G3 GROUP

Annual Report

For the year ended 31 March 2023

Contents

G3 GROUP LIMITED AND SUBSIDIARIES

Directors' report

Attached are the audited consolidated financial statements of G3 Group Limited and its subsidiaries for the year ended 31 March 2023. Section 211 of the Companies Act 1993 specifies the contents of a company's annual report. Subsection 3 of Section 211 allows companies to opt out of certain requirements of Section 211 and the Shareholder for G3 Group has chosen to do that.

Significant events during the year:
New customer acquisitions continue to demonstrate the value we bring to the market and growth in our courier and logistics businesses.

The 2023 financial year was a year of change that saw the continuation of a softening in demand in core product lines of the business. The Group's performance was solid, with an operating profit of $2.3 million. That was $361 thousand behind the 2022 financial year, with the decline caused by several one off and timing issues.

In October 2022 the Group sold its property and buildings at 14 Honan Place Avondale and has leased them back from the new owner. The sale generated a $1.1m gain on the original purchase cost.

Liquidity:
The 31 March 2023 Consolidated Statement of Financial Position shows Trade and other payables exceeding liquid assets (Receivables and Cash) by $4.5 million. This large variance arose because of an early purchase of inventory in March to help optimise the 2024 Financial Year's profitability and was funded by a $5.3 million ANZ bank loan organised in January 2023 that was drawn down in April 2023. $4.8 million of that loan had been repaid by the end of October 2023.

G3 Group Limited is a New Zealand Limited Company, incorporated 8 October 2008.

For and on behalf of the board

Evan Christian	Paul Forno
6/12/23	06/12/2023
Date	Date

Consolidated Statement of Comprehensive Income
For the Year Ended 31 March 2023

	Note	2023 $'000	2022 (Unaudited) $'000
Revenue	1	41,843	36,943
Cost of Sales	2	(35,944)	(31,102)
Gross Profit		5,899	5,841
Other operating income		64	87
Operating expenses	2	(3,610)	(3,214)
Profit from operations		2,353	2,714
Finance income	3	78	3
Finance expense	3	(488)	(362)
Gain on disposal of assets		1,132	-
Subvention payment		(2,644)	-
Profit before income tax		431	2,355
Income tax expense	4	(150)	(131)
Profit for the year after taxation		281	2,224
Total comprehensive income for the year		281	2,224

Consolidated Statement of Changes in Equity
For the Year Ended 31 March 2023

	Share capital $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2021 (unaudited)	3,943	1,039	4,982
Total comprehensive income for the year			
Profit for the year (unaudited)	-	2,224	2,224
Transactions with owners of the company in their capacity as owners			
Dividends Paid (unaudited)	-	(538)	(538)
Total transactions with owners of the company in their capacity as owners (unaudited)	-	(538)	(538)
Balance at 31 March 2022 (unaudited)	3,943	2,725	6,668

	Note	Share capital $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2022 (unaudited)		3,943	2,725	6,668
Total comprehensive income for the year				
Profit for the year		-	281	281
Balance at 31 March 2023		3,943	3,006	6,949

G3 GROUP LIMITED AND SUBSIDIARIES

Consolidated Statement of Financial Position
As at 31 March 2023

	Note	2023 $'000	2022 (Unaudited) $'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	212	5,118
Intangible assets	10	6,297	6,625
Right-of-use assets	15	1,458	-
Deferred tax asset	4	226	134
Total non-current assets		8,193	11,877
Current assets			
Inventories	6	6,286	7,150
Receivables and prepayments	7	5,441	5,768
Cash and cash equivalents	8	3,133	1,463
Taxation receivable	4	102	98
Total current assets		14,962	14,479
Total assets		23,155	26,356
EQUITY			
Share capital	5	3,943	3,943
Retained earnings		3,006	2,725
Total equity		6,949	6,668
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	14	-	700
Lease Liabilities	15	1,250	-
Other payables	14	-	66
Total non-current liabilities		1,250	766
Current liabilities			
Trade and other payables	12	13,034	11,683
Employee benefits	13	382	383
Interest-bearing loans and borrowings	14	1,309	6,856
Lease Liabilities	15	231	-
Total current liabilities		14,956	18,922
Total liabilities		16,206	19,688
Total equity and liabilities		23,155	26,356

The above statements should be read in conjunction with the notes to and forming part of the consolidated financial statements

