Annual Report 2022

FOS Capital Limited
ACN 637 156 275

CORPORATE DIRECTORY

COMPANY'S REGISTERED ADDRESS

FOS Capital Limited
ACN: 637 156 275
Unit 3B/41 Rose Street Richmond VIC 3121
PH. 1300 241 087
www.foscapital.com.au

ASX CODE - **FOS**

DIRECTORS

Alexander (Sandy) Beard (Non-Executive Chairman)
Con Scrinis (Managing Director, Chief Executive Officer)
Michael Koutsakis (Executive Director)
Michael Monsonego (Non-Executive Director)

COMPANY SECRETARY

Hemant Amin

LEGAL ADVISORS

Nicholson Ryan Lawyers
Level 7, 420 Collins Street Melbourne VIC 3000
PH: 03 9640 0400

AUDITOR

William Buck Audit
Level 20, 181 William Street Melbourne VIC 3000
PH: 03 9824 8555

SHARE REGISTRY

Boardroom Pty Ltd
Level 12, 225 George Street Sydney NSW 2000
PH: 1300 737 760
www.boardroomlimited.com.au

Further investor information can be located in the
Investor Relations tab on FOS Capital's website at https://www.foscapital.com.au

CHAIRMAN & MANAGING DIRECTORS REPORT

Dear Shareholders

FOS Capital has completed a successful first year as a listed company growing the business organically and completing the acquisition of New Zealand based Ecopoint Lighting.

The business now has manufacturing operations in Brisbane and sales offices or distributors in all major capital cities in Australia and New Zealand supported by 50 loyal and committed employees.

Sales for the year increased 66% to a record $13.5 million and the company reported Net Profit after Tax of $348,938. Operating cash flow for the year was $704,000 and cash on hand $1.9 million.

Over the course of the year the company continued to win many major projects across all regions closing with a record order book of $6.2 million a 62% increase from the previous year.

Operations

Numerous business improvements have been implemented throughout the course of the year. We have further expanded the functionality of our ERP system, integrating sales and production leading to operational efficiencies. Product development continues to drive sales growth and the joint collaboration with Forma Lighting to develop the ZERO framing projector led to securing the order to supply the Art Gallery of NSW project. We have also continued the expansion of the Vekta linear product range which has now become our biggest selling product line.

Maiden Dividend

The Directors are pleased to declare a maiden fully franked dividend of 0.5c per share.
The final dividend will be paid on 24 October 2022 to shareholders registered as at 14 September 2022.

Ecopoint Lighting

In October 2021 FOS acquired New Zealand commercial lighting company Ecopoint. The acquisition has transitioned seamlessly with Ecopoint positively contributing to the groups operations. Systems integration is nearing completion and we have expanded the sales team as we look to grow sales of the FOS product range into the New Zealand market.

iCore

In December 2021 FOS were appointed the exclusive distributor in Australia and New Zealand of the iCore smart pole which is a new technology multi-functional IoT pole that we have now signed a license agreement to manufacture in Australia.

Outlook

With a record active quote pipeline of $56 million and a solid commercial construction market, the foundations have been laid for an even stronger year ahead as we continue pursuing further acquisition opportunities.

We take this opportunity to thank all stakeholders for their ongoing support.

HIGHLIGHTS FY22

Sales

+66%

to $13.5m

Order Book

+62%

to $6.2m

Operating Cashflow

$0.7M

Dividends

Fully franked dividend 0.5 cents per share

Acquired

Ecopoint Lighting

Appointed

iCore pole distributor

NPAT

$0.34M

P&L ($m)	FY22	FY21
Sales	13.5	8.1
PBT	0.41	0.79
NPAT	0.34	0.74
Operating Cashflow	0.7	(0.9)

CONTENTS

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity consisting of FOS Capital Limited and the entities it controlled, for the financial year ended on 30 June 2022 and auditor's report thereon. Comparative financial information shown in this financial statement is for the year ended on 30 June 2021.

DIRECTORS

The names of each of the directors of the company in office during or since the end of the financial year are set out below, together with their qualifications, experience and special responsibilities are shown below.

Mr Alexander (Sandy) Beard, Non-Executive Director since 23 November 2020
Sandy is a seasoned Company Director, Investor and Investment professional focussed on driving value from small cap ASX listed companies and private equity and early stage investments. He is Chairman and substantial holder in ASX Listed Hancock & Gore Limited, a diversified investment company. Previously was CEO and MD of CVC Limited from 2001 – 2019 where he oversaw investment returns in excess of 15% per annum over that period. He has extensive experience working with investee businesses, both in providing advice and in direct management roles, especially bringing management expertise to early-stage businesses and in turning around financial performance to deliver substantial shareholder returns for sustained periods.

Sandy's key focus is extracting and overseeing the creation of shareholder value from the companies with which he is involved.

Sandy Beard is currently Executive Chairman of Hancock & Gore Limited (ASX:HNG), Chairman of Anagenics Limited (ASX:AN1) and Director of Centrepoint Alliance (ASX:CAF).

Interests in shares: Sandy indirectly holds 80,000 fully paid ordinary shares

Con Scrinis, Managing Director since 31 October 2019
Con has been involved in the electrical and lighting industry for over 36 years. He founded commercial lighting manufacturer Moonlighting in 1991. Moonlighting employed 150 staff with revenues of +$30M. Moonlighting was sold to Gerard Lighting in 2004.

He then founded and was Managing Director of ASX listed Traffic Technologies which developed the first Australian Standard approved LED traffic light. Traffic Technologies had +$100M in revenues across 3 divisions, Traffic lights, Traffic management and Traffic Signs. Con was a major shareholder and Director of ASX listed Enevis Ltd formerly Stokes Ltd which transformed from an appliance parts manufacturer and distributor to a lighting and audio visual business.

Interests in shares: Con indirectly holds 11,250,000 fully paid ordinary shares

Michael Koutsakis, Executive Director since 31 October 2019
Michael completed his Degree in Electrical and Computing Engineering at Monash University and has been involved in the electrical / lighting industry for over 29 years. Michael has held senior sales & marketing positions Sunlighting/Holophane, Moonlighting, Zumtobel / Bega, and WE-EF lighting. Michael then joined the ASX listed Enevis Limited formerly Stokes Limited as Executive General Manager Lighting in order to further develop and grow the companies lighting division.

