

Index to the 31 March 2016 Interim Financial Report

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Director's Report

Finzsoft Solutions Limited (NZX:FIN) Reports Interim Financial Results for 12 months Ended 31 March 2016

As Finzsoft Solutions Limited has previously advised the market, the company's financial year-end date has changed from 31 March to 30 June, to align with the balance date of Silverlake Axis Group (SAG), which became the majority shareholder in Finzsoft in 2015.

As a result of this balance date change, the company agreed with NZX to provide the 12 month results to 31 March 2016, in an interim financial statement format. The results are outlined below.

For the 12 months to 31 March 2016, Finzsoft Solutions Limited has delivered a net profit after tax of NZ\$0.2 million, as previously signalled a reduction on 2015 due to contractual and market factors.

Financial highlights for the 12 months to 31 March 2016 are:

- EBITA result of \$1.526m, compared to \$4.722m in the previous 12 month period.
- Net profit after tax has reduced to \$0.2m, down from \$2.7m for the same period last year, largely due to longer than expected timeframes to access new business opportunities in the Asian markets and increased investment in the development of next generation financial services solutions.
- Continued profitability and positive cashflow.

Over the past 12 months, Finzsoft has focussed on the following operating priorities:

- Delivery of several significant projects, on time and on budget, to customers in New Zealand and Australia.
- Ongoing investment into next generation financial services software solutions to bring its future facing solutions to Proof of Concept stage.
- Automation and streamlining of internal processes to drive further efficiencies.

"We expect to see Finzsoft to continue to operate profitably, and are focussing on core business capabilities and operational excellence so we are ready to meet our customers' growing and changing needs over the long term," said Finzsoft chief executive officer, Andrew Holliday.

"As noted in our market update, we have seen a delay in contracts and slower than expected access to new business opportunities in Asian markets. Although some markets continue to be challenging, we are proactively managing our cost base to ensure that performance remains in line with management expectations.

"We continue to leverage our strong history of working with New Zealand's credit unions and building societies and are progressing well with negotiations to become the banking software and technology provider to New Zealand's largest credit Union, First Credit Union.

"We look forward to making further progress and regaining momentum as we proceed into our new fiscal year," said Holliday.

Finzsoft is pleased to announce that the company has agreed with CSG Finance NZ Limited, a wholly owned subsidiary of the CSG Limited Group (CSG) to extend the relationship to include new software modules and an expanded hosting service.

CSG has agreed to extend its licence and support agreements with Finzsoft. The plan is for the expansion of the current fully hosted service of Finzsoft's Sovereign software solution to CSG's New Zealand and Australian finance entities to include a multi-year hosted service across both jurisdictions and the application of the end-to-end Sovereign vertical solution to include Finzsoft's origination capability.

Managing Director, Andrew Holliday said Finzsoft's partnership with CSG is one of its longest standing customer relationships and the company is proud to expand its relationship.

"This is a great reflection on Finzsoft's ability to meet growing and changing customer needs over the long term," said Holliday.

Authorised for issue on the 30th of May 2016.



