

Consolidated financial statements

Foster Moore International Limited

For the 15-month period ended 31 December 2021

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For the 15-month period ended 31 December 2021

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Company Directory

| | | |
|-----------------------------|--|-------------------------------|
| Incorporated | 5 May 2014 | |
| Nature of Business | IT Consulting and Registry Services | |
| Business Location | Auckland, New Zealand | |
| Registered Office | 82 Wyndham Street Auckland Central Auckland 1010 New Zealand | |
| Incorporation Number | 5162321 | |
| Directors | Kerri Brass Elgin Farewell Agostino Russo Dilprit Grewal (appointed on 10th May 2021) Martin Riegel (appointed on 10th May 2021) Joel Foster (resigned on 10th May 2021) Yves Denomme (resigned on 17th February 2021) | |
| Shareholders | Hamilton Infrastructure Holdings Inc Teranet Growth Trust Ordinary Shares | 1,000 1,000 <hr/> 2,000 |
| Bankers | Bank of New Zealand | |
| Accountants | Grant Thornton New Zealand Limited Level 4, 152 Fanshawe Street Auckland 1010 New Zealand | |
| Auditors | Ernst & Young 2 Takutai Square, Britomart Auckland 1140 New Zealand | |

Directors' Responsibility Statement

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which present fairly in all material respects the financial position of Foster Moore International Limited and its subsidiaries (Group) as at 31 December 2021 and the results of its operations and cashflows for the 15-month period ended 31 December 2021.

The Directors consider that the financial statements of the Company have been prepared using accounting policies appropriate to the Company's circumstances, consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors have responsibility for the maintenance of a system of internal controls designed to provide reasonable assurances as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The shareholders of the Company have exercised their rights under Section 211(3) of the Company's Act and unanimously agreed that this Annual Report need not comply with any of the Sections (a) and (e) to (j) of Section 211(1) of the Act.

The Directors are pleased to present the Group financial statements for the 15-month period ended 31 December 2021.

For and on behalf of the Directors:



Martin Riegel



Kerri Brass

Consolidated Statement of Comprehensive Income

For the 15-month period ended 31 December 2021

in New Zealand Dollars

| | Notes | 2021 15 months \$ | 2020 12 months \$ |
|---|-------|-------------------------|-------------------------|
| Revenue from Contracts | 4 | 54,123,137 | 32,661,009 |
| Other Revenue | 4 | 119,271 | 736,097 |
| Finance Income | 6 | 8,292 | 10,321 |
| Total Revenue | | 54,250,700 | 33,407,427 |
| Net Employee Benefits Expenses | 5 | (28,440,114) | (20,132,992) |
| Net Contractors Fees | | (9,206,065) | (6,981,348) |
| Depreciation and Amortisation | 10,11 | (5,219,365) | (3,686,187) |
| Contract Assets Amortisation | 12 | (144,120) | (70,808) |
| Doubtful Debt | 5 | (143,103) | - |
| Professional and Consultancy Fees | | (942,208) | (523,835) |
| Travel and Accommodation | | (98,033) | (127,064) |
| Rent | | (338,898) | (32,870) |
| Recruitment and Training | | (514,968) | (147,788) |
| Online Data Expenses | | (1,311,065) | (706,791) |
| Office Relocation Costs | | 133,376 | (404,172) |
| Other Expenses | | (6,537,529) | (1,363,922) |
| Finance Expenses | 6 | (928,495) | (1,231,342) |
| Total Expenditure | | (53,690,586) | (35,409,118) |
| Profit/(Loss) Before Taxation | | 560,114 | (2,001,691) |
| Income Tax (Expense)/Credit | 7 | (912,669) | 1,029,981 |
| Profit/(Loss) For The Year | | (352,556) | (971,709) |
| Other Comprehensive Income | | | |
| Foreign Currency Translation Differences - Foreign Operations | | (130,138) | 77,006 |
| Total Comprehensive Income/(Loss) For The Year | | (482,693) | (894,703) |

These financial statements should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021
in New Zealand Dollars

| | Notes | 2021 31-Dec-21 \$ | 2020 30-Sep-20 \$ |
|--------------------------------------|-------|-------------------------|-------------------------|
| ASSETS | | | |
| Current | | | |
| Cash and Cash Equivalents | 8 | 906,545 | 1,460,960 |
| Trade Debtors and Other Receivables | 9 | 8,249,453 | 6,303,129 |
| Income Tax Receivable (Canada) | 7 | 2,585 | 2,540 |
| Income Tax Receivable (Australia) | 7 | 38,579 | - |
| Income Tax Receivable (New Zealand) | 7 | 2,574 | 2,966 |
| Related Party Receivables | 21 | 199,737 | 561,326 |
| Prepayments | | 681,658 | 406,831 |
| Total Current Assets | | 10,081,131 | 8,737,751 |
| Non-Current | | | |
| Intangible Assets | 10 | 7,643,869 | 7,225,919 |
| Deferred Tax | 7 | 292,527 | 1,140,132 |
| Trade Debtors and Other Receivables | 9 | - | 772,219 |
| Property, Plant and Equipment | 11 | 6,455,805 | 7,771,983 |
| Contract Costs Capitalised | 12 | 350,474 | 494,594 |
| Total Non-Current Assets | | 14,742,675 | 17,404,847 |
| TOTAL ASSETS | | 24,823,806 | 26,142,598 |
| LIABILITIES | | | |
| Current | | | |
| Bank Overdraft | 8 | (1,684,472) | - |
| Trade Creditors and Other Payables | 13 | (5,592,016) | (7,069,876) |
| Trade Finance Loan | 22 | (4,021,326) | (4,024,744) |
| Employee Benefits | 14 | (2,537,701) | (1,807,230) |
| Income Tax Payable (New Zealand) | 7 | - | (17,240) |
| Income Tax Payable (USA) | 7 | (2,672) | (2,508) |
| Income Tax Payable (Australia) | 7 | (119,939) | (63,064) |
| Shareholder Advances | 21 | (1,026,765) | (1,212,551) |
| Related Party Payables | 21 | (95,171) | (623,394) |
| Total Current Liabilities | | (15,080,063) | (14,820,607) |
| Non-Current | | | |
| Other Payables | 15 | (6,177,733) | (7,273,289) |
| Total Non-Current Liabilities | | (6,177,733) | (7,273,289) |
| TOTAL LIABILITIES | | (21,257,796) | (22,093,896) |
| NET ASSETS | | 3,566,009 | 4,048,702 |
| EQUITY | | | |
| Share Capital | 16 | 25,819,246 | 25,819,246 |
| Accumulated Profits/(Losses) | | (22,581,956) | (22,229,400) |
| Foreign Exchange Translation Reserve | | 328,719 | 458,856 |
| TOTAL EQUITY | | 3,566,009 | 4,048,702 |

