finzsoft

Finzsoft Solutions Limited
Consolidated Financial Statements
for the period ended 31 December 2019

Statement of comprehensive income
For the period ended 31 December 2019

	Note	**Unaudited 6 months to 31/12/2019 $'000**	Unaudited 6 months to 31/12/2018 $'000	Audited 12 months to 30/06/2019 $'000
Revenue		**4,756**	6,636	12,246
Other income/(loss)		**-**	-	235
Total operating revenue		**4,756**	6,636	12,481
Development, servicing and other direct costs		**(3,111)**	(4,577)	(8,375)
Occupancy expense		**(12)**	(158)	(558)
Depreciation and amortisation expense		**(841)**	(908)	(819)
Marketing and sales		**(41)**	(384)	(453)
Finance expense		**(42)**	(23)	(57)
Corporate expenses		**(1,007)**	(899)	(1,152)
Other expenses		**(759)**	(998)	(965)
Total expenses		**(5,813)**	(7,947)	(12,379)
(Loss) / profit before taxation and investments in associates		**(1,056)**	(1,311)	102
Share of profit of associates and joint ventures	**11**	**81**	-	-
(Loss) / profit before income tax		**(975)**	(1,311)	102
Income tax benefit / (expense)		**293**	244	(36)
(Loss) / profit for the period		**(682)**	(1,067)	67
Other comprehensive income:				
Currency translation differences		**(4)**	(4)	(135)
Other comprehensive income for the period, net of tax		**(4)**	(4)	(135)
Total comprehensive income for the period		**(686)**	(1,071)	(68)
Earnings per share attributable to the ordinary equity holders of the company during the period:				
Attributable to continuing operations:				
Basic earnings per share (cents per share)	**5**	**(7.74)**	(12.12)	0.76
Diluted earnings per share (cents per share)	**5**	**(7.74)**	(12.12)	0.76

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the period ended 31 December 2019 (restated)

	Share Capital $'000	Currency translation reserve $'000	Share option reserve $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 July 2018	4,316	(177)	-	1,044	5,183
Effect of adoption of NZ IFRS 15				(389)	
Balance as at 1 July 2018 (audited)	4,316	(177)	-	655	4,794
Comprehensive income					
Loss for the period	-	-	-	(1,067)	(1,067)
Other comprehensive income					
Currency translation differences	-	(4)	-	-	(4)
Total comprehensive income	-	(4)	-	(1,067)	(1,071)
Balance as at 31 December 2018 (unaudited)	**4,316**	**(181)**	**-**	**(412)**	**3,723**
Balance as at 1 July 2018 (audited)	4,316	(177)	-	655	4,794
Comprehensive income					
Profit for the year	-	-	-	67	67
Other comprehensive income					
Currency translation differences	-	(135)	-	-	(135)
Total comprehensive income	-	(135)	-	67	(68)
Balance as at 30 June 2019 (audited)	**4,316**	**(312)**	**-**	**722**	**4,726**
Balance as at 1 July 2019 (unaudited)	**4,316**	**(312)**	**-**	**722**	**4,726**
Comprehensive income					
Loss for the period	-	-	-	(682)	(682)
Other comprehensive income					
Currency translation differences	-	(4)	-	-	(4)
Total comprehensive income	-	(4)	-	(682)	(686)
Balance as at 31 December 2019 (unaudited)	**4,316**	**(316)**	**-**	**40**	**4,040**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of financial position

