Trade Window Limited

Annual report 2020

Report contents

Directors' declaration

In the opinion of the Directors of Trade Window Limited ('the Company') the financial statements and notes, on pages 3 to 23:

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Company as at 31 March 2020 and the result of operations for the year ended on that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable 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 consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The shareholders of the Company have exercised their rights under Section 211(3) of the Companies Act 1993 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 annual report including the financial statements of Trade Window Limited for the year ended 31 March 2020.

Nigel Charles Annett	Albertus Johannes Smith
Director	Director
Date: 13 October 2020	Date: 13 October 2020

Directory

Incorporation number	7125046	
Principal activities	Develop and commercialise technology solutions that provide international trade participants with a secure platform and tools to establish trust and trade globally in an efficient manner across interconnected networks	
Registered office	TradeWindow Company Secretary 6-10 The Strand Takapuna Auckland 0622 New Zealand	
Directors	Nigel Charles Annett (appointed 26 June 2019) Kerry Friend (appointed 3 December 2018) Albertus Johannes Smith (appointed 14 February 2019) Peter Donald Foyston (resigned 21 June 2019)	
Shareholders	Technalise Limited	3,000,003 ordinary shares
	ASB Bank Limited	1,266,668 ordinary shares
	Prodoc Limited	476,190 ordinary shares
	Holding des Mers du Sud	414,240 ordinary shares
	Rae Family Trust	165,696 ordinary shares
	Fibema Family Trust	64,207 ordinary shares
	Equitise Nominees Limited	60,065 ordinary shares
	Invicta Venture Investments Limited	41,424 ordinary shares
	Carerra Investments Limited	41,424 ordinary shares
	Ngatoto Trust	31,746 ordinary shares
	Masambri Holdings Limited	31,746 ordinary shares
	Simeon Rae Family Trust	20,712 ordinary shares
	Olsen Investment Trust	20,712 ordinary shares
		5,634,833 ordinary shares
Auditor	KPMG KPMG Centre 18 Viaduct Harbour Avenue Auckland 1010 New Zealand	

Consolidated statement of comprehensive income

For the year ended 31 March 2020
in New Zealand dollars

	Note	2020 $
Revenue	3	357,277
Other income		280,968
Expenses		
Employee benefits expense		(2,620,767)
Depreciation, amortisation and impairment		(277,559)
Other expenses		(837,266)
Total expenses		(3,735,592)
Operating loss before financing costs		(3,097,347)
Finance income		869
Finance expenses		(33,872)
Net financing costs	4	(33,003)
Loss before income tax		(3,130,350)
Income tax expense	5	(2,458)
Loss for the year		(3,132,808)
Exchange differences on translation of foreign operations		(2,446)
Other comprehensive loss for the year, net of income tax		(2,446)
Total comprehensive loss for the year		(3,135,254)
Loss attributable to:		
Owners of the company		(3,127,133)
Non-controlling interest		(5,675)
Total Loss for the year		(3,132,808)
Total comprehensive Loss attributable to:		
Owners of the company		(3,129,579)
Non-controlling interest		(5,675)
Total comprehensive loss for the year		(3,135,254)

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Consolidated statement of financial position

As at 31 March 2020
in New Zealand dollars

	Note	2020 $
Assets		
Current assets		
Cash and cash equivalents	6	1,298,421
Trade and other receivables	7	323,697
Total current assets		1,622,118
Non-current assets		
Property, plant and equipment	8	213,806
Right of use assets	9	728,819
Intangible assets	10	4,649,381
Total non-current assets		5,592,006
Total assets		**7,214,124**
Liabilities		
Current liabilities		
Bank overdraft	6	311,470
Trade and other payables	11	641,002
Interest bearing loans and borrowings	12	851,946
Related party payables	14	115,687
Income tax payable	5	2,195
Lease liabilities	9	273,047
Total current liabilities		2,195,347
Non-current liabilities		
Interest bearing loans and borrowings	12	1,067,085
Lease liabilities	9	458,602
Total non-current liabilities		1,525,687
Total liabilities		**3,721,034**
Equity		
Share capital	17	5,153,545
Retained earnings		(3,127,133)
Convertible notes	17	1,000,000
Foreign currency translation reserve		(2,446)
Share based payments reserve		58,299
Equity attributable to the owners of the Company		3,082,265
Non-controlling interest		410,825
Total equity		3,493,090
Total liabilities and equity		**7,214,124**

