



## Market Release, Auckland, New Zealand

**29 August 2019**

Finzsoft Solutions Limited (NZX:FIN) Reports Unaudited Preliminary Interim Financial Results for Year Ended 30 June 2019.

Finzsoft is pleased to provide its Unaudited Preliminary Interim Financial Results and summary for the full year ended 30 June 2019, as follows:

- Operating revenue of \$12.481 million is down on the same period last year (30 June 2018: \$14.639 million).
- Net profit after tax of \$67k is an increase on the same period last year (30 June 2018: \$734k loss).
- EBITDA of \$978k is up on the same period last year (30 June 2018: \$432k).
- Recurring revenue continues to increase (7.38% increase, 30 June 2019: \$4.513 million vs 30 June 2018: \$4.203 million).
- Operating expenses continue to decrease (29.5% decrease, 30 June 2019: \$3.128 million vs 30 June 2018: \$4.436 million).
- Finzsoft continues to enjoy a stable and committed customer base supporting underlying, recurring license and professional service revenue.

Commenting on the results, Managing Director Andrew Holliday said “As shareholders may be aware, the first half of FY19 was a particularly challenging period for Finzsoft. With those issues now behind us, management and the renewed Board has leveraged our new product focused business model to drive revenue growth and profitability. The benefits of this approach under the new Board are reflected in the results. A product first approach has had a deliberate impact on non-recurring services revenue (23.36% decrease), whilst increasing the business’ underlying profitability (Net Profit after Tax increase of 109.13%).

This was particularly evidenced when Finzsoft announced on 15 July that it has deepened its partnership with one of its customers in securing a new material work order and new multi-product five year licence. This new work order is a significant achievement for the business. It reflects the quality of Finzsoft’s proven technology and service to the customer, and validation of Finzsoft’s investment in our next generation suite of products and our new delivery and fixed monthly consumption pricing models. It further reflects Finzsoft’s commitment to lead through disruption through its product, delivery and pricing models, adopting a technology led approach.” says Mr Holliday.

Andrew Holliday  
Managing Director

Contact details regarding this announcement:

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Managing Director  
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Results for announcement to the market		
Name of issuer	<b>(FIN): FINZSOFT SOLUTIONS LIMITED</b>	
Reporting Period	12 months to 30 June 2019	
Previous Reporting Period	12 months to 30 June 2018	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$12,481	-14.74%
Total Revenue	\$12,481	-14.74%
Net profit/(loss) from continuing operations	\$67	109.13%
Total net profit/(loss)	\$67	109.13%
Interim/Final Dividend		
Amount per Quoted Equity Security	No dividend is proposed to be paid	
Imputed amount per Quoted Equity Security	Not applicable	
Record Date	Not applicable	
Dividend Payment Date	Not applicable	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$0.54	\$0.06
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to market update	
Authority for this announcement		
Name of person authorised to make this announcement	Andrew Holliday	
Contact person for this announcement	Andrew Holliday	
Contact phone number	+61 414 065 929	
Contact email address	Andrew.holliday@finzsoft.com	
Date of release through MAP	29/08/2019	

FINZSOFT SOLUTIONS LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$ Unaudited	2018 \$
<b>Revenue and other income</b>			
Sales revenue		12,246,187	14,642,424
Other revenue		<u>235,177</u>	<u>(2,962)</u>
		<u>12,481,364</u>	<u>14,639,462</u>
<b>Less: expenses</b>			
Development, servicing and other direct costs		(8,375,395)	(9,770,817)
Occupancy expense		(557,930)	(1,100,653)
Depreciation and amortisation expense		(818,570)	(1,362,019)
Sales and marketing expense		(452,770)	(554,066)
Finance costs		(57,305)	(26,807)
Corporate expenses		(1,152,126)	(1,783,538)
Other expenses		<u>(964,817)</u>	<u>(997,954)</u>
		<u>(12,378,913)</u>	<u>(15,595,854)</u>
<b>Profit / (loss) before income tax expense</b>		102,451	(956,392)
Income tax (expense) / benefit		<u>(35,837)</u>	<u>222,415</u>
<b>Net profit / (loss) from continuing operations</b>		<u>66,614</u>	<u>(733,977)</u>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		<u>(134,984)</u>	<u>4,728</u>
<b>Other comprehensive income for the year</b>		<u>(134,984)</u>	<u>4,728</u>
<b>Total comprehensive income</b>		<u>(68,370)</u>	<u>(729,249)</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)		\$0.76	(\$8.33)
Diluted earnings per share (cents per share)		\$0.76	(\$8.33)