As at 31 December 2019

	Note	**Unaudited 6 months to 31/12/2019 $'000**	Unaudited 6 months to 31/12/2018 $'000	Audited 12 months to 30/06/2019 $'000
ASSETS				
Current assets				
Cash and cash equivalents		**103**	506	1,252
Trade and other receivables		**1,295**	1,649	1,144
Contract assets		**35**	17	35
Current tax asset		**57**	-	45
Total current assets		**1,490**	2,172	2,476
Non-current assets				
Contract assets		**187**	256	204
Property, plant and equipment		**187**	408	206
Intangible assets		**9,617**	6,341	8,452
Deferred tax assets		**1,283**	1,468	990
Right of Use Assets	**10**	**623**	-	-
Investment in associates and joint ventures	**11**	**121**	-	-
Total non-current assets		**12,019**	8,473	9,852
Total assets		**13,509**	10,645	12,328
LIABILITIES				
Current liabilities				
Trade and other payables		**1,382**	1,541	1,175
Contract Liabilities	**2**	**1,987**	1,570	2,547
Provision for employee benefits		**727**	561	633
Current tax liabilities		**-**	202	-
Bank and other loans		**2,000**	1,500	1,700
Total current liabilities		**6,095**	5,374	6,055
Non-current liabilities				
Contract liabilities	**2**	**2,806**	1,548	1,547
Lease Liabilities	**10**	**567**	-	-
		3,373	1,548	1,547
Total liabilities		**9,469**	6,922	7,602
Net assets		**4,040**	3,723	4,726
EQUITY				
Contributed equity		**4,316**	4,316	4,316
Reserves		**(316)**	(181)	(312)
Retained earnings		**40**	(412)	722
Total equity		**4,040**	3,723	4,726

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of cash flows

For the period ended 31 December 2019

	Unaudited 6 months to 31/12/2019 $'000	Unaudited 6 months to 31/12/2018 $'000	Audited 12 months to 30/06/2019 $'000
Cash flows from operating activities			
Receipts from customers	**5,274**	7,958	13,995
Interest received	**-**	-	11
	5,274	7,958	14,006
Payments to suppliers and employees	**(4,630)**	(8,723)	(12,216)
Interest paid	**(42)**	(23)	(57)
Income tax received / (paid)	**(12)**	(23)	(18)
Goods and services tax received / (paid)	**48**	(52)	(70)
	(4,636)	(8,821)	(12,361)
Net cash inflow / (outflow) from operating activities	**638**	(863)	1,645
Cash flows from investing activities			
Payments for property, plant and equipment	**(257)**	15	189
Investments in software development	**(1,787)**	(498)	(2,491)
Investment in associates and joint ventures	**(40)**	-	-
Net cash (outflow) from investing activities	**(2,084)**	(483)	(2,302)
Cash flows from financing activities			
Receipts from bank and other loans	**300**	400	600
Repayment of borrowings	**-**	-	-
Net cash (outflow) from financing activities	**300**	400	600
Net increase / (decrease) in cash and cash equivalents	**(1,145)**	(946)	(58)
Cash and cash equivalents at the beginning of the period	**1,252**	1,452	1,452
Effects of exchange rate changes on cash and cash equivalents	**(4)**	-	(142)
Cash and cash equivalents at end of the period	**103**	506	1,252

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the period ended 31 December 2019

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 and its subsidiaries (together "the Group") is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The financial statements 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 period.

Measurement Base

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities.

Basis of Preparation

The unaudited interim financial statements comply with the New Zealand equivalent to International Standard IAS 34 Interim Financial Reporting.

The unaudited interim financial statements are not required to, and do not include, all of the information required for full annual statements and should be read in conjunction with the Finzsoft Solutions Limited 2019 Annual Report. For this purpose the 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 thousand dollar.

The same significant judgements, estimates and assumptions included in the notes to the financial statements in the Group's Annual Report for the year ended 30 June 2019 have been applied to these interim financial statements.

The accounting policies applied in these unaudited interim financial statements are the same as those applied in the general purpose financial statements for the year ended 30 June 2019 except those indicated below.

Going Concern

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

At the reporting date, the Group reported a net loss of $686,000 (31 December 2018: $(1,071,000); 30 June 2019: $(68,370)), operating cash inflow of $639,000 (31 December 2018: $(863,000); 30 June 2019: $1,644,737) and equity of $4,040,000 (31 December 2018: $3,723,000; 30 June 2019: $4,725,436).

Notes to the financial statements (continued)

For the period ended 31 December 2019

Going Concern (continued)

The working capital deficit creates an uncertainty which creates doubt about the validity of the going concern assumption.