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Consolidated statement of changes in equity

For the year ended 31 March 2020
in New Zealand dollars

	Note	Share capital $	Retained earnings $	Equity components of convertible notes $	Foreign currency translation reserve $	Share based payment reserve $	Total $	Non-controlling interest $	Total equity $
Balance at 1 April 2019		-	-	-	-	-	-	-	-
Total comprehensive expense for the year									
Loss for the year		-	(3,127,133)	-	-	-	(3,127,133)	(5,675)	(3,132,808)
Other comprehensive income/(expense)		-	-	-	(2,446)	-	(2,446)	-	(2,446)
Total comprehensive expense for the year		-	(3,127,133)	-	(2,446)	-	(3,129,579)	(5,675)	(3,135,254)
Transactions with owners of the company									
Issue of capital to shareholders	17	5,153,545	-	-	-	-	5,153,545	-	5,153,545
Issue of convertible notes	17	-	-	1,000,000	-	-	1,000,000	-	1,000,000
Non-controlling interest recognised on acquisition	16	-	-	-	-	-	-	416,500	416,500
Equity-settled share based payments	18	-	-	-	-	58,299	58,299	-	58,299
Total transactions with owners		5,153,545	-	1,000,000	-	58,299	6,211,844	416,500	6,628,344
Balance at 31 March 2020		5,153,545	(3,127,133)	1,000,000	(2,446)	58,299	3,082,265	410,825	3,493,090

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Consolidated statement of cash flows

For the year ended 31 March 2020
in New Zealand dollars

	Note	2020 $
Cash flows from operating activities		
Cash received from customers		159,603
Cash paid to suppliers and employees		(2,885,097)
Income tax paid		(263)
Interest received		869
Interest paid		(33,872)
Grant income		181,842
Net cash to operating activities		(2,576,918)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired		(533,500)
Acquisition of property, plant and equipment		(228,031)
Net cash to investing activities		(761,531)
Cash flows from financing activities		
Proceeds from issue of share capital		3,453,545
Proceeds from issue of convertible notes		1,000,000
Repayment of borrowings		(68,260)
Payment of lease liabilities		(59,885)
Net cash from financing activities		4,325,400
Net increase		986,951
Opening cash and cash equivalents 1 April		-
Closing cash and cash equivalents 31 March	6	986,951

This statement is to be read in conjunction with the notes to the financial statements

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Notes to the consolidated financial statements

1 Reporting entity

Trade Window Limited (the "Company") is a limited liability company incorporated and domiciled in New Zealand and registered under the Companies Act 1993.

Consolidated financial statements for the Group are presented. The consolidated financial statements of Trade Window Limited as at and for the year ended 31 March 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "subsidiaries"). The Company was incorporated on 8 December 2018 but only began trading during this financial year; hence, this is the first year for which financial statements have been prepared.

The subsidiaries are set out in note 15.

The Group's principal activity is develop and commercialise technology solutions that provide international trade participants with a secure platform and tools to establish trust and trade globally in an efficient manner across interconnected networks.

2 Basis of preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ('NZ IFRS RDR') and other applicable Financial Reporting Standards, as appropriate for Tier 2 for-profit entities.

The Group is eligible to report under Tier 2 For-Profit Accounting Standards on the basis that it does not have public accountability.

The financial statements were authorised for issue by the directors on the date included on page 1. The Group is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with that Act.

All accounting policies set out below have been consistently applied to all periods presented in these financial statements.

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 negative operating cash flows of $2.6m, the financial position shows working capital deficiency of $0.6m and the financial results show a net loss of $3.2m.

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 Directors' 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. The following critical assumptions have been made to form this conclusion:

1. Cash inflows from new and existing software products from sales to new customers and existing customers, of $5.9m;
2. Cash inflows from Callaghan in relation to R&D Project Grant Income of $0.3m;
3. The Group is able to raise additional funds of $2.1m from the issue of convertible notes to new and existing shareholder(s);
4. The Group is able to raise additional capital of $1.25m equity from new and existing shareholders.

These conditions and events represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. 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. Should the Group not achieve its financial forecasts and funding requirements, the Group may not 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.

It is the considered view of the Board of Directors that sufficient cash flows will be available to meet liabilities as they fall due for the next 12 months from the date of signing of these financial statements.