Interests in shares: Michael indirectly holds 11,250,000 fully paid ordinary shares

Michael Monsonego, Non-executive Director since 31 October 2019
After graduating the IDF as field medic in 1999 Michael attended Hadassah College in Jerusalem to study computers engineering. He joined Israeli TV broadcast company TELAD as a software engineer working on digital broadcasting systems. After 2 years he was promoted to lead the software team of TELAD. In 2004 Michael took up a new position as software engineer at Optibase in Israel, leading provider of video over IP solutions. In 2009 he joined Forma lighting in the R&D team responsible for developing LED lighting solutions. Michael then moved through the ranks and now holds the position of General manger of Forma Lighting Hong Kong.

Interests in shares: Michael indirectly holds 7,500,000 fully paid ordinary shares

DIRECTORS' REPORT (CONT'D)

COMPANY SECRETARY

Hemant Amin
Hemant is a certified practicing accountant with over 31 years of accounting and business experience. He has worked for both large multinational and public companies as well as smaller family owned operations.

He has been Company Secretary of ASX Listed Oakdale Resources Limited since 2010 and prior to this he was CFO-Company Secretary of Stokes Limited (now Enevis Ltd) during 2012 to 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated entity includes the manufacture of a full range of commercial luminaires, outdoor fittings and linear extruded lighting and the distribution of a complete range of commercial and architectural lighting solutions.

REVIEW OF OPERATIONS

The Directors of FOS Capital Ltd take great pleasure in reporting to you the substantial work and progress that has been achieved during the year ended 30 June 2022.

The financial result for the year ended 30 June 2022 was a profit after tax of $348,938 (2021: $742,111).

Revenue for the year ended 30 June 2022 increased by 66% to $13.5 million, orders in hand at June 2022 increased by 62% to $6.2 million compared to $3.8 million at June 2021 and active quotes at June 2022 was $54 million compared to $42 million at June 2021.

The Company was listed on ASX on 7 June 2022 and completed a successful first year as a listed company growing the business organically and completing the acquisition of New Zealand based Ecopoint Lighting.

On 1 October 2021 the Company acquired 100% shareholding in Ecopoint Ltd, New Zealand. Ecopoint Ltd was established over 12 years ago and has 11 employees and services the commercial lighting market in New Zealand.

The combined businesses are very complementary and leveraging FOS's extensive industry experience, the additional 14 exclusive product ranges and having access to a custom manufacturing capability will provide significant growth opportunities for Ecopoint in the New Zealand market. FOS will also market the Ecopoint, SOLUS & Extenza ranges in Australia via its extensive distribution network.

The combined FOS and Ecopoint business has much further reach geographically with operations in all major cities in Australia and New Zealand and an expanded product range and larger sales team.

The coming year is looking extremely promising with a healthy project pipeline.

SIGNIFICANT CHANGES IN THE STATE OF AFAIRS

The directors are not aware of any matters or circumstances not otherwise dealt with in this report that has significantly or may significantly affect the operations or the state of affair of the Consolidated entity in future financial years.

DIVIDENDS

The Company declared fully franked dividends on ordinary shares for the financial year ended 30 June 2022 of 0.5 cents per share. The record date of the final dividend is 14 September 2022 with payment to be made on 24 October 2022.

No dividends have been paid by the company in respect of the year ended 30 June 2021.

Options
For the year ended 30 June 2022 and up to the date of this report, no options or any other contingent equity instruments have been granted or issued by the company.

DIRECTORS' REPORT (CONT'D)

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The company's operations are not subject to any significant environmental regulations under the Commonwealth or State legislation. However, the Directors believe that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the economic entity.

PROCEEDING ON BEHALF OF THE COMPANY

No proceedings have been brought on behalf of the company or its controlled entities.

OUTLOOK

The year ahead looks extremely promising, there are a number of projects in the pipeline, and the company is well placed to take advantage of opportunities as they arise.

EVENTS SUBSEQUENT TO BALANCE DATE

The directors are not aware of any matters or circumstances not otherwise dealt with in this report that has significantly or may significantly affect the operations or the state of affair of the Consolidated entity in future financial years.

DIRECTORS MEETINGS

The number of Directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director) are as follows:

Director	Directors Meetings	
	Eligible to attend	Attended
Con Scrinis	6	6
Michael Koutsakis	6	6
Michael Monsonego	6	6
Mr Alexander (Sandy) Beard	6	6

AUDITOR INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is provided with this report on page 50.

DIRECTORS' REPORT (CONT'D)

NON-AUDIT SERVICES

Non-audit services are approved by directors. Non-audit services were provided by the auditors of the consolidated entity during the year, namely William Buck Melbourne, network firms of William Buck, and other non-related audit firms. The directors are satisfied that the provision of following non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by FOS Capital Limited and have been reviewed and approved by the directors to ensure they do not impact on the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards), as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for FOS Capital Limited or any of its related entities, acting as an advocate for FOS Capital Limited or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of FOS Capital Limited or any of its related entities.

	2022 $	2021 $
Amounts paid and payable to William Buck *(Melbourne)* for non-audit services:		
Taxation and other assurance services	23,000	43,708

STAFF

The Board appreciates the support it continues to have from the company's staff, and acknowledges, with thanks, the efforts they are all making to assist the company through this growth period.

ROUNDING OF AMOUNTS

In accordance with ASIC Corporations (Rounding in the Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for key management personnel of FOS Capital Limited.

REMUNERATION PHILOSOPHY

Remuneration levels are set by the company in accordance with industry standards to attract and retain suitable qualified and experienced Directors and senior executives. The company has not engaged a remuneration consultant.

The company distinguishes the structure of non-executive Director's remuneration from that of executive Directors and senior executives. The total amount paid to all Non-Executive Directors for their services must not exceed, in aggregate in any financial year, the amount fixed by the Company in general meeting. This amount has been fixed initially at $200,000.

There are formal contracts of employment for the executives and non-executive directors of the Company.

The remuneration for executive Directors is currently not linked to the Company's financial performance or share price. None of the remuneration of the Directors listed below was considered at risk.

There are no incentives and no retirement schemes in place for key management personnel of the Consolidated entity.