Brent Impey
Chairman



Andrew Holliday
Managing Director

Condensed Statement of Comprehensive Income

for the 12 months ended 31 March 2016

	Unaudited 12 months to 31/03/2016 \$'000	Audited 12 months to 31/03/2015 \$'000
Revenue	17,855	19,579
Other Income	66	14
Total operating revenue	<u>17,921</u>	<u>19,593</u>
Development, servicing and other direct costs	(10,287)	(10,433)
Occupancy expense	(708)	(359)
Depreciation and amortisation	(985)	(886)
Sales and marketing expenses	(2,477)	(745)
Finance expenses	(168)	(15)
Corporate expenses	(994)	(1,534)
Other operational overheads	(1,925)	(1,789)
Total operating expense	<u>(17,544)</u>	<u>(15,761)</u>
Profit before income tax expense and joint arrangements	377	3,832
Share of profit of joint venture, net of tax	-	23
Net Profit before tax	<u>\$377</u>	<u>\$3,855</u>
Less Income tax expense	(173)	(1,172)
Profit for the year	<u>\$204</u>	<u>\$2,683</u>
Other Comprehensive Income:		
Exchange difference on translating foreign operations	(22)	(28)
Other comprehensive income for the year, net of tax	<u>(22)</u>	<u>(28)</u>
Total Comprehensive income for the year	<u>\$182</u>	<u>\$2,655</u>
Earnings per share for profit attributable to the owners of the Company during the year.		
Basic earnings per share (cents per share)	2.31	31.94
Diluted earnings per share (cents per share)	2.34	31.94
Dividend per share (cents per share)	-	22.62

Condensed Statement of Changes in Equity

for the 12 months ended 31 March 2016

	Share Capital	Currency Translation reserve	Share Option reserve	Retained Earnings	Total Equity
	\$	\$	\$	\$	\$
Balance at 31 March 2014	3,955	(56)	20	(511)	3,408
Comprehensive income					
Profit or loss	-	-	-	2,683	2,683
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Currency translation differences	-	(28)	-	-	(28)
Total comprehensive income	-	(28)	-	2,683	2,655
Transactions with owners					
Employee share option scheme:					
Share options exercised	95	-	(20)	-	75
Dividends Paid	-	-	-	(1,945)	(1,945)
Total transactions with owners	95	-	(20)	(1,945)	(1,870)
Balance at 31 March 2015	\$4,050	(\$84)	-	\$227	\$4,193
Comprehensive income					
Profit or loss	-	-	-	204	204
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Currency translation differences	-	(22)	-	-	(22)
Total comprehensive income	-	(22)	-	204	182
Transactions with owners					
Purchase consideration - Sush acquisition	266	-	-	-	266
Share put option - Sush acquisition	-	-	129	-	129
Dividends Paid	-	-	-	-	-
Total transactions with owners	266	-	129	-	395
Balance at 31 March 2016	\$4,316	(\$106)	\$129	\$431	\$4,770

Condensed Statement of Financial Position

as at 31 March 2016

	Unaudited 12 months to 31/03/2016 \$'000	Audited 12 months to 31/03/2015 \$'000
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	213	1,188
Trade and other receivables	1,729	2,810
Current income tax asset	360	-
Total Current Assets	2,302	3,998
<u>NON-CURRENT ASSETS</u>		
Property and equipment	313	427
Intangible assets and goodwill	5,423	4,547
Deferred tax benefit	169	165
Total non-current assets	5,905	5,139
TOTAL ASSETS	\$8,207	\$9,137
<u>CURRENT LIABILITIES</u>		
Trade and other payables	1,496	3,624
Unearned revenue	576	215
Provision for employee benefits	591	518
Finance Leases	4	15
Bank & Other Loans	770	-
Current income tax payable	-	568
Total current liabilities	3,437	4,940
<u>NON-CURRENT LIABILITIES</u>		
Finance Leases	-	4
Total non-current liabilities	-	4
TOTAL LIABILITIES	\$3,437	\$4,944
NET ASSETS	\$4,770	\$4,193
<u>EQUITY</u>		
Ordinary shares	4,316	4,050
Other reserves	23	(84)
Retained earnings	431	227
TOTAL EQUITY	\$4,770	\$4,193

Authorised for issue on the 30th of May 2016.