Refer to subsequent events note for Callaghan loan received and convertible notes issued after balance date.

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Notes to the consolidated financial statements (continued)

2 Basis of preparation (continued)

Basis of measurement

The financial statements have been prepared on the historical cost basis.

These financial statements are presented in New Zealand dollars ($) which is the Group's functional currency, rounded to the nearest dollar. They have been prepared on a GST exclusive basis except for receivables and payables that are stated inclusive of GST.

Use of estimates and judgements

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 these estimates.

The principal areas of judgement in preparing these financial statements are set out below. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 8 Property, plant and equipment, on the estimated useful lives of property, plant and equipment.
- Note 9 Leases, on determining whether a contract contains a lease, lease terms, incremental borrowing rate and lease renewal options.
- Note 10 Intangible assets, on the estimated useful lives of intangible assets.
- Note 16 Acquisition of subsidiary: fair value of the consideration transferred and fair value of the assets acquired and liabilities assumed, measured on a provisional basis.
- Note 17 Convertible Notes, on its classification as equity.

Basis of consolidation

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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 the 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.

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.

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Notes to the consolidated financial statements (continued)

2 Basis of preparation (continued)

Foreign currency

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.

Impairment

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment.

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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) 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.

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Notes to the consolidated financial statements (continued)

3 Revenue

Revenue from contracts with customers disaggregated by major revenue lines:	2020
	$
Transactional revenue	226,603
Subscription revenue	130,674
	357,277

Contract balances

Contract liabilities which are included in Sundry payables amount to $215,217.

Revenue policy

Transactional revenue

Transactional revenue comprises the revenue from per-transaction or per-service charges. Revenue is recognised as the services are provided to the customers over time. Customers are invoiced on regular monthly cycles. Unbilled revenue at year end is recognised as accrued income and is classified as a contract asset. Any unearned revenue at year end is recognised as contract liability.

Subscription revenue

Subscription revenue comprises the recurring monthly or annual fees from subscribers to SaaS and value-add products. Revenue is recognised as the services are provided to the subscribers over time. Subscribers are invoiced monthly or annually. Unbilled revenue at year end is recognised as accrued income and is classified as a contract asset. Any unearned revenue at year end is recognised as income in advance.

Other income

Other income comprises government grant income of $280,530 received from Callaghan Innovation. The Group is entitled to the Government's R&D project grant scheme which makes them eligible to reimbursement of 37% of project related costs through Callaghan Innovation. The Group is also entitled to the R&D experience funding grant for someone engaged in undergraduate or postgraduate study to work on a R&D project. The Group received grants for four eligible students during the year. Funding agreements are in place between the parties under which Trade Window Limited issues an invoice each month for the eligible project expenditure along with a project update, and at the end of the contract term for the experience grants.

4 Net financing costs

	2020
	$
Interest income	869
Finance income	869
Interest expense	(28,942)
Interest on lease liabilities	(4,930)
Finance expense	(33,872)
Net financing costs	(33,003)

Finance income and expenses policy

Finance income comprises interest income on funds invested using the effective interest method.

Finance costs comprise interest expense on borrowings and interest on lease liabilities.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Notes to the consolidated financial statements (continued)

5 Income tax

	2020 $
Tax recognised in profit or loss	
Current tax expense	
Current period	2,458
Total current tax expense	2,458
Deferred tax expense	
Origination and reversal of temporary differences	-
Total deferred tax expense	-
Total income tax expense	2,458
Reconciliation of effective tax rate	
Loss before tax	(3,130,350)
Income tax using the Group's domestic tax rate of 28%	(876,497)
Permanent differences	40,345
Deferred tax not recognised in current year	838,610
Income tax expense	2,458

The current tax liability of $2,195 represents the amount of income taxes payable in respect of the current period.

The Group has $2,995,036 of deductible temporary differences for which no deferred tax asset has been recognised in the statement of financial position.

Income tax policy

Tax expense comprises current and deferred tax and is calculated using rates enacted or substantively enacted at balance date. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case the tax is recognised as an adjustment against the item to which it relates.

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 adjustment to tax payable in respect of previous years.

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 on the initial recognition of goodwill. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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Notes to the consolidated financial statements (continued)

6 Cash and cash equivalents

	2020
	$
Bank accounts	1,298,421
Bank overdraft	(311,470)
Total cash and cash equivalents in the statement of cash flows	986,951

The bank accounts comprise cash balances held with ASB Bank Limited, which is a related party.