Consolidated Statement of Cash Flows
For the Year Ended 31 March 2023

	Note	2023 $'000	2022 (Unaudited) $'000
Cash flows from operating activities			
Cash receipts from customers		41,712	36,147
Cash paid to suppliers and employees		(36,270)	(33,561)
Income taxes paid		(243)	(513)
Net cash inflow from operating activities	18	5,199	2,073
Cash flows from investing activities			
Purchase of property, plant and equipment		(29)	(237)
Sale of property, plant and equipment		5,973	-
Purchase of other intangibles		-	(1,526)
Interest received		77	3
Net cash inflow / (outflow) from investing activities		6,021	(1,760)
Cash flows from financing activities			
Drawdown of Borrowings		4,000	3,500
Repayment of borrowings		(12,957)	(4,633)
Interest paid		(433)	(358)
Interest paid on lease liabilities		(50)	-
Principal repayment of lease liabilities		(110)	-
Net cash outflow from financing activities		(9,550)	(1,491)
Net increase/(decrease) in cash and cash equivalents		1,670	(1,178)
Cash and cash equivalents at beginning of year		1,463	2,641
Cash and cash equivalents at end of year	8	3,133	1,463

Reporting Entity

Financial Statements for G3 Group Limited, (the "Company") and its subsidiaries, together referred to as the "Group" are presented. All entities within the Group are companies incorporated and domiciled in New Zealand, registered under the Companies Act 1993. These consolidated financial statements of the Group have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 2013. The Group is designated as a for-profit entity for financial reporting purposes.

The Group is primarily involved in providing:

- Domestic Courier and Freight
- Unified logistics Domestic and International
- Business Mail services, both domestic and International (Full rate mail and Bulk mail)
- Filing solutions and consumables
- Mailhouse services
- Over Printing (inhouse and offset)
- Mailroom management
- Pickup and delivery services – ad hoc, on demand, scheduled.
- Consultancy services both mail and filing

These financial statements were authorised for issue by the Board of Directors on 6 December 2023.

Basis of Preparation

These financial statements have been prepared in accordance with NZ IFRS RDR. The Group is a Tier 2 for-profit entity and has elected to report in accordance with NZ IFRS RDR as issued by the New Zealand External Reporting Board (XRB). The Group is eligible to report in accordance with NZ IFRS RDR on the basis that is does not have public accountability and is not a large for-profit public sector entity. In applying NZ IFRS RDR, the Group has applied a number of disclosure concessions.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year. No new standards and amendments to standards were applied during the current reporting period that had a material impact on the Group.

Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The Group measures goodwill at the acquisition date as:

- The fair value of consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Basis of Measurement

The financial statements are prepared on the historical cost basis.

Presentation Currency

The financial statements are presented in New Zealand dollars, rounded to the nearest thousand dollars (unless otherwise stated) which is the functional currency of the Parent and its subsidiaries.

Management Estimates

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

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

Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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 fiscal year are discussed below.

Impairment assessment

The carrying values of goodwill are tested at least annually to ensure that they are not impaired. This assessment requires the directors to estimate future cash flows to be generated by cash generating units to which goodwill has been allocated. Estimating cash flows entails making judgements including the expected rate of growth in revenues and margin, expenses and market shares to be achieved, and an appropriate discount rate to apply to the cash flows.

Significant Accounting Policies

a) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense when incurred.

Depreciation

Depreciation is charged on a straight-line basis at rates that will allocate the cost of items of property, plant and equipment, less any estimated residual values, over their estimated useful life.

Current estimated useful lives of the major classes of property, plant and equipment are as follows:

Plant, Machinery and Equipment	3-30 years
Office Furniture and Equipment	1-12 years
Buildings	20-50 years

The depreciation method, rate and residual value of assets are reassessed annually.

Disposals

Gains and losses on disposals are determined by comparing proceeds with carrying amount of the assets. Gains and losses on disposals are included in profit or loss.

b) Intangible assets and goodwill

Intangible assets other than goodwill are initially recorded at cost and then subsequently recorded at cost less any accumulated amortisation and accumulated impairment losses. The cost of identifiable intangible assets acquired in a business combination is their fair value at date of acquisition. Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful life of the asset, with any amortisation charge being recognised in profit or loss. Useful lives are reviewed annually and adjusted, if appropriate. Realised gains and losses arising from disposal of intangible assets are recognised in profit or loss in the period in which the transaction occurs.

