

<b>Finzsoft Solutions Limited</b>	
<b>Results for announcement to the market</b>	
Reporting Period	12 months to 30 June 2018
Previous Reporting Period	12 months to 30 June 2017

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$14,639	(12.63%)
Profit (loss) from ordinary activities after tax attributable to security holder	(\$734)	(129.41%)
Net profit (loss) attributable to security holders	(\$734)	(129.41%)

Interim/Final Dividend	Amount per security	Imputed amount per security
	No dividend is proposed to be paid.	Not applicable

Record Date	Not Applicable
Dividend Payment Date	Not Applicable

Comments:	As per the Chairman and Managing Director's report.
Net Tangible Asset amount per security:	(\$0.06) (2017: \$0.18)

**Finzsoft Solutions Limited  
Consolidated financial statements  
for the year ended 30 June 2018**

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## Corporate Directory

<b>Principal business</b>	Computer software development, sales and support with hosting
<b>Board of Directors</b>	Brent Impey (Chairman) Andrew Holliday Paul Cook Gary Sim Yong Sin Kwong
<b>Registered office</b>	Level 4, Australis Nathan Building, Britomart Precinct, 37 Galway Street, Auckland
<b>Auditors</b>	Staples Rodway
<b>Solicitors</b>	Russell McVeagh, DLA Piper and MinterEllisonRuddWatts
<b>Bankers</b>	ANZ National Bank Limited St George Bank Limited
<b>Share Registry</b>	Computershare Limited
<b>Stock Exchange Listings</b>	New Zealand Stock Exchange

## Chairman and Managing Director's Report

The Directors of Finzsoft Solutions Limited are pleased to report on the Group performance for the 12 months ended 30 June 2018.

During the 2018 financial year Finzsoft executed an extensive transformation of the Company's service delivery model, including the announcement of the strategic alliance with Datacom Systems Limited. The success of this transformation program has enabled the Finzsoft Group to have a cost effective, sustainable, scalable and flexible model to provide the Group and its customers software support and development services. The Directors believe that the investment in the service and delivery model restructuring will achieve significant benefits and cost savings for Finzsoft going forward.

We are pleased to now be in the benefit realisation phase of this transformation program. Further efficiencies are being targeted in the FY19 financial year with regard to reduced tenancy requirements as a result of new agile and scalable working models and efficiency gains through the externalisation of non-core functions.

Key performance highlights for this period include:

- Total Revenue of NZ\$14.639 million is down on the same period last year (FY17 NZ\$16.755 million). The revenue is derived from annual licence fees, initial licence fees and professional services from existing and new clients. The timing of these are variable.
- An increase in normalised recurring licence revenue in the vicinity of 10%.
- An increase in professional services revenue in the vicinity of 37%.
- A decrease in normalised operating expenses (excluding one-off transactions costs) by 18%.
- EBITDA after one-off items of NZ\$0.432 million is down on the same period last year (FY17 Profit of NZ\$4.532 million).
- EBIT loss after one-off items of NZ\$0.930 million is down on the same period last year (FY17 Profit of NZ\$3.466 million).
- Loss before tax of NZ\$0.956 million is down on the same period last year (FY17 Profit of NZ\$3.440 million).
- Loss after tax of NZ\$0.734 million is down on the same period last year (FY17 Profit of NZ\$2.5 million).

The period includes non-recurring transaction related costs and provisions in excess of NZ\$1.08 million. The company also announced in FY17 that a one-off end of term licence fee of NZ\$3.435 million would be a significant one-off gain for that (FY17) financial year.

During the period the Group achieved strong increases in Recurring Licence Fees and Professional Service revenue whilst continuing to retain positive cash flow and no term debt.

The Group retains a strong customer base which supports underlying, recurring licence and service revenue.

Customers are at the centre of everything Finzsoft does. The achievement of the delivery successes during the period and indeed of our overall performance, would not have been possible except for the ongoing support and trust of our strategic alliance partner Datacom and our customers. Included below is what a couple of customers have to say in their own words:

*"It has been an extraordinary year for Finzsoft. The Police and Families Credit Union thank the Finzsoft team for the great commitment they have shown during this time to support and provide development for us whilst also on boarding two brand new clients and strategically restructuring their business. We value our relationship with Finzsoft and more importantly the people that make that relationship so strong". **Helen Hatchard, Chief Executive, Police and Families Credit Union.***

"First and foremost Finzsoft had First Credit Union migrated on to Sovereign on time and on budget. Followed by great back up and support, we are now set on a tier one platform, ready for the future". **Simon Scott, General Manager, First Credit Union.**

Finzsoft develops solutions that empower people to interact and transact anytime, anywhere and in the way they want through automated seamless connected lifestyle orientated digital experiences. The team is committed to be a leading supplier of digital open connected core and line-of-business (LOB) banking and finance software solutions.

It is envisaged that Finzsoft will seek to raise further capital to fund its continued innovation and expansion strategies in respect of its disruptive technology and its application in the mutuals, digital open connected core and LOB banking and SaaS sectors.



B G IMPEY  
Chairman

28 September 2018



A A Holliday  
Managing Director

28 September 2018

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Finzsoft Solutions Limited

#### Report on the Audit of the Consolidated Financial Statements

##### Opinion

We have audited the consolidated financial statements of Finzsoft Solutions Limited and its subsidiaries ('the Group') on pages 10 to 42, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of Finzsoft Solutions Limited, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Finzsoft Solutions Limited and the Shareholders of Finzsoft Solutions Limited, for our audit work, for our report or for the opinions we have formed.

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Finzsoft Solutions Limited or any of its subsidiaries.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters are selected from the matters communicated with the Directors but are not intended to represent all matters that were discussed with them.

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Revenue Recognition</b></p> <p>As disclosed in Note 3 of the Group's consolidated financial statements the Group has revenue of \$14.6m. Revenue was significant to our audit due to its size, complexity and level of subjectivity in relation to the amounts of revenue recognised.</p> <p>The Group has five main revenue streams being: software licensing, implementation development and consulting services, after hours support, hosting revenue and other contracted services revenue.</p> <p>Software licensing revenue is recognised when the risk and rewards of the licence is transferred to the client. There is no deferred revenue component on this revenue stream.</p> <p>Other revenue streams have deferred revenue components that are calculated either on a straight-line basis or based on a percentage of completion basis.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating the design and operating effectiveness of the key controls surrounding the revenue recognition process;</li> <li>• Evaluating the revenue recognition criteria for each type of revenue;</li> <li>• Perform substantive testing procedures on a sample of transactions during the year ensuring that the correct amount of revenue from each of the revenue streams have been recognised in accordance with the Group's revenue accounting policy and agreed to contracts with customers;</li> <li>• Testing the mathematical accuracy of the calculations undertaken by Management for the revenue streams that have a deferred revenue component; and</li> <li>• Evaluating the related disclosures about revenue included in Note 3 of the Group's consolidated financial statements.</li> </ul>
<p><b>Goodwill</b></p> <p>As disclosed in Note 9 of the Group's consolidated financial statements the Group has goodwill of \$3.1m allocated into two Group cash-generating units ('CGU'). Goodwill was significant to our audit due to the size of the asset and the subjectivity, complexity and uncertainty inherent in the measurement of the recoverable amount of the 'CGUs' for the required annual impairment test. The measurement of a CGUs recoverable amount includes the assessment and calculation of its 'value-in-use'.</p> <p>Management has completed the annual impairment test for the CGUs as at 30 June 2018.</p> <p>This annual impairment test involves complex and subjective estimation and judgement by Management on the future performance of the CGUs, discount rates applied to future cash flow forecasts, and future market or economic conditions.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating Management's determination of the Group's CGU based on our understanding of the nature of the Group's business and the economic environment in which the segment operates. We also analysed the internal reporting of the Group to assess how the CGU is been monitored and reported.</li> <li>• Challenging Management's assumptions and estimates used to determine the recoverable value of its indefinite life intangible assets, including those relating to forecast revenue, cost, capital expenditure, discount rates, by adjusting for future events and corroborating the key market related assumptions to external data. Procedures included: <ul style="list-style-type: none"> <li>• evaluating the logic of the value-in-use calculations supporting their annual impairment test and testing the mathematical accuracy of these calculations;</li> <li>• evaluating Management's process regarding the preparation and review of forecasts;</li> <li>• evaluating the forecast growth assumptions;</li> <li>• engaging our own internal valuation experts to assess the reasonableness of the discount rates applied;</li> <li>• evaluating Management's sensitivity analysis' for reasonably possible changes in key assumptions;</li> <li>• performing our own sensitivity analysis for reasonably possible changes in key assumptions, the two main assumptions being: the discount rate and forecast growth assumptions (during both the forecast and terminal periods); and</li> </ul> </li> </ul>