These financial statements should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the 15-month period ended 31 December 2021
 in New Zealand Dollars

| | Notes | Foreign Exchange Translation Reserve | Share Capital | Accumulated Profits / (Losses) | Total Equity |
|--|-------|---|-------------------|--------------------------------------|------------------|
| | | \$ | \$ | \$ | \$ |
| 2020 | | | | | |
| Opening Balance at 1 October 2019 | | 381,850 | 25,819,246 | (21,257,691) | 4,943,405 |
| Profit / (Loss) For The Year | | - | - | (971,709) | (971,709) |
| Other Comprehensive Income | | 77,006 | - | - | 77,006 |
| Total Comprehensive Income For the Year | | 77,006 | - | (971,709) | (894,703) |
| Balance at 30 September 2020 | | 458,856 | 25,819,246 | (22,229,400) | 4,048,702 |
| 2021 | | | | | |
| Opening Balance at 1 October 2020 | | 458,856 | 25,819,246 | (22,229,400) | 4,048,702 |
| Profit / (Loss) For The Year | | - | - | (352,556) | (352,556) |
| Other Comprehensive Income | | (130,138) | - | - | (130,138) |
| Total Comprehensive Income For the Year | | (130,138) | - | (352,556) | (482,693) |
| Balance at 31 December 2021 | | 328,719 | 25,819,246 | (22,581,956) | 3,566,009 |

These financial statements should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cashflows

For the 15-month period ended 31 December 2021

in New Zealand Dollars

| | Notes | 2021 15 months \$ | 2020 12 months \$ |
|--|-------|-------------------------|-------------------------|
| CASHFLOWS FROM OPERATING ACTIVITIES | | | |
| Cash was provided from: | | | |
| Receipts From Customers | | 53,310,620 | 32,439,301 |
| Interest Received | 6 | 8,292 | 10,321 |
| Other Income | | 119,271 | 649,799 |
| Cash was applied to: | | | |
| Payments To Suppliers and Employees | | (47,345,573) | (28,588,290) |
| Taxation Paid | | (63,498) | (25,485) |
| Interest Paid | 6 | (573,918) | (393,205) |
| GST Paid | | (974,446) | (72,760) |
| Notional Finance Charge on NZ IFRS16 Leases | | (507,366) | (417,450) |
| Net Cash Inflow/(Outflow) From Operating Activities | | 3,973,382 | 3,602,230 |
| CASHFLOWS FROM INVESTING ACTIVITIES | | | |
| Cash was applied to: | | | |
| Purchase Of Fixed Assets | 11 | (235,897) | (212,435) |
| Purchase Of Intangible Assets - Software | 10 | (4,230,451) | (2,180,772) |
| Net Cash Inflow/(Outflow) From Investing Activities | | (4,466,348) | (2,393,207) |
| CASHFLOWS FROM FINANCING ACTIVITIES | | | |
| Cash was applied to: | | | |
| Lease Payments NZ IFRS16 | | (1,745,921) | (1,199,717) |
| Net Cash Inflow/(Outflow) From Financing Activities | | (1,745,921) | (1,199,717) |
| NET INCREASE/(DECREASE) IN CASH HELD | | (2,238,887) | 9,307 |
| Plus Opening Cash Brought Forward | | 1,460,960 | 1,451,653 |
| Ending Cash Carried Forward | | (777,927) | 1,460,960 |
| Represented By; | | | |
| Bank Accounts | 8 | (777,927) | 1,460,960 |
| Total Bank Accounts | | (777,927) | 1,460,960 |

These financial statements should be read in conjunction with the notes to the financial statements.

Notes To The Financial Statements

1 Reporting Entity

Foster Moore International Limited (the "Company") is a Company domiciled in New Zealand and registered under the Companies Act 1993.

Consolidated financial Statements for the Group are presented. The Consolidated financial statements of Foster Moore International Limited as at and for the 15-month period ended 31 December 2021 comprise the Company and its subsidiaries.

The Group has a change of balance date from 30 September 2021 (12-month period) to 31 December 2021 (15-month period) in 2021, in order to align its balance date to the balance date of its affiliated company, Teranet Inc. based in Canada.

The principal activity of the Company and its subsidiaries is IT consultancy and registry services. These financial statements were authorised and approved for issue by the directors on 5 May 2022.

2 Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements of Foster Moore International Limited have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as appropriate to profit-orientated entities.

For the purposes of complying with NZ GAAP, the Group is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand's equivalent to International Financial Reporting Standards - Reduced Disclosure Regime ('NZIFRS RDR')) on the basis that it does not have public accountability and is not a large-for-profit public sector entity. The Group has elected to report in accordance with NZ IFRS RDR and has applied all eligible disclosure concessions.

(b) Basis of Measurement

The financial statements have been prepared on a historical costs basis, except where otherwise stated.

Going concern

In preparing the financial statements, the Directors and management have assessed the Group's ability to continue as going concern, particularly in light of the financial performance of the Group. In making this assessment, both Directors and management conducted a comprehensive review of the financial position of the Group, the carrying value of its assets and the forecast cashflow needs. The Group's cash flows from operations show positive operating cash flows of \$4m, \$0.4m higher than prior year. Whilst the financial position shows working capital deficiency of \$5m it is worth noting that of this amount:

- 1) \$1.7m relates to contract liabilities, for which customers have been invoiced and the revenue will be recognised subsequently in the income statement;
- 2) \$4.0m relates to the trade finance facility with BNZ which management are confident can continue to be renewed from existing customer invoices and is unlikely to be called based on projected performance of the Group;
- 3) \$1.3m relates to holiday pay accrued which is unlikely to fully crystallise in the next 12 months;

While the financial results show a net loss of \$0.3m the profit before tax of \$0.6m is an improvement of \$2.6m against prior year.