The Group also has an overdraft facility with the ASB Bank limited to a maximum of $150,000; this was temporarily increased to $350,000 during the year. The interest rate at balance date was 6.03% per annum.

Cash and cash equivalents policy

Cash and cash equivalents comprise cash balances and call deposits used by the Group in the management of its short-term commitments.

7 Trade and other receivables

	2020
	$
Trade receivables	294,354
Prepayments	29,343
	323,697

Trade and other receivables policy

Trade and other receivables are initially recognised at fair value, being their cost, and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Impairment is calculated based on an expected credit loss (ECL) model under NZ IFRS 9. Refer to note 13 for information about calculation and recognition of expected credit losses. The amount of the provision is recognised in profit and loss.

There was no provision for impairment recognised during the year.

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Notes to the consolidated financial statements (continued)

8 Property, plant and equipment

	2020				
	Leasehold improvements	Motor vehicles	Furniture and fittings	Plant and equipment	Total
	$	$	$	$	$
Cost					
Balance at 1 April 2019	-	-	-	-	-
Additions	43,100	50,078	16,500	118,353	228,031
Acquisitions through business combinations	-	-	-	7,688	7,688
Balance at 31 March 2020	43,100	50,078	16,500	126,041	235,719
Depreciation and impairment losses					
Balance at 1 April 2019	-	-	-	-	-
Depreciation for the year	(496)	(4,363)	(549)	(16,505)	(21,913)
Balance at 31 March 2020	(496)	(4,363)	(549)	(16,505)	(21,913)
Carrying amount					
At 31 March 2020	42,604	45,715	15,951	109,536	213,806

Property, plant and equipment policy

Recognition and measurement

All property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss within other income or other expenses**.**

Depreciation

For property, plant and equipment, depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The depreciation rates for significant items of property, plant and equipment are as follows:

Leasehold improvements			7.00 %
Motor vehicles			21.00 %
Furniture and fittings			10.50 %
Plant and equipment	30.00	to	67.00 %

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Impairment

The carrying amounts of property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

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

There was no impairment for assets recognised for during the year.

Notes to the consolidated financial statements (continued)

9 Leases

Right of use assets

	Buildings	Total
	$	$
Balance at 1 April 2019	-	-
Additions	791,534	791,534
Depreciation charge for the year	(62,715)	(62,715)
Balance at 31 March 2020	728,819	728,819

Lease liabilities

	2020
	$
Current	273,047
Non-current	458,602
Total lease liabilities	731,649

The interest rate applied to lease liabilities is 4.20%, and the leases mature between 21 April 2021 and 28 February 2023. The Group is exposed to future cash flows arising from extension options.

Amounts recognised in profit and loss:	2020
	$
Interest on lease liabilities	4,930
Depreciation of right of use assets	62,715

Amounts recognised in statement of cash flow:	2020
	$
Interest on lease liabilities	4,930
Principal lease payments	(59,885)

Leases policy

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. Where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset;
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Notes to the consolidated financial statements (continued)

9 Leases (continued)

Recognition and measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Impairment

The right-of-use asset is regularly assessed for impairment (refer Note 2).

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Notes to the consolidated financial statements (continued)

10 Intangible assets

	2020			
	Software	Customer relationships	Goodwill	Total
	$	$	$	$
Cost				
Balance at 1 April 2019	-	-	-	-
Acquisitions through business combinations	3,390,605	456,016	995,691	4,842,312
Balance at 31 March 2020	3,390,605	456,016	995,691	4,842,312
Amortisation and impairment losses				
Balance at 1 April 2019	-	-	-	-
Amortisation for the year	(181,530)	(11,401)	-	(192,931)
Balance at 31 March 2020	(181,530)	(11,401)	-	(192,931)
Carrying amount				
Balance at 31 March 2020	3,209,075	444,615	995,691	4,649,381

Intangible assets policy

Recognition and measurement

Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

Software	1	to	5 years
Customer relationships			10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the consolidated financial statements (continued)

11 Trade and other payables

	2020
	$
Trade payables	60,338
Sundry payables	231,524
Accruals	123,112
Employee benefits	226,028
	641,002

Trade and other payables policy

Trade and other payables are measured at cost, being their fair value. These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits policy

