ENPRISE GROUP LIMITED AND SUBSIDIARIES
FINANCIAL STATEMENTS
MARCH 2018

Contents

Directors' Report

The Directors are pleased to submit to shareholders their report and financial statements for the year ended 31 March 2018.

Principal Activities

Enprise Group Limited (**Enprise**) currently has one operating division, Enprise Solutions, which is a solution provider for MYOB Enterprise software in Australia and New Zealand.

Enprise has a joint venture, Datagate Innovation Limited (**Datagate**), an early stage business that provides online reporting and billing portals under a Software-as-a-Service (SaaS) model for resellers of Telco/Utility services and hosted service providers. Enprise invested in another joint venture, Kilimanjaro Consulting Pty Limited (**Kilimanjaro**) in September 2017. Kilimanjaro is the largest MYOB enterprise partner in Australia. Enprise also invested in an associate, iSell Pty Limited (iSell) in December 2017. iSell sells a cloud-based quoting system used by the IT reseller market in Australia, New Zealand and the UK.

Significant Changes in the State of Affairs

Enprise invested $1 million in cash and issued $2.1 million worth of shares in exchange for a 47.09% ownership of Kilimanjaro Consulting Pty Limited (Kilimanjaro) on 29 September 2017. The Enprise shares were issues at $1.39 per share. Kilimanjaro's principal activities are similar to Enprise in that it is a solution provider for MYOB Enterprise software in Australia. Enprise also invested $739,210 in cash for a 14.6% holding in iSell on 19 December 2017.

Directors

Mr Lindsay Phillips (appointed 1 December 2013)
Mr George Cooper (appointed 10 April 2012)
Mr Nicholas Paul (appointed 1 December 2015)
Mr Ronald Baskind (appointed 31 January 2018)

Remuneration of Directors

The remuneration of the Directors for the year ended 31 March 2018 is set out below:

	Group	
	2018	2017
	$000	$000
Salaries, bonuses and commissions	**201**	211
Other benefits	**33**	50
Directors fees	**65**	65
Total compensation	**299**	326
George Cooper	**201**	211
Lindsay Phillips	**40**	40
Nicholas Paul	**58**	75
	299	326

Rounding of Amounts

Amounts in the directors' report and financial statements have been rounded off to the nearest thousand dollars.

Review of Operations and Outlook

Enprise is leveraging its position as the only MYOB EXO and MYOB Advanced reseller with offices in both New Zealand and Australia, to target trans-Tasman businesses. Enprise is well positioned to take advantage of the trend towards cloud while still having a stable, well supported, secure and continually developed on-premises offering. The Australian sales increased by 6.4% to $2.0 million, whilst New Zealand sales increased by 6.0% to $7.0 million. Profit from operations before income tax decreased by 15.9% to $686,000. Net tangible assets per share increased during the year by 36% to 20 cents per share.

The company paid dividends during the year of 3.5 cents per share in July 2017 and 1 cent per share in January 2018. The total dividend for the year was $339,284 of which $46,326 was reinvested through the dividend reinvestment plan.

Datagate had twenty seven paying customers at 31 March 2018 representing annualised recurring revenue of $329,490, a 45% increase from 31 March 2017. The Datagate rights issue in November 2017 was over-subscribed. The total cash raised by Datagate was $685,959 made up entirely of external investors. Enprise chose not to subscribe and consequently Enprise's stake in Datagate reduced to 39.29%. If Enprise's 1,708,333 shares in Datagate were valued at the rights issue price of $1.50 per share, the value of Enprise's Datagate investment would be $2,562,500. The actual carrying value of Datagate is $1,080,603 after accounting for Enprise's share of Datagate's loss for the year of $431,370 using the equity method of accounting. The carrying value also reflects a gain on dilution of $154,410 for the year ending 31 March 2018.

Enprise obtained a 47.09% share of Kilimanjaro in September 2017. Kilimanjaro is the largest reseller of MYOB Exo and Advanced in Australia. This was a strategic addition to the portfolio to gain synergies due to the similarities in the business models and to expand Enprise's reach in Australia. To date synergies have already been gained by merging the Finance functions and Kilimanjaro utilising the cloud infrastructure resources that Enprise already possesses. Future synergies are in progress for the consulting and sales divisions of the business. The initial value of the investment was $3,168,400. The carrying value of Kilimanjaro at year end was $2,876,847 after accounting for Enprise's share of Kilimanjaro's loss for the year of $291,553 using the equity method of accounting. At the time of purchase the Company also granted a put option for the remaining 52.91% for $3,967,964 (2,854,650 ENS shares). The option can be exercised between 1 September 2019 and 30 August 2020.

In December 2017 Enprise obtained a 14.6% holding in iSell, which sells a cloud-based quoting system used by the IT reseller market in Australia, New Zealand and the UK. iSell shares the same Managed Service Provider market as Datagate and the two entities could gain synergies in their sales and marketing functions. The initial value of the investment was $739,210.

In November 2017 Enprise paid $223,737 for a 6.49% holding in Vadacom, a cloud based VOIP phone and virtual PABX provider. Enprise has a similar target market as Vadacom and both entities have and will continue to leverage off this.

Enprise is actively exploring other opportunities in the SME software market.