B G IMPEY
Chairman



A HOLLIDAY
Managing Director

Condensed Statement of Cash Flows

for the 12 months ended 31 March 2016

	Unaudited 12 months to 31/03/2016 \$'000	Audited 12 months to 31/03/2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	19,200	17,644
Interest received	4	14
	<u>19,204</u>	<u>17,658</u>
Payments to suppliers and employees	(15,557)	(12,195)
Interest paid	(168)	(15)
Taxation paid	(1,105)	(837)
Goods and services tax paid	(2,360)	(1,107)
	<u>(19,190)</u>	<u>(14,154)</u>
Net cash generated from operating activities	<u>14</u>	<u>3,504</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(110)	(393)
Net proceeds received from dissolution of JV	-	329
Net proceeds paid for purchasing Sush Global Solutions Ltd	-	(1,067)
Investment in intangible assets	(1,637)	(181)
Net cash used in investing activities	<u>(1,747)</u>	<u>(1,312)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from Bank and other loans	770	-
Proceeds from Finance lease	-	30
Repayment of finance lease	(15)	(44)
Dividend paid	-	(1,944)
Proceeds from issue of shares	-	75
Net cash used in financing activities	<u>755</u>	<u>(1,883)</u>
NET INCREASE IN CASH and CASH EQUIVALENTS	(978)	309
Exchange gains on cash and cash equivalents	3	(14)
Cash included in purchase of Sush Global Solutions Limited	-	82
Cash and cash equivalents at beginning of the year	1,188	811
Cash and cash equivalents at end of the year	<u>\$213</u>	<u>\$1,188</u>

Notes to the Financial Statements

for the 12 months ended 31 March 2016

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 Group has decided to change their balance date from 31 March to 30 June to align with its majority shareholder, Silverlake Axis Group, meaning their next balance date is 30 June 2016. This means that the current financial period will be 15 months from 1 April 2015 to 30 June 2016.

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 2015 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 31st March 2015 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 31 March 2015.

Notes to the Financial Statements continued

for the 12 months ended 31 March 2016

2 RECONCILIATION OF NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES

	Unaudited 12 months to 31/03/2016 \$'000	Audited 12 months to 31/03/2015 \$'000
Profit for the year	204	2,683
Adjustments for non-cash items		
Depreciation	224	127
Amortisation of finite life intangible assets	761	759
Loss on sale of fixed asset	-	11
Share of profit of equity-accounted investee	-	(23)
Foreign currency exchange gain	(25)	(15)
Deferred tax recognised	(4)	(165)
Changes in assets and liabilities		
(Increase) / decrease in assets		
Trade receivable	921	(1,230)
Prepayments	160	(125)
Current income tax assets and liabilities	(928)	500
(Decrease) / increase in liabilities		
Trade payable	(2,128)	1,333
Shares issued as part of Sush acquisition	267	-
Accrual for put option reserve relating to Sush acquisition	128	-
Unearned revenue	361	(580)
Provisions for employee benefits	73	230
Net operating cash flows	\$14	\$3,504

Notes to the Financial Statements continued

for the 12 months ended 31 March 2016

3 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.

Notes to the Financial Statements continued

for the 12 months ended 31 March 2016

3 SEGMENT INFORMATION continued

	New Zealand	Australia	Rest of the World	Total
	Software Delivery & Support \$'000	Software Delivery & Support \$'000	Software Delivery & Support \$'000	\$'000
Segment revenue from external customers	8,979	8,876	-	17,855
Adjusted EBITDA	2,161	360	(1)	2,520
Depreciation and amortisation	977	8	-	985
Income tax expense	88	85	-	173
Total Assets	7,452	746	9	8,207
Additions to non-current assets (other than Financial instruments and deferred tax assets)	1,747	-	-	1,747
Total Liabilities	(2,692)	(732)	(13)	(3,437)

The segment information for the 12 months ended 31 March 2015 is as follows:

Segment revenue from external customers	5,510	14,069	-	19,579
Adjusted EBITDA	5,979	274	-	6,253
Depreciation and amortisation	880	6	-	886
Income tax expense	1,056	116	-	1,172
Total Assets	7,398	1,738	-	9,136
Additions to non-current assets (other than Financial instruments and deferred tax assets)	2,300	29	-	2,329
Total Liabilities	(3,786)	(1,151)	(6)	(4,943)