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid for outstanding annual leave balances if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

12 Interest bearing loans and borrowings

	2020
Current	$
Vendor loan	607,623
ASB term loan	244,323
	851,946
Non-current	
ASB term loan	1,067,085
	1,067,085
Total Interest bearing loans and borrowings	1,919,031

Terms and repayment schedule

	Currency	Interest rate	Maturity date	2020
				$
Vendor loan	NZD	10.00%	17 January 2021	607,623
ASB term loan	NZD	6.30%	29 January 2025	1,311,408
				1,919,031

A vendor finance loan of $637,291 was sought with Prodoc Limited in relation to acquisition of its business assets by Tradewindow Prodoc Limited on 17 January 2020. The loan is unsecured and monthly payments of $20,000 are being made with the remaining loan balance is due in full on maturity date.

The ASB term loan is subject to certain lending covenants:

- Equity ratio is to be no less than 35.0%
- Debt to EBITDA no greater than 2.5
- Interest cover to be greater than 3.0

The ASB loan is secured over the assets of Tradewindow Prodoc Limited together with an unlimited guarantee and indemnity from Trade Window Limited.

Notes to the consolidated financial statements (continued)

12 Interest bearing loans and borrowings (continued)

Interest bearing loans and liabilities policy

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date

13 Financial instruments classification

Financial instruments are recognised in the Statement of Financial Position when the Group becomes party to a financial contract. They include cash and cash equivalents, trade and other receivables, trade and other payables, interest bearing loans and borrowings, lease liabilities and related party payables.

Financial assets (except for trade receivables without a significant financing component) and liabilities are initially measured at fair value plus, for an item not at 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.

Financial assets and liabilities are classified into the following categories:

Financial assets held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions, and is not designated as at fair value through profit and loss (FVTPL):

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

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit and loss.

Financial assets held at amortised cost comprise: cash and cash equivalents and trade and other receivables.

Financial liabilities held at amortised cost

Financial liabilities not designated as at FVTPL on initial recognition are classified as at amortised cost. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit and loss.

Financial liabilities held at amortised cost comprise: trade and other payables, interest bearing loans and borrowings, lease liabilities, and related party payables.

Impairment - financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

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Notes to the consolidated financial statements (continued)

14 Related parties

Key management personnel

The Group has a related party relationship with its directors and other key management personnel. Remuneration of key management personnel during the year amounted to $392,733.

Other related parties

ASB Bank Limited is a shareholder of the Group. The Group issued convertible notes amounting to $1,000,000 (see Note 17) to ASB Bank Limited. The Group has bank balances with the ASB Bank (see Note 6) as well as some interest bearing loan facilities as stated in Note 12.

Transactions involving related entities

The entities, the nature of the relationship and the types of transactions which the Group entered into during the period are detailed below:

Related entity	Nature of relationship	Types of transactions
Technalise Limited	Shareholder	Support services agreement
ASB Bank Limited	Shareholder	Funds advanced, convertible notes issued, balances payable, cash at bank
Prodoc Ltd	Shareholder	Balances payable
Independent Verification Services Limited	Common ownership	IVS Origin – IVS Group support services
F40 Developments Ltd	Common ownership	Consultancy agreement with Trade Window Ltd
Kerry Friend	Executive Director	Consultancy service agreement

The following transactions between related parties occurred during the year:

	2020				
Related party	Purchases of goods and services $	Balances payable $	Interest bearing loans	Cash at bank $	Convertible Notes $
Technalise Limited	260,080	58,754	-	-	-
ASB Bank Limited	-	-	1,311,408	986,951	1,000,000
Prodoc Ltd	-	-	607,623	-	-
Independent Verification Services Limited	37,080	19,003	-	-	-
F40 Developments Ltd	62,500	23,958	-	-	-
Key Management Personnel	392,733	13,972	-	-	-
	752,393	115,687	1,919,031	986,951	1,000,000

The related party balance payable to ASB Bank Limited is secured over the assets of Tradewindow Prodoc Limited and interest is charged at 6.30% (refer Note 12) while interest on the loan to Prodoc Limited is charged at 10%. All other balances are unsecured and are repayable on demand. No related party debts have been written off or forgiven during the year.

