**	(6,436)
Increase in contract liabilities	**2,132**	3,369
Decrease / (increase) in inventories	**2,565**	(6,607)
(Decrease) / increase in trade and other payables	**(7,844)**	5,928
Net cash inflow / (outflow) from operating activities	**3,948**	(4,364)

(b). Net debt reconciliation

	2023 **$000s**	2022 $000s
Cash and cash equivalents	**3,295**	2,839
Borrowings – repayable within one year	**(4,674)**	(3,452)
Borrowings – repayable after one year	**(311)**	(466)
Net cash / (debt)	**(1,690)**	(1,079)

The bank trade finance facility is at variable interest rates. All other borrowings are at fixed interest rates, with borrowings movements disclosed in note 4.1. The increase in cash during the year of $456,000 (2022: decrease $3,114,000) included a $126,000 decrease (2022: $604,000 increase) caused by exchange rate movement.

6.8 Events after reporting date

There are no events after reporting date requiring disclosure.

Deloitte.

Independent Auditor's Report

To the Shareholders of AoFrio Limited

Opinion

We have audited the consolidated financial statements of AoFrio Limited and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, statement of movements in equity and cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements, on pages 22 to 58, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for the Group in the area of taxation advice, including tax compliance services. These services have not impaired our independence as auditor of the Company and Group. In addition to this, partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be $900,000.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Evaluation of the cash flow forecast supporting the use of the going concern assumption The consolidated financial statements have been prepared on a going concern basis as discussed in note 1.2(a). In determining whether the use of the going concern assumption is appropriate, the Board prepared a cash flow forecast to assess the Group's ability to settle their liabilities as they fall due for a period of at least 12 months from the date of approval of these consolidated financial statements. In preparing the forecast, the Board has challenged previous assumptions around revenue growth and gross profit margins given the adverse impact on revenues from events experienced in 2023 as outlined in note 1.2(a), and has implemented actions to meet banking covenants. Therefore, the evaluation of the cash flow forecast supporting the use of the going concern assumption is a key audit matter due to the key inputs and assumptions present within the forecast.	In evaluating the cash flow forecast used in supporting the use of the going concern assumption, our procedures included: • Obtaining an understanding of the Group's processes and related controls in place for preparing and approving the 2024 cash flow forecast for the period of at least 12 months from the date of approval of the consolidated financial statements; • Obtaining an understanding of the key inputs and assumptions present within the cashflow forecast; • Assessing the appropriateness of the key inputs and assumptions present within the cashflow forecast by: - Assessing the reasonableness of forecasted revenue growth rates, gross profit margins including planned employee costs, movements in borrowings and capital expenditure of the Group over the forecast period; - Assessing the reliability of the Group's forecasting by performing a retrospective review of previous forecasts in comparison to actuals; - Understanding the bank facility key terms, and challenging the Group's ability to comply with covenant requirements; - Assessing the sensitivity of the forecast to reasonably possible changes in assumptions to assess their impact on banking covenant compliance and ability of the Group to continue as a going concern should circumstances change; and - Assessing key mitigating actions available including managing its planned increases in operating and capital expenditure; • Checking the mechanical accuracy of the cash flow forecast; and • Checking the appropriateness of the going concern disclosure in note 1.2(a) of the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax assets The Group has recognised a deferred tax asset of $10.4 million (2022: $10.5 million) as set out in note 2.5 of the consolidated financial statements. Judgement is required to determine the probability that future taxable amounts will be available to utilise temporary differences and losses. We have included the recoverability of deferred tax assets as a key audit matter due to the judgement involved regarding the future profitability of the Group, and timing of when the losses would be utilised in each tax jurisdiction.	Our procedures included, amongst others: • Obtaining an understanding of the controls relevant to the Group's assessment of the recoverability of deferred tax assets, and cash flow forecasts used in that assessment. • Assessing the future profit forecasts by jurisdiction, as used to support the additional recognition and recovery of deferred tax assets. This included: - comparing taxable profit forecasts to Board approved budgets and considering the historical accuracy of previous forecasts; - challenging the key assumptions in the cash flow forecasts, in particular over revenue growth and gross margin; and - assessing the consistency of the forecasts used with those used elsewhere in the business (such as for going concern or impairment purposes). • Working with internal tax specialists to challenge management's judgements for each jurisdiction, including over the timing of future taxable profits, and whether tax losses will continue to be available when the taxable profits are expected to arise.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Paul Seller, Partner
for Deloitte Limited
Auckland, New Zealand
29 February 2024

This audit report relates to the consolidated financial statements of AoFrio Limited (the 'Company') for the year ended 31 December 2023 included on the Company's website. The directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication, they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 29 February 2024 to confirm the information included in the audited consolidated financial statements presented on this website.

Statutory information

Introduction

Directors have resolved that no dividend be declared.

The Company does not have a credit rating.

Remuneration of Directors

During the year the following remuneration was paid or payable to directors:

	2023	2022
Mr J. McMahon [1]	**$55,000**	$52,917
Mr G. Pausch [2]	**$64,000**	$85,167
Mr K Oliver [3]	**$55,000**	$50,833
Mr J. Scott	**$68,667**	$50,833
Mr G Allen [4]	**$55,000**	$50,833
Ms M Clark-Reynolds [5]	**$18,174**	-

Note.