Donations

Enprise made donations during the year of nil (2017: $870).

Directors Interests

	Number of Shares
Lindsay Phillips*	1,629,682
George Cooper	414,974
Nicholas Paul	39,600
Ronald Baskind	717,978

Interests' Register

The following entries are recorded in the year ending 31 March 2018:

- Ronald Baskind was appointed as a director of Enprise Group Ltd. He was also appointed as a director of Kilimanjaro Consulting Pty Ltd, EzyCollect Pty Ltd and Red Cow Pty Ltd prior to the year ending 2018.
- Lindsay Phillips was appointed as a director of Kilimanjaro Consulting Pty Ltd, Leed Manufacturing Pty Ltd, Vehicle Monitoring Systems Pty Ltd, Mayfield Group Investments Pty Ltd, Mayfield IP Pty Ltd, Moneyball Australia Ltd, and Walker Control Pty Ltd. Lindsay Phillips ceased directorships in Control Bionics Pty Ltd, Creditor Watch Pty Ltd, Creditor Watch Holdings Pty Ltd and Toffee International Pty Ltd.
- George Cooper was appointed as a director of iSell Pty Ltd.

Top 20 Shareholdings as at 25 July 2018

	Holding	%
New Zealand Central Securities Depository Ltd	1,961,741	20.48
Nightingale Partners Pty Ltd*	1,189,991	12.42
Red Cow Investments Pty Ltd~	717,978	7.50
Net Power Solutions Limited	611,408	6.38
Awatea Trust	422,591	4.41
Cooper Trust	320,927	3.35
Amely Zaininger	301,189	3.14
Ironwood Investments Pty Ltd*	237,569	2.48
Anjelco Investments Pty	210,865	2.20
Bernard Israel Fridman	181,767	1.90
Dixson Trust Pty Limited	177,902	1.86
Donwood Pty Ltd	171,590	1.79
Audesse Holdings Limited	160,962	1.68
Jason Patrick Fegan	160,682	1.68
Sarah May Loveys	159,493	1.67
Roger John Williams	108,207	1.13
Mr Lindsay John Phillips	96,160	1.00
George Elliot Cooper	94,047	0.98
Carjon Investments Pty Limited	92,943	0.97
Savgas Pty Limited	92,943	0.97

*Related parties to Lindsay Phillips
~Related party to Ronald Baskind

Geographic Distribution of Shareholders as at 25 July 2018

Country	Holders	Holder %	Issued Capital	Issued Capital %
New Zealand	194	55.11	4,959,304	51.78
Australia	127	36.08	4,568,324	47.70
Germany	17	4.83	9,667	0.10
USA	8	2.28	22,729	0.24
Great Britain	5	1.42	17,346	0.18
Switzerland	1	0.28	200	0.00
Total	**352**	**100.00**	**9,577,570**	**100.00**

Distribution of Shareholders as at 25 July 2018

Range	Holders	Holding Quantity	Holding %
1-1000	119	56,176	0.59
1001-5000	122	312,675	3.26
5001-10000	40	307,401	3.21
10001-50000	47	1,158,443	12.10
50001-100000	8	648,013	6.77
Greater than 100000	16	7,094,862	74.07
Total	**352**	**9,577,570**	**100.00**

The directors' report is signed for and on behalf of the Board, and was authorised for issue on the date below.

Nicholas Paul
Director
31 July 2018

George Cooper
Director
31 July 2018

Statement of Financial Position

As at 31 March 2018

	Note	2018 $000	2017 $000 Restated
ASSETS			
Current Assets			
Cash and cash equivalents		**1,265**	598
Trade and other receivables	11	**1,016**	1,226
Related party receivables	11	**330**	6
Lock Finance		**3**	57
Term deposit		**-**	154
Staff receivables		**51**	8
Total Current Assets		**2,665**	2,049
Non-Current Assets			
Investments in equity accounted joint venture	12(a),(b), 29	**3,958**	1,358
Investments in equity accounted associate	12(c)	**738**	-
Investments	28	**321**	-
Property, plant and equipment	13	**103**	104
Staff receivables		**85**	9
Deferred tax asset	27	**341**	325
Intangible assets	14	**1,760**	1,825
Total Non-Current Assets		**7,306**	3,621
TOTAL ASSETS		**9,971**	5,670
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**1,083**	1,139
Provisions	16	**192**	193
Term loan	25	**314**	
Other liabilities		**15**	15
Total Current Liabilities		**1,604**	1,347
Non-Current Liabilities			
Other liabilities		**19**	34
Term loan	25	**635**	-
Deferred tax liability	27	**38**	56
Total Non-Current Liabilities		**692**	90
TOTAL LIABILITIES		**2,296**	1,437

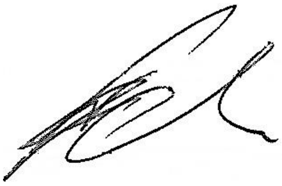
The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Financial Position (cont)

As at 31 March 2018

	Note	2018 $000	2017 $000 Restated
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	17	**6,566**	2,936
Retained earnings	29	**1,109**	1,297
TOTAL EQUITY		**7,675**	4,233
TOTAL EQUITY AND LIABILITIES		**9,971**	5,670