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Details of key management personnel

Con Scrinis	Managing Director
Michael Koutsakis	Executive Director
Michael Monsonego	Non-Executive Director
Mr Alexander (Sandy) Beard	Non-Executive Director
Pauline Koutsakis	Marketing executive

Directors' and other officers' emoluments

	Short Term Salary and fees	
	2022	2021
Name of Director	$	$
Con Scrinis	240,000	240,000
Michael Koutsakis	240,000	240,000
Michael Monsonego	25,000	-
Mr Alexander (Sandy) Beard	50,000	20,833
Marketing executive		
Pauline Koutsakis	66,000	66,000
	621,000	**566,833**

Consequences of Company's performance on shareholder wealth

The following table summarises company performance for last two financial years of its operations and key performance indicators:

	2022	2021	2020 *
Revenue	$13,506,901	$8,156,915	$2,795,466
% increase in revenue	66%	191%	n/a
Profit before tax	$411,194	$789,280	$133,962
% increase in profit before tax	-48%	489%	n/a
Dividend paid or payable to shareholders (in cents)	0.5	-	-
Total remuneration of KMP	$621,000	$566,833	$270,000
Total performance based remuneration	-	-	-
Revenue	$13,506,901	$8,156,915	$2,795,466

* 2020 was the first year of operation for the Company, revenue, profit and remuneration information shown is for the period 31 October 2019 to 30 June 2020.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Directors' equity holdings

As at 30 June 2022 key management personnel had relevant interests in ordinary shares in FOS Capital Limited as follows:

Director	Shares held Directly	Shares held indirectly	Total
Con Scrinis	-	11,250,000	11,250,000
Michael Koutsakis	-	11,250,000	11,250,000
Michael Monsonego	-	7,500,000	7,500,000
Mr Alexander (Sandy) Beard	-	80,000	80,000

There was no change in director shareholding interests for the year.

As at 30 June 2021, the key management personnel had relevant interests in the following number of ordinary shares in FOS Capital Limited:

Director	Shares held Directly	Shares held indirectly	Total
Con Scrinis	-	11,250,000	11,250,000
Michael Koutsakis	-	11,250,000	11,250,000
Michael Monsonego	-	7,500,000	7,500,000
Mr Alexander (Sandy) Beard	-	80,000	80,000

Directors did not hold any options as at 30 June 2022.

Key management personnel did not receive any share-based compensation during the year.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

KMS Properties Pty Ltd, an entity related to directors leased the premises to the Company, on an arm's length commercial premises leasing terms starting from 30 November 2019 for an initial term of 5 years. During the year ended 30 June 2022, the Consolidated entity paid $73,680 (2021 - $72,000).

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of FOS Capital Limited is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement (CGS) in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on the Company's website.

Accordingly, a copy of the Company's CGS is available on the FOS Capital website at
https://www.foscapital.com.au/corporate-governance

Signed on 29 August 2022 in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

Con Scrinis

Director
29 August 2022

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes	FY 2022 $	FY 2021 $
Revenue and other income			
Revenue from contracts with customers	5(a)	13,506,901	8,156,915
Cost of sales		(7,791,563)	(4,872,299)
Gross profit		5,715,338	3,284,616
Other Income	5(b)	382,266	1,383,988
Share of profit from JSB lighting		-	14,949
Expenses			
Admin and corporate expenses		(3,557,572)	(1,675,668)
Marketing, selling and distribution expenses		(1,246,259)	(975,213)
Depreciation of right of use assets	5(e)	(723,740)	(516,037)
Depreciation & amortisation	5(d)	(110,482)	(113,714)
Finance costs		(48,357)	(38,702)
IPO costs		-	(172,491)
Impairment of right of use assets	11(a)	-	(402,448)
Total expenses		(5,686,410)	(3,894,273)
Profit before income tax		411,194	789,280
Income tax expense	7	(62,256)	(47,169)
Profit after income tax		348,938	742,111
Other comprehensive income			
Items that may be reclassified to profit or loss:			
- Foreign currency translation (loss) / gain		(97,930)	117
Total comprehensive income attributable to: members of the parent entity		251,008	742,228
Earnings per share for profit attributable to the equity holders of the entity:			
Basic and diluted earnings per share (cents per share)	18	0.76	2.27

The above statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	30 June 2022 $	30 June 2021 $
Current Assets			
Cash and cash equivalents	21(a)	1,890,246	2,965,249
Trade and other receivables	8	1,819,831	2,302,275
Inventories	9	3,853,032	2,451,465
Prepayments		207,458	112,680
Total Current Assets		**7,770,567**	**7,831,669**
Non-Current Assets			
Plant and equipment	10	437,886	397,464
Deposits		45,000	45,000
Right of use assets	11(a)	1,285,975	938,863
Intangible assets	12	1,535,212	1,025,603
Deferred tax assets	13	715,293	745,978
Total Non-Current Assets		**4,019,366**	**3,152,908**
Total Assets		**11,789,933**	**10,984,577**
Current Liabilities			
Trade and other payables	14	1,847,183	1,603,197
Lease liabilities	11(b)	666,499	630,625
Provision for employee entitlements	15	516,703	440,017
Provision for current income tax expense		144,570	366,398
Provision for warranty		-	42,252
Total Current Liabilities		**3,174,955**	**3,082,489**
Non-Current Liabilities			
Lease liabilities	11(b)	795,850	675,746
Deferred tax liabilities		243,308	282,041
Provisions – employee entitlements	15	36,211	21,419
Total Non-Current Liabilities		**1,075,369**	**979,206**
Total Liabilities		**4,250,324**	**4,061,695**
Net Assets		**7,539,609**	**6,922,882**
Equity			
Contributed equity	17	4,054,389	3,688,670
Foreign currency translation reserve		(97,813)	117
Retained earnings		3,583,033	3,234,095
Total Equity		**7,539,609**	**6,922,882**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Contributed Equity $	Foreign currency translation reserve $	Retained earnings $	Total $
As at 1 July 2021	3,688,670	117	3,234,095	6,922,882
Profit after income tax expense for the year	-	-	348,938	348,938
Change in foreign currency translation reserve	-	(97,930)	-	(97,930)
Total comprehensive income for the year	-	(97,930)	348,938	251,008
Transactions with owners in their capacity as owners:				
Issue of shares – Ecopoint acquisition (note 17)	365,719	-	-	365,719
As at 30 June 2022	4,054,389	(97,813)	3,583,033	7,539,609

	Contributed Equity $	Common control reserve $	Foreign currency translation reserve $	Retained earnings $	Total $
As at 1 July 2020	400,100	2,415,467	-	76,517	2,892,084
Profit after income tax expense for the year	-	-	-	742,111	742,111
Change in foreign currency translation reserve	-	-	117	-	117
Total comprehensive income for the year	-	-	117	742,111	742,228
Transactions with owners in their capacity as owners:					
Transfer of common control reserves to retained earnings	-	(2,415,467)	-	2,415,467	-
Issue of shares – JSB Lighting acquisition	600,000	-	-	-	600,000
Issue of share – Initial public offering (IPO)	2,688,570	-	-	-	2,688,570
As at 30 June 2021	3,688,670	-	117	3,234,095	6,922,882