1. Fees for Mr J. McMahon are paid to Meta Capital Ltd.
2. Fees for Mr Pausch are paid to Board Advisory Services Ltd.
3. Fees for Mr K Oliver are paid to Alto Capital Ltd.
4. Fees for Mr G Allen are paid to RJ-Alpha Advisory Services Ltd.
5. Fees for Ms M Clark-Reynolds are paid to Purple Dragon Ltd

Interested transactions

The directors have disclosed the following transactions with the Company:

- IInterested transactions: There have been no transactions during the year with interested or related parties of the directors.
- Directors' remuneration: Remuneration details of directors are provided above.
- Indemnification and insurance of Officers and Directors: The Company indemnifies Directors and Executive Officers of the Group against all liabilities which arise out of the performance of their normal duties as director or executive officer, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Group has indemnity insurance. The total cost of this insurance expensed during the year ended 31 December 2023 was $128,795 (2022: $128,795).
- Directors' share transactions: Details of numbers of shares held by directors are shown below.
- Directors' loans: There were no loans by the Company to directors.
- The Board received no notices during the year from directors requesting to use Company information received in their capacity as directors which would not otherwise have been available to them.

Directors' shareholding

	31 December 2023	31 December 2022
Ordinary shares	**Total Relevant Interest**	Total Relevant Interest
Mr J. McMahon	**19,178,253**	19,178,253
Mr J Scott	**1,250,000**	850,000
Mr G Allen	**7,493,382**	7,493,382
Ms M Clark-Reynolds	**2,495**	-

Employees

The number of employees, other than directors, within the Group receiving remuneration and benefits above $100,000, as is required to be disclosed in accordance with section 211(1) (g) of the Companies Act 1993, is indicated in the following table.

	Group			Group	
	2023	2022		**2023**	2022
$100,000 - $109,999	**9**	6	$220,000 - $229,999	**-**	2
$110,000 - $119,999	**8**	9	$230,000 - $239,999	**4**	-
$120,000 - $129,999	**9**	9	$250,000 - $259,999	**1**	-
$130,000 - $139,999	**8**	3	$260,000 - $269,999	**2**	2
$140,000 - $149,999	**4**	3	$270,000 - $279,999	**1**	-
$150,000 - $159,999	**5**	5	$280,000 - $289,999	**2**	-
$160,000 - $169,999	**4**	2	$290,000 - $299,999	**-**	2
$170,000 - $179,999	**3**	2	$310,000 - $319,999	**1**	1
$180,000 - $189,999	**7**	4	$320,000 - $329,999	**1**	-
$190,000 - $199,999	**3**	3	$340,000 - $349,999	**1**	-
$200,000 - $209,999	**2**	5	$450,000 – $459,999	**-**	1
$210,000 - $219,999	**2**	1	$490,000 - $499,999	**2**	1

Donations

No donations have been made by the Company during the year ended 31 December 2023 (2022: Nil).

Management commentary
(no financial statements)

Diversity by gender statistics

In accordance with NZX Listing Rule 3.8.1 the Company makes the following diversity disclosures as at 31 December 2023:

	Male #	%	Female #	%	Total
31 December 2023					
Board	**4**	**80%**	**1**	**20%**	**5**
Senior management team*	**5**	**71%**	**2**	**19%**	**7**
Other staff	**83**	**76%**	**26**	**24%**	**109**
Total Company	**92**	**76%**	**29**	**24%**	**121**
31 December 2022					
Board	5	100%	-	-	5
Senior management team*	5	56%	4	44%	9
Other staff	78	77%	23	23%	101
Total Company	88	77%	27	23%	115

*The senior management team comprises of the Chief Executive Officer (CEO) and all the senior executives who report directly to the CEO. The senior management team are “officers” for the purpose of the NZX Listing Rules.

Management commentary
(no financial statements)

Shareholder information

Shareholders

On 31 December 2023 there were 1,343 shareholders holding 431,853,006 fully paid ordinary shares.

Share issues

There were no share issues in 2023.

Shareholder details

The ordinary shares of AoFrio Limited are listed on the New Zealand Stock Exchange. The information in the disclosures below has been taken from the Company's share register on 7 February 2023:

20 largest shareholders	Ordinary shares
1. East West Legacy LLC.	55,149,807
2. Wairahi Investments Limited	26,000,000
3. Ballynagarrick Investments Ltd	21,185,103
4. ASB Nominees Ltd (Meta Capital Ltd)	19,178,253
5. Graham Trustees Ltd	16,592,744
6. Hobson Wealth Custodians Ltd	15,869,839
7. Tea Custodians Ltd	15,471,295
8. HSBC Nominees (New Zealand) Ltd	15,443,235
9. Accident Compensation Corporation	13,457,304
10. FNZ Custodians Ltd	12,670,715
11. New Zealand Depository Nominee Ltd	9,992,733
12. BNP Paribas Nominees (NZ) Ltd	7,716,241
13. Greg Allen	6,488,049
14. Flynn No.2 Trustees Ltd	6,054,758
15. JP Morgan Chase Bank NA New Zealand Branch	4,901,165
16. Lean Holdings Pty Ltd	4,125,123
17. FNZ Custodians Ltd	4,089,577
18. Forsyth Barr Custodians Ltd	3,552,110
19. Howard Duncan Milliner	3,536,561
20. Sujin Boonchuay	3,291,073

Distribution of equity securities

Size of holdings at 7 February 2023.

			Shareholders		Fully paid Ordinary Shares	
			Number	%	Number	%
1	-	999	50	3.68	19,652	0.00
1,000	-	1,999	29	2.13	36,603	0.01
2,000	-	4,999	37	2.72	110,505	0.03
5,000	-	9,999	220	16.16	1,590,264	0.37
10,000	-	49,999	543	39.90	12,437,262	2.88
50,000	-	99,999	170	12.49	11,447,303	2.65
100,000	-	499,999	217	15.94	45,415,984	10.52
500,000	-	999,999	33	2.42	21,520,273	4.98
over		1,000,000	62	4.56	339,275,160	78.56
			1,361	100.00	431,853,006	100.00

55 (or 4.04%) shareholders, holding 80,062,521 shares (or 18.54%) reside outside of New Zealand.