For and on behalf of the Board, who authorise the issue of these financial statements on 31 July 2018:



Nicholas Paul
Director
31 July 2018

George Cooper
Director
31 July 2018

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

Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 $000	2017 $000 Restated
Continuing operations			
Revenue			
Software and licences		**4,296**	4,262
Services and support		**4,513**	3,998
Other revenue	6	**43**	85
		8,852	8,345
Cost of Goods Sold		**(3,356)**	(3,222)
Advertising and marketing expense		**(72)**	(90)
Employee benefits expense	7(d)	**(3,361)**	(3,100)
Professional fees	7(b)	**(241)**	(183)
Travel expenses		**(192)**	(165)
Other operating expenses	7(a)	**(733)**	(631)
Finance expense		**(90)**	(41)
Net (loss)/gain on foreign exchange		**(6)**	3
Depreciation & amortisation	7(c)	**(115)**	(100)
Profit from operations before income tax		**686**	816
Share of loss from equity accounted joint ventures, net of tax	12, 29	**(569)**	(290)
Share of loss from equity accounted associates, net of tax	12	**(1)**	-
Profit before tax		**116**	526
Income (tax)/benefit	8	**35**	252
Profit for the period attributable to the shareholders		**151**	778
Other comprehensive income		**-**	-
Total comprehensive income for the period attributable to the shareholders		**151**	778

	Note	2018	2017
Earnings per share attributable to the ordinary equity holders of the company:	10		
Basic earnings per share		**0.019**	0.114
Diluted earnings per share		**0.019**	0.114

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

Statement of Cash Flows

For the year ended 31 March 2018

	Note	2018 $000	2017 $000
Cash flows from operating activities			
Receipts from customers		**9,930**	9,249
Payments to suppliers and employees		**(9,336)**	(8,293)
Interest paid		**(33)**	(2)
Interest received		**11**	21
Net cash flows from operating activities	18	**572**	975
Cash flows from investing activities			
Purchase of property, plant and equipment		**(65)**	(15)
Loans repaid by staff		**19**	15
Investment in equity accounted joint venture	12(b)	**(1,000)**	(250)
Purchase of investment in equity accounted associate	12(c)	**(739)**	-
Term deposit		**154**	-
Proceeds for sale of Enprise Software		**-**	51
Net cash flows used in investing activities		**(1,631)**	(199)
Cash flows from financing activities			
Dividends paid		**(294)**	(335)
Proceeds from issue of shares		**1,023**	168
Share buyback		**-**	(80)
Proceeds from term loan		**1,000**	-
Repayment of term loan		**(51)**	
Proceeds from Lock Finance		**54**	1
Repayment of insurance loan		**-**	(35)
Net cash flows from/(used) in financing activities		**1,732**	(281)
Net increase/(decrease) in cash and cash equivalents		**673**	495
Net foreign exchange differences		**(6)**	(6)
Cash and cash equivalents at beginning of period		**598**	109
Cash and cash equivalents at end of period		**1,265**	598

Statement of Changes in Equity

			2017
Group	**Share capital $000**	**Restated Retained earnings $000**	**Total equity $000**
Balance at 1 April 2016	2,823	854	3,677
Net profit / (loss) for the period:	-	778	778
Other comprehensive income	-	-	**-**
Total comprehensive income for the period	-	778	778
Transactions with owners, recorded directly in equity	113	(335)	(222)
Balance at 31 March 2017	2,936	1,297	4,233

			2018
Group	**Share capital $000**	**Retained earnings $000**	**Total equity $000**
Balance at 1 April 2017	2,936	1,297	4,233
Net profit / (loss) for the period:	-	151	151
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	151	151
Dividends paid	-	(339)	(339)
New shares issued	3,630	-	3,630
Balance at 31 March 2018	6,566	1,109	7,675

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

Notes to the Financial Statements

For the year ended 31 March 2018

1 Corporate information

The financial statements represented are those for the Enprise Group Limited.

Enprise Group Limited is a company limited by shares incorporated and domiciled in New Zealand whose shares are publicly traded on the NZX Alternative Market (NZAX).

The nature of the operations and principal activities of the Group are described in the Directors' Report section of this annual report.

2 Summary of significant accounting policies

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(a) Basis of preparation

The financial statements have been prepared under the historical cost basis, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

(b) Changes in accounting policies

All policies have been applied on a basis consistent with the previous year.

(c) Statement of compliance

Enprise Group Limited is a FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013 and its financial statements comply with these acts. The company is listed on the NZX Alternative Market.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), as appropriate for profit-oriented entities. They also comply with International Financial Reporting Standards ("IFRS").

(d) New accounting standards and interpretations

Standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 March 2018. These are outlined in the table below.