15 List of subsidiaries

Set out below is a list of material subsidiaries of the Group:

	Country of incorporation	2020
Trade Window Pty Limited	Australia	100%
Trade Window Pte Limited	Singapore	100%
Tradewindow Prodoc Limited	New Zealand	100%
IVS Origin Limited	New Zealand	51%

Tradewindow Prodoc Limited was incorporated on 25 July 2019. On 17 January 2020, Tradewindow Prodoc Limited purchased the business of Prodoc Limited as a going concern through a capital investment of $1.5m, borrowings from the ASB Bank and vendor finance with Prodoc Limited totaling $4m.

Notes to the consolidated financial statements (continued)

16 Business acquisitions

a) Acquisition of subsidiary: IVS Origin Limited

On 6 January 2020, Trade Window Limited acquired 51% of shares and voting rights in IVS Origin Limited.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred

	$
Cash	233,500
Equity transferred (63,492 ordinary shares)	200,000
Total consideration transferred	433,500

Identifiable assets acquired and liabilities assumed

	$
Software	376,620
Customer relationships	116,072
Total identifiable net assets acquired	492,692

Goodwill arising from the acquisition has been recognised as follows:

	$
Consideration transferred	433,500
Non-controlling interest	416,500
Fair value of identifiable net assets	(492,692)
Goodwill	357,308

b) Acquisition of business: Prodoc Limited

On 17 January 2020, Tradewindow Prodoc Limited entered into a sale and purchase agreement to purchase the business of Prodoc Limited.

There is a contingent consideration reflected in the repayment of shareholder loan of $637,291. Subsequent to the acquisition, the vendor has been engaged by Trade Window Prodoc Limited and needs to ensure the acquired business retains its existing customers and revenues. A shortfall in percentage of achievement of the weighted average KPI targets shall result in a decrease of the shareholder loan amount by two times of the percentage of the shortfall. The maximum contingent amount is estimated to be $450,000.

Management's expectation is that the amount will be paid in full as the performance targets are expected to be achieved in full. Hence, the entire loan balance has been recorded as consideration transferred.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred

	$
Cash	1,650,000
Equity transferred (476,190 ordinary shares)	1,500,000
Shareholder loan	637,291
Employee benefits & deferred income assumed	212,709
Total consideration transferred	4,000,000

Notes to the consolidated financial statements (continued)

16 Business acquisitions (continued)

Identifiable assets acquired and liabilities assumed

	$
Property, plant and equipment	7,688
Software	3,013,985
Customer relationships	339,944
Total identifiable net assets acquired	3,361,617

Goodwill arising from the acquisition has been recognised as follows:

	$
Consideration transferred	4,000,000
Fair value of identifiable net assets	(3,361,617)
Goodwill	638,383

17 Share capital

	Number of shares	2020 $
Shares		
Balance 1 April	1,000,000	-
Issue of ordinary shares	4,095,151	3,453,544
Shares issued in respect of business acquisitions	539,682	1,700,000
Balance at 31 March	5,634,833	5,153,544

On 17 January 2020, Trade Window Limited issued 476,190 shares to Prodoc Limited valued at $1,500,000 and on 6 January 2020 issued 31,746 issues to Ngatoto Trust and 31,746 shares to Masambri Holdings Limited as part of acquisition of IVS Origin Limited to the value of $200,000.

At 31 March 2020, share capital comprised 5,634,833 shares. All issued shares rank equally, are fully paid and have no par value.

Share capital policy

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

Convertible notes

Convertible notes of $1,000,000 (1,000,000 notes at $1) were issued to ASB Bank Limited on 25 March 2020 and will be converted to share capital by the Company on maturity date, 30 September 2021 at $8.64 per share or upon conversion date should the Company complete a capital raise. The convertible notes rank equally and have a final conversion date of 30 September 2021 as stipulated in the agreement between relevant parties.

The value of the liability component of the convertible notes is nil, as there is no obligation for the Company to deliver any number of shares on conversion of the notes. The settlement of the notes can only occur after the completion of a capital raise, which is in the control of the Company.

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Notes to the consolidated financial statements (continued)

17 Share capital (continued)

Convertible notes policy

Convertible notes are denominated in New Zealand dollars and can be converted into ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with change in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recorded.