Substantial product holders

Pursuant to section 26 of the Securities Markets Act 1988, details of substantial product holders and their total relevant interests as per their most recent notices are:

Name	Number of shares[2]	Date of notice
Jarden Securities Ltd & Harbour Asset Management Ltd	42,499,820	5 May 2023
Wairahi Investments Ltd	26,120,286	4 August 2021
East West Legacy, LLC	55,149,807	24 December 2021

[2] Number of shares is taken from notices received. No adjustments have been made for changes that may have subsequently occurred from the dates of notices stated. The definition of "relevant interest" in the Securities Markets Act 1988 provides that more than one relevant interest can exist in respect of the same securities.

Shareholder enquiries

Shareholders should send changes of address to Computershare Investor Services Limited at the address noted in the directory on page 85. Notification must be in writing. Questions relating to shareholdings should also be addressed to Computershare Investor Services Limited. For information about the Group please contact the Company at the registered office by sending an email to info@aofrio.com or visit our website www.aofrio.com.

Announcements to shareholders

The Company has established an email list of shareholders that wish to receive announcements made by the Company to the New Zealand Stock Exchange. Announcements are emailed to shareholders who wish to receive them shortly after they are released to the NZX. This will include the annual meeting addresses. If you wish to be added to this listing, please email info@aofrio.com and advise us of your email address. Your email details will be kept confidential.

Announcements are also posted on our website www.aofrio.com.

Corporate governance

The Board of AoFrio Limited (AoFrio or the Company) is responsible for the management oversight, supervision and direction of the AoFrio Group and considers "best practice" corporate governance to be essential to the achievement of strong and sustainable Company performance and to the maintenance of the trust and confidence of shareholders. Integrity and high standards of behaviour and accountability are expected from all the Company's Directors, officers, employees and contractors.

The Board's primary objective is the enhancement of shareholder value by following a set of core principles, appropriate governance and ethical strategies and ensuring effective and innovative use of Company resources. The Board has delegated to the Chief Executive Officer responsibility for implementing the strategic objectives of the Board and for otherwise managing the day-to-day affairs of the Company in accordance with formal delegations of authority from the Board.

The governance principles adopted by the Board are designed to meet best practice recommendations for listed companies to the extent that they are appropriate to the size and nature of AoFrio's operations. The Board endorses the overall principles embodied in the NZX Corporate Governance Code (NZX Code) and believes the Company's corporate governance principles, policies and practices are appropriately aligned with the NZX Code.

The Company's governance framework is recorded in various policies, charters and processes, many of which are discussed below. These are reviewed and approved at regular intervals by the Board and standing Committees to ensure they continue to meet the high standards required by the Board and reflect regulatory changes and developments in corporate governance practices. The Company has integrated the governance policies into employee induction and training, and monitors compliance with the policies.

The NZX Listing Rules require the Company to report against the NZX Code. This Corporate Governance Statement follows the structure of the NZX Code and describes below the corporate governance policies and practices AoFrio has in place and highlighting the small number of areas of the NZX Code where AoFrio has not fully followed the Code's recommendations.

The Company's Constitution, Board and Committee Charters and many of the policies referred to in this document are available to view on the Company's website – www.aofrio.com/investors (the Company's Website).

This statement is current to the date recorded at the end of this document and has been approved by the AoFrio Board of Directors.

NZX Code

Principle 1 – Ethical Standards

AoFrio's reputation as a trusted respected company is one of its most valuable assets and the Company is committed to being ethically and socially responsible and ensuring that our business decisions should reflect our values, acting within the laws of the countries in which we operate. The Company expects its people to maintain high standards of ethical conduct and to act legally, ethically and with integrity in a manner consistent with the Company's policies. These include the following:

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Code of Conduct

The Board has adopted a Code of Conduct, which is a formal statement designed to help guide and support employees in their day-to-day work at AoFrio, to ensure they “do the right thing”.

The Code of Conduct brings together all our policy principles and provides a working guide for our people when making decisions in our daily activities, and in relation to:

- Acting safely, ethically, and responsibly.
- Prioritising AoFrio’s best interests in accordance with the law.
- Safeguarding the confidentiality of AoFrio’s business information.
- Declaring conflicts of interest and proactively advising of potential conflicts.
- Upholding legal, regulatory, and ethical obligations.
- Holding their colleagues accountable for ethical conduct.
- Avoiding actions that could harm AoFrio’s reputation.
- Ensuring honesty in dealings with all stakeholders.
- Executing duties with diligence and care.
- Respecting individual and cultural differences.
- Nurturing a work environment that encourages open dialogue for resolving ethical concerns, free from fear of retaliation.
- Maintaining accuracy in records and reports.
- Adhering to Company policy around giving and receiving of gifts.
- Speaking out against and reporting unsafe or unethical behaviours.
- Adhering to Company policy regarding whistleblowing.

AoFrio takes the Code of Conduct seriously. It is the responsibility of all AoFrio people globally to promptly bring suspected violations to the attention of the Company, for the benefit of all.

The Code of Conduct is available on the Company’s Website.

Diversity and Inclusion Policy

AoFrio’s Diversity and Inclusion Policy records the Company’s commitment to creating a workplace that embraces diversity and welcomes differences in cultures, backgrounds, experiences, and perspectives. We believe that a diverse, equitable and inclusive company makes our culture stronger, our products richer, our customers happier, and is critical to our success as a thriving global business.