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Capitalised software development costs</b></p> <p>The Group's process for calculating the value of internally developed software involves judgment as it includes estimating time which staff and external suppliers spend developing software and determining the value attributable to that time.</p> <p>The Group also needs to determine that this capitalised work enhances the expected attributable future economic benefits of this asset.</p> <p>The Group's capitalised costs are disclosed in Note 9 of the consolidated financial statements.</p>	<ul style="list-style-type: none"> <li>• evaluating the related disclosures about indefinite life intangible assets, which are included in Note 9 in the Group consolidated financial statements.</li> </ul> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Assessing the Group's process for estimating the time spent by staff and external suppliers on software development that enhances the expected attributable future economic benefits of those assets;</li> <li>• For a sample of capitalised development projects, we have performed the following: <ul style="list-style-type: none"> <li>• assessing the projects against the requirements of Accounting Standards – NZ IAS 38 Intangible Assets to determine if they meet the recognition criteria;</li> <li>• Discussed with management the process to set capitalisation rates for staff and assessing the reasonableness of these rates by observing the Group's review process;</li> <li>• assessing capitalised costs with reference to actual payroll information and external supplier invoices;</li> <li>• assessing the design and operating effectiveness of key controls over the payments system and testing a sample of external supplier costs to contracts and other supporting evidence;</li> <li>• assessing the design and operating effectiveness of key controls over the payroll system and testing a sample of payroll data to contracts and other supporting evidence; and</li> <li>• assessing the adequacy of the disclosures related to capitalised development costs in the consolidated financial statements.</li> </ul> </li> <li>• We enquired and assessed the factors that the Group considered regarding impairment of intangibles and whether any indicators of impairment existed.</li> </ul>

### Responsibilities of the Directors for the Consolidated Financial Statements

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is D I Searle.



STAPLES RODWAY AUCKLAND

Auckland, New Zealand

28 September 2018

## Consolidated statement of comprehensive income

For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue	3	<b>14,642,424</b>	16,722,985
Other income	3	<b>(2,962)</b>	32,004
Total operating revenue		<b><u>14,639,462</u></b>	<u>16,754,989</u>
Development, servicing and other direct costs		<b>(9,770,817)</b>	(8,152,491)
Occupancy expense		<b>(1,100,653)</b>	(792,090)
Depreciation and amortisation	8,9	<b>(1,362,019)</b>	(1,099,003)
Sales and marketing expenses		<b>(554,066)</b>	(434,294)
Finance expense	4	<b>(26,807)</b>	(26,036)
Corporate expenses	4	<b>(1,783,538)</b>	(1,383,044)
Other operational overheads		<b>(997,954)</b>	(1,427,607)
Total operating expense		<b><u>(15,595,854)</u></b>	<u>(13,314,565)</u>
(Loss) / profit before income tax expense		<b>(956,392)</b>	3,440,424
Income tax (expense) / benefit	15	<b>222,415</b>	(944,525)
<b>(Loss) / Profit for the year</b>		<b><u>(733,977)</u></b>	<u>2,495,899</u>
<b>Other comprehensive income:</b>			
Exchange difference on translating foreign operations	11	<b>4,728</b>	(43,304)
<b>Other comprehensive income for the year, net of tax</b>		<b><u>4,728</u></b>	<u>(43,304)</u>
<b>Total comprehensive income for the year</b>		<b><u>(729,249)</u></b>	<u>2,452,595</u>
<b>Earnings per share attributable to the ordinary equity holders of the company during the year:</b>			
Basic earnings per share (cents per share)	18	<b>(8.33)</b>	28.33
Diluted earnings per share (cents per share)	18	<b>(8.33)</b>	28.33

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

For the year ended 30 June 2018

	Share Capital	Currency translation reserve	Share option reserve	Retained earnings	Total equity
	\$	\$	\$	\$	\$
<b>Balance as at 1 July 2016</b>	<u>4,316,441</u>	<u>(138,716)</u>	<u>128,495</u>	<u>453,528</u>	<u>4,759,748</u>
<b>Comprehensive income</b>					
Profit for the year	-	-	-	2,495,899	2,495,899
<b>Other comprehensive income</b>					
Currency translation differences	-	(43,304)	-	-	(43,304)
<b>Total comprehensive income</b>	<u>-</u>	<u>(43,304)</u>	<u>-</u>	<u>2,495,899</u>	<u>2,452,595</u>
Lapsed options transferred to Retained Earnings	-	-	(128,495)	128,495	-
<b>Balance as at 30 June 2017</b>	<u>4,316,441</u>	<u>(182,020)</u>	<u>-</u>	<u>3,077,922</u>	<u>7,212,343</u>
<b>Balance as at 1 July 2017</b>	<u>4,316,441</u>	<u>(182,020)</u>	<u>-</u>	<u>3,077,922</u>	<u>7,212,343</u>
<b>Comprehensive income</b>					
Loss for the year	-	-	-	(733,977)	(733,977)
<b>Other comprehensive income</b>					
Currency translation differences	-	4,728	-	-	4,728
<b>Total comprehensive income</b>	<u>-</u>	<u>4,728</u>	<u>-</u>	<u>(733,977)</u>	<u>(729,249)</u>
<b>Balance as at 30 June 2018</b>	<u>4,316,441</u>	<u>(177,292)</u>	<u>-</u>	<u>2,343,945</u>	<u>6,483,094</u>

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated statement of financial position

As at 30 June 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	1,451,561	2,363,816
Trade and other receivables	6	2,594,409	2,094,541
Current tax receivables		27,327	-
Total current assets		<u>4,073,297</u>	<u>4,458,357</u>
<b>Non-current assets</b>			
Property, plant and equipment	8	501,846	633,103
Intangible assets	9	6,672,088	5,609,393
Deferred tax benefit	15	358,552	81,505
Total non-current assets		<u>7,532,486</u>	<u>6,324,001</u>
<b>Total assets</b>		<u>11,605,783</u>	<u>10,782,358</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	1,807,442	926,966
Unearned revenue	13	1,379,936	1,335,501
Provisions	14	835,311	949,871
Bank and other loans	5	1,100,000	-
Current income tax payable		-	357,677
Total current liabilities		<u>5,122,689</u>	<u>3,570,015</u>
<b>Total liabilities</b>		<u>5,122,689</u>	<u>3,570,015</u>
<b>Net assets</b>		<u>6,483,094</u>	<u>7,212,343</u>
<b>EQUITY</b>			
Ordinary shares	10	4,316,441	4,316,441
Other reserves	11	(177,292)	(182,020)
Retained earnings		2,343,945	3,077,922
<b>Total Equity</b>		<u>6,483,094</u>	<u>7,212,343</u>

Authorised for issue on 28 September 2018



**B G IMPEY**  
 Chairperson  
 28 September 2018



**A HOLLIDAY**  
 Managing Director  
 28 September 2018

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		14,117,573	17,278,316
Dividends received		-	1,022
Interest received	3	<u>359</u>	<u>33,194</u>
		<b>14,117,932</b>	<b>17,312,532</b>
Payments to suppliers and employees		(13,278,292)	(12,043,953)
Interest paid	4	(26,807)	(26,036)
Taxation paid		(439,636)	(633,829)
Goods and services tax net paid		<u>(93,402)</u>	<u>(216,124)</u>
		<b>(13,838,137)</b>	<b>(12,919,942)</b>
<b>Net cash generated from operating activities</b>	5	<b><u>279,795</u></b>	<b><u>4,392,590</u></b>
<b>Cash flows from investing activities</b>			
Purchase of equipment		(38,023)	(455,145)
Investment in intangible assets	9	<u>(2,257,535)</u>	<u>(1,248,301)</u>
<b>Net cash used in investing activities</b>		<b><u>(2,295,558)</u></b>	<b><u>(1,703,446)</u></b>
<b>Cash flows from financing activities</b>			
Receipts from Bank and other loans		1,100,000	-
Repayment of borrowings			<u>(750,000)</u>
<b>Net cash used in financing activities</b>		<b><u>1,100,000</u></b>	<b><u>(750,000)</u></b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(915,763)</b>	1,939,144
Exchange gains on cash and cash equivalents		3,508	4,191
Cash and cash equivalents at beginning of the year		<u>2,363,816</u>	<u>420,481</u>
<b>Cash and cash equivalents at end of the year</b>	5	<b><u>1,451,561</u></b>	<b><u>2,363,816</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements

For the year ended 30 June 2018

### 1 Summary of significant accounting policies

#### Reporting Entity

Finzsoft Solutions Limited is a limited liability company, incorporated and domiciled in New Zealand, registered under the Companies Act 1993, and listed on the New Zealand Stock Exchange (NZX).

Finzsoft Solutions Limited is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The consolidated financial statements of Finzsoft Solutions Limited and its subsidiaries (together "the Group") have been prepared in accordance with the Financial Markets Conduct Act 2013 and the Companies Act 1993.

The Group's principal activity is that of computer software development, sale and support which is undertaken in New Zealand and Australia. There have been no changes to the Group's principal activities during the year.

These Group's consolidated financial statements were authorised for issue by the board of directors on 28 September 2018.

#### Measurement Base

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

#### Basis of Preparation

The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for-profit entities. They also comply with International Financial Reporting Standards. For this purpose the Company and Group is designated as a for-profit entity.

The functional and presentation currency of the Group is New Zealand dollars and the financial statements are rounded to the nearest dollar.