Notes to the Financial Statements continued

for the 12 months ended 31 March 2016

3 SEGMENT INFORMATION continued

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

	Unaudited 12 months to 31/03/2016 \$'000	Audited 12 months to 31/03/2015 \$'000
Adjusted EBITDA from reportable segments	2,520	6,253
Depreciation and amortisation	(224)	(127)
Amortisation	(761)	(759)
Interest received	4	14
Interest paid	(168)	(15)
Legal expenses	(177)	(430)
Directors fees	(260)	(200)
Professional and Consultancy costs (not attributable to a segment)	(501)	(431)
Share of profit in equity-accounted investee	-	23
Other	(55)	(473)
Profit before income tax	\$377	\$3,855

4 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 Solutions 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%.

The Group has a flexible credit facility of \$1,000,000 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% (2015: 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 \$770,000 (2015: \$Nil) had been drawn down on this facility.

Notes to the Financial Statements continued

for the 12 months ended 31 March 2016

5 COMMITMENTS

Due to fit out requirements as part of an office move to Nathan Australis House in August 2016, the Group has committed NZ\$350,000 in capital expenditure as at reporting date (31 March 2015: Nil).

6 BUSINESS COMBINATIONS

On 29 August 2014, the Group acquired 100% of the equity in Sush Global Solutions Limited, an Auckland based IT mobile solutions provider. The acquisition provides the Group with a diversified income stream along with access to comprehensive in-house enterprise mobility solutions that will give the Group a competitive, innovative edge.

The following summarises the consideration paid for the business and the fair value of assets acquired and liabilities assumed at the acquisition date.

	Audited 12 months to 31/03/2015 \$'000
Fair Value of consideration transferred	
Amount settled in cash on settlement date	533
Fair value of future payments	941
Fair value of contingent consideration	428
	<u>1,902</u>
Identified assets acquired and liabilities assumed	
Cash and cash equivalents	82
Trade and other receivables	431
Fixed assets	17
Intangible assets	279
Trade and other payables	(287)
Deferred tax liability	(78)
Non-current liabilities	-
Identifiable net assets	<u>444</u>
Goodwill on acquisition	<u>1,458</u>
Consideration transferred settled in cash	1,066
Cash and cash equivalent acquired	82
Net cash outflow	<u>984</u>

Notes to the Financial Statements continued

for the 12 months ended 31 March 2016

6 BUSINESS COMBINATIONS continued

Fair value of future payments and fair value of contingent consideration

The purchase agreement makes provision for deferred payments. The \$940,593 fair value initially recognised for the future payments reflects management's estimate of the value and timing of the payments discounted using a rate of 18.4% to reflect the uncertainty in relation to the timing and payment of future amounts.

The \$428,495 fair value initially recognised for the contingent consideration represents the present value of the Group's probability weighted estimate of the future settlement. It reflects management's estimate of the weighted range of probable outcomes and was discounted using a rate of 18.4%. The full purchase price is to be settled within 12 months of the acquisition date.

Identified assets acquired and liabilities assumed

The fair value of identifiable intangible assets have been determined as follow:

	Valuation method	Fair value \$'000	Deferred tax liability \$'000
Brands and trademarks	Relief from royalties	55	15
Customer relationships	Multi-period excess earnings	110	31
Customer contracts	Comparative income differential	114	32

Goodwill

Goodwill of \$1,458,333 is primarily related to growth expectations, expected future profitability and the skill and expertise of the work force.

Notes to the Financial Statements continued

for the 12 months ended 31 March 2016

7 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

	Unaudited	Audited
	12 months to	12 months to
	31/03/2016	31/03/2015
	\$'000	\$'000
Net Profit (Loss) before tax	<u>377</u>	<u>3,855</u>
EBITDA	1,526	4,722

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

EBITDA	1,526	4,722
Depreciation and amortisation	(985)	(866)
Interest received	4	14
Interest paid	<u>(168)</u>	<u>(15)</u>
Net Profit (Loss) before tax	377	3,855