Everyone at AoFrio is responsible for supporting and fostering an inclusive environment where each individual, regardless of gender, age, nationality, sexual orientation, ethnicity, religion, disability status, veteran status, family status, or other protected category, whether visible or not visible, can succeed, and feel welcomed, valued, and included.

The Company recognises our people are critical to our business. AoFrio has a small number of employees, a significant number of whom are based outside of New Zealand, which makes it challenging for the Company to adopt any formal targets in relation to diversity as is recommended by the NZX Code. While we do not have any such formal targets, AoFrio values and respects the contributions, ideas, and experiences of people from all backgrounds and is proud to have a diverse company with staff from around the world and from many cultures. Attracting the best person for a role may involve a global search for a suitable candidate and that selection may add to our diversity. AoFrio recognises diversity brings a range of ideas, skills, and innovation to the Company, which is important to the achievement of our objectives.

AoFrio is committed to attracting, developing, and advancing the best person for the role. Selection processes for recruitment and employee development are unbiased and based on merit. Any form of discrimination, bullying or harassment is not tolerated.

The Board is generally satisfied with the Company’s performance in relation to diversity but considers that the Company could improve its diversity at the senior management and board level and is conscious of the benefits a diverse leadership team can provide to the business.

The Diversity and Inclusion Policy is available on the Company’s Website.

Rules for Staff Trading in AoFrio Securities Policy

The Company’s Rules for Staff Trading in AoFrio Securities Policy provides guidance and sets out the rules for all trading by directors, officers, employees, and contractors in AoFrio securities on the NZX.

Staff members wishing to trade in AoFrio securities must obtain the written consent of the Company before trading in Company securities (which must occur outside of certain blackout periods relating to the Company’s half-year and full year financial results and public offerings of securities in the Company).

Company-wide internal training is also provided to employees on the key themes of the policy and its application.

The Rules for Staff Trading in Securities Policy are available on the Company’s Website.

Health and Safety Policy

AoFrio’s Health and Safety Policy records the Company’s commitment to maintaining a safe and healthy environment at all our workplaces around the world, and putting the health, safety and well-being of our employees, visitors and contractors first. We operate our business so that we meet or exceed statutory health and safety requirements and relevant codes of practice, and we establish additional standards where required. The Health and Safety Policy governs what we will do to keep everyone safe and healthy at work and to continuously improve our workplace health and safety management practices.

The Health and Safety Policy is available on the Company’s Website.

Whistleblowing Policy

The Company’s Whistleblowing Policy applies to all employees, contractors, consultants, officers, interns, casual and agency workers at AoFrio. It sets out what they should do if they have reason to believe that something dangerous, unlawful or unethical is going on at work and it is affecting (or risks affecting) them or other colleagues. The Company will support any person who reports any legal or policy breach in good faith.

The Whistleblowing Policy is available on the Company’s Website

Conflicts of Interest

The principles that govern the management of conflicts of interest are addressed in several governance documents, including the Company’s Constitution the Board Charter and Code of Conduct (all of which are available on the Company’s Website). Collectively these policies provide guidance to both Directors and employees as to when a conflict of interest may arise and set out the procedures for managing a conflict of interest.

The Company has an ongoing programme to maintain employee awareness and understanding of Company policies.

Management commentary
(no financial statements)

> "To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Principle 2 – Board composition and performance

The AoFrio Board comprises directors with an appropriate range and mix of skills and experience; who have a proper understanding of, and competence to deal with, current and emerging issues of the business; and who can effectively review and challenge the performance of management and exercise judgment independent of management. The Board's structure and governance arrangements are set out in the AoFrio Board Charter, which is available to view on the Company's Website.

The AoFrio Constitution requires the Company to comply with the minimum Board composition requirements of the NZ Stock Exchange which are that there must be at least three directors, and at least two directors must be independent directors and two ordinarily resident in New Zealand. We assess director independence against the "disqualifying relationship" criteria in the NZX Listing Rules. The Board currently has five directors, four of whom are considered independent.

Profiles of all directors and their dates of appointment are set out in the Directors section of this Annual Report on pages 16 to 17 and are available on the Company's website.

Attendance at meetings held during 2023 was:

Directors' meetings	John McMahon	Gottfried Pausch	Keith Oliver	John Scott	Greg Allen	Melissa Clark-Reynolds
Meetings held whilst a director	12	7	12	12	12	6
Attendance	11	6	10	11	11	6

Audit Committee meetings	John McMahon	Keith Oliver	Gottfried Pausch
Meetings held whilst a committee member	1	1	1
Attendance	1	1	1

Executive Appointment & Remuneration Committee meetings	Keith Oliver	Gottfried Pausch	John Scott
Meetings held whilst a committee member	2	1	1
Attendance	2	1	1

Risk Committee meetings	Greg Allen	Gottfried Pausch
Meetings held whilst a committee member	1	1
Attendance	1	1

Technology & Innovation Committee meetings	John Scott	Gottfried Pausch	Melissa Clark-Reynolds
Meetings held whilst a committee member	2	1	1
Attendance	2	1	1

Given the size of the Company, we have not established a separate Nomination Committee to deal with Director nominations, as recommended under the NZX Corporate Governance Code, but we have combined the functions typically associated with such a committee within a reconstituted (in September 2023) Executive Appointments, Remuneration and Nomination Committee.

Periodically the Board evaluates its performance, composition, size, diversity and mix of skills. The method of review is determined by the chairperson annually and may include interviews, questionnaires and/or external review. The Board is satisfied that it is operating well and that the performance processes we have used are both effective and suited to the Company.