#### (a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 1 Summary of significant accounting policies (continued)

#### (a) Consolidation (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries are the same as those adopted by the Group and the financial statements of subsidiaries are prepared for the same period as those of the Group.

#### (b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

#### (c) Foreign currencies

##### (i) Functional and presentation currency

At the reporting date, items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in New Zealand dollars (NZD) which is the presentation currency of the Group.

The financial statements have been rounded to the nearest dollar.

##### (ii) Transactions and balances

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

##### (iii) Group companies

As at reporting date, the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of Finzsoft Solutions Limited at the rate of exchange ruling at the reporting date and the profit and loss is translated at the weighted average exchange rates for the period where this approximates the rate at the date of the transaction.

The exchange differences arising on the translation are recognised in the currency translation reserve in equity.

#### (d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of the goods or services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of the revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

##### (i) Software licence fee revenue

Revenue from licence fees is recognised on the transferring of significant risks and rewards of the licensed software under an agreement between the company and the customer. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the licences. Licence fees are charged on an annual basis and recognised on delivery as no portion of the fee is refundable.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 1 Summary of significant accounting policies (continued)

#### (d) Revenue recognition (continued)

##### (ii) *Implementation, development and consulting services revenue*

Implementation and development service revenue attributable to our licensed software is recognised in the accounting period in which services are rendered, by reference to stage of completion of the specific contract and assessed on the basis of actual hours spent as a proportion to the projected total hours of completion. Consulting services revenue is recognised in the accounting period in which services are rendered, by reference to stage of completion of the specific contract and assessed on the basis of actual hours spent as a proportion to the projected total hours of completion and expenses are recognised when incurred.

##### (iii) *Maintenance and support service revenue*

Revenue received in relation to the annual maintenance and service portion of customer contracts is initially credited to the liability account called unearned revenue and then the service portion is recognised on a straight line basis over 12 months or the period of the maintenance contract.

##### (iv) *Other contracted service revenue*

Revenue is recognised in the accounting period in which services are rendered, by reference to stage of completion of the specific contract and assessed on the basis of actual hours spent as a proportion to the projected total hours of completion.

#### (e) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss, except to the extent that it relates to items in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rate (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legal enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 1 Summary of significant accounting policies (continued)

#### (f) Goods and Services Tax (GST)

The financial statements have been prepared exclusive of goods and services taxation. All revenue and expense items are shown net of goods and services tax (GST); and for assets and liabilities, if the GST is recoverable or payable, all items in the statement of financial position are stated net of GST with the exception of trade receivables and payables which are stated with GST included. All amounts stated in the statement of cash flows are stated net of GST.

#### (g) Leases

The Group lease certain plant and equipment and land and buildings.

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the Group are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the lower of the fair value of the leased assets and the present value of the minimum lease payments. Leased assets are amortised over their estimated useful lives. Each lease payment is allocated between the liability and finance charges and the interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net profit in equal instalments over the period of the lease.

#### (h) Impairment of non-financial assets

Intangible assets with an indefinite useful life, for example goodwill, and intangible assets under development, are not amortised but are tested annually for impairment in accordance with NZ IAS 36 Impairment of assets. Other assets are subject to annual depreciation or amortisation and are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with registered banks, and other short term highly liquid investments (i.e. Term Deposits) with original maturities of three months or less.

#### (j) Trade and other receivables

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

Collectability of trade receivables is reviewed on an on-going basis. Individual debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered objective evidence of impairment.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the reversal is recognised in profit or loss.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 1 Summary of significant accounting policies (continued)

#### (j) Trade and other receivables (continued)

Subsequent recoveries of amounts written off are recognised in profit or loss.

#### (k) Property and equipment

Property and equipment are measured at historical cost less accumulated depreciation and any impairment loss.

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

Depreciation is provided on the straight line method and diminishing value methods at rates calculated to allocate the cost less estimated residual value over the estimated economic lives of the assets. The current rates of depreciation are as follows:

	Straight Line Rates	Diminishing Value Rates
Office Furniture and Equipment	12% to 17.5%	13% to 25%
Computer Equipment	18% to 40%	30% to 67%
Motor Vehicles	25%	-

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

#### (l) Intangible assets

##### (i) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. Goodwill has an indefinite life and is recorded initially at cost less any accumulated impairment loss. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

##### (ii) Brands, trademarks customer contracts and customer relationships

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the Statement of comprehensive income over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life is systematically tested for impairment at each balance date.

Acquired customer contracts and customer relationships are amortised over their useful lives as follows:

Customer contracts	expected cash flow basis	between 3-5 years
Customer relationships	straight line basis	10 years

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 1 Summary of significant accounting policies (continued)

#### (l) Intangible assets (continued)

##### (iii) Computer Software

Costs associated with maintaining computer software programmes and research expenditure are recognised as an expense as incurred. Development costs that are directly attributed to the design and testing of identified and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributed to the software product during its development can be reliably measured.

Directly attributed costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives. Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Capitalised computer software	3 years
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#### (m) Trade and other payables

These represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

#### (n) Financial instruments

##### Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

##### (i) *Financial assets at fair value through profit or loss*

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance date, otherwise they are classified as non-current assets.

The Group does not have any financial assets classified as fair value through profit or loss.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 1 Summary of significant accounting policies (continued)

#### (n) Financial instruments (continued)

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

The Group's loans and receivables comprise trade and other receivables.

##### (iii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

The Group does not have any financial assets classified as held to maturity.

##### (iv) Available for sale financial assets

Available for sale financial assets are non-derivatives, principally equity securities, that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

The Group does not have any financial assets classified as available for sale.

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value and transaction costs are expensed in profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income, except for foreign exchange movements on monetary assets, which are recognised in profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 1 Summary of significant accounting policies (continued)

#### (n) Financial instruments (continued)

##### Financial Liabilities

###### *Other financial liabilities*

This category includes all financial liabilities other than those designated as fair value through profit or loss. Liabilities in this category are initially measured at fair value less transaction costs and thereafter carried at amortised cost.

These include:

###### (i) *Trade and other payables*

These amounts represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

###### (ii) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

#### (o) Employee entitlements

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulated sick leave expected to be settled wholly within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and measured at the rates paid or payable. The Group pays contributions to defined contribution superannuation plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

#### (p) Changes in accounting policies

Accounting policies have been applied on a basis consistent with the prior annual financial statements.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 1 Summary of significant accounting policies (continued)

#### (q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been approved but are not yet effective and have not been adopted by the Group for the period ended 30 June 2018. These will be applied when they become mandatory. The significant standards are:

##### **NZ IFRS 9: Financial Instruments**

NZ IFRS 9: 'Financial Instruments' was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories; those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. The standard is effective for reporting periods beginning on or after 1 January 2018.

The Group is yet to assess NZ IFRS 9's full impact.

##### **NZ IFRS 15: Revenue from Contracts with Customers**

NZ IFRS 15 Revenue from Contracts with Customers is effective for Finzsoft's financial year ending 30 June 2019.

Finzsoft will use the cumulative catch up method of adoption and therefore will apply NZ IFRS 15 from 1 July 2018 without restating comparative figures.

NZ IFRS 15 introduces a single model for revenue recognition which focuses on transfer of control of goods / services to a customer based on the amount of consideration an entity is expected to receive.

Analysis of the impact of NZ IFRS 15 is ongoing, however preliminary impacts are described below for the significant revenue streams:

##### *Hosting fees*

Immaterial impact – revenue will continue to be recognised over the hosting period on a straight line basis.

##### *Licence fees – initial*

Revenue recognition will be deferred and recognised over the contract term, however initial licence fees recognised in prior years will be spread over the remaining contract from 1 July 2018 and therefore there will be an adjustment to retained earnings at 1 July 2018 in relation to this.

##### *Licence fees – ongoing*

The process of identifying performance obligations within the ongoing licence fee is ongoing, as part of the NZ IFRS 15 analysis, in relation to items such as upgrades. Where these items are identified as a separate performance obligation then the revenue will be recognised as they are delivered to the customer. The transaction price allocated to provision of the licence or where there is no additional performance obligation will continue to be recognised over the licence period on a straight line basis.

##### *Software as a Service*

Immaterial impact – revenue will continue to be recognised as the service is provided.

##### *Support services – fixed number of hours provided*

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 1 Summary of significant accounting policies (continued)

#### (q) New standards and interpretations not yet adopted (continued)

Where support has been contracted for a specific number of hours per annum then revenue will be recognised as each hour of support is provided with an estimate made for hours which will not be used – the impact of this change is still being quantified.

##### *Support services – charged on an hourly basis*

Where support is charged based on hours worked then the revenue will continue to be recorded as the support hours are provided.

##### *Design, implementation, customisation fees*

Where the work order contains a separate performance obligation (e.g. new module) then revenue will be recognised when the product is delivered.

Where the work order is not a separate performance obligation e.g. where there is significant integration with the existing platform then the revenue will be recognised over the remaining contract term.

The impact of this change in accounting policy is still being quantified.