Current estimated useful lives:

Brands	1 year, and an indefinite life for BrandPost (part of the Candida purchase)
Customer relationships	1 to 2 years
Trademarks	2 to 6 years

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset. All other expenditure is expensed as incurred.

Goodwill

Goodwill arising on a business combination is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing and is tested annually for impairment.

c) Financial Instruments

Financial instruments are recognised in the statement of financial position initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial instruments comprise trade and other receivables, cash and cash equivalents, bank overdrafts, loans and borrowings and trade and other payables.

Trade and other receivables

Trade and other receivables are measured at amortised cost, using the effective interest method, less impairment losses. Trade receivables of a short-term nature are not discounted.

Impairment provisions for trade receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, 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.

Financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial liabilities into the other financial liabilities category. Such financial liabilities are subsequently measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

d) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

e) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated annually and whenever there is an indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

The estimated recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

A cash-generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of the other assets or groups of assets.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Other impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount and there is an indication that the impairment loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All impairment losses are reversed through profit or loss.

f) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Foreign currency gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based at historical cost are translated using the exchange rate at the date of the transaction.

g) Share Capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

h) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly 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 on an undiscounted basis.

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans (e.g. Kiwisaver) are recognised as an expense in profit or loss when they are due.

i) Revenue

The Group sells goods and services to its customers.

Customers commit to the Group's terms and conditions when they make an order or agree a contract. At that time, they commit to paying an agreed price for the product or service delivered and agree to the Group's payment terms.

Delivery of services
Revenue from the delivery of services relates to mail and courier management provided to customers and therefore is recognised over time as the related performance obligations are fulfilled. Customers are generally invoiced at the end of each month which covers all services provided up to that date.

Sale of goods
Revenue from the sale of stamps, postage included envelopes and filing products are recognised at a point in time upon delivery when control has been transferred to the buyer and collectability of the related receivable is reasonably assured.

j) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- Temporary differences arising on the initial recognition of goodwill; and
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

k) Goods and services tax

With the exception of trade payables and trade receivables, all items are stated exclusive of goods and services tax.

l) Leases

The Group as lessee

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:
(a) There is an identified asset;
(b) The Group obtains substantially all the economic benefits from use of the asset; and
(c) The Group has the right to direct use of the asset.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group’s incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of use asset is adjusted by the same amount.

The Group as lessor

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

m) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and is recognised as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign currency movements are in a net gain or net loss position.

n) Dividends

An accrual is made for the amount of any dividend declared on or before the end of the financial year but not distributed at reporting date.

A dividend distribution owing to the Group’s shareholder is recognised as a liability in the Group’s financial statements in the period in which the dividends are approved by the Group’s shareholder.

Notes to the Consolidated Financial Statements
For the Year Ended 31 March 2023

1. INCOME

	2023	2022 (Unaudited)
	$'000	$'000
Operating revenue		
Delivery of services - over time	25,773	24,387
Sale of goods - point in time	16,070	12,556
	41,843	36,943

2. EXPENDITURE

	Note	2023	2022 (Unaudited)
Cost of Sales		$'000	$'000
Purchases of finished goods, services and consumables		35,079	32,757
Change in inventories of finished goods, WIP and consumables	6	865	(1,655)
		35,944	31,102
Operating expenses			
Amortisation of brands/trademarks	10	328	401
Depreciation	9	93	175
Depreciation on Right of Use assets	15	133	-
Employee Profit Share		231	322
Rent		138	-
Shareholder management fee		200	-
Salaries and wages		1,728	1,723
Superannuation - defined contribution plans		56	54
Other premises expenses		53	31
Other expenses		650	508
		3,610	3,214

3. NET FINANCE COSTS

Recognised in Profit or Loss		2023 $'000	2022 (Unaudited) $'000
Finance income			
Interest income from financial asset at amortised cost		78	3
		78	3
Finance expenses			
Interest expense on loans and borrowings			
Bank		(231)	(134)
Related Party	16	(202)	(224)
Interest expense on lease liabilities	15	(50)	-
Foreign exchange loss		(5)	(4)
		(488)	(362)
Net finance costs		(410)	(359)

4. INCOME TAX

The reasons for the difference between the actual tax charge for the year and the standard rate of company tax in New Zealand applied to profits for the year are as follows:

	2023 $'000	2022 (Unaudited) $'000
Profit before income taxes	431	2,355
Expected tax charge based on the standard rate		
of New Zealand company tax at the domestic rate of 28%	121	810
Non-deductible expenditure net of non-assessable income	62	(679)
Other	(33)	-
Total tax expense	150	131
Comprising:		
Current tax		
- In respect of current year	275	168
Deferred tax		
- In respect of current year	(92)	(37)
Other	(33)	-
	150	131

The New Zealand tax rate for the year ended 31 March 2023 is 28% (2022: 28%).