18 Share-based payment arrangements

The Group established a share option programme that entitled employees to purchase shares in the Company on 31 October 2019, which was revised on 25 March 2020. Under this programme, holders of vested options are entitled to purchase shares at the exercise price specified at grant date. All options are to be settled by the physical delivery of shares.
The number and weighted average exercise prices of share options under the employee share option programme were as follows:

	2020	
	Number of options	Weighted average exercise price $
Outstanding at the beginning of the period	-	-
Granted during the period	31,746	0.00315
Outstanding at the end of the period	31,746	0.00315
Vested at the end of the period	18,522	0.00315

Grant date	**Number of instruments**	**Vesting conditions**	**Contractual life of options**
Options granted to employees			
31 October 2019	15,873	Must be employed by the Company on vesting date	5 years
1 February 2020	15,873	Same as above	5 years
	31,746		

Expense recognised in profit or loss

The total expense recognised in the Statement of Comprehensive Income during the year was $58,291.

Shares granted for services provided

The Company has an ownership-based participation rights scheme for employees. In accordance with the provisions of the scheme, as approved by the directors and shareholders, grantees have been granted options to purchase ordinary shares at an exercise price based on the fair value of Trade Window Limited's shares on the date of the grant as approved by the directors.

Once granted, options vest over a period of time which is stated in the options offer letter to the grantee. The grantee may exercise an option that has vested at any time during the period commencing on the date on which the option vested and ending on the expiry date.

Under the terms of the scheme unvested options lapse immediately on termination of service. For a good leaver, as defined, vested options must be exercised within three months following termination of services, and any options exercised and converted to shares may be retained. For a bad leaver, as defined, vested options are cancelled on the leaving date, and any options previously exercised and converted to shares must be sold back to the company at 90% of the original exercise price

The share based payments reserve is used to record the value of share based payments provided to employees including key management personnel, as part of their remuneration.

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Notes to the consolidated financial statements (continued)

18 Share-based payment arrangements (continued)

Share-based payments policy

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

19 Capital commitments

There are no capital commitments at balance date.

20 Contingencies

There are no contingent liabilities at balance date.

21 COVID-19

On 11 March 2020, the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, on 25 March 2020, the New Zealand Government raised its Alert Level to 4 (full lockdown of non-essential services) for an initial 4 week period. The actions by the New Zealand Government and New Zealand communities in response to the pandemic have affected the operations of the business as a result of the quarantines and travel restrictions in connection with the pandemic. Due to the nature of the Group's business, the pandemic may also provide opportunities for accelerated adoption of digital business practices in the export industry. The impact of these measures will primarily affect the 2021 financial year and are yet to be fully determined. As there was no significant impact on the Group as at 31 March 2020, no adjustments have been made to the financial statements for COVID-19.

22 Subsequent events

The Company received wage subsidies from the New Zealand Government in connection to the COVID-19 pandemic in April and August 2020, totaling $299,930.

On 13 August 2020, the Company received an R&D loan of $400,000 from Callaghan Innovation as assistance for the economic impacts of COVID-19 on the business. Loan balance at 30 September was $401,611 which included interest accrual of 3%.

On 24 August 2020, the Company received R&D tax credit refund of $475,902 from the IRD. The Company had R&D tax losses of $1,700,000 for the year ended 31 March 2020 which converts to an R&D tax credit balance of $476,000 of which $475,902 has been cashed out.

Since balance date, the Company has received further capital raise investments from various investors in the form of convertible notes totaling $2,340,000.

In September 2020, the Prodoc Vendor Loan repayment date was extended six months to 17 July 2021 and the contingent consideration clause waived.

There have been no other events subsequent to balance date which would materially affect the financial statements.

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Independent Auditor's Report

To the shareholders of Trade Window Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Trade Window Limited (the 'company') and its subsidiaries (the 'group') on pages 3 to 23:

i. present fairly in all material respects the Group's financial position as at 31 March 2020 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 March 2020;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to the preparation of financial statements. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Material uncertainty related to going concern

We draw attention to Note 2 of the consolidated financial statements, which indicates the company needs to generate additional cash flows from sales, obtain research grants and raise additional capital and debt financing in a manner consistent with the Director's expectations in order to continue as a going concern. As stated in Note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Our opinion on the consolidated financial statements does not cover any 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 in the audit or otherwise appears materially misstated. If, based on the work we have performed, 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.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime);
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

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

Our objective is:

- 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 independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/

This description forms part of our independent auditor's report.

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KPMG
Auckland

13 October 2020