The financial statements have been prepared on a going concern basis, the validity of which depends on the key assumptions being realised in a manner consistent with the Director's expectations. The Directors opinion that the Group is a going concern is based on the profit and cashflow forecast and assumptions for the 12 months from the date of signing these accounts. These forecasts assume sufficient cash inflows from new customer implementation projects based on the expected timing of the commencement of the work. The following critical assumptions have been made to form this conclusion:

- 1) An overdraft facility of \$2m continues to be made available by BNZ;
- 2) BNZ continues to make available the current trade finance facilities at the same levels of funding of \$4m. The management expects to have lower reliance on the overdraft and trade finance facilities as these will be repaid in the forecast period from operating cash flows giving greater flexibility to the Group;
- 3) The Group is able to meet its cashflow forecasts for the next 12 months;
- 4) The Group is able to deliver and realise revenues as forecasted on a number of critical implementation projects, without delays to the expected timing and without re-allocation of resources as planned;
- 5) There is no material delay in debtor collections based on current expected billing milestones;
- 6) The Group is planning to repay shareholder loans of \$1m in 2022;
- 7) Settlement of legacy cash burning consulting contract in Canada in the period. The risk is removed in the new contract by dealing directly with the customer on Time & Material based pricing, which is a more profitable arrangement;
- 8) Forecast revenue growth of 26% and cash flow growth coming from existing customer book and will be serviced from existing resource pool. Although it is considered low, retention risk exists and is being actively managed;
- 9) Resource in product development team is forecasted to increase. However, this can be managed or deferred if cash flow required it and forecast revenue growth not dependent on this.

It is the considered view of the Board of Directors that sufficient cashflows will be available to meet liabilities as they fall due for the next 12 months from the date of signing of these financial statements. The directors are confident that the Group could achieve its financial forecasts and funding requirements, and the Group should be able to continue as a going concern and realise the value in its assets and discharge its liabilities in the normal course of business.

Impact of the coronavirus (COVID-19) outbreak

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020, and it is still a pandemic two years later at the date of this report. The Group had remained operational since the declaration, and continued to provide services to its customers. The pandemic had very little impact on the Group's earnings, cash flows and financial condition for the 15-month period ended 31 December 2021.

(c) Presentation Currency

The financial statements are presented in New Zealand dollars, which is the Group's functional currency. Refer point 3(a) with regard to the subsidiaries.

Notes To The Financial Statements

2 Basis of Preparation (continued)

(d) Use of Estimates and Judgements

The preparation of financial statements in conformity with NZ GAAP 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. Where material, information on significant judgements, estimates and assumptions is provided in the relevant accounting policy or provided in the relevant note disclosure.

The estimates and underlying assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Estimates are subject to on-going review and actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in future years affected.

(e) Changes in Accounting Policies and Disclosures

There is no change to accounting policies and disclosures

3 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

(a) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the subsidiary, Foster Moore Canada Limited are presented in Canadian dollars. The financial statements of the subsidiary, Foster Moore USA Inc. are presented in US dollars. The financial statements of the subsidiary, Foster Moore Australia Pty Limited are presented in Australian dollars. For the purposes of these financial statements and the consolidation, all foreign currency balances have been translated to and are reported in New Zealand dollars, which is the functional and presentational currency of Foster Moore International Limited.

(ii) Translations 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 or losses resulting from the settlement of such transactions and from the translation at year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cashflow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Transaction differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities are recognised in profit or loss.

(b) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Foster Moore International Limited as at 31 December 2021 and the results of all subsidiaries for the period then ended. Foster Moore International Limited and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Consolidated Entity has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Investments in Subsidiaries are accounted for at cost less any accumulated impairment losses in the individual financial statements of Foster Moore International Limited.

(ii) 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. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Business Combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained whereby the fair values of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exceptions).

Notes To The Financial Statements

3 Summary of Significant Accounting Policies (continued)

(b) Principles of Consolidation (continued)

(iii) Business Combinations (continued)

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured in each reporting period to fair value recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(c) Revenue Recognition

Revenue arises from the provision of services, being software project fees, license fees and support and maintenance fees. To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price, which could be Fixed price or Time & Material based price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when and as its performance obligations are satisfied.

(i) Software project fees

The Group enters into agreements with customers to develop software specific to that customer's requirements in exchange for a fixed fee and recognises the revenue over time. Due to the lack of interdependence between the various deliverables of the contracts, they are deemed to be distinct, separately identifiable and are therefore accounted for as separate performance obligations. When a contract also includes promises to perform after-sales services or maintenance, or to provide an extended warranty, the total transaction price is allocated to each of the distinct performance obligations identified within the contract on the basis of their relative stand-alone selling prices.

To depict the progress by which the Group transfers control of the software to the customer, and to establish when and to what extent revenue can be recognised, the Group measures its progress towards complete satisfaction of the performance obligation by measuring outputs completed to date. This basis provides the most faithful depiction of the transfer of goods and services to each customer due to the Group's ability to make reliable estimates of the total cost required to perform, arising from its significant historical experience developing similar software.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts in trade creditors and other payables in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises contract assets within trade debtors and other receivables in its statement of financial position.

Payment terms for one Canadian debtor, CGI Information Systems and Management Consultants Inc., involves acceptance of milestones. Furthermore, there is one US debtor for the Puerto Rico UCC project which is being satisfied by way of monthly transaction fees expected to be fully settled by February 2022. All other trade debtors and other receivables are non-interest bearing and receipt is normally on 30 day terms.

(ii) License fees

The Group enters into agreements with its customers to provide an immediate, indefinite right to use of Foster Moore's proprietary software. Revenue from the sale of these licenses is recognised at point in time upon installation, when the customer has control of the license. Payment terms are non-interest bearing and receipt is normally 30 days.

(iii) Support and maintenance fees

The Group enters into fixed price support, maintenance and extended warranty contracts with its customers. Revenue is recognised over time on a straight-line basis over the term of the contract as this method best depicts the transfer of services to the customer, due to the inability to make a reliable prediction of when each individual customer will require the service. Payment terms are non-interest bearing and receipt is normally 30 days.

(iv) Subscription revenue

Revenue from subscription contracts are recognised on a straight line basis over the life of the contract. The Group considers such contracts represent a right to access the Groups proprietary software and as such the performance obligation is fulfilled over the contract term. Unearned performance obligations in respect of Software subscription fees are disclosed as contract liabilities. Payment terms are non-interest bearing and receipt is normally 30 days.