4. INCOME TAX (continued)

	2023 $'000	2022 (Unaudited) $'000
Income tax (receivable)/payable		
Taxation (receivable)/payable - opening balance	(98)	247
Income tax charge for the year	275	168
Income tax paid	(243)	(513)
Prior Year Tax Adjustments	(37)	-
Taxation (receivable)/payable - closing balance	(102)	(98)
Deferred tax asset/(liability)		
Balance at the beginning of the year	134	98
Current year movement	92	37
Other adjustments	-	(1)
Deferred tax asset/(liability)	226	134
Made up of:		
Deferred tax liability	(414)	(22)
Deferred tax asset	639	156
Net balance as per above	226	134
Deferred tax assets/ (liabilities) are attributable to the following:		
Inventories	62	17
Employee benefits	105	85
Right-of-use Assets	(408)	-
Lease Liabilities	414	-
Accruals	45	22
Other	8	10
	226	134

There are no significant unrecognised income tax losses carried forward.

5. EQUITY

	2023 Number of shares	2022 (Unaudited) Number of shares	2023 $	2022 (Unaudited) $
Ordinary shares				
Balance brought forward	43,047,167	43,047,167	3,943,170	3,943,170
	43,047,167	43,047,167	3,943,170	3,943,170

At 31 March 2023, share capital comprised 43,047,167 authorised and issued ordinary shares (2022: 43,047,167). All issued shares are fully paid and have no par value.

All ordinary shares rank equally with regard to the company's residual assets. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

6. INVENTORIES

	2023 $'000	2022 (Unaudited) $'000
Finished goods	6,277	7,148
Work in progress	9	2
	6,286	7,150

In 2023, $276,000 of inventory was written down to net realisable value. $220,000 of that was as a provision and $56,000 was written off and scrapped (2022: $24,000 and $23,000 respectively).

Inventory is provided as security to ANZ Bank under a registered first ranking general security agreement over all the present and future assets and undertakings of all group entities (Note 14).

7. RECEIVABLES AND PREPAYMENTS

	2023 $'000	2022 (Unaudited) $'000
Trade receivables	5,423	5,220
Prepayments	18	2
Other current assets	-	546
	5,441	5,768

The Group's Receivables impairment provision decreased by $7,900 to $13,700 (2022 Receivables impairment increased by $11,400 to $21,600).

The standard terms of trade are payment by the 20th of the following month. The Group reserves the right to charge interest for late payment.

8. CASH AND CASH EQUIVALENTS

	2023 $'000	2022 (Unaudited) $'000
Cash at bank on call	3,133	1,463
Total cash and cash equivalents	3,133	1,463

The interest rate ranges applicable to the Group's cash at bank on call were 0% to 4.6% during the period (2022: 0% to 1.5%).

9. PROPERTY, PLANT & EQUIPMENT

	Plant and machinery $'000	Office furniture & equipment $'000	Building $'000	Land $'000	Total $'000
Balance at 31 March 2023					
Cost at 1 April 2022 (Unaudited)	**767**	**1,209**	**1,680**	**2,141**	**5,797**
Additions	8	21	-	-	29
Disposals	(562)	(687)	(1,680)	(2,141)	(5,070)
Cost at 31 March 2023	**213**	**543**	**-**	**-**	**756**
Accumulated Depreciation at 1 April 2022 (Unaudited)	**(143)**	**(536)**	**-**	**-**	**(679)**
Depreciation Expense	(13)	(57)	(23)		**(93)**
Disposals	68	137	23		**228**
Accumulated Depreciation at 31 March 2023	**(88)**	**(456)**	**-**	**-**	**(544)**
Carrying value at 31 March 2023	**125**	**87**	**-**	**-**	**212**
Carrying value at 31 March 2022 (unaudited)	**624**	**673**	**1,680**	**2,141**	**5,118**

Property, plant and equipment has been provided as security to the ANZ Bank under a registered first ranking general security agreement over all the present and future assets and undertakings of all group entities (Note 14).