The above statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	FY 2022 $	FY 2021 $
Cash flows from operating activities			
Receipts from customers		15,608,953	8,891,220
Proceeds from grant income (COVID support)		160,426	578,100
Payments to suppliers and employees		(14,725,086)	(10,329,390)
Interest received		829	17
Payment of interest		(48,357)	(38,702)
Payment of income tax		(292,132)	(3,622)
Net cash provided by / (used in) operating activities	21 (b)	**704,633**	**(902,377)**
Cash flows from investing activities			
Payment for property, plant and equipment		(95,461)	-
Cash balance obtained on acquisition of business	22	689,527	1,197,934
Payments for acquisition of Ecopoint	22	(1,443,826)	-
Net cash (used in) / provided by investing activities		**(849,760)**	**1,197,934**
Cash flows from financing activities			
Proceeds from issue of shares, net of costs		-	2,688,570
Payment of lease liabilities		(831,946)	(667,486)
Net cash (used in) / provided by financing activities		**(831,946)**	**2,021,084**
Net increase in cash held		**(977,073)**	**2,316,641**
Increase / (decrease) in foreign currency reserves		(97,930)	-
Cash and cash equivalents at the beginning of the financial year		2,965,249	648,608
Cash and cash equivalents at the end of the financial year	21(a)	**1,890,246**	**2,965,249**

The above statement should be read in conjunction with the accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. SUMMARY OF SIGNIFICANT ACCOUTNING POLICIES

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a. Basis of preparation

This financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards, Interpretations, and other applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The financial report covers FOS Capital Limited and controlled entities as a consolidated entity. FOS Capital Limited is a company limited by shares, incorporated, and domiciled in Australia. The address of FOS Capital Limited's registered office and principal place of business is Unit 3, 41 Rose Street, Richmond, VIC 3121. FOS Capital Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are presented in Australian dollars, which is FOS Capital Limited's functional and presentation currency.

Comparative financial information shown in this financial statement is for the year ended 30 June 2021.

The financial report of FOS Capital Limited for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 29 August 2022.

Compliance with IFRS

The consolidated financial statements of FOS Capital Limited also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention with the exception of the fair valuation of assets acquired upon business combinations, as disclosed in note 20 to the financial statements.

Significant accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

b. Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The Consolidated entity controls an entity when it is exposed to, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

c. Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

SUMMARY OF SIGNIFICANT ACCOUTNING POLICIES (CONT'D)

Associates (Continued)

When the consolidated entity's share of losses in an associate equals to or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

d. Going Concern

The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

e. Financial instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs. Thereafter, all financial instruments are measured at amortised cost, less any impairment charges

f. Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation is calculated on a straight-line basis or diminishing value over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 10 years
Leasehold improvements – over 3 to 10 years

The assets residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

g. Intangible assets

Brand name

The Consolidated entity acquired the JSB Lighting brand name, a result of acquisition of business (refer to note 20). The value of brand name is amortised on a straight-line basis over the period of their expected benefit, being their finite life of 20 years.

The brand name is tested for impairment if there are indicators of impairment

Goodwill

Goodwill is carried at cost less any impairment losses.

Goodwill is calculated as the excess of the sum of:

- The consideration transferred;
- Any non-controlling interest; and
- The acquisition date fair value of any previously held equity interest;

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

SUMMARY OF SIGNIFICANT ACCOUTNING POLICIES (CONT'D)

Intangible assets (Continued)

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value re measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Consolidated entity's cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment.

Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

h. Borrowing costs

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

i. Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs are accounted for as follows:

Raw materials – average purchase cost. The cost of purchase comprises the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition of raw materials.

Finished goods and work-in-progress – average cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Provision has been made for any obsolescence of inventory for an inability to utilise the material for any products sold by the Consolidated entity, for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.

j. Trade and other receivables

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

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

k. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THEYEAR ENDED 30 JUNE 2022

SUMMARY OF SIGNIFICANT ACCOUTNING POLICIES (CONT'D)

l. Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

m. Employee benefits

Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

Termination benefits

The Consolidated entity recognises an obligation and expense for termination benefits at the earlier of: (a) the date when the consolidated entity can no longer withdraw the offer for termination benefits; and (b) when the consolidated entity recognises costs for restructuring and the costs include termination benefits. In either case, the obligation and expense for termination benefits is measured on the basis of the best estimate of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before twelve months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits

Retirement benefit obligations

Defined contribution superannuation plan

The consolidated entity makes superannuation contributions (currently 10.5% of the employee's average ordinary salary) to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The Consolidated entity's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the statement of financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

SUMMARY OF SIGNIFICANT ACCOUTNING POLICIES (CONT'D)

n. Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an out flow of economic benefits will result and that outflow can be reliably measured.

o. Revenue

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the consolidated entity will comply with all attached conditions.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

p. Income tax

The income tax expense or benefit for the year is the tax payable on that year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior years, where applicable

Deferred tax balances

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

SUMMARY OF SIGNIFICANT ACCOUTNING POLICIES (CONT'D)

q. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

r. Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

AASB 3 Business Combinations provides an exception to the above where classification of lease assets are required to be accounted for in accordance with AASB 16 Leases. Refer to the accounting policy note on Right-of-Use assets below.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

s. Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

SUMMARY OF SIGNIFICANT ACCOUTNING POLICIES (CONT'D)

t. Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Consolidated entity applies AASB 136 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 1(s) above.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Where leases have been acquired as part of a business combination, the lease liability is measured at the present value of remaining lease payments as if the acquired lease were a new lease at acquisition date. The right-of-use asset is measured at the same amount as the lease liability, adjusted to reflect the favourable or unfavourable terms of the lease when compared with market terms.

Sub leasing of property

When the consolidated entity is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the consolidated entity's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the consolidated entity regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of AASB 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

SUMMARY OF SIGNIFICANT ACCOUTNING POLICIES (CONT'D)

u. Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

v. Issued capital

Fully paid Ordinary shares issued are classified as equity.

w. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of FOS Capital Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

x. Comparatives

The financial report includes the Consolidated results of FOS Capital Ltd for the year ended on 30 June 2022, where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

y. Rounding of amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest dollar.

z. New or amended accounting standards and interpretations adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2. CRITICAL ACCOUTNING ESTIMATES AND JUDGEMENTS

In applying the Consolidated entity's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Consolidated entity. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Assessment of provision for inventory obsolescence

The estimation of the provision for inventory obsolescence considers the carrying values of stock lines held, their physical condition and whether or not those inventories may be sold or manufactured to be sold at a value great than their carrying values, including an assessment of a likelihood of such sales occurring.

Capitalisation of transaction costs

Judgement is exercised in estimating the split of transaction costs arising on future share issues between profit or loss and equity and whether the expenditure would have been incurred regardless of the capital raise. Refer to note 16.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Business combinations

The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date.