In determining that the going concern basis is appropriate, the directors have had regard to the following matters:

- The Group has undergone significant restructure of its operations which, with the new product focused business model, is expected to drive future revenue growth, reduce expenses and result in improved profitability.
- The adoption of NZ IFRS 15 has had an adverse impact on the working capital position of the Group and has caused a decrease in working capital for the 2019 financial year of approximately $2,449,000. It is noted that this does not constitute a future cash obligation of the Group and Contract Liabilities will be recognised as revenue through the Consolidated Statement of Comprehensive Income as it is derived.
- The Directors have received significant levels of pre-paid license fees prior to reporting date (refer Note 2) and subequent to reporting date (refer Note 7).

The Directors have therefore adopted the going concern basis of preparation.

These financial statements do not include any adjustments that may need to be made to reflect the situation should the Group be unable to continue as a going concern. Such adjustments may include assets being realised at other than the amounts at which they are recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities that may arise and to reclassify certain non-current assets and liabilities as current.

Prior Period Restatements

The Group adopted *NZ IFRS 15 Revenue from Contracts with Customers* from 1 July 2018. Note 1(q) of the Group's audited annual financial statements for the year ended 30 June 2019, explains the impact of the adoption of NZ IFRS 15 on the Group's financial statements.

As at 31 December 2018, the Group's assessment of the impact of the adoption of NZ IFRS 15 as at 1 July 2018 had concluded there was no material impact to the Group's financial statements. Accordingly, no transitional adjustments were made to the Group's opening Statement of Financial Position as at 1 July 2018 as permitted by the transitional provisions outlined in NZ IFRS 15 (i.e. the cumulative effect method).

However, as at 30 June 2019, the Group's assessment of the impact of the adoption of NZ IFRS 15 as at 1 July 2018 was further refined and transitional adjustments were made to the Group's opening Statement of Financial Position as at 1 July 2018.

As a consequence of this refinement, prior period restatements have been made to the Group's Statement of Financial Position as at 1 July 2018 resulting in the following impact to the Group's retained earnings presented in the Statement of Changes in Equity as at 1 July 2018 in these interim condensed consolidated financial statements.

Notes to the financial statements (continued)
For the period ended 31 December 2019

Prior Period Restatements (continued)

The total impact of the Group's retained earnings as at 1 July 2018 is as follows:

	$'000
Opening Retained Earnings as at 30 June 2018	1,044
Impact of adopting NZ IFRS 15 as at 1 July 2018:	
Decrease in contract assets	(497)
Increase in deferred tax assets relating to decrease in contract assets above	108
Total impact of adopting NZ IFRS 15 as at 1 July 2018	(389)
Adjusted Opening Retained Earnings as at 1 July 2018	655

These prior period restatements have been made to the comparative financial information presented in these interim condensed consolidated financial statements:

Other restatements:

The Group has reclassified a portion of expenses recognised in the unaudited interim financial statements for the period ended 31 December 2018. The reclassification involved moving $268,000 expenses from corporate expenses into development, servicing and other direct costs in order to align with the classification of expenditure in the audited annual financial statements for the year ended 30 June 2019.

This reclassifcation has no impact on net profit as recognised in the Statement of Comprehensive Income.

New standards and amendments and interpretations to existing standards that came into effect during the current accounting period

The Group has adopted *NZ I FRS 16 Leases* which became effective for the period beginning 1 July 2019.

In accordance with the transitional provisions of these standards comparative financial information has not been restated.

NZ IFRS 16 replaces *NZ IAS 17 Leases.* *NZ IFRS 16* eliminates the distinction between operating and finance leases for lessees and results in lessees bringing most operating leases onto the Group Statement of Financial Position.

The impact on the Group from the adoption of *NZ IFRS 16* is outlined in Note 10.