Reference	Title	Summary of requirements	Effective date – periods beginning on or after	Impact on Group financial report	Application date for Group*
NZ IFRS 9	Financial Instruments: Classification and Measurement	This standard includes a new framework for classification and measurement of financial instruments and a forward-looking expected-loss impairment model. It requires all financial assets to be: (a) Classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. (b) Initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs (c) Subsequently measured at amortised cost or fair value.	1 January 2018	Due to the nature of the Group's financial assets and liabilities the introduction of a new classification (and associated measurement) framework is not expected to have a material impact on the financial instruments of the Group. The forward-looking impairment requirements are also unlikely to materially impact the financial statements as extended credit terms are rarely provided and the Group has not had a significant history of bad debts in the past. The Group also has extensive credit control policies and procedures in place that ensure that credit is only provided to good quality customers. The adoption of IFRS9 will also change the classification of fair value available for sale investments to fair value through Comprehensive Income.	1 April 2018

NZ IFRS 15	Revenue from Contracts with Customers	The core principle of the Standard is to recognise revenue for the amount of consideration due to an entity in exchange for goods and services provided to the customer. This is done following a 5 step process: (1) Identify the contract with the customer (2) Identify the performance obligations in the contract (3) Determine the transaction price (4) Allocate the transaction price to the performance obligations in the contract and (5) Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of an asset to a customer. This may be at a point in time or over time. The standard is expected to have a significant impact on the timing of revenue recognition for the software industry.	1 January 2018	The Group has commenced a NZ IFRS 15 implementation project by reviewing existing and planned sales contracts. Software revenue will change to becoming recognised net of cost of goods sold. This will have a significant impact on Sales but no impact on Gross Profit and Total Comprehensive Income. The relationship will change from principal to agent. The effect on consulting revenue recognition is immaterial as revenue recognition occurs in accordance with the defined deliverables in the contract and there are typically few implementation projects that are unfinished at year end. Unfinished implementation projects at year end will be reviewed to assess whether revenue recognition is in accordance with the defined deliverables in the contract.	1 April 2018
NZ IFRS 16	Leases	NZ IFRS 16 removes the classification of leases as either operating or finance leases – for the lessee – effectively treating all leases as finance leases. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. Measures such as reported EBITDA will improve because what are currently accounted for as operating lease expenses will become depreciation and interest charges.	1 January 2019	The Group has a number of lease commitments which will be required to be capitalised on the statement of financial position when the new standard is introduced. If NZ IFRS 16 were introduced at the current reporting date the leasing asset and associated liability would be a maximum of the net present value of the commitments disclosed in note 21. The rent expense will be replaced by interest expense and depreciation relating to the lease liability and asset.	1 April 2019

(e) Basis of consolidation

The consolidated financial statements of Enprise Group Limited ("the Group") comprise the financial statements of the parent and its subsidiaries (as outlined in note 19) as at 31 March each year.

Subsidiaries are all entities over which the parent has control. Control is obtained when the parent has power over the investee, is exposed to or has rights to variable returns from its investment and has the ability to use its power to affect returns.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method. The acquisition method involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquirer. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The difference between the above items and the fair value of the consideration is goodwill.

(f) Investment in equity accounted investments – refer note 12

Joint Venture	Percentage Held	Balance Date
Datagate Innovation Limited	39.29%	31 March
Kilimanjaro Consulting Pty Limited	47.09%	30 June

Associate	Percentage Held	Balance Date
iSell Pty Limited	14.06%	30 June

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of NZ IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with NZ IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with NZ IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity accounted associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

(g) Segment reporting – refer note 5

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other operating business segments. 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 of Directors that makes strategic decisions.

(h) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Enprise Group Limited is New Zealand dollars ($). The subsidiaries', associate's and joint ventures' functional currency is the local currency which is translated to presentation currency (see below).

(ii) Transactions & balances

Subsidiary/Joint Venture/Associate	Functional Currency	Presentation Currency
Enprise Australia Pty Limited	Australian dollars ($)	New Zealand dollars ($)
Enprise Solutions Limited	New Zealand dollars ($)	New Zealand dollars ($)
Enprise Limited	New Zealand dollars ($)	New Zealand dollars ($)
GlobalBizpro Limited	New Zealand dollars ($)	New Zealand dollars ($)
Datagate Innovation Limited	New Zealand dollars ($)	New Zealand dollars ($)
Kilimanjaro Consulting Pty Limited	Australian dollars ($)	New Zealand dollars ($)
iSell Pty Limited	Australian dollars ($)	New Zealand dollars ($)

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(iii) Translation of Group Companies functional currency to presentation currency

The results of the subsidiaries are translated into New Zealand dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

(i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(j) Property, plant and equipment – refer note 13

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. The cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the specific assets:

Computer equipment – 20% to 50%
Office furniture and equipment – 10% to 50%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

(k) Leases – refer note 21

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(l) Intangibles – refer note 14

Goodwill

Goodwill that arises on the acquisition of subsidiaries are initially measured at cost of the business combination, being the excess of the consideration transferred over the fair value of the Subsidiaries' net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at the amount recognised at acquisition date less any accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated intangible assets, is recognised in the statement of comprehensive income as incurred.

Except for goodwill, intangible assets are amortised on a straight-line basis in the statement of comprehensive income over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Software licenses 3-5 years
- Customer relationships 5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Research and development costs

Research costs are expensed as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use. Capitalised development expenditure is measured at cost less accumulated depreciation and accumulated impairment losses.

