

(FIN): Finzsoft Solutions Limited	
Results for announcement to the market	
Reporting Period	12 months to 30 June 2017
Previous Reporting Period	15 months to 30 June 2016

	Amount (\$NZ'000s)	Percentage change
Revenue from ordinary activities	\$16,755	(23.37%)*
Profit (loss) from ordinary activities after tax attributable to security holder	\$2,496	1,005%
Net profit (loss) attributable to security holders	\$2,496	1,005%

Interim/Final Dividend	Amount per security	Imputed amount per security
No interim dividend has been declared for this reporting period.	\$0	\$0

Record Date	Not Applicable
Dividend Payment Date	Not Applicable

Comments:	As per below
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Finzsoft is pleased to provide its audited results for the year ended 30 June 2017 and announces its performance highlights for the full year:

- EBITDA of \$4.53 million is up on FY16 \$1.83m (15 months to 30 June 2016)* driven by a reduction in costs and continuing annual/initial licence fees from current and new clients.
- Operating revenue of \$16.75 million is down on FY16 \$21.86 million (FY16: 15 months to 30 June 2016)*.
- Solid customer base which supports underlying, recurring, licence and services revenue.
- Positive cash flow, no debt and continued profitability from the half-year announcement.
- Net profit after tax has increased to \$2.5 million, up from FY16 \$226,000 (15 months to 30 June 2016).

**The decrease in FY17 revenue from ordinary activities largely arises from the shortened accounting period being 12 months (FY16: 15 months).*

Statement of comprehensive income

For the 12 months ended 30 June 2017

	12 months to 30/06/2017 \$	15 months to 30/06/2016 \$
Revenue	16,722,985	21,852,696
Other income	<u>32,004</u>	<u>11,718</u>
Total operating revenue	<u>16,754,989</u>	<u>21,864,414</u>
Development, servicing and other direct costs	(8,150,649)	(12,981,174)
Occupancy expense	(792,090)	(754,565)
Depreciation and amortisation	(1,099,003)	(1,265,865)
Sales and marketing expenses	(434,294)	(2,701,752)
Finance expense	(26,036)	(182,917)
Corporate expenses	(1,383,044)	(1,326,453)
Other operational overheads	(1,429,449)	(2,268,557)
Total operating expense	<u>(13,314,565)</u>	<u>(21,481,283)</u>
Profit before income tax expense	3,440,424	383,131
Income tax expense	(944,525)	(157,193)
Profit from continuing operations	<u>2,495,899</u>	<u>225,938</u>
Profit for the period	<u>2,495,899</u>	<u>225,938</u>
Other comprehensive income:		
Exchange difference on translating foreign operations	(43,304)	(54,764)
Other comprehensive income for the year, net of tax	<u>(43,304)</u>	<u>(54,764)</u>
Total comprehensive income for the year	<u>2,452,595</u>	<u>171,174</u>
Earnings per share attributable to the ordinary equity holders of the company during the year:		
Basic earnings per share (cents per share)	28.33	2.56
Diluted earnings per share (cents per share)	28.33	2.59

Statement of changes in equity

For the 12 months ended 30 June 2017

	Share Capital	Currency translation reserve	Share option reserve	Retained earnings	Total equity
	\$	\$	\$	\$	\$
Balance as at 1 April 2015	<u>4,049,508</u>	<u>(83,952)</u>	<u>128,495</u>	<u>227,590</u>	<u>4,321,641</u>
Comprehensive income					
Profit for the year	-	-	-	225,938	225,938
Other comprehensive income					
Share Options not taken	-	-	-	-	-
Currency translation differences	-	<u>(54,764)</u>	-	-	<u>(54,764)</u>
Total comprehensive income	-	<u>(54,764)</u>	-	<u>225,938</u>	<u>171,174</u>
Transactions with owners					
Sush acquisition:					
Purchase consideration	<u>266,933</u>	-	-	-	<u>266,933</u>
Total transactions with owners	<u>266,933</u>	-	-	-	<u>266,933</u>
Balance as at 30 June 2016	<u>4,316,441</u>	<u>(138,716)</u>	<u>128,495</u>	<u>453,528</u>	<u>4,759,748</u>
Balance as at 1 July 2016	<u>4,316,441</u>	<u>(138,716)</u>	<u>128,495</u>	<u>453,528</u>	<u>4,759,748</u>
Comprehensive income					
Profit for the year	-	-	-	2,495,899	2,495,899
Other comprehensive income					
Currency translation differences	-	<u>(43,304)</u>	-	-	<u>(43,304)</u>
Total comprehensive income	-	<u>(43,304)</u>	-	<u>2,495,899</u>	<u>2,452,595</u>
Lapsed options transferred to Retained earnings	-	-	<u>(128,495)</u>	<u>128,495</u>	-
Balance as at 30 June 2017	<u>4,316,441</u>	<u>(182,020)</u>	-	<u>3,077,922</u>	<u>7,212,343</u>