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Notes to the financial statements (continued)
For the period ended 31 December 2019

Change in accounting estimates - expected useful life of computer software

The Group, in the audited annual financial statements for the year ended 30 June 2019, reported a change in accounting estimates of capitalised computer software. Previously the expected useful life of the capitalised computer software was three years. However, management believed that five years more accurately reflected the useful life of the capitalised computer software and the pattern in which the economic benefits, in the form of revenue from long term customer contracts, would be consumed. This assessment was based on nature and life of the underlying software as well as length of customer contracts which are consistently renewed. This change was not reflected in the unaudited interim financial statements for the period ended 31 December 2018. The effect of the change on actual and expected amortisation expense in the current and future years respectively is as follows:

Effect of change in amortisation expense for full financial years:

(Decrease) / Increase in depreciation / amortisation expense

2020	2021	2022	2023	2024	2025
$'000	$'000	$'000	$'000	$'000	$'000
(1020)	(469)	586	950	739	57

The effect of the change in amortisation period for the 6 months to 31 December 2019 is a decrease of the amortisation expense $707,000.

2 Contract Liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer and the performance obligation has been met.

	Unaudited 6 months to 31/12/2019 $'000	Unaudited 6 months to 31/12/2018 $'000	Audited 12 months to 30/06/2019 $'000
Contract Liabilities represents:			
Current Liabilities	**1,987**	1,570	2,547
Non-Current Liabilities	**2,806**	1,548	1,547
	4,793	3,118	4,094
Made up of:			
Arising from ordinary course of business	**2,823**	3,118	4,094
Prepayment of license and hosting fees	**1,970**	-	-
Total	**4,793**	3,118	4,094

Notes to the financial statements (continued)
For the period ended 31 December 2019

3 Reconciliation of profit after income tax to net cash inflow from operating activities

	Unaudited 6 months to 31/12/2019 $'000	Unaudited 6 months to 31/12/2018 $'000	Audited 12 months to 30/06/2019 $'000
(Loss) / profit for the period	**(682)**	(1,067)	67
Adjustments for non-cash items			
Depreciation	**219**	79	107
Amortisation of finite life intangible assets	**622**	829	711
Foreign currency exchange gain	**-**	-	7
Deferred tax recognised	**(293)**	(496)	37
Share of profit of associates and joint ventures	**(81)**	-	-
Changes in assets and liabilities			
(Increase)/ decrease in assets			
Trade receivables	**(166)**	1,247	1,437
Prepayments	**30**	(278)	63
Other receivables	**(15)**	58	(49)
Current income tax assets	**(12)**	-	(18)
Contract Assets	**17**	-	37
(Decrease)/ increase in liabilities			
Trade payables	**102**	(295)	(632)
Contract liabilities	**699**	(895)	81
Current income tax liabilities	**-**	229	-
Other Payables	**106**	-	-
Provisions for employee benefits	**94**	(274)	(203)
Net operating cash flow	**639**	(863)	1,645

Notes to the financial statements (continued)
For the period ended 31 December 2019

4 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 with the exception of New Zealand which is further segregated into revenue from transactional banking.

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. 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.

	New Zealand Software Delivery & Support $'000	Australia Software Delivery & Support $'000	Rest of the World Software Delivery & Support $'000	Total Software Delivery & Support $'000
The unaudited segment information for the period ended 31 December 2019 is as follows:				
Segment revenue from external customers	3,945	812	-	4,756
Adjusted EBITDA	752	85	(3)	833
Depreciation and amortisation	(841)	-	-	(841)
Income tax (expense) / benefit	318	(25)	-	293
Total Assets	13,232	270	7	13,509
Additions to non-current assets (other than Financial instruments and deferred tax assets)	2,084	-	-	2,084
Total Liabilities	(9,137)	(325)	(6)	(9,469)

Notes to the financial statements (continued)
For the period ended 31 December 2018

	New Zealand Software Delivery & Support $'000	Australia Software Delivery & Support $'000	Rest of the World Software Delivery & Support $'000	Total $'000
The unaudited segment information for the period ended 31 December 2018 is as follows:				
Segment revenue from external customers	3,456	3,180	-	6,636
Adjusted EBITDA	287	500	-	787
Depreciation and amortisation	(908)	-	-	(908)
Income tax (expense) / benefit	375	(131)	-	244
Total Assets	9,400	1,238	7	10,645
Additions to non-current assets (other than Financial instruments and deferred tax assets)	483	-	-	483
Total Liabilities	(5,905)	(1,014)	(3)	(6,922)
The audited segment information for the year ended 30 June 2019 is as follows:				
Segment revenue from external customers	6,922	5,324	-	12,246
Adjusted EBITDA	1,682	409	-	2,091
Depreciation and amortisation	(819)	-	-	(819)
Income tax (expense) / benefit	-	(36)	-	(36)
Total Assets	11,699	622	7	12,328
Additions to non-current assets (other than Financial instruments and deferred tax assets)	2,719	-	-	2,719
Total Liabilities	(6,892)	(706)	(4)	(7,602)