There are no contractual commitments for the acquisition of property, plant and equipment at 31 March 2023 (31 March 2022: $Nil).

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10. INTANGIBLE ASSETS AND GOODWILL

	Goodwill $'000	Brands $'000	Customer Relationships $'000	Trademark $'000	Total $'000
Balance at 31 March 2023					
Cost at 1 April 2022 (Unaudited)	4,612	1,557	2,096	893	9,158
Additions (Disposals)	-	-	-	-	-
Cost at 31 March 2023	**4,612**	**1,557**	**2,096**	**893**	**9,158**
Amortisation at 1 April 2022 (Unaudited)	-	(689)	(1,613)	(231)	(2,533)
Amortisation		(78)	(200)	(50)	(328)
Disposals	-	-	-	-	-
Amortisation at 31 March 2023	**-**	**(767)**	**(1,813)**	**(281)**	**(2,861)**
Carrying value at March 2023	**4,612**	**790**	**283**	**612**	**6,297**
Carrying value at 31 March 2022 (unaudited)	**4,612**	**868**	**483**	**662**	**6,625**

Other intangibles consist primarily of brand and customer relationships recognised on the acquisitions of Pete's Post, Fastway Post, RocketMail, Simpsons Data, G3, Filecorp and Candida.

10. INTANGIBLE ASSETS AND GOODWILL (continued)

Goodwill impairment testing

Cash generating units are the smallest groups of assets for which separately identifiable cash inflows can be attributed. Goodwill is allocated to the following cash generating units for the purpose of impairment testing.

Goodwill	2023	2022 (Unaudited)
	$'000	$'000
New Zealand mail operations	2,332	2,332
New Zealand document management services	2,280	2,280
	4,612	4,612

Other Intangibles	2023	2022 (Unaudited)
	$'000	$'000
New Zealand mail operations	1,409	1,536
New Zealand document management services	276	477
	1,685	2,013

On an annual basis, the recoverable amount of goodwill is tested for impairment based on its value-in-use. This was determined by discounting estimated future cash flows to be generated by the cash generating unit (CGU).

The board has reviewed impairment tests of all material goodwill and intangible asset balances and is comfortable there is no impairment required.

11. INVESTMENTS IN SUBSIDIARIES

The subsidiaries of the G3 Group Limited, all of which have been included in these consolidated financial statements, are as follows:

Subsidiaries	Principal activity	Country	Acquisition date	Proportion of ownership interest at 31 March 2023	2022 (Unaudited)
New Zealand Mail Limited	NZ Postal operator	New Zealand	5-May-04	100%	100%
Filecorp NZ Limited	Document management NZ	New Zealand	31-Mar-15	100%	100%
G3 Property Holdings Limited	Property Management	New Zealand	28-Sep-18	100%	100%

All the above entities have 31 March balance dates.

12. TRADE AND OTHER PAYABLES

		2023	2022 (Unaudited)
		Current	Current
		$'000	$'000
Other financial liabilities			
Trade payables		11,696	10,543
Other payables	16	515	677
Accruals		823	463
		13,034	11,683

13. EMPLOYEE BENEFITS

	2023	2022 (Unaudited)
	$'000	$'000
Current liability for:		
Bonus accrual	345	329
Annual leave	52	48
Employer deductions	(15)	6
	382	383

14. INTEREST-BEARING LOANS AND BORROWINGS

	note	2023 $'000	2022 (Unaudited) $'000
Current			
Secured bank loans		-	1,000
Other secured loans	16	1,309	5,856
		1,309	6,856
Other payables		-	66
Non-Current			
Secured bank loans		-	700
Total interest-bearing loans and borrowings		1,309	7,622

In New Zealand Dollars	Nominal interest rate	Year of maturity	2023 $'000 Face value/ carrying amount	2022 (Unaudited) $'000 Face value/ carrying amount
Secured bank loans	4.31% to 7.88%	2022	-	1,700
Other secured loans	4.41% to 7.98%	N/A	1,309	5,856
Unsecured Government Loan			-	66
Total interest bearing liabilities			1,309	7,622

There were no outstanding secured bank loans at the end of the 2023 Financial Year. The 2022 secured bank loans consisted of a $1 million revolving credit facitlity (overdraft) with no maturity date that is reviewed annually and which was not being utilised at the end of the 2023 Financial Year. The $700 thousand loan was the remaining part of a short term working capital loan that matured in 2022. The other secured loans (2023 and 2022) are related party loans with Wilshire Treasury Limited that are repayable on demand (note 16).