(v) Interest Income

Interest revenue is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST) or Harmonised Sales Tax (HST).

Notes To The Financial Statements

3 Summary of Significant Accounting Policies (continued)

(d) Financial Instruments

(i) Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and Subsequent Measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that otherwise arise.

(iii) Financial Liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains or losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains or losses are recognised in profit or loss. Any gain or loss on derecognition is also expensed in profit or loss.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(e) Income Tax

Tax expense comprises current and deferred tax. Current and deferred tax is 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 or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Current tax also includes any tax liability arising from the declaration of dividends.

Notes To The Financial Statements

3 Summary of Significant Accounting Policies (continued)

(e) Income Tax (continued)

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 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, and

Taxable temporary differences arising on the initial recognition of goodwill.

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 entities to change their 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.

(f) Leased Assets

The definition of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains a lease if the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement of a lease, the group recognises a right-of-use asset and a lease liability. The right-of-use asset is recognised at cost, being the initial measurement of the lease liability plus any lease payments made before the commencement date, any initial direct costs, and an estimate of costs to be incurred to remove or restore the asset at the end of the lease term, less any incentives received. The lease liability is initially measured at the present value of the remaining lease payments, discounted at the interest rate implicit in the lease.

The right-of-use asset subsequently follows the accounting policy for property plant and equipment.

Interest on the lease liability is calculated using the Effective Interest Rate method and recognised as an expense in the profit or loss.

Right-of-use assets and lease liabilities are not recognised for leases with a lease term of less than 12 months. Payments on short term leases are recognised as an expense in profit or loss on a straight line basis over the lease term.

(g) Impairment

(i) Non-Derivative Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cashflows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(ii) Financial Assets Measured at Amortised Cost

NZ IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities.

Subsequent measurement of financial assets shall be at:

- i) Amortised cost
- ii) Fair value through profit or loss
- iii) Fair value through other comprehensive income

To determine the classification of a financial asset's subsequent measurement basis a Business Model Test and a Cash Flow Characteristics Test should be performed. Amortisation cost should be applied where the loan or receivable is held to collect cash flows of principal and interest and not with the intention of selling instruments. Amortised cost is consistent with the existing classification applied by the Group to loans and receivables at cost less impairment allowances.

NZ IFRS 9 also contains an impairment model based on expected credit losses. The model makes use of more forward-looking information, distinction is made between:

- i) Financial instruments that have deteriorated significantly in credit quality since initial recognition, and
- ii) Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.

Notes To The Financial Statements

3 Summary of Significant Accounting Policies (continued)

(g) Impairment (continued)

(iii) Non-Financial Assets

The carrying amount of the Group's non-financial assets and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible impairment at each reporting date.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGU's), and then to reduce the carrying amounts of the other assets in the CGU group (group of CGU's) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

(h) 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 and bank overdrafts. Bank overdrafts are shown within current liabilities on the statement of financial position.

(i) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectable are written off reducing the carrying amount directly. An allowance for credit losses is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency of payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of the estimated future cashflows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income within 'other expenses'. When a trade receivable is uncollectable, it is written off against the trade receivables allowance for credit losses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(j) Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss net of any Grant income.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes direct labour that is directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. The period of amortisation is determined by managements estimate of the useful life of the software, refer 3 (p) Useful Lives.

Notes To The Financial Statements

3 Summary of Significant Accounting Policies (continued)

(k) Plant, Property and Equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent 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 costs of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation on the following assets is calculated using the useful life at the following rates:

| | |
|-----------------------------|--------------|
| Furniture and Fittings | 2 - 10 years |
| Office / Computer Equipment | 2 - 8 years |
| Right of Use Assets | 3 - 12 years |

Depreciation on the following assets is calculated based on the directors estimate of their estimated useful life on a straight line basis. The depreciation rates used are as follows:

| | |
|------------------------|--------------|
| Leasehold Improvements | 8 - 12 years |
|------------------------|--------------|

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.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

Where an asset's carrying value is expected to be recovered through a sale transaction rather than through continued use, it is recognised in the financial statements as a current asset and disclosed as "Assets Held for Sale" and measured at the lower of the carrying amount and the asset's fair value less costs to sell. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale subject only to the terms that are usual and customary.

(l) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured.

(m) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Notes To The Financial Statements

3 Summary of Significant Accounting Policies (continued)

(n) Employee Benefits

Wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as provisions 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.

(o) Goods and Services Tax (GST) / Harmonised Sales Tax (HST)

Revenues, expenses and assets are recognised net of the amount of GST and HST, unless the GST/HST incurred is not recoverable from the respective revenue agencies. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST/HST receivable or payable. The net amount of GST/HST recoverable from, or payable to, the respective revenue agency is included with other receivables or payables in the statement of financial position.

(p) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) Research and Development

The Group has established an accounting policy to determine the appropriate treatment for the research and development expenditure the Group incurs annually. Research costs, net of grant income, are expensed as incurred and directly attributable expenditure is capitalised once a project is in its development phase. On an ongoing basis, management examine the R&D spend in the monthly timesheets, evaluating the spend against the criteria for capitalisation in accordance with NZ IAS 38 Intangible Assets.

(ii) Useful Lives

Determining the useful economic life of the Catalyst software requires judgement. The useful economic life represents the period over which management expect to generate cashflows from the acquired software. The useful economic life of Catalyst represents the period over which management expect to generate cashflows from the acquired software and is being amortised over a period of five years as are subsequent additions and improvements, from the date such additions or improvements go 'live' within the product. This is based on the expectation of the software's ability to generate future cashflows in a steady state. Customer lists have a useful economic life of ten years.

(iii) Revenue Recognition and Contract Analysis

Determining when to recognise revenue requires judgement of the contractual rights and obligations. Variations to standard terms and conditions, assessment of revenue recoverability (including retentions) or contract costs, including warranty work, may impact revenue recognition. License revenue is recognised at point in time on installation of the software. Revenue from time and materials based contracts is recognised over time based on units of time. Revenue from support and maintenance services is recognised over time on a monthly fee basis and the amounts are either fixed or on a time and materials basis. Revenue recognition relating to the provision of services for support and maintenance in Puerto Rico is recognised monthly on a transactional basis. Revenue from subscription contracts are recognised over time on a straight line basis over the subscription term.