##### *Contract costs*

Where revenue is being deferred then the costs may result in an asset being recorded on the statement of financial position rather than being expensed as incurred. The impact of this change is still being quantified.

#### **NZ IFRS 16: Leases**

NZ IFRS 16 address the recognition of leased assets and financial liabilities. This standard is effective for the period beginning on or after 1 January 2019.

The Group has assessed that the adoption of NZ IFRS 16 will not have a material impact on the net assets of the Group.

There are a number of other standards on issue which are either not applicable or management have assessed will not have an impact on the Group financial statements.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 2 Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the company to exercise its judgement in the process of applying the company's accounting policies.

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

#### Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, will seldom equal the related actual results.

The estimates and assumptions used in the current period are unlikely to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The critical accounting estimates and assumptions relating to the company are as follows:

##### *(i) Intangible assets and goodwill*

The carrying value of intangible assets under development and goodwill are subject to an annual impairment test to ensure the carrying value does not exceed the recoverable amount at reporting date. Other intangible assets are reviewed annually for indicators of impairment. For the purpose of impairment testing, intangible assets and goodwill are allocated to individual cash-generating units to which they relate. Any impairment losses are recognised in the profit and loss.

In determining the recoverable amount, the Group uses a valuation model to calculate the present value of expected future cash flows of the cash-generating units, discounted at the Company's weighted average cost of capital. The major inputs and assumptions that are used in the model that require management judgement includes sales forecast (new sales and project work), the employment of new staff to match expected project work, discount rates and the market price of Sovereign software for new sales, (refer note 9).

##### *(ii) Deferred tax asset*

The Group has recorded a deferred tax asset on its statement of financial position as at 30 June 2018.

Significant judgement is required in determining if the utilisation of these deferred tax assets is probable. In determining if the utilisation of the deferred tax assets is probable, the Directors have reviewed detailed forecasts of future earnings of the Group and determined that future assessable income will be earned in the future.

##### *(iii) Revenue recognition*

Management base their judgements of revenue recognition on the latest available information. In some cases the results reflect the expected outcome of long term contractual obligations which span more than one reporting period. Revenue is affected by many uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. Estimates of revenue are updated regularly. Internal reviews focus on the timing and recognition of revenue and the age and recoverability of any un-agreed revenue from variations to the contract scope or claims. The impact of these changes in accounting estimates is then reflected in the ongoing results.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 3 Revenue and other income

	2018 \$	2017 \$
<b>Revenue</b>		
Software license fees	3,140,897	7,846,057
Implementation, development and consulting services	9,119,792	7,049,735
After hours support services	268,675	281,123
Hosting fees	1,839,875	1,300,465
Other contracted services	<u>273,185</u>	<u>245,605</u>
	<b><u>14,642,424</u></b>	<b><u>16,722,985</u></b>
<b>Other income</b>		
Interest received	359	33,194
Dividends received	-	1,022
Foreign currency exchange loss	<u>(3,321)</u>	<u>(2,212)</u>
	<b><u>(2,962)</u></b>	<b><u>32,004</u></b>

### 4 Expenses

#### Finance expense

Interest paid	<u>26,807</u>	<u>26,036</u>
	<b><u>26,807</u></b>	<b><u>26,036</u></b>

#### Corporate expense

Audit of the annual financial statements	96,426	60,280
Director fees	199,828	210,924
Legal fees	740,038	417,485
Professional and consultancy costs	702,393	636,515
Stock exchange fees	26,922	25,624
Other expenses	<u>17,931</u>	<u>32,216</u>
	<b><u>1,783,538</u></b>	<b><u>1,383,044</u></b>

#### (a) Other expense items requiring separate disclosure

Employee benefits - salaries & wages	5,176,512	7,782,100
Included in employee benefits		
- Contributions to defined contribution plans	172,425	257,748
Rental	968,508	674,128

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 5 Cash and cash equivalents

	2018 \$	2017 \$
Cash at bank and on hand	<u>1,451,561</u>	<u>2,363,816</u>
	<u>1,451,561</u>	<u>2,363,816</u>

Cash at bank are the operating bank accounts earning no interest.

### Reconciliation of net operating cash flows to profit for the year

	2018 \$	2017 \$
(Loss) / Profit for the year	(733,977)	2,495,899
<b>Adjustments for non-cash items</b>		
Depreciation	167,179	225,340
Amortisation of finite life intangible assets	1,194,840	873,663
Foreign currency exchange loss	3,321	5,080
Deferred tax recognised	(277,047)	70,183
<b>Changes in assets and liabilities</b>		
(Increase) / decrease in assets		
Trade receivable	(569,285)	1,373,920
Prepayments	(79,789)	(10,035)
Other receivables	149,206	(127,828)
Current income tax liabilities	(385,004)	(476,636)
(Decrease) / increase in liabilities		
Trade payable	880,476	95,449
Unearned revenue	44,435	(568,818)
Provisions	(114,560)	436,373
Net operating cash flows	<u>279,795</u>	<u>4,392,590</u>

A deed of security dated 16 November 2000 is held by ANZ Bank New Zealand Ltd on behalf of New Zealand Stock Exchange. Finzsoft Solution Limited, the parent, and Finzsoft Settlements Limited, a subsidiary, granted a General Security Agreement dated 27 March 2009 in favour of ANZ Bank New Zealand Ltd to cover the existing overdraft facility, flexible credit facility and the flexible rate term loan.

A Cross Guarantee and Indemnity for the benefit of ANZ Bank New Zealand Ltd was signed, in March 2009, between Finzsoft Solutions (Australia) Pty Ltd and Finzsoft Solutions Ltd, Finzsoft Solutions (New Zealand) Ltd and Finzsoft Settlements Ltd.

The Group has an overdraft facility of \$40,000 with ANZ Bank New Zealand Ltd. Interest on the overdraft facility is charged on a daily basis and payable monthly in arrears. Interest is charged at the applicable rate as determined by the bank from time to time. At the date of the agreement the overdraft interest rate was 11.7%. At balance date none of the facility (2017: \$Nil) had been drawn down.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 5 Cash and cash equivalents (continued)

The Group has a flexible credit facility of \$2,000,000 (2017: \$1,000,000) with ANZ Bank New Zealand Ltd. The facility may be drawn down in tranches up to the agreed limit for a monthly period as determined. Interest is charged on the daily balance of each tranche drawn at a fixed rate quoted and advised by the Bank on the interest determination date as being the Bank's cost of funding that tranche plus a margin of 2% (2017: 2% above the Bank's cost of funding). Interest is payable monthly in arrears on the last day of each month. The facility is repaid at the end of each determined funding period. At balance date NZ\$1,100,000 (2017: nil) had been drawn down on this facility. Maturity of the facility is open ended but the Group uses all excess cash available at month end to reduce this balance.

### 6 Trade and other receivables

	2018 \$	2017 \$
Trade receivables	2,372,541	1,803,256
Prepayments	224,968	145,179
Other receivables	(3,100)	146,106
	<u>2,594,409</u>	<u>2,094,541</u>

### 7 Investments - unlisted subsidiaries

Name of entity	Country of incorporation	Reporting date	Ownership interest	
			2018 %	2017 %
Finzsoft Solutions (NZ) Limited Computer software development, sales and support	New Zealand	30 June	100	100
Finzsoft Solutions (Australia) Pty Limited Computer software development, sales and support	Australia	30 June	100	100
Finzsoft Settlements Limited Computer software development, sales and support	New Zealand	30 June	100	100
Sush Global Solutions Limited Computer software development, sales and support	New Zealand	30 June	100	100
Sush Mobile Pty Limited Computer software development, sales and support	Australia	30 June	100	100
Finzsoft Solutions SDN. BHD Computer software development, sales and support	Malaysia	30 June	100	100
Finzsoft Solutions Ltd (Singapore Branch) Computer software development, sales and support	Singapore	30 June	100	100

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 8 Property, plant and equipment

	Office furniture and equipment \$	Motor vehicles \$	Computer equipment \$	Total \$
<b>At 1 July 2016</b>				
Cost	307,304	25,936	1,180,952	1,514,192
Accumulated depreciation	<u>(72,184)</u>	<u>(13,047)</u>	<u>(1,011,823)</u>	<u>(1,097,054)</u>
Net book amount	<u>235,120</u>	<u>12,889</u>	<u>169,129</u>	<u>417,138</u>
<b>Year ended 30 June 2017</b>				
Opening net book amount	235,120	12,889	169,129	417,138
Additions	231,281	-	223,862	455,143
Disposals	(2,261)	(12,889)	1,312	(13,838)
Depreciation charge	<u>(54,184)</u>	<u>-</u>	<u>(171,156)</u>	<u>(225,340)</u>
Closing net book amount	<u>409,956</u>	<u>-</u>	<u>223,147</u>	<u>633,103</u>
<b>At 30 June 2017</b>				
Cost	536,323	-	1,357,261	1,893,584
Accumulated depreciation	<u>(126,367)</u>	<u>-</u>	<u>(1,134,114)</u>	<u>(1,260,481)</u>
Net book amount	<u>409,956</u>	<u>-</u>	<u>223,147</u>	<u>633,103</u>
<b>Year ended 30 June 2018</b>				
Opening net book amount	409,956	-	223,147	633,103
Additions	807	-	35,115	35,922
Disposals	-	-	-	-
Depreciation charge	<u>(59,230)</u>	<u>-</u>	<u>(107,949)</u>	<u>(167,179)</u>
Closing net book amount	<u>351,533</u>	<u>-</u>	<u>150,313</u>	<u>501,846</u>
<b>At 30 June 2018</b>				
Cost	537,130	-	1,392,524	1,929,654
Accumulated depreciation	<u>(185,597)</u>	<u>-</u>	<u>(1,242,211)</u>	<u>(1,427,808)</u>
Net book amount	<u>351,533</u>	<u>-</u>	<u>150,313</u>	<u>501,846</u>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 9 Intangible assets and goodwill