Notes to the financial statements (continued)
For the period ended 31 December 2019

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

	Unaudited 6 months to 31/12/2019 $'000	Unaudited 6 months to 31/12/2018 $'000	Audited 12 months to 30/06/2019 $'000
Adjusted EBITDA from reportable segments	**833**	787	2,090
Costs not attributable to a segment:			
Legal expenses	**(554)**	(178)	(322)
Directors fees	**(164)**	(123)	(289)
Professional and consultancy costs	**(289)**	(777)	(371)
Share of profit of associates and joint ventures	**81**	-	-
Other	**-**	(89)	(141)
	(925)	(1,167)	(1,123)
EBITDA	**(92)**	(380)	967
Depreciation & Amortisation	**(841)**	(908)	(819)
Interest received	**-**	-	11
Interest paid	**(42)**	(23)	(57)
(Loss) / profit before income tax	**(975)**	(1,311)	102

5 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.

	Unaudited 6 months to 31/12/2019	Unaudited 6 months to 31/12/2018	Audited 12 months to 30/06/2019
(Loss) / profit attributable to owners of the company ($'000)	**(682)**	(1,067)	67
Weighted average number of ordinary shares in issue ('000)	**8,809**	8,809	8,809
Adjusted for share options	**-**	-	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	**8,809**	8,809	8,809
Basic earnings per share (cents per share)	**(7.74)**	(12.12)	0.76
Diluted earnings per share (cents per share)	**(7.74)**	(12.12)	0.76

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.

Notes to the financial statements (continued)

For the period ended 31 December 2019

6 Contingent Liabilities and Guarantees

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 ("ANZ").

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 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 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. 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 (31 December 2018: Nil; 30 June 2019: Nil) had been drawn down.

The Group has a flexible credit facility of $2,000,000 with ANZ. 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% (31 December 2018: 2% above the Bank's cost of funding; 30 June 2019: 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 reporting date $2,000,000 of the facility (31 December 2018: $1,500,000; 30 June 2019: $1,700,000) had been drawn down.

Subsequent to reporting date (refer Note 8) the ANZ Facilities above were repaid on 3 February 2020 following receipt of funds in relation to pre-paid licence fees from First Credit Union Incorporated (FCU). FCU were granted a first ranking general security agreement over the assets of the Group.

As at reporting date, 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 (31 December 2018: $350,000; 30 June 2019: $350,000). Subsequent to reporting date, the bond has been released by ANZ (3rd February 2020).

7 Commitments

The Group has entered into to a work order Open Connected Core (OCC) and digital B-to-B and B-to-C Origination desktop, digital and tablet Products.

The Group's commitment is expected to be resolved by 30 September 2020. Payment of the material licence fees, payable under a consumption model, are projected to commence from 1 May 2020. The new product licences and licence fees are in addition to all existing licences.

The Group has no other commitments to incur any capital expenditure as at reporting date (31 December 2018: Nil; 30 June 2019: Nil).

8 Events after the reporting date

The Group and First Credit Union Incorporated (FCU) on or about 3 February 2020 entered into a prepayment agreement pursuant to which:

- FCU will prepay annual licence fees for 5 years and 9 months (the Prepayment Period);
- the parties extend the term of the existing Master Services Agreement to 30 September 2026;
- in consideration for FCU prepaying the annual licence fees, the aggregate Annual Licence Fees for the Prepayment Period are reduced by a discount rate of approximately 5% per annum (the Prepayment); and
- while all of the Prepayment will be paid upfront, the Prepayment will be notionally spread over the Prepayment Period in agreed quarterly instalments (the Discounted Quarterly Instalments) so that, if there is an event of default, the Group's obligations to repay a portion of Discounted Quarterly Instalments at that time is pre-agreed.