When a decision is made to recruit a new director, the Board identifies candidates with a mix of capabilities and perspectives considered necessary for the Board to carry out its responsibilities effectively. The Board also considers the skills of the existing Directors to ensure that the skills of the new director will complement and add to the effectiveness of decision making. Appropriate pre-appointment checks are made on the background and suitability of all Directors.

New Board members enter into a written agreement establishing the terms of their appointment. A director appointed by the Board must stand for election at the next annual meeting. Listing Rule 2.7.1 requires Directors to stand for re-election on the later of three years and the third annual shareholders' meeting after their appointment. Retiring Directors are eligible for re-election.

Directors undertake to attend appropriate education to remain current in how to best perform their duties as Directors. Directors are encouraged to attend courses and maintain membership of relevant bodies, such as the Institute of Directors.

Directors receive information independently from management in relation to specific issues relevant to AoFrio, the markets in which the Company operates and to NZX listed companies generally. All Directors have access to management for any additional information they consider necessary for informed decision making.

Director Independence

The independence of Directors is determined under the NZX Listing Rules and the NZX Code.

In considering whether a Director is independent, the Board has regard to the factors described in the NZX Code that may impact Director independence (if applicable) and considers all the circumstances including the history of the relationship between the Director and the Company and the Director's tenure on the Board. In summary this means that they are not (or associated in any way with) existing or former suppliers, customers or substantial shareholders or recent former executives of AoFrio and they are free of any direct or indirect interests or relationships or length of tenure (under the NZX Code, a period of 12 years or more is a factor that may affect independence) with AoFrio that could reasonably interfere, or reasonably be seen to interfere, in a material way, with the independent exercise of their judgement on issues before the Board and their acting in the best interests of AoFrio and representing the interests of the holders of the Company's financial products generally.

Directors must immediately disclose to the Company a change in the status of a Director's independence.

The roles of Chairman and Chief Executive Officer are exercised by different persons. The Chairman is appointed by the Board from amongst the independent Directors.

In discharging their respective duties, individual Directors may, with the prior approval of the Chairman, seek advice from external professional advisors from time to time, with any costs being met by the Company.

Management commentary
(no financial statements)

Indemnity and Insurance

In accordance with section 162 of the Companies Act and the Company's Constitution, and to the extent permitted by law, AoFrio has indemnified and arranged insurance for all current and former Directors and executive officers of the Company and its subsidiary companies. The indemnity and insurance protect the Directors and executive officers against liabilities that arise when they carry out their normal duties. The indemnity and insurance do not apply to liabilities which cannot be insured or indemnified by law, or that relate to conduct involving a lack of good faith.

Principle 3 – Board committees

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

The Board has established four standing committees to guide and assist them with overseeing certain aspects of corporate governance. These committees are the Audit Committee, the Risk Committee, the Technology and Innovation Committee and the Executive Appointments, Remuneration and Nomination Committee. Each Committee operates under a Board-approved charter that sets out its delegations and responsibilities. These Committees play a crucial part in the governance framework and review matters on behalf of the Board, subject to the terms of each Committee's charter. The Board appoints the members of the Committees, and members are selected on the basis of relevant skills and experience. Each Committee is empowered to seek any information it requires from employees in pursuing its duties and to obtain independent legal or other professional advice. In practice, employees only attend meetings of the Committees at the invitation of the relevant Committee.

Audit Committee

The Audit Committee operates under a charter approved by the Board and assists the Board in; overseeing the quality and integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements; the appropriateness of accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements; and the business's relationship with, and the independence of, the external auditor.

The committee also approves any non-audit work carried out by the Company's auditor and ensures that the lead partner in the audit firm is rotated every five years.

The committee currently comprises three non-executive directors, all of whom independent and at least one of whom has a financial or accounting background. The Chairman of the Committee is not also the Chairman of the Board.

The current members are John McMahon (Committee Chairman), Keith Oliver and Melissa Clark-Reynolds.

Executive Appointments, Remuneration and Nomination Committee

The Executive Appointments, Remuneration and Nomination Committee operates under a charter approved by the Board and assists the Board in;

- Ensuring that there is a strong and effective management team.
- Ensuring that employees are appropriately compensated for their services to the Company and motivated to perform to the best of their abilities.
- Ensuring that there are processes in place for selecting, evaluating and developing Board Directors and the Board.
- Ensuring there are remuneration policies in place for executives and Board Directors; and
- Approving, overseeing and monitoring the Company's ESG Social responsibilities including but not limited to health, safety and wellbeing. Diversity, equity and inclusion, engagement and connection.

Specific responsibilities of the committee include:

- Recommending to the Board to appointment of the Chief Executive Officer.
- Approving the Chief Executive Officer's terms and conditions of employment, including remuneration and performance criteria and reviewing performance against those criteria.
- Maintaining an overview of senior executive's appointments and the outcomes of the annual review process;
- Reviewing the Company-wide annual review of remuneration.
- Reviewing the remuneration framework for Directors and recommending any changes to remuneration to the Board; and
- Recommend to the Board the appointment and re-election of Directors to the Board.

In carrying out its role, the committee operates independently of senior management of the Company and, where appropriate, obtains independent advice on remuneration policy and packages.

The Committee must be comprised of at least two or more directors and at least a majority of independent directors.

The current members are independent directors Keith Oliver (Committee Chairman) and John McMahon.

Technology & Innovation Committee

The Technology & Innovation Committee operates for the primary purpose of overseeing and providing counsel on matters of innovation and technology. It is chaired by John Scott.