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

Statement of financial position

As at 30 June 2017

	as at 30/06/2017 \$	as at 30/06/2016 \$
ASSETS		
Current assets		
Cash and cash equivalents	2,363,816	420,481
Trade and other receivables	<u>2,094,542</u>	<u>3,330,599</u>
Total current assets	<u>4,458,358</u>	<u>3,751,080</u>
Non-current assets		
Property, plant and equipment	633,103	417,138
Intangible assets	5,609,393	5,234,756
Deferred tax benefit	<u>81,505</u>	<u>151,688</u>
Total non-current assets	<u>6,324,001</u>	<u>5,803,582</u>
Total assets	<u>10,782,359</u>	<u>9,554,662</u>
LIABILITIES		
Current liabilities		
Trade and other payables	926,966	1,580,117
Unearned revenue	1,335,501	1,904,319
Provision for employee benefits	949,872	513,499
Bank and other loans	-	750,000
Current income tax payable	<u>357,677</u>	<u>46,979</u>
Total current liabilities	<u>3,570,016</u>	<u>4,794,914</u>
Total liabilities	<u>3,570,016</u>	<u>4,794,914</u>
Net assets	<u>7,212,343</u>	<u>4,759,748</u>
EQUITY		
Ordinary shares	4,316,441	4,316,441
Other reserves	(182,020)	(10,221)
Retained earnings	<u>3,077,922</u>	<u>453,528</u>
Total Equity	<u>7,212,343</u>	<u>4,759,748</u>

Statement of cash flows

For the 12 months ended 30 June 2017

	12 months to 30/06/2017 \$	15 months to 30/06/2016 \$
Cash flows from operating activities		
Receipts from customers	17,278,316	22,895,993
Dividends received	1,022	-
Interest received	<u>33,194</u>	<u>4,624</u>
	17,312,532	22,900,617
Payments to suppliers and employees	(12,043,953)	(19,434,409)
Interest paid	(26,036)	(182,917)
Taxation paid	(633,829)	(665,031)
Goods and services tax net paid	<u>(216,124)</u>	<u>(2,172,492)</u>
	<u>(12,919,942)</u>	<u>(22,454,849)</u>
Net cash generated from operating activities	<u>4,392,590</u>	<u>445,768</u>
Cash flows from investing activities		
Purchase of equipment	(455,145)	(265,750)
Investment in intangible assets	<u>(1,248,301)</u>	<u>(1,680,341)</u>
Net cash used in financing activities	<u>(1,703,446)</u>	<u>(1,946,091)</u>
Cash flows from financing activities		
Receipts from Bank and other loans	-	750,000
Repayment of finance lease	-	(19,240)
Repayment of borrowings	<u>(750,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(750,000)</u>	<u>730,760</u>
Net increase (decrease) in cash and cash equivalents	1,939,144	(769,563)
Exchange gains on cash and cash equivalents	4,191	2,172
Cash and cash equivalents at beginning of the year	<u>420,481</u>	<u>1,187,872</u>
Cash and cash equivalents at end of the period	<u>2,363,816</u>	<u>420,481</u>

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.

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>

The segment information for the period ended 30 June 2016 is as follows:

Segment revenue from external customers	<u>11,365,896</u>	<u>10,486,800</u>	<u>-</u>	<u>21,852,696</u>
Adjusted EBITDA	2,767,678	386,065	-	3,153,743
Depreciation and amortisation	1,255,872	9,993	-	1,265,865
Income tax expense	<u>69,268</u>	<u>87,925</u>	<u>-</u>	<u>157,193</u>
Total Assets	<u>8,568,329</u>	<u>978,868</u>	<u>7,465</u>	<u>9,554,662</u>
Additions to non-current assets (other than Financial instruments and deferred tax assets)	1,945,378	-	-	1,945,378
Total Liabilities	<u>(4,398,314)</u>	<u>(390,416)</u>	<u>(6,184)</u>	<u>(4,794,914)</u>

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

	12 months to 30/06/2017	15 months to 30/06/2016
	\$	\$
Adjusted EBITDA from reportable segments	<u>5,915,310</u>	<u>3,153,743</u>
Depreciation	(225,339)	(273,702)
Amortisation	(873,664)	(992,163)
Interest received	33,194	4,624
Interest paid	(26,036)	(182,917)
Legal expenses	(417,485)	(266,189)
Directors fees	(210,924)	(304,167)
Professional and consultancy costs (not attributable to a segment)	(636,515)	(563,055)
Other	<u>(118,118)</u>	<u>(193,043)</u>
Profit (Loss) before income tax	<u>3,440,423</u>	<u>383,131</u>