Recovery of deferred tax assets

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

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 12 for further information.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. RELATED PARTY DISCLOSURE

The following is a summary of transactions with directors and other related parties entered into throughout the financial period, with the exception of remuneration to key management personnel disclosed in note 6:

KMS Properties Pty Ltd, an entity related to a director leased the premises to the Company, on an arm's length commercial premises leasing terms starting from 30 November 2019 for an initial term of 5 years. During the year ended 30 June 2022, the Consolidated entity paid $73,680 (FY2021 - $72,000).

The lease of premises are made on terms equivalent to those that prevail in an arm's length transaction. Lease payments are made on normal commercial terms and conditions and at prevailing market rates.

4. OPERATING SEGMENTS

The Consolidated entity is the manufacturer of a full range of commercial luminaires, outdoor fittings and linear extruded lighting and the distribution of a complete range of commercial and architectural lighting solutions in Australia and New Zealand.

An operating segment is a component of the Consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated entity's other components. The consolidated entity is organised into two operating segments based on geographical locations, being Australia and New Zealand. All operating segments' operating results are regularly reviewed by the Consolidated entity's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Consolidated entity determines and presents operating segments, based on the information that internally is provided to the CEO, who is the consolidated entity's chief operating decision maker (CODM). The CODM reviews NPT (net profit after tax). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a monthly basis. There is no aggregation of operating segments.

Intersegment transactions
Intersegment transactions were made at market rates and intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers
During the year ended 30 June 2022, there were no individual customers with revenues greater than 10% of trading revenues in the consolidated entity.

The accounting policy in respect of segment operating disclosures is in accordance with the adoption of AASB 8 Operating Segments and is presented as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

OPERATING SEGMENTS (CONT'D)

	Australia	New Zealand	Corporate	Total
Financial Year ended 30 June 2022				
Revenue				
Sales revenue	10,393,471	3,113,430	-	13,506,901
Other revenue	381,521	281	464	382,266
Total segment revenue	10,774992	3,113,711	464	13,889,167
Segment net profit after tax	262,448	306,295	(219,805)	348,938
Segment assets	5,907,201	2,221,239	3,661,493	11,789,933
Segment liabilities	(3,975,697)	(202,729)	(71,898)	(4,250,324)
Financial Year ended 30 June 2021				
Revenue				
Sales revenue	8,052,321	104,594	-	8,156,915
Other revenue	1,398,937	-	-	1,398,937
Total segment revenue	9,451,258	104,594	-	9,555,852
Segment net profit after tax	857,738	45,149	(160,776)	742,111
Segment assets	8,143,610	30,848	2,810,119	10,984,577
Segment liabilities	(3,965,326)	(46,714)	(49,655)	(4,061,695)

Geographical information

	Sales to external customers		Geographical non-current assets	
	FY 2022	FY 2021	FY 2022	FY 2021
	$	$	$	$
Australia	10,393,471	8,052,321	8,867,290	10,207,751
New Zealand	3,113,430	104,594	2,207,350	30,848
Total	13,506,901	8,156,915	11,074,640	10,238,599

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

5. REVENUE AND EXPENSES

	2022 $	2021 $
(a) Revenue from contracts with customers	13,506,901	8,156,915
(b) Other income		
Income from government grants (COVID Support)	160,426	578,100
Interest received	829	17
Rent received	131,046	-
JSB Lighting acquisition gain	-	759,382
Gain on lease termination (note 11)	82,928	-
Other income	7,037	46,489
	382,266	1,383,988
Total revenue and other income	13,889,167	9,540,903

(c) Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:
Geographical regions

	2022 $	2021 $
Australia	10,393,471	8,052,321
New Zealand	3,113,430	104,594
Total	**13,506,901**	**8,156,915**

(d) Depreciation and amortisation

	2022 $	2021 $
Depreciation charges	(58,111)	(91,893)
Amortisation of brand	(52,371)	(21,821)
	(110,482)	**(113,714)**

(e) Depreciation of right of use assets

	2022 $	2021 $
Depreciation – right of use assets	(723,740)	(516,037)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

6. DIRECTOR'S AND EXECUTIVE'S COMPENSATION

(a) Details of directors and other executives

Con Scrinis	Managing Director
Michael Koutsakis	Executive Director
Michael Monsonego	Non-Executive Director
Mr Alexander (Sandy) Beard	Non-Executive Director
Pauline Koutsakis	Marketing executive

(b) Remuneration by Category: Directors and Executives

	2022	2021
Summary as per remuneration report	$	$
Short-term employee benefits	621,000	566,833
Long-term employee benefits	-	-
Post-employment Employee benefits	-	-
Total	**621,000**	**566,833**

7. INCOME TAX

(a) Prima facie tax benefit/expense on profit before income tax is reconciled to the income tax expense as follows:

	2022	2021
	$	$
Profit before income tax	411,194	789,280
Prima facie income tax payable / (benefit) on profit/loss before		
Income tax at 25% (2021: 26%)	102,799	217,052
Tax effect of amount which are not assessable or not deductible in calculating taxable income		
Cash flow boost payment receipts	-	(41,250)
JSB Lighting acquisition gain	-	(208,830)
Impairment of right of use assets	-	110,673
Other (not assessable)/not deductible expenses	(35,304)	(30,476)
Impact of change in tax rate		
Reduction in carrying value of deferred tax assets	35,938	-
Reduction in carrying value of deferred tax liabilities	(25,640)	-
Under / (over) provision of tax in prior years	(15,537)	-
Income tax expense	**62,256**	**47,169**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

INCOME TAX (CONT'D)

(b) Income tax expenses

	2022 $	2021 $
Current tax expense	104,071	104,765
Deferred tax - origination and reversal of temporary differences	(36,577)	(57,596)
Utilisation of tax losses and adjustment recognised for prior periods	(5,238)	-
Aggregate income tax expense	62,256	47,169

8. TRADE AND OTHER RECEIVABLES

Trade debtors	1,824,340	2,279,114
Allowance for expected credit loss	(4,509)	(12,500)
Other receivables	-	35,661
	1,819,831	**2,302,275**

Trade receivables ageing analysis at 30 June is

Current Debtors	883,600	1,119,844
Due in 30 Days	691,822	821,194
Due in 60 Days	112,178	324,165
Due in 90 Days plus	136,740	13,911
	1,824,340	**2,279,114**

9. INVENTORIES

Stock on hand – at cost	4,000,479	2,551,465
Less – provision for obsolescence	(147,447)	(100,000)
	3,853,032	**2,451,465**