Risk Committee

The Risk Committee operates for the primary purpose of taking reasonable steps to acquire and maintain up-to-date knowledge of enterprise risk management. It is chaired by Greg Allan.

Other committees

From time-to-time the Board may establish a committee to assist in the management of a matter or project.

The Company has established protocols for dealing with a takeover should an offer be received.

Whilst not a committee of Board members, AoFrio has a Health and Safety Committee that meets monthly and reports to the Board. The Company is strongly committed to maintaining a safe and healthy workplace and believes all accidents are preventable. The committee is made up of a mix of senior management and staff from key operational areas. The committee strives to; maintain and continually improve our health and safety systems; proactively identify hazards and take all steps to eliminate or mitigate these; consult and actively promote participation in health and safety matters throughout the Company.

The health and safety policy can be found at Investors – Governance - AoFrio Ltd.

Takeover Protocols

The Company has established protocols for dealing with a takeover should an offer be received.

Management commentary
(no financial statements)

"The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

Principle 4 – Reporting and disclosure

The Board is committed to the promotion of investor confidence by timely, balanced, accurate and meaningful reporting of financial and non-financial information, including both positive and negative news. As a listed company there is an imperative imperative to ensure the market is informed and that the Company's listed securities are being fairly valued by the market.

Trading in shares

AoFrio has a detailed share trading policy which applies to all Directors and employees. Under the Rules for Trading in AoFrio Securities no Director or employee may use confidential non-public price sensitive information in his or her position to engage in securities trading for personal benefit or to provide benefit to any third party. Short-term trading in AoFrio shares and buying or selling (while in possession of non-public price-sensitive information) is strictly prohibited.

Given the small size of the Company, all Directors and employees must obtain consent to trade in AoFrio securities prior to trading. All members of the Board need to consent to the application. Once these consents have been received the Chair of the AoFrio Board or (where the Chair is unavailable) the Chair of the Board's Audit Committee, will approve or decline the application. The Company monitors trading and reports share movements to the Board at every meeting.

The integrity of the Company's financial reporting and disclosures is supported through a number of mechanisms, including:

Continuous disclosure

The Board seeks to promote investor confidence by ensuring that dealing in its securities take place in an efficient, competitive and informed market. The Company strives to ensure that all investors have equal and timely access to market sensitive information. The Company considers that evenly balanced disclosure (during good times and bad) is fundamental to building shareholder value and earning the trust of staff, customers, suppliers, communities and shareholders.

The Company has a Board-approved Group Market Disclosure Policy (available on the Company's Website) and established disclosure procedures, which aim to ensure Directors and staff are aware of and fulfil the Company's disclosure obligations in accordance with best practice and the NZX Listing Rules.

The Board has delegated responsibility for the day-to-day oversight of the Company's continuous disclosure obligations to a Disclosure Committee comprising the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer. In addition, the Group Market Disclosure Policy requires Directors and management to regularly consider if there is any information that may require disclosure, and there is a standing agenda item at Board meetings regarding continuous disclosure. All market disclosures are made to the NZX and are available on the Company's Website.

The Board promptly reviews and approves material announcements and specifically considers with management at each Board meeting whether there are any issues which might require disclosure to the market under the NZX continuous disclosure requirements.

The Company operates an Investor website which is designed to provide relevant public information to all Investors. For further details on how the Company engages with its shareholders and investors, refer to the Group Market Disclosure Policy which is available on the Company's Website.

Financial Reporting

The Board has overall responsibility for ensuring the integrity of the Company's reporting to shareholders, including for financial statements that comply with generally accepted accounting practice. The Audit Committee assists the Board to fulfil its responsibilities in this area. The Committee makes enquiries of management and the external auditors (including requiring management representations) so that the Company can be satisfied as to the validity and accuracy of all aspects of AoFrio's financial reporting.

The Company's financial results are reported in its Annual Report in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards (IFRS). The Annual Report includes detailed financial commentary and notes to the financial statements which also explain any changes to financial reporting.

The Board receives formal assurances from the Chief Executive Officer and Chief Financial Officer that the annual financial statements for the group present fairly, in all material respects, the financial position of the AoFrio Group at 31 December and the financial performance and cash flows for the financial year, and that they comply with IFRS.

AoFrio strives to improve the clarity and readability of its financial statements, while continuing to comply with all the requirements of the financial reporting standards including the Companies Act 1993, the Financial Markets Conduct Act 2013, and the NZX Listing Rules.

The Company ensures that financial information reported in investor materials for road shows, Company overviews and other documents is portrayed in an accurate, fair, and understandable format, and is disclosed to the NZX in accordance with the Company's Group Market Disclosure Policy.

Climate Reporting

The Company's climate-related disclosure statement required by Part 7A of the Financial Markets Conduct Act 2013 is prepared annually, with the first disclosure statement made for the FY23 year. The climate-related disclosure statement includes commentary around the areas of climate governance, strategy, risk management, and targets. The climate-related disclosure statement also provides key metrics for the Company.

The Company seeks to ensure that its climate information is presented in a manner that achieves fair presentation and contains relevant and unobscured information.

The Board is ultimately accountable for the oversight of climate-related risks and opportunities and approving the Company's climate-related disclosure statement.

The most recent climate-related disclosure statement is available on the Company's Website.

Non-Financial Reporting

The Company provides non-financial disclosures at least annually, including on environmental, social and governance (ESG) practices and performance, in its Annual Report.

Balanced Disclosures

The Company's aim is that its reporting is balanced, clear and objective and includes consideration of material environmental, economic and social factors and explains how operational and non-financial objectives are measured.

The Company discloses its Code of Conduct, its Board and Committee Charters and certain key governance documents and policies on the Company's Website.