	Software development \$	Goodwill \$	Brands and customer relationship \$	Total \$
<b>At 1 July 2016</b>				
Cost	4,965,253	4,141,818	279,000	9,386,071
Accumulated amortisation	<u>(2,957,407)</u>	<u>(1,073,392)</u>	<u>(120,516)</u>	<u>(4,151,315)</u>
Net carrying amount	<u>2,007,846</u>	<u>3,068,426</u>	<u>158,484</u>	<u>5,234,756</u>
<b>Year ended 30 June 2017</b>				
Opening net book amount	2,007,846	3,068,426	158,484	5,234,756
Additions	1,248,301	-	-	1,248,301
Amortisation charge	<u>(851,848)</u>	<u>-</u>	<u>(21,816)</u>	<u>(873,664)</u>
Closing net carrying amount	<u>2,404,299</u>	<u>3,068,426</u>	<u>136,668</u>	<u>5,609,393</u>
<b>At 30 June 2017</b>				
Cost	6,213,552	4,141,818	279,000	10,634,370
Accumulated amortisation and impairment	<u>(3,809,253)</u>	<u>(1,073,392)</u>	<u>(142,332)</u>	<u>(5,024,977)</u>
Net carrying amount	<u>2,404,299</u>	<u>3,068,426</u>	<u>136,668</u>	<u>5,609,393</u>
<b>Year ended 30 June 2018</b>				
Opening net carrying amount	2,404,299	3,068,426	136,668	5,609,393
Additions	2,257,535	-	-	2,257,535
Amortisation charge	<u>(1,173,024)</u>	<u>-</u>	<u>(21,816)</u>	<u>(1,194,840)</u>
Closing net carrying amount	<u>3,488,810</u>	<u>3,068,426</u>	<u>114,852</u>	<u>6,672,088</u>
<b>At 30 June 2018</b>				
Cost	8,471,088	4,141,818	279,000	12,891,906
Accumulated amortisation	<u>(4,982,278)</u>	<u>(1,073,392)</u>	<u>(164,148)</u>	<u>(6,219,818)</u>
Net carrying amount	<u>3,488,810</u>	<u>3,068,426</u>	<u>114,852</u>	<u>6,672,088</u>

#### Impairment testing of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(I).

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 9 Intangible assets and goodwill (continued)

Goodwill is allocated to the Group's cash-generating units (CGU's) identified below.

	2018 \$	2017 \$
Sovereign business	1,639,426	1,639,426
Sush business	<u>1,429,000</u>	<u>1,429,000</u>
Balance at 30 June	<u>3,068,426</u>	<u>3,068,426</u>

The recoverable amount for the Sovereign business unit has been determined on a value in use calculation using cash flow projections on financial budgets approved by the Board covering a 5 year period and a discount rate of 15.5% (2017: 15.5%). Cash flows for the five year period have been extrapolated using a 5% growth rate for revenue and 1.5% for costs for the first five years and 2% thereafter (2017: 5% growth rate for the first year and 2% thereafter).

If impairment of goodwill is identified, it is first recognised by reducing the carrying amount of goodwill, then by reducing the carrying amounts of the other assets on a pro-rata basis.

The above estimates are sensitive in the following areas:

- An increase of 5% (from 15.5% to 20.5%) in the discount rate used would still not have generated impairment.
- A 10% decrease in planned net cash flows over the five year period would still not have generated impairment.

The recoverable amount for the Sush business unit has been determined on a value in use calculation using cash flow projections on financial budgets approved by the Board covering a 5 year period and a discount rate of 15.5% (2017: 15.5%). Cash flows for the five year period have been extrapolated using a 10% growth rate for revenue and 1.5% for costs for the first five years and 2% thereafter (2017: 5% growth rate for the first year and 2% thereafter).

If impairment of goodwill is identified, it is first recognised by reducing the carrying amount of goodwill, then by reducing the carrying amounts of the other assets on a pro-rata basis.

The above estimates are sensitive in the following areas:

- An increase of 5% (from 15.5% to 20.5%) in the discount rate used would still not have generated impairment.
- A 10% decrease in planned net cash flows over the five year period would still not have generated impairment.

### 10 Share capital

The total number of authorised and issued ordinary shares is 8,808,830 shares (2017: 8,808,830) with a total value of \$4,316,441 (2017: \$4,316,441). There is only one class of share and all issued shares are fully paid.

No shares were issued during the year (2017: no shares issued).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, and rank equally with regard to the Company's residual assets.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 11 Other reserves

	2018 \$	2017 \$
<b>Share option reserve</b>		
Opening balance	-	128,495
Lapsed options transferred to Retained Earnings	-	<u>(128,495)</u>
Total Share option reserve	<u>-</u>	<u>-</u>
<b>Foreign currency translation reserve</b>		
Opening balance	(182,020)	(138,716)
Currency translation difference recorded in other comprehensive income	4,728	(43,304)
Total Foreign currency translation reserve	<u>(177,292)</u>	<u>(182,020)</u>
Total Other Reserves	<u>(177,292)</u>	<u>(182,020)</u>

### 12 Trade and other payables

	2018 \$	2017 \$
Trade payables	1,219,441	425,100
Related party payables (refer to note 22(b))	57,427	-
Accrued expenses	530,574	501,866
	<u>1,807,442</u>	<u>926,966</u>

### 13 Unearned revenue

	2018 \$	2017 \$
Unearned revenue	<u>1,379,936</u>	<u>1,335,501</u>
	<u>1,379,936</u>	<u>1,335,501</u>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 14 Current liabilities - Provisions

	2018 \$	2017 \$
Employee entitlements	475,060	929,622
Long service leave	1,501	20,249
Onerous lease contract	<u>358,750</u>	<u>-</u>
	<u>835,311</u>	<u>949,871</u>

#### (a) Onerous lease contract

The provision for onerous lease contracts represents the present value of the future lease payments the Group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the lease is 3 years and 1 month.

#### (b) Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Employee entitlements \$	Long service leave \$	Onerous lease contract \$	Total \$
<b>2017</b>				
At 1 July 2016	459,938	53,561	-	513,499
Additional provisions recognised	469,684	-	-	469,684
Used during year	<u>-</u>	<u>(33,312)</u>	<u>-</u>	<u>(33,312)</u>
At 30 June 2017	<u>929,622</u>	<u>20,249</u>	<u>-</u>	<u>949,871</u>
	Employee entitlements \$	Long service leave \$	Onerous lease contract \$	Total \$
<b>2018</b>				
<b>Current</b>				
At 1 July 2017	929,622	20,249	-	949,871
Additional provisions recognised	-	-	358,750	358,750
Used during year	<u>(454,562)</u>	<u>(18,748)</u>	<u>-</u>	<u>(473,310)</u>
At 30 June 2018	<u>475,060</u>	<u>1,501</u>	<u>358,750</u>	<u>835,311</u>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 15 Income tax and deferred tax

2018  
\$

2017  
\$

#### (a) Profit and loss

The income tax expense consists of:

Current income tax	54,632	874,342
Deferred income tax	<u>(277,047)</u>	<u>70,183</u>
	<u>(222,415)</u>	<u>944,525</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

2018  
\$

2017  
\$

(Loss) / profit before tax expense	<u>(956,392)</u>	<u>3,440,424</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	(267,790)	963,319
Expenses not deductible for income tax purposes	11,646	5,627
(Over)/under provision of prior year	22,258	(32,812)
Corporate tax rate variance with Australia @ 30c	4,713	2,567
Taxation losses not utilised	6,758	5,824
Income tax expense / (benefit)	<u>(222,415)</u>	<u>944,525</u>

2018  
\$

2017  
\$

#### (b) Deferred tax

Opening balance	81,505	151,688
Charged to profit or loss	<u>277,047</u>	<u>(70,183)</u>
Closing balance	<u>358,552</u>	<u>81,505</u>

Tax losses	Intangibles	Provisions	Total
\$	\$	\$	\$

At 1 July 2016	-	(44,376)	196,064	151,688
Charged/(credited) to profit and loss	-	<u>6,109</u>	<u>(76,292)</u>	<u>(70,183)</u>
At 30 June 2017	<u>-</u>	<u>(38,267)</u>	<u>119,772</u>	<u>81,505</u>

Tax losses	Intangibles	Provisions	Total
\$	\$	\$	\$

At 1 July 2017	-	(38,267)	119,772	81,505
Charged/(credited) to profit and loss	<u>136,007</u>	<u>6,108</u>	<u>134,932</u>	<u>277,047</u>
At 30 June 2018	<u>136,007</u>	<u>(32,159)</u>	<u>254,704</u>	<u>358,552</u>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 15 Income tax and deferred tax (continued)

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Directors believe the Group will have future taxable profits based on its profit projections.