10. PLANT & EQUIPMENT

Plant and equipment - at cost	1,113,362	1,079,207
Accumulated depreciation	(784,821)	(745,578)
	328,541	333,629
IT Equipment – at cost	191,169	126,795
Accumulated depreciation	(115,096)	(112,012)
	76,073	14,783
Leasehold Improvement - at cost	77,533	77,533
Accumulated depreciation	(47,314)	(32,263)
	30,219	45,270
Motor Vehicles - at cost	107,520	107,520
Accumulated depreciation	(104,467)	(103,738)
	3,053	3,782
	437,886	**397,464**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

PLANT & EQUIPMENT (CONT'D)

Reconciliation of carrying amounts at the beginning and end of the period

Details	Plant and Equipment $	IT Equipment $	Leasehold Improvements $	Motor Vehicles $	Total $
Balance at 1 July 2021	333,629	14,783	45,270	3,782	397,464
Acquisition of Ecopoint (note 22)	3,072	-	-	-	3,072
Purchase of new assets	31,082	64,379	-	-	95,461
Depreciation charge	(39,242)	(3,089)	(15,051)	(729)	(58,111)
Balance at 30 June 2022	**328,541**	**76,073**	**30,219**	**3,053**	**437,886**
Balance at 1 July 2020	143,258	22,217	60,321	4,702	230,498
Acquisition of JSB Lighting	258,859	-	-	-	258,859
Depreciation charge	(68,488)	(7,434)	(15,051)	(920)	(91,893)
Balance at 30 June 2021	**333,629**	**14,783**	**45,270**	**3,782**	**397,464**

11. LEASES

(a) Right of use assets

	2022 $	2021 $
Balance of right of use assets at 1 July	938,863	697,949
Addition of right of use assets	-	1,159,399
Impairment of right of use assets	-	(402,448)
Addition of right of use assets (renewal of property lease)	1,070,852	-
Less: Accumulated depreciation	(723,740)	(516,037)
Balance of right of use assets at 30 June	**1,285,975**	**938,863**

(b) Corresponding lease liabilities

Lease liabilities – current	666,499	630,625
Lease liabilities – non current	795,850	675,746
	1,462,349	**1,306,371**

The consolidated entity leases land and buildings for its offices and warehouses under agreements of between 3 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

12. INTANGIBLE ASSETS

	2022	2021
	$	$
Brand name – JSB Lighting	973,232	1,025,603
Goodwill on acquisition of Ecopoint (note 22)	561,980	-
	1,535,212	**1,025,603**

Reconciliation of carrying amounts of Brand Name at the beginning and end of the year

Carrying value as at 1 July	1,025,603	-
Acquisition of JSB Lighting Brand	-	1,047,424
Amortisation charge for the year	(52,371)	(21,821)
Carrying value as at 30 June	**973,232**	**1,025,603**

Impairment testing

Goodwill acquired through business combinations have been allocated to the New Zealand cash-generating unit.

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year budget period approved by management and forecasted for a further 4 years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the New Zealand cash generating unit:

- 12% pre-tax discount rate;
- 5% per annum projected revenue growth rate; and
- 5% per annum increase in operating costs and overheads.

The discount rate of 12% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management have estimated a 5% growth in accordance with the acquisition strategy and have no reason to revise this estimation based on current performance.

Compared to prior years, management have maintained their estimation of the movement in operating costs and overheads.

There were no other key assumptions for the New Zealand cash generating unit.

Sensitivity

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- Revenue would need to decrease by more than 12.6% before goodwill would need to be impaired, with all other assumptions remaining constant;
- Gross margins would need to decrease by more than 4% before goodwill would need to be impaired, with all other assumptions remaining constant; and
- The discount rate would be required to increase by 8% before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

13. DEFERRED TAX ASSETS

	2022 $	2021 $
Deferred tax assets comprises temporary differences attributable to:		
Employee benefits	138,229	126,895
Accrued expenses	9,298	24,903
Provision for expected credit losses	1,127	3,438
Provision for inventory obsolescence	36,862	27,500
Provision for warranties	-	11,619
Addition through acquisition of business	-	461,699
Tax Losses carried forward	529,777	89,924
	715,293	**745,978**

Movement in Deferred Tax Assets

	2022	2021
Balance as at 1 July	745,978	85,735
Charged/(credited) to profit or loss	(30,685)	198,544
Addition through acquisition of business	-	461,699
Balance as at 30 June	**715,293**	**745,978**

14. TRADE AND OTHER PAYABLES

	2022	2021
Trade payables and accruals	1,807,183	1,563,197
Rental bond received	40,000	40,000
	1,847,183	**1,603,197**

15. PROVISION-EMPLOYEE BENFITS

	2022	2021
Annual leave provision	272,285	218,645
Long service leave provision	280,628	242,791
	552,913	**461,436**
Annual leave provision	272,285	218,645
Long service leave provision - current	244,417	221,372
Employee entitlements – current	**516,702**	**440,017**
Long service leave provision – non-current	36,211	21,419

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

16. DEFERRED TAX LIABILITIES

	2022 $	2021 $
Deferred tax liability comprises temporary differences attributable to:		
Intangible assets - JSB brand	243,308	282,041
Movement in Deferred Tax Liabilities		
Balance as at 1 July	282,041	-
Acquisition of intangible assets - JSB brand	-	288,042
Charged/(credited) to profit or loss	(38,733)	(6,001)
Balance as at 30 June	**243,308**	**282,041**

17. ISSUED CAPITAL

	2022 $	2021 $
Balance as at 1 July	3,688,670	400,100
Share issued - acquisition 50% equity in JSB lighting	-	600,000
Share issued – initial public offering	-	3,000,000
Cost of capital raising	-	(311,430)
Share issued - acquisition of Ecopoint NZ	365,719	-
Balance as at 30 June	**4,054,389**	**3,688,670**

Number of shares issued	2022 Number	2021 Number
Balance as at 1 July	45,000,000	30,000,000
Share issued - acquisition 50% equity in JSB lighting	-	3,000,000
Share issued – initial public offering	-	12,000,000
Share issued - acquisition of Ecopoint NZ	1,306,139	-
Balance as at 30 June	**46,306,139**	**45,000,000**

Capital Management

When managing capital, management's objective is to ensure the consolidated entity continues to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

18. EARNINGS PER SHARE

Reconciliation of earnings used in calculating earnings per share:

	2022 $	2021 $
Earnings used in calculating diluted earnings per share	348,938	742,111

	Number of Shares 2022	 2021
Weighted average number of ordinary shares used in calculating basic earnings per share	45,976,929	32,761,644
There are no contingently issuable equity instruments that have a dilutive impact upon ordinary earnings per share		
Basic and diluted earnings per share - (cents per share)	**0.76**	**2.27**