Information for investors

The Company's Website includes the Company's reports, investor communications, audio and video releases and the governance policies and Charters referred to in this document. The Annual and Interim Reports are available in electronic and hard copy format.

"The remuneration of directors and executives should be transparent, fair and reasonable."

Principle 5 – Remuneration

The Executive Appointment and Remuneration Committee is responsible for ensuring directors and executives receive the appropriate rewards to support AoFrio in achieving its commercial and stakeholder goals. The Executive Appointment and Remuneration Committee has a formal charter. Its membership and role are set out under Principle 3 above.

Approach to Remuneration

The Company's remuneration strategy aims to attract, motivate and retain talented employees at all levels of the Company and seeks to align the interests of its shareholders and employees, whilst driving performance and growth in shareholder value and return. This strategy is supported by a performance-based remuneration system that, among other things, seeks to align individual employee objectives with the Company's strategic and business goals.

The Executive Appointments, Remuneration and Nomination Committee is responsible for ensuring Directors and executives receive the appropriate rewards to support AoFrio in achieving its commercial and stakeholder goals. The Committee has a formal charter. Its membership and role are set out under Principle 3 above.

Director remuneration

Directors' fees are intended to be aligned with other organisations of similar scale and complexity. Directors' fees are currently set at a maximum aggregate cap of $400,000 per annum. This was approved by shareholders at the 2019 Annual Meeting. Directors' fees paid in the 2023 financial year amounted to $316,000 due to the small size of the Board. Full disclosure of director remuneration is set out on page 64. Other than as disclosed here, no director is entitled to any other remuneration or retirement benefits from AoFrio. Directors are entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings or otherwise in connection with AoFrio business.

The Executive Appointments, Remuneration and Nomination Committee conducts a regular review of directors' fees, to determine whether the level of fees paid to the Company's chairperson and other non-executive directors is aligned with other organisations of similar scale, scope and complexity. Fees are normally subject to an overall cap, approved by the shareholders. At the 2022 Annual Meeting, shareholders approved increases to fees paid to directors but within the $400,000 aggregate cap. The next review is scheduled for the 2025 Annual Shareholders Meeting. Any increases in fees paid to directors must be authorised by the Board and be within the above aggregate cap approved by shareholders.

Executive Remuneration Policy

AoFrio's approach is to pay a base salary and a performance-based bonus that includes a short-term and a long-term incentive component. This ensures executive motivation is aligned with the goals of the Company in the short and long term.

As stated above, the Company recognises our people are critical to our business and its growth strategies. AoFrio's remuneration strategy is to pay executives a remuneration that is fair and reasonable in a competitive market for the skills, knowledge and experience required by the Company. Salaries are determined for their current position in the market using relevant and up to date market benchmark data and an individual's performance and are reviewed annually. Many of our employees are based outside of New Zealand and remuneration varies by location in accordance with the local market.

Chief Executive's Remuneration

The following tables sets out the payments made to the CEO during FY2022.

Greg Balla – CEO	
Fixed remuneration	$485,437
Employer contributions to KiwiSaver	$10,922
Total remuneration	$496,359

Greg Balla does not participate in the Company's STI programme. He has been issued 12,930,000 share options representing 2.99% of the Company's ordinary shares at the time of issue. Provided he is a full-time employee at that date, 8.62 million options shall vest on 1 October 2024 and may be exercised within 18 months following 1 October 2024 at an exercise price of 9.1 cents per share. Provided he is a full-time employee on 1 October 2025, a further 4.31 million options shall vest on 1 October 2025 and may be exercised within 18 months of that date at an exercise price of 11.5 cents per share.

Principle 6 – Risk management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

AoFrio is a global, complex business that is exposed to a range of strategic, financial and operational risks. Risk management is ingrained in AoFrio' strategic and operational activities and is a priority for the Board.

As discussed above, the Board has established a Risk Committee to assist the Board with its oversight, monitoring and review of risk. Bi-annually there is a review of the entire risk landscape to establish a forward-looking perspective on business risks, both financial and non-financial, in both the internal and external environment. The committees provide a forum for discussion of risk, including the Board's appetite for risk, with the Chief Executive Officer and management. The Chief Executive Officer and senior management team are required to regularly identify the major risks affecting the business and to develop strategies to mitigate these risks. Significant risks are discussed at each Board meeting, or as required.

The Company maintains insurance policies that it considers adequate to meet the insurable risks of the Group. Exposure to any foreign exchange risk is managed in accordance with policies laid down by the Board.

Safety and Wellness

The health, safety and wellbeing of our people (employees, contractors, customers and members of the public whom we interact with) is paramount.

Management commentary
(no financial statements)

Management's Health and Safety Committee meets monthly and reports to the Board on health, safety and wellbeing matters. Minutes of the Health and Safety Committee are a priority agenda item at all Board meetings and specific reviews are sought as required. The committee continuously reviews health and safety risks and systems used to identify and manage those risks, ensuring they are fit for purpose, are being effectively implemented, regularly reviewed and improved. The frequency of incidents has been low and no Accident Compensation claims involving the Company have been recorded for several years. The Board undertakes ongoing health and safety education and regularly visits key operational sites.

"The Board should ensure the quality and independence of the external audit process."

Principle 7 – Auditors

The Audit Committee has oversight responsibility for the Company's external audit arrangements and the Board appoints the external auditor.

The NZX Listing Rules require rotation of the lead audit partner at least every five years and this requirement is reflected in the Audit Committee's Charter, available on the Company's Website.