	2018 \$	2017 \$
<b>(c) Imputation credits</b>		
Balance at beginning of year	942,207	667,389
Tax payments, net of refunds	<u>366,505</u>	<u>274,818</u>
Balance at end of the year	<u>1,308,712</u>	<u>942,207</u>
Through the company	73,430	73,430
Through subsidiaries	<u>1,235,282</u>	<u>868,777</u>
Balance at end of year	<u>1,308,712</u>	<u>942,207</u>

### 16 Financial risk management

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### Credit risk

Credit risk is defined as the risk a loss will be incurred if the counter party to a transaction does not fulfil its financial obligation. The Group's concentration of credit risk is stated below. Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with registered banks, as well as credit exposure to registered banks and financial institutions, including outstanding trade and other receivables. For registered banks, only independently rated parties with a minimum rating of 'AA' are accepted. For financial institution, the majority are independently rated 'BB' or above. If there is no independent rating, risk control assesses the credit quality of those customers internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

Maximum exposure to credit risk at the reporting date are carrying amounts of financial assets.

	2018 \$	2017 \$
Cash and cash equivalents	1,451,561	2,363,816
Trade receivables	2,372,541	1,803,256

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 16 Financial risk management (continued)

#### Concentration of Credit Risk

The Group's two largest customer balances outstanding accounted for 74% (2017: 72%) of trade accounts receivable. The Group at the reporting date holds 78% (2017: 87%) of cash with one registered bank.

At 30 June, the ageing analysis of trade receivables since invoice date is as follows:

	2018	2017
	\$	\$
<b>Consolidated entity</b>		
<30 days	1,740,537	1,153,245
31-60 days	629,364	594,346
61-90 days	2,640	24,303
>90 days	-	31,362
Total	<u>2,372,541</u>	<u>1,803,256</u>

Trade receivables are non-interest bearing and are generally on 30 day terms. The balances past due as at the reporting date but not impaired, are expected to be received based on continuation of normal business subsequent to year end. At the reporting date, the directors have reviewed the carrying value of trade receivables to determine whether there is any indication that those assets have been impaired. Due to the short term nature of these receivables, their carrying amounts are a reasonable approximation of their fair value. The maximum exposure to credit risk is the carrying amount of receivables.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments. Consolidated cash flow forecasting is performed for all operating entities in the Group. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient head-room on its undrawn committed borrowings (Note 5) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on its borrowing facility. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying value	Gross nominal outflow	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years
	\$	\$	\$	\$	\$
<b>Balance at 30 June 2018</b>					
Related party payables (ref note 22b)	57,427	57,427	57,427	-	-
Trade payables	1,219,441	1,219,441	1,219,441	-	-
Bank borrowings	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	-	-
	<u>2,376,868</u>	<u>2,376,868</u>	<u>2,376,868</u>	-	-

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 16 Financial risk management (continued)

	Carrying value \$	Gross nominal outflow \$	Less than 3 months \$	Between 3 months and 1 year \$	Between 1 year and 2 years \$
<b>Balance at 30 June 2017</b>					
Trade payables	<u>425,100</u>	<u>425,100</u>	<u>425,100</u>	-	-
	<u>425,100</u>	<u>425,100</u>	<u>425,100</u>	-	-

#### Market Risk

##### *Interest Rate Risk*

Interest rate risk is the risk of loss to the Group arising from changes in interest rates. The Group policy is to maintain minimal borrowings in fixed rate instruments and therefore any interest rate movement impact is minor. Excess funds are held in interest paying deposit accounts.

##### *Foreign Exchange Rate Risk*

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from change in the measurement of exchange rate between transaction date and settlement date, primarily with respect to the Australian dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency arising from future commercial transactions and recognised assets and liabilities.

In the event of a strong market outlook that the Australian/New Zealand cross rate will move significantly, a Group treasury risk management hedging policy exists. The current hedging policy is:

- up to 50% of anticipated cash flows for the next 90 days, and
- up to 25% of anticipated cash flows between 90 and 180 days

It has been assessed that hedging will not be required in the short term, therefore no derivatives are held at balance date.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from net assets of the Group's foreign operations is managed primarily through regular repatriation of excess bank funds to New Zealand.

At 30 June 2018, if the Australian currency had weakened (to 0.8777: 30 June 2017 to 0.9055) or strengthened (to 0.9701: 30 June 2017 to 0.9983) by 5% against the NZ dollar with all other variables held constant, post-tax profit for the year would have been NZ\$5,773 (30 June 2017: NZ\$10,181) higher mainly as a result of foreign exchange gains or losses on translation of Australian dollar denominated trade receivables and foreign exchange gains / losses on translation of Australian dollar denominated trade payables. The sensitivity analysis is based on a reasonably possible change in interest rates with all other variables held constant.

There were no forward contracts at the reporting date for the 2018 and 2017 periods.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 16 Financial risk management (continued)

Maximum exposures to foreign currency risk at reporting date are:

New Zealand dollar equivalents of amounts receivable and cash held in foreign currencies which are not effectively hedged:

	2018 \$	2017 \$
<b>Current assets</b>		
Australian dollars	1,781,927	3,340,378
Singapore dollars	<u>7,087</u>	<u>4,651</u>
	<u>1,789,014</u>	<u>3,345,029</u>

New Zealand dollar equivalents of amounts payable in foreign currencies which are not effectively hedged:

<b>Current liabilities</b>		
Australian dollars	<u>117,520</u>	<u>38,416</u>
	<u>117,520</u>	<u>38,416</u>

The fair value of financial instruments approximates their carrying value (refer to Note 1(n)) as these are short term, carried at market interest rates and receivables are subject to impairment.

### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, reserves and retained earnings of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital above 50%; in 2018 the return was (13.25%) (2017: 73.82%). The decrease in return on capital from 2017 is largely due to investment in future proofing the business. The Board strategy into the 2019 financial year is to proactively managing the Group's cost base and ensure that performance remains in line with management expectations. In addition, the Group plans to leverage its strong history of working with New Zealand's credit unions and building societies.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 17 Segment information

Management has determined the operating segments based on the reports reviewed by the Board.

The Board considers the business from both a geographic and product perspective. Geographically, management considers the performance of sales and services in New Zealand, Australia and the rest of the world.

The reportable operating segments derive their revenue primarily from software delivery and support.

The Board assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA). This measurement basis excludes the effects of non-recurring expenditure from operating segments. Interest income and expenditure are not allocated to segments, as this type of activity is considered to be a central treasury function.

There are no sales between segments as these are eliminated on consolidation. The revenue from external parties reported to the Board is measured in a manner consistent with that in the statement of comprehensive income.

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The segment information for the period ended 30 June 2018 is as follows:

	New Zealand Software Delivery & Support \$	Australia Software Delivery & Support \$	Rest of the world Software Delivery & Support \$	Total \$
Segment revenue from external customers	<u>7,789,488</u>	<u>6,852,936</u>	-	<u>14,642,424</u>
Adjusted EBITDA	1,646,290	569,382	(56)	2,215,616
Depreciation and amortisation	(1,361,667)	(352)	-	(1,362,019)
Income tax (expense) / benefit	<u>274,324</u>	<u>(51,909)</u>	-	<u>222,415</u>
Total Assets	<u>9,800,951</u>	<u>1,797,745</u>	<u>7,087</u>	<u>11,605,783</u>
Additions to non-current assets (other than Financial instruments and deferred tax assets)	2,295,558	-	-	2,295,558
Total Liabilities	<u>(4,720,018)</u>	<u>(398,678)</u>	<u>(3,993)</u>	<u>(5,122,689)</u>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 17 Segment information (continued)

The segment information for the period ended 30 June 2017 is as follows:

	New Zealand Software Delivery & Support \$	Australia Software Delivery & Support \$	Rest of the world Software Delivery & Support \$	Total \$
Segment revenue from external customers	<u>11,226,486</u>	<u>5,496,499</u>	<u>-</u>	<u>16,722,985</u>
Adjusted EBITDA	5,804,420	132,350	(21,460)	5,915,310
Depreciation and amortisation	1,095,569	3,434	-	1,099,003
Income tax expense	<u>923,257</u>	<u>22,803</u>	<u>(1,535)</u>	<u>944,525</u>
Total Assets	<u>7,569,585</u>	<u>3,205,970</u>	<u>6,804</u>	<u>10,782,359</u>
Additions to non-current assets (other than Financial instruments and deferred tax assets)	1,703,446	-	-	1,703,446
Total Liabilities	<u>(2,845,284)</u>	<u>(724,732)</u>	<u>-</u>	<u>(3,570,016)</u>

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	2018 \$	2017 \$
Adjusted EBITDA from reportable segments	<u>2,215,616</u>	<u>5,915,310</u>
Depreciation	(167,179)	(225,339)
Amortisation	(1,194,840)	(873,664)
Interest received	359	33,194
Interest paid	(26,807)	(26,036)
Legal expenses	(740,038)	(417,485)
Directors fees	(199,828)	(210,924)
Professional and consultancy costs (not attributable to a segment)	(702,393)	(636,515)
Other	<u>(141,282)</u>	<u>(118,117)</u>
Profit / (loss) before income tax	<u>(956,392)</u>	<u>3,440,424</u>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 18 Earnings per share

The basic earnings per share is calculated by dividing the profit attributed to owners of the company by the weighted average number of ordinary shares in issue during the period.