19. CONTROLLED ENTITIES

Name of the Company	Country of Incorporation	% Owned 30 June 2022	% Owned 30 June 2021
Parent Entity			
FOS Capital Ltd	Australia		
Controlled Entity			
FOSCAP Investments Pty Ltd	Australia	100%	100%
FOS Lighting Pty Ltd	Australia	100%	100%
Baker & McAuliffe Holdings Pty Ltd *	Australia	100%	100%
JSB Lighting (NZ) Limited	New Zealand	100%	100%
Ecopoint Limited **	New Zealand	100%	-

* Baker & McAuliffe Holdings Pty Ltd and JSB Lighting (NZ) Limited were acquired on 1 February 2021
** Ecopoint Limited was acquired on 1 October 2021

20. PARENT ENTITY DISCLOSURE

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with the Australian Accounting Standards

Statement of Financial Position	2022 $	2021 $
Current assets	3,450,800	2,630,000
Non current assets	1,039,346	1,074,473
Total assets	**4,490,146**	**3,704,473**
Liabilities	65,540	15,655
Total liabilities	**4,424,606**	**3,688,818**
Shareholder's equity		
i) Issued capital	4,054,389	3,688,670
ii) Retained earnings	370,217	148
Total shareholder's equity	**4,424,606**	**3,688,818**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

PARENT ENTITY DISCLOSURE (CONT'D)

The parent entity and its subsidiaries have not entered into any deed of cross guarantee, under which each company guarantees the debts of the others.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

21. STATEMENT OF CASH FLOW

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

	2022 $	2021 $
Cash at bank	1,890,246	2,965,249

(b) Reconciliation of net cash used in operating activities to net loss after income tax.

	2022	2021
Net profit/(loss) after income tax	348,938	742,111
Depreciation & amortisation	110,482	113,714
Reduction in bad debt provision	-	(22,500)
Amortisation of leased assets in use	723,740	516,037
Gain on lease termination	(82,928)	-
Share of profit JSB lighting	-	(14,949)
JSB Lighting acquisition gain	-	(759,382)
Impairment of right of use assets	-	402,448
Change in net assets and liabilities		
(Increase)/decrease in assets:		
Current receivables	704,430	(59,251)
Current inventories	(943,751)	(532,017)
Other current assets	(57,638)	54,111
Deferred tax assets	30,685	(198,544)
Increase/(decrease) in liabilities:		
Current trade payables	82,010	(1,392,254)
Provisions	49,226	6,131
Tax liabilities	(260,561)	241,968
Net cash provided by / (used in) operating activities	**704,633**	**(902,377)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

22. ACQUISITIONS OF BUSINESS

Acquisition of Ecopoint Limited, New Zealand – 1 October 2021

On 1 October 2021 the Company acquired a 100% shareholding in Ecopoint Limited, New Zealand (Ecopoint) from its shareholders for total consideration transferred of $1,809,545. Ecopoint is an LED lighting specialist that has developed its own range of LED lighting products. It was acquired to allow FOS to expand its New Zealand operations and also allows Ecopoint access to the existing manufacturing facilities with shorter lead times and an extensive distribution network. The goodwill of $561,980 represents the expected synergies from merging these businesses.

Details of the fair value of assets and liabilities acquired and consideration paid is as follows:

	2022 $
Cash at bank	689,527
Receivables	221,986
Inventory	457,816
Prepayments & other current assets	37,140
Plant and equipment	3,072
Payables	(161,976)
Goodwill	561,980
Net assets acquired	**1,809,545**
Details of the purchase consideration:	
Issue of 1,306,139 shares at $0.28 per share	365,719
Cash consideration paid – 1 October 2021	1,443,826
Total Consideration paid	**1,809,545**

Contribution since acquisition

Since the acquisition date Ecopoint Ltd has contributed revenue of $3,091,916 and a profit after tax of $317,997 which is included within the consolidated profit for the financial year ended 30 June 2022.

The consideration transferred as part of the business combination is recorded at fair value at acquisition date.

The values identified in relation to the acquisition of Ecopoint are final as at 30 June 2022.

Transaction costs

No material transaction costs were incurred in relation to the acquisition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

23. RUMUNERATION OF AUDITORS

Auditors of the Parent Entity and Consolidated entity
Amounts received or due and receivable by auditors for:

	2022 $	2021 $
Audit or review of the financial report of the entity	50,000	56,360
Other services	23,000	43,708
	73,000	**100,068**

24. FINANCIAL INSTRUMENTS

Financial risk management objectives

The Consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated entity. The Consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include ageing analysis for credit risk and cashflow forecasting for liquidity risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Consolidated entity and appropriate procedures, controls and risk limits.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2022 $	2021 $	2022 $	2021 $
New Zealand dollars	1,184,391	30,040	219,105	46,714

The consolidated entity had net financial assets denominated in foreign currencies of $965,196 (assets of $1,184,391 less liabilities of $219,105) as at 30 June 2022 (2021: net financial liabilities $16,674 (assets of $30,040 less liabilities of $46,714)). Based on this exposure, had the Australian dollar weakened by 5%/strengthened by 5% (2021: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been $14,856 lower/$14,856 higher (2021: $834 lower/$834 higher) and equity would have been $48,260 lower/$48,260higher (2021: $2,294 higher/$2,294 lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2022 was $97,930 (2021: foreign exchange gain of $117).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

FINANCIAL INSTRUMENTS (CONT'D)

Price risk

The Consolidated entity is not exposed to any significant price risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated entity. The Consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Consolidated entity does not hold any collateral.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

The Consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The Consolidated entity does not have any particular concentration of credit risk.