(m) Provisions and employee benefits – refer note 16

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

Employee leave benefits

Wages, salaries, annual leave, long service leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of services

Revenue includes software implementation and support services.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The stage of completion of the transaction at the balance date can be measured reliably; and
- The cost incurred for the transaction and the costs to complete the transaction can be measured reliably

Contract revenue is also recognised under the percentage of completion method. A percentage of the revenue is recognised in the accounting period in which the services are rendered. The stage of completion is assessed by reference to surveys of work performed and delivered. When the outcome of an implementation and provisioning contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Contract income, which includes license fees, hosting fees and transaction fees, is recognised in the statement of comprehensive income in the accounting period in which the service is rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided.

(ii) Sale of goods

Revenue includes sales of software licenses.

The revenue from the sale of third party software is recognised at the time of sale. Revenue from in-house developed software is recognised on acceptance by the client.

The revenue from the maintenance on software developed by the Group is recognised over the period that the maintenance applies.

(iii) Interest revenue

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(iv) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the rental income, over the term of the lease.

(o) Income tax and other taxes – refer note 8

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unutilised tax losses can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Temporary differences that can reasonably be foreseen in the next accounting period have been recognised as a deferred tax asset.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

i. when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
ii. receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and including the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(p) Earnings per share – refer note 10

Basic earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted number of ordinary shares and dilutive potential ordinary shares.

(q) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. The Group performs its impairment testing as at 31 March each year using the value in use method based on expected future revenue. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Key assumptions used in determining the future cash flows from each CGU over the next 5 years are as follows.

31 March 2018	Growth Rate	Discount Rate
Enprise Services – New Zealand	2.5%	20.0%
Enprise Services – Australia	5.0%	20.0%

31 March 2017	Growth Rate	Discount Rate
Enprise Services – New Zealand	5.0%	20.0%
Enprise Services – Australia	10.0%	20.0%

The terminal value is based on a 2% perpetual growth rate after 5 years. These assumptions are based on continued growth in new products and services being delivered by Enprise to both new and existing customers. The Australian growth rate is higher than New Zealand as Enprise has assumed increased customer acquisition off a smaller base, therefore a higher rate as a percentage.
The discount rate was estimated based on the weighted average cost of capital of similar public listed companies adjusted for differences in risk profiles.
Management has performed sensitivity analysis on the key assumptions and believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of goodwill to be materially lower than its recoverable amount

(r) Contributed equity – refer note 17

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Financial Instruments

Financial assets
Financial assets are classified into the following specified categories: 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial instruments
Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.
Income is recognised on an effective interest basis for debt instruments.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)
AFS financial assets (comprising of investments) are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.
The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 28. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, cash and cash

equivalents, related party receivables and staff loans) are measured at amortised cost using the effective interest method, less any impairment.
Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(t) Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3 Financial risk management objectives and policies

The Group manages its exposure to key financial risks, including interest rate, liquidity risk and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Board reviews and agrees policies for managing each of the risks identified below, foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

Risk exposures and responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash deposited in interest-bearing call accounts and term loans. Interest rates are monitored although there is generally no significant variation in interest rates offered by the different major banks.

The local operational bank accounts do not earn interest.

At 31 March 2018, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	**Post Tax Profit Higher/(Lower)**		**Equity Higher/(Lower)**	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Group				
+1% (100 basis points)	**(8)**	**8**	**(8)**	**8**
- 1% (100 basis points)	**8**	**(8)**	**8**	**(8)**

Credit risk

The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2018 $000	2017 $000
Staff receivables	**136**	17
Lock Finance	**3**	57
Trade and other receivables	**1,346**	1,232
Cash and cash equivalents	**1,265**	598
Term deposits	**-**	154
Total	**2,750**	2,058

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the Group's policy to securitize its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

3 Financial risk management objectives and policies (cont)

The only significant concentration of credit risk within the Group exists in relation to cash and cash equivalents, the majority being held with two major trading banks.

Foreign currency risk

Each entity in the Group conducts the majority of its transactions in its functional currency.

The currency exposure of the Group arises from the effect of any substantial movements in currency rates on the transfer of funds (the large proportion being in Australian dollars) to the local currency of the subsidiary to fund operations.

The net exposure is not significant due to the size of the foreign operations and is mitigated by the regular transfer of small advances to spread the currency risk over time. Although each subsidiary or geographic segment is subject to variations in foreign currency rates, each segment is not material. Refer to note 5 on segment reporting.

The Group's exposure to foreign currency risk was as follows based on foreign currency denominated monetary assets and monetary liabilities:

	2018	2017
In thousands translated from Australian Dollars	**NZD $000**	NZD $000
Cash and cash equivalents	**108**	63
Trade and other receivables	**252**	225
Trade and other payables	**(397)**	(379)
Net statement of financial position exposure	**(37)**	(91)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2018	2017	**2018**	2017
Australian Dollars	**0.9231**	0.9383	**0.9423**	0.9174

At 31 March 2018, if exchange rates had moved with all other variables held constant, the impact to the post tax profit and equity would not be material.