**FINZSOFT SOLUTIONS LIMITED AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

	Note	2019 \$ Unaudited	2018 \$
<b>Current assets</b>			
Cash and cash equivalents		1,252,341	1,451,561
Receivables		981,108	2,369,441
Contract assets		34,818	-
Current tax assets		45,475	27,327
Other assets		<u>161,559</u>	<u>224,968</u>
<b>Total current assets</b>		<u>2,475,301</u>	<u>4,073,297</u>
<b>Non-current assets</b>			
Contract assets		204,130	-
Intangible assets		8,452,031	6,672,088
Deferred tax assets		989,811	358,551
Property, plant and equipment		<u>205,751</u>	<u>501,847</u>
<b>Total non-current assets</b>		<u>9,851,723</u>	<u>7,532,486</u>
<b>Total assets</b>		<u>12,327,024</u>	<u>11,605,783</u>
<b>Current liabilities</b>			
Payables		1,175,010	1,807,442
Borrowings		1,700,000	1,100,000
Provisions		632,713	835,311
Contract liabilities		<u>2,546,823</u>	<u>1,379,936</u>
<b>Total current liabilities</b>		<u>6,054,546</u>	<u>5,122,689</u>
<b>Non-current liabilities</b>			
Contract liabilities		<u>1,547,042</u>	-
<b>Total non-current liabilities</b>		<u>1,547,042</u>	-
<b>Total liabilities</b>		<u>7,601,588</u>	<u>5,122,689</u>
<b>Net assets</b>		<u>4,725,436</u>	<u>6,483,094</u>
<b>Equity</b>			
Share capital		4,316,441	4,316,441
Reserves		(312,276)	(177,292)
Retained earnings		<u>721,271</u>	<u>2,343,945</u>
<b>Total equity</b>		<u>4,725,436</u>	<u>6,483,094</u>

FINZSOFT SOLUTIONS LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019

	Share capital \$	Currency translation reserve \$	Retained earnings \$	Total equity \$
<b>Consolidated</b>				
<b>Balance as at 1 July 2017</b>	4,316,441	(182,020)	3,077,922	7,212,343
Loss for the year	-	-	(733,977)	(733,977)
Currency translation differences	-	4,728	-	4,728
<b>Total comprehensive income for the year</b>	-	4,728	(733,977)	(729,249)
<b>Balance as at 30 June 2018</b>	<u>4,316,441</u>	<u>(177,292)</u>	<u>2,343,945</u>	<u>6,483,094</u>
<b>Balance as at 1 July 2018</b>	4,316,441	(177,292)	2,343,945	6,483,094
Profit for the year	-	-	66,614	66,614
Exchange differences on translation of foreign operations	-	(134,984)	-	(134,984)
<b>Total comprehensive income for the year</b>	-	(134,984)	66,614	(68,370)
Effect of changes in accounting policies resulting from the adoption of NZ IFRS 15	-	-	(1,689,288)	(1,689,288)
<b>Transactions with owners in their capacity as owners:</b>				
<b>Total transactions with owners in their capacity as owners</b>	-	-	-	-
<b>Balance as at 30 June 2019 (Unaudited)</b>	<u>4,316,441</u>	<u>(312,276)</u>	<u>721,271</u>	<u>4,725,436</u>

FINZSOFT SOLUTIONS LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$ Unaudited	2018 \$
<b>Cash flow from operating activities</b>			
Receipts from customers		13,994,637	14,117,573
Payments to suppliers and employees		(12,216,132)	(13,278,292)
Interest received		10,872	359
Income tax paid		(17,455)	(439,636)
Interest paid		(57,305)	(26,807)
Goods and services tax net paid		<u>(69,880)</u>	<u>(93,402)</u>
<b>Net cash provided by operating activities</b>		<u>1,644,737</u>	<u>279,795</u>
<b>Cash flow from investing activities</b>			
Net proceeds from equipment		188,770	(38,023)
Investment in intangible assets		<u>(2,491,187)</u>	<u>(2,257,535)</u>
<b>Net cash provided used in investing activities</b>		<u>(2,302,417)</u>	<u>(2,295,558)</u>
<b>Cash flow from financing activities</b>			
Receipts from bank and other loans		<u>600,000</u>	<u>1,100,000</u>
<b>Net cash provided by financing activities</b>		<u>600,000</u>	<u>1,100,000</u>
<b>Reconciliation of cash</b>			
Cash at beginning of the financial year		1,451,561	2,363,816
Net decrease in cash held		(57,680)	(915,763)
Exchange gains on cash and cash equivalents		<u>(141,540)</u>	<u>3,508</u>
<b>Cash at end of financial year</b>		<u>1,252,341</u>	<u>1,451,561</u>

**FINZSOFT SOLUTIONS LIMITED AND CONTROLLED ENTITIES**

**SEGMENT INFORMATION (UNAUDITED)**

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

	<b>New Zealand software delivery &amp; support \$</b>	<b>Australia software delivery &amp; support \$</b>	<b>Rest of the world software delivery &amp; support \$</b>	<b>Total \$</b>
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The segment information for the period ended 30 June 2019 is as follows:

Segment revenue from external customers

	<u>5,966,224</u>	<u>6,279,963</u>	<u>-</u>	<u>12,246,187</u>
Adjusted EBITDA	1,681,693	408,773	(322)	2,090,144
Depreciation and amortisation	818,570	-	-	818,570
Income tax (expense) / benefit	<u>36</u>	<u>35,801</u>	<u>-</u>	<u>35,837</u>
Total assets	<u>11,698,107</u>	<u>621,748</u>	<u>7,169</u>	<u>12,327,024</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	(2,515,178)	-	-	(2,515,178)
Total liabilities	<u>6,981,260</u>	<u>706,272</u>	<u>4,056</u>	<u>7,601,588</u>

**FINZSOFT SOLUTIONS LIMITED AND CONTROLLED ENTITIES**

**SEGMENT INFORMATION (UNAUDITED)**

**FINZSOFT SOLUTIONS LIMITED AND CONTROLLED ENTITIES**

**SEGMENT INFORMATION (UNAUDITED) (CONTINUED)**

	<b>New Zealand software delivery &amp; support \$</b>	<b>Australia software delivery &amp; support \$</b>	<b>Rest of the world software delivery &amp; support \$</b>	<b>Total \$</b>
The segment information for the period ended 30 June 2018 is as follows:				
Segment revenue from external customers	<u>7,789,488</u>	<u>6,852,936</u>	<u>-</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>-</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>



**FINZSOFT SOLUTIONS LIMITED AND CONTROLLED ENTITIES**
**SEGMENT INFORMATION (UNAUDITED)**

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

	<b>2019</b>	<b>2018</b>
	\$	\$
Adjusted EBITDA from reportable segments	<u>2,090,144</u>	<u>2,215,616</u>
Depreciation	(107,325)	(167,179)
Amortisation	(711,245)	(1,194,840)
Interest received	10,872	359
Interest paid	(57,305)	(26,807)
Legal expenses	(322,152)	(740,038)
Directors fees	(288,586)	(199,828)
Professional and consultancy costs (not attributable to a segment)	(371,243)	(702,393)
Other	<u>(140,710)</u>	<u>(141,282)</u>
Profit / (loss) before income tax	<u>102,450</u>	<u>(956,392)</u>

## FINZSOFT SOLUTIONS LIMITED AND CONTROLLED ENTITIES

### CHANGES IN ACCOUNTING POLICIES (UNAUDITED)

#### *Impact of the adoption of NZ IFRS 9 and NZ IFRS 15*

This note explains the impact of the adoption of NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

The Group adopted NZ IFRS 9 and NZ IFRS 15, respectively, from 1 July 2018.

#### *NZ IFRS 9 Financial Instruments*

NZ IFRS 9 has replaced NZ IAS 39 Financial Instruments: Recognition and Measurement (NZ IAS 39). The new standard addresses:

- i) The classification, measurement and de-recognition of financial assets and financial liabilities;
- ii) Impairment of financial assets; and
- iii) Hedge accounting.

Based on the nature of the Group's financial asset and liability balances and non-application of hedge accounting, there has been no material impact to the financial statements upon transition. The only change is in the classification of financial assets and financial liabilities is that trade receivables, and cash and cash equivalents have changed from "loans and receivables", to "at amortised cost".

Impairment of financial assets - Receivables, carried at amortised cost, are subject to NZ IFRS 9's new expected credit loss model.

The group was required to revise its impairment methodology under NZ IFRS 9 for these classes of assets. There was no impact resulting from the change in impairment methodology on the Group's equity.

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

NZ IFRS 15 'Revenue from Contracts with Customers' replaces NZ IAS 18: Revenue and related interpretations and applies to all revenue arising from contracts with customers. The new standard establishes a five-step model to account for revenue arising from contracts with customers.

Under NZ IFRS 15, revenue is apportioned to individual performance obligations within customer contracts based on their relative stand-alone selling price. Based on certain criteria, revenue is then recognised either over time or at a point in time consistent with when these performance obligations are satisfied.

NZ IFRS 15 also introduces new disclosures requirements about the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. The adoption of NZ IFRS 15 has resulted in changes to the Group's accounting policies with respect to the recognition revenue from its contracts with customers.

*Impact of the adoption of NZ IFRS 9 and NZ IFRS 15 (continued)*

*NZ IFRS 15 Revenue from Contracts with Customers (continued)*

(i) Contract liabilities - Initial licence fee revenue recognition has been deferred and recognised over the contract term. As a consequence, there has an adjustment to retained earnings at 1 July 2018 for initial licence fees recognised in prior years resulting in the recognition of a contract liability at 1 July 2018.