	2018	2017
(Loss) / Profit attributable to owners of the company (\$)	<b>(733,979)</b>	2,495,899
Weighted average number of ordinary shares in issue	<b>8,808,830</b>	8,808,830
Weighted average number of ordinary shares for diluted earnings per share	<b>8,808,830</b>	8,808,830
Basic earnings per share (cents per share)	<b>(8.33)</b>	28.33
Diluted earnings per share (cents per share)	<b>(8.33)</b>	28.33

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

### 19 Dividends per share

The dividend per share is calculated by multiplying the dividend declared per share attributed to owners of the company by the number of ordinary shares on issue at the record date.

	2018	2017
Number of ordinary shares on issue	<b>8,808,830</b>	8,808,830

No dividend was declared or paid during the 12 months ended 30 June 2018 (2017: Nil)

### 20 Contingent Liabilities

The Group is contingently liable in respect of an all obligations guarantee and indemnity provided over all monies due to the ANZ National Bank Limited.

A deed of security dated 16 November 2000 is held by ANZ National Bank Ltd on behalf of New Zealand Stock Exchange.

Finzsoft Solution Limited, the parent, and Finzsoft Settlements Limited, a subsidiary, granted a General Security Agreement dated 27 March 2009 in favour of ANZ National Bank Ltd to cover the existing overdraft facility, flexible credit facility and the flexible rate term loan.

A Cross Guarantee and Indemnity for the benefit of ANZ National Bank Ltd was signed, in March 2009, between Finzsoft Solutions (Australia) Pty Ltd and Finzsoft Solutions Ltd, Finzsoft Solutions (New Zealand) Ltd and Finzsoft Settlements Ltd.

The Group has an overdraft facility of \$40,000 with ANZ National Bank Ltd. Interest on the overdraft facility is charged on a daily basis and payable monthly in arrears. Interest is charged at the applicable rate as determined by the bank from time to time. At the date of the agreement the overdraft interest rate was 11.7%. At balance date none of the facility (30 June 2017: Nil) had been drawn down.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 20 Contingent Liabilities (continued)

The Group has a flexible credit facility of \$2,000,000 with ANZ National Bank Ltd. The facility may be drawn down in tranches up to the agreed limit for a monthly period as determined. Interest is charged on the daily balance of each tranche drawn at a fixed rate quoted and advised by the Bank on the interest determination date as being the Bank's cost of funding that tranche plus a margin of 2% (30 June 2017: 2% above the Bank's cost of funding). Interest is payable monthly in arrears on the last day of each month. The facility is repaid at the end of each determined funding period. At balance date \$1,100,000 of the facility (30 June 2017 :Nil) had been drawn down.

Finzsoft Solutions Limited, the parent has a rental bond which is guaranteed by ANZ in respect to it Australis Nathan Building agreement for Britomart Group Management company for \$350,000.

### 21 Commitments

The Group is not committed to incur any capital expenditure as at reporting date (30 June 2017: Nil).

The Group is committed under operating leases for premises as follows:

	2018 \$	2017 \$
<b>Premises</b>		
Not Later than 1 year	678,168	652,351
Later than 1 year but not later than 5 years	<u>1,299,564</u>	<u>1,872,016</u>
	<u>1,977,732</u>	<u>2,524,367</u>

The Group is committed under the following lease agreements:

Lease entered into in June 2014 for the premises in the Australis Nathan Building for a term of five years commencing 1 August 2016.

Lease entered into in April 2018 for accommodation in Sydney for an 8 month term expiring in December 2018.

Lease with Konica Minolta for printer and images in December 2016 for a term of three years commencing 20 December 2016.

### 22 Related party disclosures

#### Parent and ultimate controlling party

The immediate parent is Finzsoft Solutions Limited and controlling entity of the Group is Silverlake HGH Limited.

Note 7 identifies all entities within the Group and they are all related parties of the Company.

In addition, the directors and key management personnel of the Group are also related parties.

#### (a) Key management compensation

Key management includes directors (including executive directors) and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	2018 \$	2017 \$
Salaries and other short-term employee benefits	<u>2,439,419</u>	<u>1,768,824</u>
	<u>2,439,419</u>	<u>1,768,824</u>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

### 22 Related party disclosures (continued)

#### (b) Other related party transactions

	2018 \$	2017 \$
<b>Sales of goods and services:</b>		
Silverlake Axis MSC Sdn Bhd - Service expenses received	-	18,263
Silverlake Symmetri Singapore Pte Limited	<b>181,326</b>	178,163
GMS Limited - Consulting & Management Services paid	<b>322,275</b>	12,102

Holliday Group Holdings Ltd is a related party by virtue of common directorship.

GMS Limited is a related party by virtue of common directorship.

Silverlake Axis MSC Sdn Bhd are related parties by virtue of common directorship.

Silverlake Symmetri Singapore Pte Limited are related parties by virtue of common directorship.

Silverlake HGH Limited is related by virtue of common directorship.

All outstanding balances with these related parties are priced on normal commercial terms and are to be settled in cash within two months of the reporting date. None of the balances are secured. Included in Accounts Payable is a balance owing to GMS Limited \$54,669 and Gary Sim of \$2,758 (2017: \$Nil). No related party balances have been written off.

### 23 Events after the balance date

There were no significant events occurring after balance date (30 June 2017: Nil).

## Corporate governance

for the period ended 30 June 2018

### Principal Activity

Finzsoft Solutions Limited (FIN) is a listed IT software development company for the banking and finance sector. We predominately operate in New Zealand and Australia. There has not been any change in the nature of the company's business in the 12 months ended 30 June 2018.

### Directors Holding Office

Directors holding office during the year were:

Paul Cook	(appointed 15/12/11)
Andrew Holliday	(appointed Managing Director 23/03/12)
Brent Impey	(appointed 15/12/11)
Gary Sim	(appointed 10/10/14)
Yong Sin Kwong	(appointed 20/04/2015)

### Director independence

The Board has resolved that the following Directors are independent within the meaning of the NZX listing rules.

Brent Impey	Chairman
Paul Cook	Non-Executive Director

Directors considered not independent due to a disqualifying relationship within the meaning of the NZX listing rules are:

Andrew Holliday	Substantial Security Holder
Yong Sin Kwong	Substantial Security Holder
Gary Sim	Executive Officer

The Board of Directors, with advice from the Managing Director and Senior Management Team, is responsible for developing and maintaining the company's corporate governance and ethical business practices.

### Directors of Subsidiaries

Directors of Finzsoft Solutions (New Zealand) Limited during the year were:

Paul Cook	(appointed 22/08/14)
Andrew Holliday	(appointed 26/06/07)
Brent Impey	(appointed 22/08/14)
Gary Sim	(appointed 10/10/14)

Directors of Finzsoft Settlements Limited during the year were:

Andrew Holliday	(appointed 26/06/07)
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Directors of Sush Global Solutions Limited during the year were:

Paul Cook	(appointed 29/08/14)
Andrew Holliday	(appointed 29/08/14)
Brent Impey	(appointed 29/08/14)

## Corporate governance (continued)

for the period ended 30 June 2018

Directors of Finzsoft Solutions (Australia) Pty Limited during the year were:

Robert Hunter	(appointed 21/09/10)
Brent Impey	(appointed 05/04/12)
Paul Cook	(appointed 06/06/14)
Gary Sim	(appointed 10/10/14)
Andrew Holliday	(appointed 21/03/08)

Directors of Sush Mobile Pty Limited (Australia) during the year were:

Paul Cook	(appointed 09/10/14)
Andrew Holliday	(appointed 09/10/14)
Brent Impey	(appointed 09/10/14)
Gary Sim	(appointed 09/10/14)

Directors of Finzsoft Solutions Limited (Singapore Branch) during the year were:

Kwong Yong Sin	(appointed 20/04/15)
Brent Impey	(appointed 15/12/11)
Paul Cook	(appointed 15/12/11)
Andrew Holliday	(appointed 26/06/07)
Gary Sim	(appointed 10/10/14)

Directors of Finzsoft Solutions (Malaysia) SDN BHD during the year were:

Andrew Holliday	(appointed 08/11/12)
Lee Shuk Yee	(appointed 01/07/16)
Chong Swee Yoon	(appointed 08/11/12, ceased 20/11/17)

### Governance Standards

The Board has reviewed the Rules, Principles and Guidelines embodied in the NZX listing rules and is taking progressive steps to improve the governance systems and processes by reference to them. Finzsoft's corporate governance principles do not materially differ from the Corporate Governance Best Practice Code issued by NZX.