Notes To The Financial Statements

4 Revenue From Contracts and Other Revenue

Revenue from contracts with customers disaggregated by revenue streams and country.

| | Software Project Fees | License Fees | Support & Maintenance Fees | Total |
|--------------------------|-----------------------|------------------|----------------------------|-------------------|
| 2021 | | | | |
| | | | \$ | \$ |
| United States of America | 2,862,911 | 385,924 | 1,032,637 | 4,281,472 |
| Canada | 13,354,392 | 1,595,428 | 1,224,601 | 16,174,421 |
| Australia | 13,667,950 | 2,894,093 | - | 16,562,043 |
| New Zealand | 5,864,306 | 40,000 | 8,149,272 | 14,053,578 |
| Rest of World | - | 540,619 | 2,511,004 | 3,051,623 |
| Total | 35,749,559 | 5,456,065 | 12,917,513 | 54,123,137 |

| | Software Project Fees | License Fees | Support & Maintenance Fees | Total |
|--------------------------|-----------------------|------------------|----------------------------|-------------------|
| 2020 | | | | |
| | | | \$ | \$ |
| United States of America | - | 245,443 | 454,736 | 700,179 |
| Canada | 6,031,364 | 1,150,403 | 627,308 | 7,809,074 |
| Australia | 5,509,359 | 1,323,107 | - | 6,832,466 |
| New Zealand | 6,898,575 | - | 7,495,078 | 14,393,653 |
| Rest of World | 69,963 | 547,863 | 2,307,812 | 2,925,637 |
| Total | 18,509,260 | 3,266,815 | 10,884,933 | 32,661,009 |

| | 2021 | 2020 |
|------------------------------|----------------|----------------|
| Other Revenue | \$ | \$ |
| Insurance Proceeds | - | 84 |
| Research & Development Grant | 115,962 | 279,422 |
| Covid19 Relief Payments | - | 456,592 |
| Dividend Income | 3,309 | - |
| Total | 119,271 | 736,097 |

The Callaghan Growth Grant which enables a 20% claim on Research and Development costs, ended on 31st March 2021.

The Group received a wage and salary subsidy of \$456,592 in 2020 from the Canadian government.

5 Expenditure

Included within expenditure is \$90,041 (2020: \$92,804) for audit fees.

Gross employee benefits amounted to \$32,618,094 (2020: \$22,132,862).

During the period, \$4,177,950 (2020: \$1,999,870) of salary costs were capitalised as computer software additions

The Doubtful debts provision of \$143,102 (2020: \$Nil) as at 31st December 2021 relates to the long overdue balance on Abu Dhabi's account.

6 Finance Income/(Expenses)

| | 2021 | 2020 |
|---------------------------------------|------------------|--------------------|
| | \$ | \$ |
| Financing Income | | |
| Interest Received | 8,292 | 10,321 |
| Total | 8,292 | 10,321 |
| Finance Expenses | | |
| Interest Expense on Borrowings | (384,715) | (380,553) |
| Interest Expense on Lease Liabilities | (507,366) | (417,450) |
| Foreign Currency Losses | (36,415) | (433,338) |
| Total | (928,495) | (1,231,342) |
| Net Finance Income/(Expense) | (920,203) | (1,221,021) |

Notes To The Financial Statements

7 Income Tax Expense

(a) Income Tax Recognised in Statement of Comprehensive Income

The relationship between the expected tax expense based on the domestic effective tax rate of Foster Moore International Limited at 28% and reported in the statement of comprehensive income can be reconciled as follows:

| | 2021 | 2020 |
|---|----------------|--------------------|
| | \$ | \$ |
| Profit/(Loss) for the Period per Statement of Comprehensive Income | 560,114 | (2,001,691) |
| Domestic Tax Rate for Foster Moore International Limited | 28% | 28% |
| Tax Expense | 156,832 | (560,473) |
| Effect of Higher/(Lower) Tax Rates in Foreign Jurisdictions | 13,347 | 5,645 |
| Foreign Currency Translation Adjustments | (15,066) | 44,182 |
| Deductible State Taxes | 2,323 | 2,088 |
| Utilisation of tax losses | (937,211) | (1,317,390) |
| De-recognition of tax losses | 1,756,984 | 929,172 |
| Recognition of prior year losses | - | (249,564) |
| Foreign Tax Credits not claimable | 9,857 | 25,557 |
| Australian Income Tax Provision | - | 21,256 |
| Under/(Over) Provision in Prior Years | (13,534) | (866) |
| (Non-Assessable)/Non-Deductible Items | (60,863) | 70,523 |
| Income Tax Expense | 912,669 | (1,029,871) |

Represented By:

| | | |
|---------------------------|----------------|--------------------|
| Deferred Tax Expense | 818,197 | (1,081,701) |
| Current Tax Expense | 94,472 | 51,720 |
| Income Tax Expense | 912,669 | (1,029,981) |

(b) Income Tax Payable Recognised in Statement of Financial Position

| | 2021 | 2020 |
|--|-----------------|-----------------|
| | \$ | \$ |
| Resident Withholding Tax | 2,574 | 2,966 |
| Non-Resident Withholding Tax | 3,040 | - |
| Non-Resident Taxation Receivable/(Payable) | 35,452 | (80,273) |
| Current Year Taxation | (120,936) | - |
| Total Income Tax Receivable/(Payable) | (79,870) | (77,307) |

(c) Recognised Deferred Tax Assets and Liabilities

| | 2021 | 2020 |
|--|----------------|------------------|
| | \$ | \$ |
| Deferred Tax Assets and Liabilities are attributable to the following: | | |
| Trade Debtors and Other Receivables | 40,069 | 58,428 |
| Trade Creditors and Other Payables | (98,133) | (979,674) |
| Intangible Assets and Property, Plant & Equipment | 187,883 | (138,486) |
| Contract Assets | (839,894) | 178,037 |
| Employee Benefits | 301,126 | 370,157 |
| Recognised Tax Losses Carried Forward | 697,828 | 1,623,994 |
| Other | (49,139) | - |
| Deferred Tax Asset/(Liability) - New Zealand | 239,740 | 1,112,456 |

Deferred Tax Assets and Liabilities are attributable to the following:

| | | |
|---|-------------|-----------|
| Trade Creditors and Other Payables | 27,154 | 8,726 |
| Intangible Assets and Property, Plant & Equipment | (19,278) | (103,066) |
| Employee Benefits | 19,448 | 18,729 |
| Prepayments | (5,399) | (5,103) |
| Recognised Tax Losses Carried Forward | 1,280,407 | (43,523) |
| Interest Limitation | 106,705 | 123,264 |
| Valuation Allowance | (1,410,242) | - |
| Other | 1,205 | 973 |
| Deferred Tax Asset/(Liability) - USA | - | - |

All deferred tax assets have been recognised in the statement of financial position, except for deferred tax assets related to tax losses of \$1,756,984 (FY 2020: \$929,172).