(ii) Contract assets - Where revenue has been deferred then the costs may result in an asset being recorded on the statement of financial position rather than being expensed as incurred. Costs in relation to revenue that has been recognised in prior years has been spread over the remaining contract from 1 July 2018 and therefore there is an adjustment to retained earnings as at 1 July 2018.

The effect of adopting NZ IFRS 15 on the statement of comprehensive income as at 1 July 2018 is as follows:

<b>Impact on the statement of comprehensive income</b>	<b>30/06/2018 \$,000</b>
Decrease in revenue due to practices implemented	(2,633)
Increase in expenses due to contract assets raised	275
Effect on tax expenses due to deferred tax assets raised	668
<b>Net impact</b>	<b>(1,690)</b>

The effect of adopting NZ IFRS 15 on the statement of financial position as at 1 July 2018 is as follows:

<b>Impact on assets, liabilities and equity as at 1 July 2018</b>	<b>As previously reported \$,000</b>	<b>NZ IFRS-15 adjustments \$,000</b>	<b>As restated at 1/07/2018 \$,000</b>
Contract assets (current)	-	35	35
Contract assets (non-current)	-	240	240
Deferred tax asset (non-current)	359	668	1,207
<b>Total assets</b>	<b>11,606</b>	<b>943</b>	<b>12,549</b>
Unearned revenue	1,380	(1,380)	-
Contract liabilities (current)	-	1,714	1,714
Contract liabilities (non-current)	-	2,299	2,299
<b>Total liabilities</b>	<b>5,123</b>	<b>2,633</b>	<b>7,756</b>
<b>Net assets</b>	<b>6,483</b>	<b>(1,690)</b>	<b>4,793</b>

**FINZSOFT SOLUTIONS LIMITED AND CONTROLLED ENTITIES**
**CHANGES IN ACCOUNTING POLICIES (UNAUDITED) (CONTINUED)**

*Impact of the adoption of NZ IFRS 9 and NZ IFRS 15 (continued)*

*NZ IFRS 15 Revenue from Contracts with Customers (continued)*

Presentation of the statement of comprehensive income for the year ended 30 June 2019 as if NZ IFRS 15 had not been adopted:

<b>Impact on the statement of comprehensive income</b>	<b>As reported with adopting NZ IFRS 15</b>	<b>NZ IFRS-15 adjustments</b>	<b>Amounts without adopting NZ IFRS 15</b>
	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>
Sales revenue	12,246	(894)	11,352
Development, servicing and other direct costs	(8,375)	35	(8,340)
<b>Profit/(loss) before income tax expense</b>	<b>102</b>	<b>(859)</b>	<b>(757)</b>
Income tax (expense)/benefit	(36)	240	204
<b>Net profit/(loss) from continuing operations</b>	<b>66</b>	<b>(619)</b>	<b>(553)</b>
<b>Total comprehensive income</b>	<b>(68)</b>	<b>(619)</b>	<b>(687)</b>

**FINZSOFT SOLUTIONS LIMITED AND CONTROLLED ENTITIES**
**CHANGES IN ACCOUNTING POLICIES (UNAUDITED) (CONTINUED)**

Presentation of the Statement of Financial Position as at 30 June 2019 as if NZ IFRS 15 had not been adopted:

<b>Impact on assets, liabilities and equity as at 30 June 2019</b>	<b>As reported with adopting NZ IFRS 15</b>	<b>NZ IFRS-15 adjustments</b>	<b>Amounts without adopting NZ IFRS 15</b>
	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>
Contract assets (current)	35	(35)	-
Contract assets (non-current)	204	(204)	-
Deferred tax asset	990	(365)	625
<b>Total assets</b>	<b>12,327</b>	<b>(604)</b>	<b>11,723</b>
Unearned revenue	-	(1,850)	(1,850)
Contract liabilities (current)	(2,547)	2,547	-
Contract liabilities (non-current)	(1,547)	1,547	-
Income tax payable	-	(63)	(63)
<b>Total liabilities</b>	<b>(7,602)</b>	<b>2,181</b>	<b>(5,421)</b>
<b>Net assets</b>	<b>4,725</b>	<b>1,577</b>	<b>6,302</b>

**FINZSOFT SOLUTIONS LIMITED AND CONTROLLED ENTITIES**

**CHANGE IN ACCOUNTING ESTIMATES (UNAUDITED)**

During the year management conducted a review of the useful life of the Group’s capitalised computer software. Previously the expected useful life of the capitalised computer software was three years. However, management believe that five years more accurately reflects 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, will be consumed. This assessment is based on nature and life of the underlying software as well as length of customer contracts which are consistently renewed. The effect of the change on actual and expected amortisation expense in the current and future years respectively is as follows:

<b>Effect of change in amortisation expense</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
(Decrease) / increase in amortisation expense	(854,535)	(184,249)	(43,920)	800,612	914,852	602,343