The Group is to use $2 million of the Prepayment to repay its existing flexible credit facility (the ANZ Facility) with ANZ, which is secured by a first ranking general security agreement over all the assets of the Group (the ANZ GSA). Upon repayment of the ANZ Facility, the ANZ GSA is to be released and the Group is to grant FCU a first ranking general security agreement over the assets of the Group.

Finzsoft Solutions Limited's $350,000 rental bond with ANZ was discharged after reporting date.

There were no other significant events occurring after reporting date (31 December 2018: Nil; 30 June 2019: Nil).

9 Key indicators

Management measures the performance of the Group on EBITDA. The International Financial Reporting Standards do not provide a definition for EBITDA. Consequently, this information should be viewed as a supplemental disclosure provided for the purpose of measuring more effectively the actual result from regular operations.

EBITDA (earnings before interest, taxes, depreciation and amortisation) are indicators of operating performance. They are computed as follows:

Profit (Loss) before tax
\+ Financial expenses
\- Financial income
\- Depreciation and amortisation
= **EBITDA**

Refer reconciliation of EBITDA to (Loss) / Profit before income tax included in Note 4.

Notes to the financial statements (continued)
For the period ended 31 December 2019

10 New and Amended standards adopted by the group

The Group had to change its accounting policies as a result of adopting NZ IFRS 16 Leases. The impact of the adoption of the standard and the new accounting policy are disclosed below.

This note explains the impact of the adoption of NZ IFRS 16 on the Group's financial statements and discloses the new accounting policy that have been applied from 1 July 2019 in note below. The Group has adopted NZ IFRS 16 from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of NZ IFRS 16, the Group recognised lease liabilities in relation to property leases which had previously been classified as 'operating leases' under the principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.5%.

There were no finance leases within the Group as at 30 June 2019.

The right-of-use assets for property leases have been measured in accordance with the requirements of NZ IFRS 16.

The total impact of adopting NZ IFRS 16 on the Group's retained earnings is as follows:

	Unaudited 6 months to 31/12/2019 $'000	**Unaudited 6 months to 31/12/2019 $'000**	Audited 12 months to 30/06/2019 $'000
Assets			
Right of use assets (Properties)	623	-	-
Prepayments	(79)		
Total	544	-	-
Liabilities			
Lease Liability	567	-	-
Net Impact on Equity	(23)	-	-

When compared to the accounting policies applied in the prior comparative period, the adoption of NZ IFRS 16 on the Group's consolidated statement of comprehensive income for the 6 months ended 31 December 2019 is summarised as follows:

	Unaudited 6 months to 31/12/2019 $'000 Pre Adjustments	**Unaudited 6 months to 31/12/2019 $'000** NZ IFRS 16
Occupancy Expense	165	-
Depreciation/Amortisation	-	176
Interest Expense	-	12
	165	188

Notes to the financial statements (continued)

For the period ended 31 December 2019

10 New and Amended standards adopted by the group (continued)

Also in relation to those leases under NZ IFRS 16, the Group has recognised depreciation expense and interest expense instead of occupancy expense.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Use of a single discount rate to a portfolio of leases with similar characteristics
- Reliance on previous assessments on whether the leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2020 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- The election not to separate non-lease components from lease components

11 Investments in Associates

On 18 October 2019, Finzsoft Solutions Limited acquired a 50% shareholding interest in a digital business, Sush Labs Limited. Due to the nature of contractual rights and obligations, the Group has significant influence over the associate and is required to account for it under the equity method.

The carrying amount of equity-accounted investments is as follows in the six months to December 2019:

	Unaudited 6 months to 31/12/2019 $'000	Unaudited 6 months to 31/12/2018 $'000	Audited 12 months to 30/06/2019 $'000
Movement in investment in associates			
Investment in associates	**40**	-	-
Share of profit after tax of associates and joint ventures	**81**	-	-
Investment in associates at the end of the period	**121**	-	-