Notes To The Financial Statements

7 Income Tax Expense (Continued)

| | 2021 | 2020 |
|--|---------------|---------------|
| | \$ | \$ |
| Deferred Tax Assets and Liabilities are attributable to the following: | | |
| Trade Creditors and Other Payables | 3,633 | 12,554 |
| Intangible Assets and Property, Plant & Equipment | 11 | 532 |
| Employee Benefits | 47,877 | 19,127 |
| Prepayments | - | (952) |
| Foreign Exchange | (380) | (3,586) |
| Other | 1,647 | - |
| Deferred Tax Asset/(Liability) - Australia | 52,787 | 27,675 |

8 Cash and Cash Equivalents

| | 2021 | 2020 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| Cash at Bank and On Hand | 406,358 | 960,923 |
| Short Term Deposits | 500,187 | 500,037 |
| Bank Overdraft | (1,684,472) | - |
| Total | (777,927) | 1,460,960 |

The bank overdraft facility is \$2,000,000 (2020: \$1,000,000)

Short term deposits are collateral for the rental guarantee of \$500,000, should the landlord, Argosy Property No.1 Limited, call on the rental guarantee in the event of a default. Refer to Note 23.

9 Trade Debtors and Other Receivables

| | 2021 | 2020 |
|-----------------------|------------------|------------------|
| | \$ | \$ |
| Current | | |
| Trade Debtors | 7,516,958 | 3,207,707 |
| Accrued Income | - | 42,604 |
| Contract Assets | 442,712 | 2,976,253 |
| CRA Security Deposits | 98,970 | 76,565 |
| Lease Receivable | 190,812 | - |
| Total | 8,249,453 | 6,303,129 |
| Non-Current | | |
| Trade Debtors | - | 498,745 |
| Contract Assets | - | 273,474 |
| Total | - | 772,219 |

Included within trade debtors and contract assets is one Canadian debtor, CGI Information Systems and Management Consultants Inc., with \$3,221,948 (2020: \$1,837,577). All other trade debtors and other receivables are non-interest bearing and receipt is normally on 30 day terms. Therefore the carrying value of trade debtors and other receivables approximates its fair value. The directors have determined that a doubtful debt provision of \$143,102 is required for overdue balance on Abu Dhabi's account. (2020: \$Nil). CGI Information Systems and Management Consultants Inc. have been assessed and it is managements determination that they do not provide a credit risk.

10 Intangible Assets

A. Reconciliation of carrying amount

| | Goodwill on Acquisition | Client Lists | Computer Software | Total |
|-------------------------------------|----------------------------|----------------|----------------------|------------------|
| 2020 | | | | |
| Opening Book Value | - | 925,000 | 6,473,717 | 7,398,717 |
| Plus Additions | - | - | 2,180,772 | 2,180,772 |
| Foreign Currency Translation Effect | - | - | (33,231) | (33,231) |
| Less Amortisation Charge | - | (200,000) | (2,120,339) | (2,320,339) |
| Closing Book Value | - | 725,000 | 6,500,919 | 7,225,919 |
| 2021 | | | | |
| Opening Book Value | - | 725,000 | 6,500,919 | 7,225,919 |
| Plus Additions | - | - | 4,230,451 | 4,230,451 |
| Foreign Currency Translation Effect | - | - | (32,576) | (32,576) |
| Less Disposals | - | - | (17,744) | (17,744) |
| Less Amortisation Charge | - | (250,000) | (3,512,180) | (3,762,180) |
| Closing Book Value | - | 475,000 | 7,168,869 | 7,643,869 |

Notes To The Financial Statements

10 Intangible Assets (continued)

B. Amortisation

The amortisation of development costs relating to computer software and client lists is included in depreciation and amortisation in the profit or loss.

C. Impairment test

i. Recoverability of client lists

As part of a purchase price exercise undertaken in 2014, an amount was allocated to client lists reflecting the value of the then current customers. The customers identified in 2014 continue to be customers and as a result it is management's assessment that the carrying value of client lists of \$475,000 (2020: \$725,000) is reasonable and will therefore continue to amortise over a period of 10 years.

ii. Recoverability of computer software

As part of a purchase price exercise undertaken in 2014, an amount was allocated to computer software reflecting the value of the proprietary software - Catalyst. Management have considered six indicators to determine if an impairment exists.

- 1 Has market value declined significantly - this is the only indicator of impairment and the FY22 budget and recent new customer wins do not indicate further impairment after writing off the goodwill balance.
- 2 Negative changes in the external market - it is managements assessment that there have not been any significant changes in the industry's technical market, economic or legal environment in which FMIL operates or in the market to which the asset is dedicated.
- 3 Increase in market interest rates- the OCR has increased 50 bp's to 0.75% as at November 2021.
- 4 Obsolescence - N/A, the software is intangible and fully utilised and is in demand from current customers.
- 5 Asset is idle - N/A, Catalyst and Verne software is actively used by the current customers, both implementations and support.
- 6 Worse economic performance than expected - FMIL is expecting a strong year in FY22, as evidenced by the significant increase in revenue.

It is managements assessment that the carrying value of computer software of \$7,136,893 (2020: \$6,500,921) is reasonable and will therefore continue to amortise over a period of 5 years based on the expectation of the software's ability to generate future cashflows in a steady state.

D. Development costs

There are no borrowing costs capitalised during the year ending 31st December 2021 (2020: \$Nil).