The primary responsibilities of the Board include:

- The establishment of the long term goals of the company and strategic plans to achieve those goals.
- The approval of the annual and half year financial statements.
- The review and adoption of annual budgets for the financial performance of the company and monitoring the results on a monthly basis.
- Ensuring that the company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.

### Independent Professional Advice

With the approval of the Chairman, each director has the right to seek independent legal and other professional advice at the Group's expense concerning any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

## Corporate governance (continued)

for the period ended 30 June 2018

### Audit & Remuneration Committee

The Audit & Remuneration Committee reviews the Group's financial statements and announcements. It also liaises with the external auditors and reviews internal controls which are relevant to financial reporting and related matters. This committee approves the management staff remuneration.

The current members of the committee are: Paul Cook and Gary Sim.

### Nomination Committee

Due to the size of the Group, a separate Nomination Committee has not been formally established. Any Board nomination is dealt with by the Board as a whole.

### Attendance at meetings

During the financial 12 months ending 30 June 2018, the Board met 5 times (2017: 7). The table below sets out attendance at meetings by all Directors.

	2018 2018		2017 2017	
	Board attendance (scheduled and special purpose)	Audit & Remuneration Committee	Board attendance (scheduled and special purpose)	Audit & Remuneration Committee
Paul Cook	5	2	7	1
Andrew Holliday	5	-	7	1
Brent Impey	5	-	7	-
Gary Sim	5	2	7	1
Yong Sin Kwong	5	-	6	-

### Directors Interests Register

In March 2018, the Board authorised the renewal of the Directors' and Officers' insurance cover as at 1 April 2018 for a period of 12 months and has certified, in terms of section 162 of the Companies Act 1993, that this cover is fair to the company. No director has given notice to the company of an interest in any transaction with the company. No director has sought authorisation to use company information.

The following are particulars of general disclosures of interest given by the Directors of the Company pursuant to Section 140(2) of the Companies Act 1993:

Andrew Holliday	Director of Holliday Group Holdings Limited Holliday Group Holdings (ICT Investments) Limited Silverlake HGH Limited
Gary Sim	GMS Technology Pty Limited

## Corporate governance (continued)

for the period ended 30 June 2018

### Directors' Remuneration

Below are details of the total of the value of remuneration and other benefits received by each Director during the year.

	2018		2017	
	Director fees \$	Other remuneration \$	Director fees \$	Other remuneration \$
Paul Cook	60,000	-	60,000	-
Brent Impey	90,000	-	90,000	-
Andrew Holliday	-	552,900	-	663,478
Gary Sim	60,000	322,275	60,000	12,012
	<u>210,000</u>	<u>875,175</u>	<u>210,000</u>	<u>675,490</u>

Neither the Company nor its subsidiaries have provided any other benefits to a director for services as a director or in any other capacity, apart from the following consultancy fees:

	2018 \$	2017 \$
Andrew Holliday	552,900	663,478
Gary Sim	<u>322,275</u>	<u>12,012</u>
	<u>875,175</u>	<u>675,490</u>

### Dealings in Company Securities

The Board has developed a policy that covers trading in Finzsoft securities and the disclosure requirements for directors, managers and representatives.

No shares were traded by directors during the 12 months ended 30 June 2018.

Neither the Group nor its subsidiaries have made loans to a director, nor has the Group or subsidiaries guaranteed any debts incurred by a director.

### Donations

Neither the Group nor its subsidiaries made any donations during the year (2017: None).

### Auditor's fees

Staples Rodway	Audit fees	\$96,426
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### Contract with Related Parties

During the course of the accounting period the Group entered into an agreement for the provision of services with Andrew Holliday. The Group has relied on the exception in Listing Rule 9.2.4(d) in respect of this agreement.

## Corporate governance (continued)

for the period ended 30 June 2018

### Remuneration of Employees

The number of employees, who are not directors, whose remuneration and other benefits exceeded \$100,000 in the period were:

	2018		2017	
	Group	Parent	Group	Parent
\$100,000-\$110,000	1	-	1	-
\$110,000-\$120,000	1	-	4	-
\$120,000-\$130,000	-	-	5	-
\$130,000-\$140,000	-	-	3	-
\$140,000-\$150,000	2	-	3	-
\$150,000-\$160,000	1	-	3	-
\$160,000-\$170,000	2	-	1	-
\$170,000-\$180,000	1	-	2	-
\$180,000-\$190,000	-	-	2	-
\$190,000-\$200,000	-	-	-	-
\$200,000-\$210,000	1	-	1	-
\$210,000-\$220,000	-	-	1	-
\$220,000-\$230,000	1	-	-	-
\$230,000-\$240,000	1	-	-	-
\$240,000-\$250,000	-	-	-	-
\$250,000-\$260,000	-	-	1	-
\$260,000-\$270,000	-	-	-	-
\$270,000-\$280,000	-	-	-	-
\$280,000-\$290,000	1	-	1	-
\$290,000-\$300,000	1	-	1	-

### Gender Composition of Directors and Officers

	2018		2017	
	Male	Female	Male	Female
Directors	5	-	5	-
Officers	5	2	4	1
	<u>10</u>	<u>2</u>	<u>9</u>	<u>1</u>

### Diversity

The Company does not have a gender diversity policy as at 30 June 2018 (2017: Nil).

## Shareholder and Statutory Financial Information

as at 30 June 2018

The following information is provided in accordance with the Listing Rules of the New Zealand Stock Exchange.

### PRINCIPAL SHAREHOLDERS

The names and holdings of the largest twenty registered shareholders as at 30 June 2018 were:

	Shares held	Percentage
Silverlake HGH Limited	7,528,990	85.47 %
CRX Investments Pty Limited	323,150	3.67 %
Timothy James Hurring and Susan Jane Hurring as trustees of the Hurring Family Trust	130,000	1.48 %
Sheenu Chawla	91,333	1.04 %
Sulabh Sharma	91,333	1.04 %
Zinka Matulic	65,907	0.75 %
Tim Hurring	65,867	0.75 %
Maarten Arnold Janssen	50,134	0.57 %
Neville Baden Dickey	41,770	0.47 %
Ying Zhu	30,000	0.34 %
John Lammin and Sharan Foga	29,700	0.34 %
Rupert Peter Scott	25,000	0.28 %
Brandon Milgate	22,870	0.26 %
John Neil McCallum and Ross Fraser McCallum as trustees of the McCallum Family Trust	20,000	0.23 %
Richard Alexander Coutts	13,711	0.16 %
Michael John Robins	12,870	0.15 %
ACE Finance Limited	12,000	0.14 %
FNZ Custodians Limited	11,424	0.13 %
William Rupert Aldridge and Gillian Mary Aldridge	10,500	0.12 %
Jixiang Liu	10,000	0.11 %
	<b>8,586,559</b>	<b>97.50 %</b>

### SHAREHOLDER ANALYSIS

	No. of Holders	Percentage	No. of Shares	Percentage
<b>Domicile</b>				
Australia	1	0.75 %	323,150	3.67 %
Belgium	1	0.75 %	2,000	0.02 %
China	1	0.75 %	30,000	0.34 %
Fiji	1	0.75 %	6,800	0.08 %
New Zealand	127	94.78 %	8,354,947	94.85 %
Switzerland	1	0.75 %	300	-
United Kingdom	1	0.75 %	91,333	1.04 %
United States of America	1	0.75 %	300	-
	<b>134</b>	<b>100.00 %</b>	<b>8,808,830</b>	<b>100.00 %</b>

## Shareholder and Statutory Financial Information (continued)

	No. of Holders	Percentage	No. of Shares	Percentage
<b>Size of Holding</b>				
1-999	46	34.33 %	19,347	0.22 %
1,000 - 4,999	55	41.04 %	109,219	1.24 %
5,000 - 9,999	12	8.96 %	83,705	0.95 %
10,000 - 49,999	13	9.70 %	249,845	2.84 %
50,000 – 499,999	7	5.22 %	817,724	9.28 %
500,000 - 7,999,999	1	0.75 %	7,528,990	85.47 %
	<b>134</b>	<b>100.00 %</b>	<b>8,808,830</b>	<b>100.00 %</b>

### SUBSTANTIAL PRODUCT HOLDERS

As at 30 June 2018, the following security holders had given notice pursuant to section 280(1)(b) of the Financial Markets Conduct Act 2013 that they were substantial product holders in the Company and had a relevant interest in the number of ordinary shares below:

	Shares held	Percentage
Silverlake HGH Limited	7,528,990	85.47 %
HGH (ICT Investments No.2) Limited	7,528,990	85.47 %
Silverlake Axis Ltd	7,528,990	85.47 %

### DIRECTORS HOLDINGS

Directors hold the following relevant interests in shares in the Company as at 30 June 2018:

	Relevant Interest Held
Andrew Holliday	7,528,990 ordinary shares