Liquidity risk

Liquidity risk represents the Group's ability to meet its financial obligations on time. The Group's cash flow enables it to make timely payments. The Management evaluates the Group's liquidity requirements on an ongoing basis. The following tables set out the contractual cash flows for all financial liabilities:

Group – 2018

In thousands on New Zealand Dollars	**Carrying amount**	**Contractual cash flow**	**6 months or less**	**6 – 12 months**	**1 – 2 years**	**2 – 5 years**
Trade and other payables	1,083	1,083	1,083	-	-	-
Term loan	949	949	154	160	635	-
Other liabilities	34	34	8	8	18	-
Total	**2,066**	**2,066**	**1,245**	**168**	**653**	**-**

Group – 2017

In thousands on New Zealand Dollars	**Carrying amount**	**Contractual cash flow**	**6 months or less**	**6 – 12 months**	**1 – 2 years**	**2 – 5 years**
Trade and other payables	1,139	1,139	1,139	-	-	-
Other liabilities	49	49	8	7	15	19
Total	**1,188**	**1,188**	**1,147**	**7**	**15**	**19**

3 Financial risk management objectives and policies (cont)

Financial instruments classification

Group 31 March 2018	Other financial liabilities $000	Loans and receivable $000	Held-to-maturity $000	Available for sale $000	2018 Total $000
Financial Assets:					
Cash and cash equivalents	-	1,265	-	**-**	**1,265**
Trade and other receivables	-	1,016	-	**-**	**1,016**
Related party receivables	-	330	-	**-**	**330**
Lock Finance	-	3	-	**-**	**3**
Staff receivables	-	136	-	**-**	**136**
Investments	-	-	-	321	**321**
Term deposit	-	-	-	**-**	**-**
Total	-	2,750	-	321	**3,071**
Financial Liabilities:					
Trade and other payables	1,083	-	-	**-**	**1,083**
Term loan	949	-	-	**-**	**949**
Other liabilities	34	-	-	-	**34**
Total	2,066	-	-	-	**2,066**

Group 31 March 2017	Other financial liabilities $000	Loans and receivable $000	Held-to-maturity $000	Available for sale $000	2017 Total $000
Financial Assets:					
Cash and cash equivalents	-	598	-	-	598
Trade and other receivables	-	1,226	-	-	1,226
Related party receivables	-	6	-	-	6
Lock finance	-	57	-	-	57
Staff receivables	-	17	-	-	17
Term deposit	-	-	154	-	154
Total	-	1,904	154	-	2,058
Financial Liabilities:					
Trade and other payables	1,139	-	-	-	1,139
Other liabilities	49	-	-	-	49
Total	1,188	-	-	-	1,188

The Lock Finance facility was secured over Trade Receivables of Enprise Solutions Limited and Enprise Australia Pty Limited. This facility was relinquished in December 2017 when Enprise Solutions Limited took out the ASB term loan.

4 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(q). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 2(q))

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. The Group follows the guidance of NZ IAS 36 to determine if a non-financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, external sources of information, such as significant changes with adverse effect and market rates, as well as internal sources of information, such as evidence of obsolescence or physical damage.

Recognition of the deferred tax asset

The Group has recognised a deferred tax asset on its statement of financial position as at reporting date. Significant judgement is required in determining if the utilisation of deferred tax assets is probable. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest forecasts of future earnings of the Group. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

The Group has recognised the benefit of a deferred tax asset for unutilised tax losses for one years' forecast taxable profit in New Zealand. The Directors have not recognised the benefit of unutilised tax losses beyond one year due to uncertainty with regards to future shareholder continuity. Tax losses have not been recognised in Australia as it is not sufficiently probable that taxable profit will be available to utilise the tax losses against.

Classification of Datagate as a joint venture

Datagate is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, the parties are bound by a shareholder agreement that governs each party's rights and obligations. There are no other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Datagate is classified as a joint venture of the Group. Refer to note 26 for details.

Classification of Kilimanjaro as a joint venture

Kilimanjaro is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. This is because currently decisions regarding Kilimanjaro's relevant activities requires unanimous consent of both directors, each who have been appointed by separate investors under the company's constitution. Accordingly, Kilimanjaro is classified as a joint venture of the Group as each party receives its share of the net assets on wind up. Refer to note 26 for details.

4 Significant accounting judgements, estimates and assumptions (cont.)

Classification of iSell as an associate

iSell is a limited liability company which Enprise neither controls nor has joint control of. However Enprise's interest represents significant influence due to Enprise's ability to participate in the decision making regarding iSell's operations. Therefore the investment in iSell has been equity accounted for and has been presented as an equity accounted associate in the balance sheet. Refer to note 12 for details.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 28.

5 Segment information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors and the Chief Executive Officer for the purposes of allocating resources and assessing performance.

The geographic segments are described in the table below:

Legal Entity	**Location**	**Geographic region**
Enprise Group Limited *(Parent)*	New Zealand	New Zealand
Enprise Solutions Limited	New Zealand	New Zealand and Worldwide
Enprise Australia Pty Limited	Australia	Australia
Enprise Limited *(Non-Trading)*	New Zealand	New Zealand
Global Bizpro Limited *(Non-Trading)*	New Zealand	New Zealand
Datagate Innovation Limited *	New Zealand	Worldwide
Kilimanjaro Consulting Pty Limited **	Australia	Australia
iSell Pty Limited ***	Australia	Worldwide

* Datagate has been recognised as a subsidiary until 11 December 2015 when the company lost control. From 11 December 2015, Datagate has been recognised as a joint venture as the Company has joint control.
** Kilimanjaro has been recognised as a joint venture from 30 September 2017 as the Company has joint control.
*** iSell has been recognised as an associate from 19 December 2017 as the Company has significant influence but not joint control.