Liquidity risk

Vigilant liquidity risk management requires the Consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

As at 30 June 2022, the Consolidated entity's financial liabilities which is represented by trade and other payables were repayable within 60 day terms with the exception of lease liabilities, the current portion of which were repayable between 60 and 365 days, and the non-current over 1 year.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

25. CONTINGENT ASSETS AND LIABILITIES

At balance date of this report the Consolidated entity has contingent liabilities of $45,000 of deposits paid for lease rentals (2021 - $45,000)

Apart from the above, the directors are not aware of any contingent assets or any contingent liabilities as at 30 June 2022 (2021: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

26. EVENTS AFTER THE BALANCE SHEET DATE

There were no matters or circumstances that have arisen since 30 June 2022 that have significantly affected or may significantly affect

- The Consolidated entity's operation in future financial years or
- The results of those operation in future financial years or
- The Consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

FOR THE FINANCIAL YEAR ENDED 30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with Australian Accounting Standards and Interpretations;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Con Scrinis
Director

Melbourne
29 August 2022

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF FOS CAPITAL LTD

I declare that, to the best of my knowledge and belief during the year ended 30 June 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N. S. Benbow
Director
Melbourne, 29th August 2022

FOS Capital Ltd
Independent auditor's report to members

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of FOS Capital Ltd (the Company) and its controlled entities (together, the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Level 20, 181 William Street, Melbourne VIC 3000 +61 3 9824 8555 vic.info@williambuck.com
williambuck.com.au

William Buck
ACCOUNTANTS & ADVISORS

Key Audit Matters

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

KEY AUDIT MATTER	
Acquisition of Ecopoint Limited (refer to Note 22)	**How our audit addressed it**
On 1 October 2021, the Group acquired a 100% shareholding in Ecopoint Limited ("Ecopoint") for a consideration of 365,719 fully paid ordinary shares in the Company and cash consideration of $1,443,826 resulting in goodwill on acquisition of $561,980. In accounting for the transaction, the directors made the following critical estimates and judgments: — Determining that Ecopoint met the accounting definition of a business in accordance with the requirements of AASB 3 *Business Combinations*; — That Ecopoint Limited had a track record of profitability that would continue into the future, which would permit the recognition of deferred tax assets on acquisition; — Assessing the fair value of the share consideration transferred as at the date the Group achieved control over Ecopoint; and — Assessing that Ecopoint met the accounting definition of a foreign operation with a NZD functional currency, as applied in the Group's consolidation model. We consider this to be a key audit matter as the fair value measurement of identifiable assets acquired and liabilities assumed involves significant judgements and estimates.	Our audit procedures included: — Reviewing the purchase agreement to gain an understanding of the key terms and conditions to assess the adequacy of accounting treatment, including the appropriateness of the classification of Ecopoint as a business in accordance with the requirements of AASB 3 *Business Combinations*; — Evaluating purchase date accounting for the acquisition of Ecopoint; — Assessing the fair value of the consideration paid for the acquisition; — Assessing the fair values of the identifiable assets acquired and liabilities assumed; — Assessing the appropriateness of the deferred tax impact arising from the acquisition; and — Recomputing the inclusion of Ecopoint into the Group's consolidation model, including the appropriateness of Ecopoint's status as a foreign operation with a NZD functional currency. We also assessed the appropriateness of disclosures relating to these items in the financial statements.

KEY AUDIT MATTER	
Impairment assessment on goodwill (refer to note 12)	**How our audit addressed it**
As at 30 June 2022, $561,980 was recorded on the statement of financial position for goodwill on acquisition of Ecopoint Ltd ("Ecopoint"). No impairment expense has been recognised during the financial year.	Our procedures involved: — Assessing the reasonableness of the determination of Group's cash-generating units; — Consulting internally to determine the appropriateness of the impairment test methodology used, being on a *value-in-use* approach in line with the business model;

KEY AUDIT MATTER	
Impairment assessment on goodwill (refer to note 12)	**How our audit addressed it**
In accordance with AASB 136 *Impairment of Assets* the Group is required to, at least annually, perform an impairment assessment of goodwill and intangible assets that have an indefinite useful life or are not yet ready for use. The goodwill has been allocated to the New Zealand cash generating unit ("CGU") which was tested for impairment as at 30 June 2022. The directors have evaluated impairment by comparing the assets and liabilities allocated to the CGU to its recoverable amount. The directors have assessed recoverable amount by applying a value-in-use model based on discounted cash flow forecasts which require significant judgement and estimates over key inputs, including: — The discount rate; — Growth rates; — Assumptions relating to the deployment of working capital; and — Gross margin expectations. Due to the significance of the carrying value of intangible assets and the judgement involved in determining the fair value of the CGU, we consider this to be a key audit matter.	— Testing the accuracy of the calculation derived from the forecast model and assessing key inputs to the calculations such as revenue growth, gross margins, discount rates and working capital assumptions; — Evaluating the Group's budgeting procedures upon which the forecasts are based and assessing the historical accuracy by comparing actual results with the original forecasts from prior years; and — Performing sensitivity analyses over the calculations. We also ensured that these matters were completely and accurately disclosed in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors’ report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of FOS Capital Ltd, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

William Buck
ACCOUNTANTS & ADVISORS

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N. S. Benbow
Director
Melbourne, 29th August 2022

SHAREHOLDER ANALYSIS AND OTHER STOCK EXCHANGE REQUIREMENTS

STATEMENT OF SECURITY HOLDERS AS AT 25 AUGUST 2022

(a) Distribution of shareholders by sizes of holdings

1 - 1,000	20
1,001 - 5,000	34
5,001 - 10,000	69
10,001 - 100,000	141
100,001 and over	27
Total	291
Holding less than a marketable parcel	19

Voting rights – Each ordinary share carries one vote.

Twenty Largest Shareholders

Shareholder	Number of shares held	Percentage
SKM Investment Group Pty Ltd	30,000,000	64.79
HGL Limited	3,000,000	6.48
Mrs Luye Li C/- Sanlam Private Wealth	1,742,725	3.76
H&G High Conviction Limited	949,306	2.05
Mr Matthew Regos & Mrs Silvia Lisa Regos <Regos Family A/C>	500,550	1.08
Westferry Operations Pty Ltd <The Westferry Fund A/C>	490,517	1.06
Mr Paul Tarollo	400,000	0.86
Muncha Cruncha Pty Ltd	368,101	0.79
Mr Frank Cox	344,631	0.74
Silicon Controls Limited	333,179	0.72
Magnetic Capital Pty Ltd	270,000	0.58
Vanhop Pty Ltd <Vanhop Super Fund A/C>	260,000	0.56
Mr Gabriel Govinda	250,000	0.54
Aerobotics Pty Ltd	240,000	0.52
In Lumine Stellas Investments Pty Ltd <Lumen Investment Fund A/C>	208,000	0.45
Paul Collins	176,960	0.38
Jarden Custodians Limited	176,960	0.38
Brent Wootton & Wootton Family Trutee Limited <Brent Wootton No2 Family A/C>	176,960	0.38
Paul Wilton	169,753	0.37
Mr Stephen Verbeek	156,718	0.34
Total for top 20	40,214,360	86.85
Total other investors	6,091,779	13.08
Total shares on issue	46,306,139	100.00

Substantial shareholders as per substantial shareholder advices held at 25 August 2022

Name		
SKM Investment Group Pty Ltd	30,000,000	64.79%
Hancock & Gore Limited	3,000,000	6.48%