All advances to the Group are ultimately secured over its current and subsequently purchased assets.

In Feburary 2023 the Group secured a bank loan of $5.3 million to purchase inventory at a competive price. The loan was fully drawn down in April 2023 to pay for that inventory purchase.

15. LEASES

	Property $'000	Total $'000
Right-of-use Assets		
Balance as at 1 April 2022 (Unaudited)	-	-
Additions to right-of-use assets	1,591	**1,591**
Depreciation charge for the year	(133)	**(133)**
Balance as at 31 March 2023	**1,458**	**1,458**
Lease Liabilities		
Balance as at 1 April 2022 (Unaudited)	-	-
Additions	1,591	**1,591**
Accretion of interest	50	**50**
Payments	(110)	**(110)**
Balance as at 31 March 2023	**1,481**	**1,481**

	2023 $'000	2022 (Unaudited) $'000
Lease liabilities included in the statement of financial position at 31 March		
Current	231	-
Non-current	1,249	-
Amounts recognised in profit or loss		
Interest on lease liabilities	50	-
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	160	-
Non-cash additions to right-of-use assets and lease liabilities	1,591	-

During the reporting period the Group sold and leased back its property at 14 Honan Place. The amounts relating to the Group's right of use assets and lease liability are diclosed above. Full ownership of the building was transferred to the new owner in October 2022 and the Group received full consideration for that sale shortly afterwards. The Group signed a 6-year lease with the Landlord with one 6 year right of renewal. Due to uncertainty around whether the renewal will be exercised, the right of renewal period is not included in the lease carrying values above.

The lease increases by a fixed percentage every year, except that every 3 years the lease is reviewed to market and increased to that if it is greater than the fixed percentage increases to date.

15. LEASES (continued)

The Group's Lease with the Landlord has no provision to buy the property back or transfer control over the property back to the Group. The transfer of the asset therefore meets the requirements for a sale as set out in NZ IFRS 15. The Group had no leases in 2022.

16. RELATED PARTIES

Identity of related parties
The Group has a related party relationship with its key management personnel.

The Group also has a related party relationship with Wilshire Treasury Limited, St Johns Trust Limited, Wilshire Holdings Limited and AGE Limited. These related parties and the Group have an ultimate shareholder in common. The Group's immediate shareholder is Wilshire Investments LP. Wilshire Investments LP, AGE Limited, Wilshire Holdings Limited and Wilshire Treasury Limited are owned by Christian Family Trust Limited. St Johns Trust Limited is owned by Wilshire Holdings Limited.

Transactions with related parties
Transactions with related parties are to be either settled in cash, or other arrangements by the directors. There has been no impairment of related party balances during the year (2022: $Nil) and there have been no write-offs of related party balances during the year (2022: $Nil).

The Group and Wilshire Treasury have entered into security sharing arrangements with ANZ Bank in consideration for which Wilshire Treasury provides interest bearing funding to the Group. The Group has also agreed to allow Wilshire Treasury to secure its advances to the Group over the assets of G3 Group Limited. The Group incurred interest costs with Wilshire Treasury of $202 thousand, as disclosed in note 3, net finance costs (2022: $224 thousand).

The Group made subvention payments of $2.6 million to AGE Limited during the year (2022: $Nil) and paid a $200 thousand management fee to Wilshire Investments LP (2022: $Nil). During the year the Group repaid $7.7 million of Wilshire Treasury Loans, offset by borrowing drawdowns of $3.1 million, including those related to non-cash subvention payments (2022: repayments of $1.8 million, drawdowns Nil). The subvention payments are not normally settled in cash. They are reflected as an increase in the advance from Wilshire Treasury and this is paid down over time.

The Group also has payables to other related parties that are ultimately owned by Christian Family Trust Limited. These related party balances are shown in the table below and they also arise from subvention payments not settled in cash.