Notes To The Financial Statements

11 Property, Plant and Equipment

| | Right Of Use Assets | Furniture and Fittings | Office and Computer Equipment | Leasehold Improvements | Total |
|-------------------------------------|------------------------|---------------------------|-------------------------------------|---------------------------|------------------|
| | | \$ | \$ | \$ | \$ |
| 2020 | | | | | |
| Opening Book Value | - | 418,173 | 193,541 | 96,700 | 708,413 |
| Plus Additions | 8,399,378 | 1,137 | 211,298 | - | 8,611,813 |
| Foreign Currency Translation Effect | 10,025 | (9,007) | (4,309) | (3,657) | (6,948) |
| Less Disposals | (17,410) | (97,798) | (18,534) | (41,704) | (175,447) |
| Less Depreciation Charge | (1,113,306) | (63,687) | (150,733) | (38,122) | (1,365,848) |
| Closing Book Value | 7,278,687 | 248,818 | 231,262 | 13,216 | 7,771,983 |
| 2021 | | \$ | \$ | \$ | \$ |
| Opening Book Value | 7,278,687 | 248,818 | 231,262 | 13,216 | 7,771,983 |
| Plus Additions | 375,786 | 1,141 | 96,245 | 138,511 | 611,684 |
| Foreign Currency Translation Effect | (351) | (2,184) | (1,780) | (571) | (4,886) |
| Less Disposals | (456,210) | (5,394) | (4,186) | - | (465,790) |
| Less Depreciation Charge | (1,185,331) | (43,437) | (198,460) | (29,958) | (1,457,186) |
| Closing Book Value | 6,012,581 | 198,944 | 123,081 | 121,198 | 6,455,805 |

12 Bid Costs Capitalised

| | 2021 | 2020 |
|----------------------------|----------------|----------------|
| | \$ | \$ |
| Opening Book Value | 494,594 | 54,869 |
| Plus Bid Costs Capitalised | - | 510,533 |
| Less Amortisation Charge | (144,120) | (70,808) |
| Closing Book Value | 350,474 | 494,594 |

Under NZ IFRS 15 the incremental bid costs (commission and legal fees) of obtaining a contract have been capitalised and amortised over a period of five years. This is consistent with the expected average contract duration.

13 Trade Creditors and Other Payables

| | 2021 | 2020 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Trade Creditors | (1,080,722) | (755,224) |
| Accruals | (682,129) | (1,050,214) |
| Contract Liabilities | (1,773,495) | (3,269,899) |
| GST/HST Payables | (974,446) | (15,138) |
| Funds Owing to Puerto Rico Department of State | (45,094) | (54,459) |
| Refund liability - CSA Contract Penalties | - | (762,792) |
| Other Creditors | (107,077) | (294,032) |
| Lease Liability (NZ IFRS16) | (929,054) | (868,118) |
| Total | (5,592,016) | (7,069,876) |

14 Employee Benefits

| | Opening Balance | Movement | Total |
|-------------------|--------------------|------------------|--------------------|
| 2020 | | | |
| Employee Benefits | (1,373,105) | (434,125) | (1,807,230) |
| Total | (1,373,105) | (434,125) | (1,807,230) |
| 2021 | | | |
| Employee Benefits | (1,807,230) | (730,471) | (2,537,701) |
| Total | (1,807,230) | (730,471) | (2,537,701) |

Provision for employee benefits are considered current and represent amounts accrued for annual leave. The Company does not have a long service leave policy.

Notes To The Financial Statements

15 Other Payables (Non-Current)

| | 2021 | 2020 |
|-------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Wyndham St Lease Incentive | (279,635) | (384,530) |
| Durham House Lease Commitment | - | (14,991) |
| Yonge Street Lease Commitment | (48,127) | (209,452) |
| Lease Liability (IFRS16) | (5,849,971) | (6,664,316) |
| Total | (6,177,733) | (7,273,289) |

The Wyndham St Lease Incentive accrues at 50% of the rent capped at \$500,000 which is amortised over the term of the 12 year lease and will be fully expired by April 2030.

16 Share Capital

| | | Shares | Carrying Value of | Shares | Carrying Value |
|---------------------------------------|---------|--------------|-------------------|--------------|-------------------|
| | | Qty | \$ | Qty | \$ |
| | | 2021 | 2021 | 2020 | 2020 |
| Hamilton Infrastructure Holdings Inc. | Class A | 1,000 | 511 | 1,000 | 511 |
| Teranet Growth Trust | Class B | 1,000 | 25,818,735 | 1,000 | 25,818,735 |
| Total | | 2,000 | 25,819,246 | 2,000 | 25,819,246 |

All shares are fully paid. The holders of Class A shares have equal voting rights but do not share in any dividend distribution and any surplus on winding up of the company. The holders of class B shares have no voting rights but have equal rights to share in any dividend distribution and any surplus on winding up of the Company.

17 Dividends

No dividends were paid or declared during the period post balance date (2020: \$Nil).

18 Subsequent Events

There have been no significant subsequent events occurring after balance date which may affect either the group's operations or results.

Notes To The Financial Statements

19 Capital Commitments

Capital Commitments

At balance date there is no capital commitment for 2021. (2020: \$5,000)

Contingent Liabilities

In the 2020 financial year, the Group lodged legal proceedings against a former customer, Formis Network Services SDN BHD/Omesti Berhad, for unpaid service invoices totaling USD769k. As a result of this claim, the defendant has since counterclaimed against the Group claiming they did not derive any value from the license or implementation fees paid by them and are seeking recompense. Management have formed the view, based on discussions with our Malaysian legal counsel that Formis/Omesti are unlikely to succeed in their counterclaim and that the Group has a strong case. Due to the outcome being dependent on a court proceeding and the uncertainty involved, management has decided to not provide for either a contingent asset nor a contingent liability. Trial date has been set for June 2023

20 Financial Instruments

(a) Carrying Value of Financial Instruments

The carrying amount of all material financial position assets and liabilities are considered to be equivalent to their fair value.

Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

(b) Classification of Financial Instruments

All financial assets held by the Group are classified as "loans and receivables" and are carried at cost less accumulated impairment losses.

All financial liabilities held by the Group are carried at amortised cost using the effective interest rate method.

All financial assets or liabilities held are measured at fair value at each reporting date.