5 Segment information (cont)

Geographic segments

The following table presents revenue, profit, and certain asset information regarding the geographic segments performance for the year.

Year ended 31 March 2018	**New Zealand $000**	**Australia $000**	**Asia $000**	**TOTAL $000**
Continued operations				
Revenue	6,869	1,911	29	8,809
Other income	32	-	-	32
Interest Received	10	1	-	11
Total segment revenue	6,911	1,912	29	8,852
Inter-segment elimination	-	-	-	-
Total group revenue	6,911	1,912	29	8,852
Share of loss from equity accounted joint ventures	(277)	(292)	-	(569)
Share of loss in equity accounted associate	-	(1)		(1)
Inter-segment elimination	-	-	-	-
Net profit	277	(126)	-	151
Depreciation & amortisation	115	-	-	115
Capital expenditure	37	-	-	37
Segment assets – current	3,061	348	-	3,409
Equity accounted investments	1,080	3,615	-	4,695
Segment assets – other non-current	2,591	20	-	2,611
Inter-segment elimination	(744)	-	-	(744)
Total group assets	5,988	3,983	-	9,971
Liabilities	1,891	1,149	-	3,040
Inter-segment elimination	-	(744)	-	(744)
Total group liabilities	1,891	405	-	2,296

Year ended 31 March 2017	**New Zealand $000**	**Australia $000**	**Asia $000**	**TOTAL $000**
Revenue	6,382	1,797	81	8,260
Other income	64	-	-	64
Interest received	21	-	-	21
Total segment revenue	6,467	1,797	81	8,345
Inter-segment elimination	-	-	-	-
Total group revenue	6,467	1,797	81	8,345

5 Segment information (cont)

Year ended 31 March 2017	New Zealand $000	Australia $000	Asia $000	TOTAL $000
Share of loss from equity accounted joint venture	(290)	-	-	(290)
Inter-segment elimination	-	-	-	-
Net profit	647	131	-	778
Depreciation & amortisation	100	-	-	100
Capital expenditure	31	-	-	31
Segment assets – current	2,610	290	-	2,900
Investments in equity accounted joint venture	1,237	-	-	1,237
Segment assets – other non-current	1,780	158	-	1,938
Inter-segment elimination	(526)	-	-	(526)
Total group assets	5,101	448	-	5,549
Liabilities	1,057	906	-	1,963
Inter-segment elimination	-	(526)	-	(526)
Total group liabilities	1,057	380	-	1,437

31 March 2018	Enprise Services	Corporate	Total
Revenue	8,481	328	8,809
Other income	32	-	32
Total segment revenue	8,513	328	8,841
Interest received	1	10	11
Total group revenue	8,514	338	8,852
Interest expense	(19)	(14)	(33)
Depreciation and amortisation	(115)	-	(115)
Total group expense	(134)	(14)	(148)
Share of loss from equity accounted joint venture	-	(723)	(723)
Gain on dilution from equity accounted joint venture	-	154	154
Share of loss from equity accounted associate		(1)	(1)
Net profit / (loss)	386	(235)	151

31 March 2017	Enprise Services	Corporate	Total
Revenue	8,260	-	8,260
Other income	64	-	64
Total segment revenue	8,324	-	8,324
Interest received	15	6	21
Total group revenue	8,339	6	8,345
Interest expense	-	(2)	(2)
Depreciation and amortisation	(100)	-	(100)
Total group expense	(100)	-	(100)
Share of loss from equity accounted joint venture	-	(411)	(411)
Gain on dilution from equity accounted joint venture	-	121	121
Net profit / (Loss)	1,185	(407)	778

Assets and liabilities are not reported by segment to the Board of Directors. They are reported on a consolidated group basis.

6 Other revenue

	2018 $000	2017 $000
Interest income	**11**	21
Rent income	**32**	64
	43	85

7 Expenses

	2018 $000	2017 $000
(a) Other operating expenses		
Communications	**66**	60
Premises (operating lease)	**197**	194
Other	**470**	377
	733	631
(b) Professional fees		
Directors fees	**65**	65
Accountancy	**11**	23
Auditor’s remuneration (See note 24)	**68**	88
Legal	**97**	7
	241	183
(c) Depreciation and amortisation		
Depreciation	**50**	35
Amortisation – Customer Relationship	**65**	65
	115	100
(d) Employee benefits expense		
Wages and salaries	**3,267**	3,028
Superannuation	**94**	72
	3,361	3,100