	Note	2023 $'000	2022 (Unaudited) $'000
Other related parties			
Advances payable to Wilshire Treasury Limited	14	(1,309)	(5,856)
Payable to Wilshire Holdings Limited	12	(346)	(346)
Payable to St Johns Trust Limited	12	(70)	(70)
Total balances for Other related parties		(1,725)	(6,272)

16. RELATED PARTIES (continued)

The payables to Wilshire Holdings Limited and St Johns Trust Limited are interest free, unsecured, and repayable on demand.

Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, either directly or indirectly. Key management personnel are the Directors and Executive Team Members of the Group and Parent. Salaries and management fees were paid to directors and key management personnel in respect to their services rendered. These services were undertaken on normal commercial terms.

	2023	2022 (Unaudited)
	$'000	$'000
Key management personnel		
Short term employment benefits	1,395	1,364
	1,395	1,364

No Director fees were paid in 2023 (2022: $Nil).

17. FINANCIAL INSTRUMENTS

As at 31 March 2023, the Group had the following classes of financial instruments:

	Note	Financial assets at amortised cost $'000	Other financial liabilities $'000
Financial assets not measured at fair value			
Trade and other receivables	7	5,423	-
Cash and cash equivalents	8	3,133	-
Financial liabilities not measured at fair value			
Trade and other payables	12	-	(13,034)
Interest bearing loans and borrowings	14	-	(1,309)
		8,556	(14,343)

2022 (Unaudited)

	Note	Financial assets at amortised cost $'000	Other financial liabilities $'000
Financial assets not measured at fair value			
Trade and other receivables	7	5,220	-
Cash and cash equivalents	8	1,463	-
Financial liabilities not measured at fair value			
Trade and other payables	12	-	(11,683)
Interest bearing loans and borrowings	14	-	(7,622)
		6,683	(19,305)

Notes to the Consolidated Financial Statements
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18. RECONCILIATION OF PROFIT/(LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

		2023 $'000	2022 $'000
Cash flows from operating activities	**Note**		
Profit for the year		281	2,224
Adjustments for:			
Amortisation of brands/trademarks	10	328	401
Depreciation of property, plant and equipment	9	93	175
Depreciation on Right of Use Assets	15	133	-
Finance income	3	(77)	(3)
Finance expense	3	432	358
Interest paid on lease liabilities	15	50	-
Others		(4)	-
Loss/gain on disposal		(1,132)	18
Subvention payment		2,644	-
Income tax expense	4	150	131
		2,898	3,304
(Increase) / decrease in trade and other receivables		(219)	(854)
(Increase) / decrease in inventories		866	(1,654)
Increase / (decrease) in trade and other payables		1,897	1,791
Cash generated from operations		5,442	2,586
Income taxes paid	4	(243)	(513)
Net cash flows from operating activities		5,199	2,073

19. CAPITAL COMMITMENTS

There are no capital commitments as at 31 March 2023 (2022: $Nil).

20. CONTINGENT LIABILITIES

The Group has allowed its assets to be pledged as security and given a guarantee to support banking facilities provided to Wilshire Treasury Limited by ANZ Bank, refer Notes 14 and 16.

An unconditional bank guarantee for $0.78 million is outstanding in 2023 (2022: $0.78 million), to secure the payment of charges from New Zealand Post in respect of certain mail services.

No loss allowance has been made for these financial guarantees as Wilshire Treasury Limited maintains a strong relationship with its Banking Partner ANZ Bank New Zealand Limited, remains well within its banking covenants and is expected to continue to do so.

Other than these exposures there are no contingent liabilities as at 31 March 2023 (2022: $Nil).

21. EVENTS OCCURRING AFTER THE REPORTING DATE

There are no material events after balance date (2022: No material events after balance date).

Company Directory

Company Name	G3 Group Limited
Nature of Business	Providers of • Domestic Courier and Freight • Unified logistics Domestic and International • Business Mail services, both domestic and International (Full rate mail and Bulk mail) • Filing solutions and consumables • Mailhouse services • Over Printing (inhouse and offset) • Mailroom management • Pickup and delivery services – ad hoc, on demand, scheduled. • Consultancy services both mail and filing
Registered Office	14 Honan Place Avondale Auckland 1026
Directors	Paul Forno Evan Christian
Bankers	ANZ Bank New Zealand Limited 23 Albert Street Auckland New Zealand
Solicitors	Chapman Tripp 23 Albert Street Auckland New Zealand Brown Partners 18 Shortland Street Auckland New Zealand