(c) Financial Instruments By Category

| Financial Assets | Classification | 2021 | 2020 |
|-------------------------------------|-----------------------------|---------------------|---------------------|
| | Under NZ IFRS 9 | \$ | \$ |
| Cash and Cash Equivalents | Amortised cost | 905,545 | 1,460,960 |
| Trade Debtors and Other Receivables | Amortised cost | 7,806,741 | 3,783,017 |
| Total Financial Assets | | 8,713,284 | 5,243,976 |
| Financial Liabilities | | | |
| Bank Overdraft | Other financial liabilities | (1,684,472) | - |
| Trade Creditors and Other Payables | Other financial liabilities | (4,617,571) | (7,054,737) |
| Trade Finance Loans | Other financial liabilities | (4,021,326) | (4,024,744) |
| Shareholder Advances | Other financial liabilities | (1,026,765) | (1,212,551) |
| Other Payables | Other financial liabilities | (6,177,733) | (7,273,289) |
| Total Financial Liabilities | | (17,527,868) | (19,565,321) |

Notes To The Financial Statements

21 Related Party Transactions

Related party transactions arise when any entity or person(s) has the ability to significantly influence the financial and operational policies of the Group.

The Group has a related party relationship with its Shareholders, Directors and other key management personnel. Total compensation paid to key management personnel of the Group was \$3,480,118 (2020: \$2,887,651). Included within the total compensation was \$1,295,117 (2020: \$813,693) paid to directors. There are \$Nil directors loans on the balance sheet as at 31 December 2021 (2020: \$Nil).

The Group has a related party relationship with Teranet Inc. by virtue of having common owners and having four directors on the Board of Foster Moore International Ltd (and its subsidiaries). Teranet Inc. has engaged Foster Moore International Ltd to deliver their Writs Electronic Filing registry and support, Teranet land registry and Manitoba PPSR projects. Financial transactions are disclosed below.

The Company has the following entities as wholly owned subsidiaries:

Foster Moore Canada Limited
 Foster Moore USA, Inc
 Foster Moore US, LLC (subsidiary of Foster Moore USA, Inc)
 Foster Moore Australia Pty Ltd

(a) Company and Controlling Party

The controlling parties of the Group are Teranet Growth Trust and Hamilton Infrastructure Holdings Inc.

(b) Transactions With Related Parties

| | 2021 | 2020 |
|--|-----------|-----------|
| | \$ | \$ |
| C&J Holdings Group Limited (Shareholder until 1 May 2020) | | |
| Sundry Expense Paid on Behalf | - | 615 |
| Payable Balance at Period End | (523,116) | (620,984) |

| | 2021 | 2020 |
|----------------------------------|------------|-----------|
| | \$ | \$ |
| Teranet Inc. | | |
| Expenses - Subcontractors | 11,537,955 | 3,244,215 |
| Revenue - Licence | 55,466 | 42,548 |
| Revenue - Consulting and Product | 1,105,621 | 180,178 |
| Payable Balance at Period End | (95,171) | (623,395) |
| Receivable Balance at Period End | 199,737 | 561,326 |

| Promissory Notes to Shareholders | From | Date | 2021 | 2021 | 2021 | 2020 |
|------------------------------------|------------------------------------|-------------------|------------------|---------------------|--------------------|--------------------|
| | | | Loan | Interest Accrued | Total | \$ |
| Teranet Growth Trust | Foster Moore Canada Limited | 21 September 2018 | (288,375) | (8,604) | (296,979) | (346,254) |
| Teranet Growth Trust | Foster Moore International Limited | 21 September 2018 | (200,977) | (5,693) | (206,670) | (245,313) |
| C&J Holdings Group Limited | Foster Moore International Limited | 24 September 2018 | (509,000) | (14,116) | (523,116) | (620,984) |
| Total Owing to Shareholders | | | (998,352) | (28,413) | (1,026,765) | (1,212,551) |

All Promissory Notes accrue interest at 11% per annum which is payable on maturity. In September 2021 all Promissory Notes were extended for an additional 8 months and are now due to mature on 31st May 2022. Interest accrued up to September 2021 was paid to shareholders at that date.

22 Borrowings

In addition to the Shareholder Loans, at balance date there is an overdraft facility of \$2,000,000 (2020: \$1,000,000) along with a trade finance facility of \$4,000,000 (2020: \$4,000,000) with the Bank of New Zealand. Interest owing to the BNZ on the trade finance loans at balance date is accrued and reported in the statement of financial position. There is also a BNZ guarantee in favour of FMIL's landlord, Argosy Property No1 Limited, for \$942,610 (GST incl) which may be drawn down in the event of default (2020: \$942,610). The security includes an all obligations cross guarantee issued by FMIL, FMC, and FM USA. At balance date the Group is in compliance with all covenants. The loans are classified as current liabilities as they are due for repayment within 90 days of drawdown. As per the loan agreements, should the Group trigger any specified event of default then the Group must repay, on demand, all principal and interest owing under the facilities.



Independent auditor's report to the Shareholders of Foster Moore International Limited

Opinion

We have audited the financial statements of Foster Moore International Limited (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position of the Group as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 15-month period then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and cash flows for the 15-month period then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

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 and the Company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Group 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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Ernst & Young provides other assurance related services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Other matter

We previously issued an audit report on these financial statements dated 6 May 2022. That audit report has been withdrawn and the audit report has been reissued to comply with the Financial Reporting Act 2013. The previously issued audit report should not be relied upon. Our opinion is not modified in respect of this matter.

Information other than the financial statements and auditor's report

The directors of the Company are responsible for the annual report, which includes information other than the consolidated financial statements and auditor's 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.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime, 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 for assessing on behalf of the entity 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 cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 International Standards on Auditing (New Zealand) 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 at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>. This description forms part of our auditor's report.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Chartered Accountants
Auckland
12 October 2022



3 November 2022

Dear Sir/Madam,

Re; Lodging of amended financial statements for the year ended 31 December 2021

We have recently been advised by our auditors (Ernst & Young) that the audit partner who signed our audit report did not hold the appropriate "qualified auditor" status at the time of original signing.

As a result, Ernst & Young have reissued their audit opinion for the FY21 financial statements.

The financial statements and the amended audit report dated 12 October 2022 have been refiled with the Companies Office. The change in date of the audit report is the only change to these financial statements.

Yours sincerely

A handwritten signature in blue ink, appearing to read "D. I. Anderson". The signature is fluid and cursive, with a horizontal line drawn underneath the name.

David Anderson
CFO – Foster Moore International Limited