The Company has adopted a policy, set out in the Audit Committee's Charter, to ensure that audit independence is maintained, both in fact and appearance, so that AoFrio' external financial reporting is both reliable and credible. The Committee must pre-approve and monitor all audit-related services and non-audit services to be provided by the Company's audit firm to ensure that these services comply with the requirements of Professional & Ethical Standards 1, Code of Ethics for Assurance Practitioners in maintaining the independence of the external auditors. The external auditor must monitor its independence and report to the Board that it has remained independent.

To ensure full and frank dialogue between the Audit Committee and the auditor, the auditor's senior representatives meet separately with the Committee (without management present) at least twice a year, including immediately before finalisation and release of the Company's half-year and full-year financial results to the market.

Representatives of the Company's external auditor, Deloitte, are invited to attend the annual shareholders meeting where they are available to answer shareholders' questions relevant to the audit.

For a copy of the Company's most recent audit report, relating to the last financial year, refer to the Annual Report available at www.aofrio.com/investors.

The Audit Committee also has oversight responsibility for the Company's climate-related assurance requirements.

Internal Audit

The Audit Committee has oversight of the internal audit function. Due to its small size, the Company does not have an internal audit function as is recommended by the NZX Code. As discussed above, the Chief Executive Officer is accountable for all operational and compliance risks across the Company's operations and businesses. The Chief Executive Officer has management accountability for the effective control, implementation and improvement of internal systems and controls.

Principle 8 – Shareholder rights and relations

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

The Board's policy is to ensure, in an open and transparent manner, that shareholders are informed of all major and strategic developments affecting the Company.

We provide information about who we are, including our governance policies, on our website for investors to access at any time.

The Company releases all material information via the NZX in accordance with its continuous disclosure requirements. All major disclosures are also posted on the Company's website on a timely basis.

The Company provides a printed copy of its annual report to shareholders who have elected to receive a printed copy. The Annual Report is available on the Company's website in accordance with the requirements of the NZ Companies Act 1993.

The Company's share register is managed and maintained by Computershare. Shareholders can access their shareholding details or make enquiries about their current shareholding interests online or by contacting Computershare by mail or by telephone.

Company Website and Material

The Company's Website is used actively to complement the official release of material information to the market, enabling broader access to Company information by investors and stakeholders. The Company's Website has copies of all presentations, media releases and reports.

Electronic Communications

The Company seeks to continually improve its online and electronic communications and improve the functionality of its website. The Company encourages shareholders to provide email addresses to enable the receipt of shareholder communications by electronic means, and the option to receive the Annual Report in electronic format. As at 31 December 2023, approximately 71% percent of AoFrio' shareholders and investors had elected to receive communications electronically from the Company's registrar, Computershare Investor Services Limited.

Shareholder Voting Rights

In accordance with the Companies Act 1993, the Company's Constitution and the NZX Listing Rules, the Company refers the election of Directors and major decisions that may change the nature of the Company to shareholders for approval. Voting at shareholder meetings is based on one share, one vote and voting is conducted by poll. Shareholders may lodge postal votes and appoint a proxy to vote on their behalf at the meeting. Voting outcomes are announced to the market in accordance with the NZX Listing Rules.

Capital Raisings

If the Company seeks additional equity capital, the Board will ensure it considers the interests of existing shareholders and, where that is reasonable and in the best interests of the Company, permit shareholders to participate on a pro-rata basis.

Annual Shareholders' Meetings

Details of the Company's Annual Shareholders Meetings are made available on the Company's Website. The Company targets having its notices of the annual meeting available on the Company's Website at least 20 working days prior to the meeting.

Management commentary
(no financial statements)

The Board encourages active participation by shareholders at the meetings and shareholders may present questions during the meeting. Consistent with best practice, the external auditor is available to answer questions from shareholders at the Annual Shareholders Meetings and in attendance are the Company's legal advisers and share registry provider.

The Annual Shareholder Meeting presentation materials are made available on the Company's Website.

The materials provided to shareholders prior to the meeting describe the arrangements for the meeting, the timing for the return of voting and proxy forms and how shareholders can propose questions and vote at the meeting. Notices of meeting sent to shareholders describe how shareholders can send questions in advance of the meeting which are then addressed at the meeting.

The Company's 2023 Annual Shareholders Meeting was held on a hybrid basis, with shareholders participating in the meeting either in person or via an online service through an internet connection established by Computershare using a computer, laptop, tablet or smartphone. The Company intends to continue to provide this online capability to shareholders in conjunction with physical meetings.

Differences in Practice to NZX Code

Under the NZX Listing Rules, the Company is required to disclose the extent to which its corporate governance practices materially differ from the above principles set out in the NZX Code. The Board-approved differences relating to the period up to the date of this Corporate Governance Statement are described below.

The Company has not published standalone remuneration policies for its Directors and executives because it publishes details of its remuneration policies for Directors and executives in AoFrio's Corporate Governance Statements and Annual Reports, which are available on the Company's Website. The disclosures outline the relative weightings of remuneration components and relevant performance criteria.

As stated above, given the size of the Company, we have not established a separate Nomination Committee to deal with Director nominations, as recommended under the NZX Corporate Governance Code, but in September 2023 we combined the functions typically associated with such a committee within a reconstituted Executive Appointments, Remuneration and Nomination Committee.

Recognising the small size of the Company, we have not previously published diversity targets, as recommended by the NZX Code. However, the Company's Diversity and Inclusion Policy adopted by the Board in September 2023 provides for the Company to track diversity, equity and inclusion statistics and report on them in our Annual Report as appropriate. See the latest Annual Report for details of targets and performance against those targets in the 2023 financial year.

Due to its small size, the Company does not have a formal internal audit resource as is recommended by the NZX Code.

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