8 Income tax

	2018 $000	2017 $000
(a) Income tax expense		
Statement of comprehensive income		
Current income tax benefit	**(35)**	(252)
(b) Reconciliation between tax at statutory rate and tax expense in the statement of comprehensive income		
Profit before tax from continuing operations	**116**	526
	116	526
Parent and Subsidiaries Profit taxed at 28%	**243**	407
Australian Subsidiary Profit (Loss) taxed at 30%	**(127)**	119
	116	**526**
Statutory tax at 28% to 30% thereon	**68**	150
Temporary Differences	**39**	(252)
Non-deductible items	**256**	103
Non-assessable items	**(55)**	(34)
Tax losses utilised	**(343)**	(219)
Income tax expense reported in the statement of comprehensive income	**(35)**	(252)
(c) Unrecognised temporary differences and tax losses		
Unrecognised temporary differences are not material		
Accumulated tax losses	**(8,433)**	(8,819)
(d) Aggregate temporary differences from investments in subsidiaries for which no deferred tax asset has been recognized:	**-**	-
(e) Imputation credits available in subsequent period	**-**	15

9 Dividends paid

A final dividend of 3.5 cents (2017: 3 cents) per share was declared on 2 June 2017, the record date is 3 July 2017. The dividend amount was $243,833 and paid on 17 July 2017.

An interim dividend of 1.0 cent per share was paid on 31 January 2018. The dividend amount was $95,451. The dividend reinvestment plan applied resulting in 32,508 new shares being issued. The value of the shares issued at $1.425 per share, totalling $46,326.

10 Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

	2018 $000	2017 $000
(a) Earnings used in calculating earnings per share		
For basic earnings per share:		
Net profit attributable to ordinary equity holders of the parent	**151**	778
For diluted earnings per share:		
Net profit attributable to ordinary equity holders of the parent (from basic EPS)	**151**	778
Net profit attributable to ordinary equity holders of the parent	**151**	778

(b) Weighted average number of shares	**2018 Thousands**	2017 Thousands
Balance as at 1 April	**6,966**	6,791
Issue of ordinary shares – Staff	**249**	50
Rights issue	**770**	-
Purchase of Kilimanjaro in exchange for shares	**1,560**	-
Cancellation of ordinary shares – Global Bizpro	**-**	(200)
Issue of ordinary shares – Dividend Reinvestment Plan	**33**	325
Balance at end of year	**9,578**	6,966
Effect of dilution:		
Share options	**-**	-
Weighted average number of ordinary shares	**7,950**	6,837

	2018 Cents per share	**2017 Cents per share**
Basic earnings per share	**1.9**	11.4
Diluted earnings per share	**1.9**	11.4

There are no instruments (e.g. share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for either of the periods presented.

11 Current assets - trade and other receivables

		2018 $000	2017 $000
Trade receivables		**1,073**	1,227
Allowance for impairment loss	(a)	**(133)**	(88)
Other receivables		**76**	87
Carrying amount of trade and other receivables		**1,016**	1,226
Related party receivables	(b)		
Subsidiaries		**-**	-
Joint venture/associate		**322**	6
Other related parties		**8**	-
		330	6

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-90 day terms. A provision for bad debts is recognised when there is objective evidence that an individual trade receivable is impaired.

Bad debts of $46,646 (2017: $18,767) have been recognised by the Group and bad debts recovery of $59,575 (2017: $42,007) by the Group in the current year. These amounts have been included in the other operating expenses item.

Movements in the provision for impairment loss were as follows:

	2018	2017
At 1 April	**(88)**	(87)
Charge for the year	**(105)**	(43)
Amounts Recovered	**60**	42
At 31 March	**(133)**	(88)

At 31 March 2018, the aging analysis of trade receivables is as follows:

		Total	0 – 30 days	31 – 60 days	61- 90 days PDNI*	+91 days PDNI*	+91 days CI*
2018	Group	1,016	739	46	20	78	133
2017	Group	1,226	737	250	48	124	66

* Past due not impaired (PDNI) Considered impaired (CI)

(b) Related Party Receivables

For terms and conditions of related party receivables refer to note 19.

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(d) Foreign exchange and interest risk

For further information on the management of foreign exchange and interest risk refer to note 3.

12 Non-current assets – investments in equity accounted joint ventures and associate

(a) Datagate Innovation Limited

	2018 $000	2017 $000 Restated
Opening balance	**1,358**	1,398
Investments in joint venture for the year	**-**	250
Share of loss for the year	**(432)**	(411)
Gain on dilution	**155**	121
	1,081	1,358

Please refer to note 26 – Joint Venture.

The Company reduced its equity stake in Datagate in November 2017 to 39.29% by not investing in this capital raising. This rights issue took place at $1.50 per share, valuing the Company's equity interest in Datagate at $2,562,000.

Datagate is an early stage software company that is incurring losses however it is actively marketing its product. The recoverability of the investment in the joint venture is dependent on the joint venture meeting its profit forecast. If the joint venture were unable to meet its profit forecast, adjustments may need to be made to the carrying value of the investment in joint venture. Further details on the joint venture is provided in note 26.

Reconciliation of the net assets of the joint venture

Net assets of the joint venture	1,866
Proportion of the Group's ownership interest in the joint venture 39.29%	733
Goodwill	348
Carrying amount of the Group's interest in the joint venture	1,081

(b) Kilimanjaro Consulting Pty Limited

	2018 $000	2017 $000
Opening balance	**-**	-
Investments in joint venture for the year	**3,168**	-
Share of loss for the year	**(291)**	-
	2,877	-

Please refer to note 26 – Joint Venture.

The Company obtained a 47.09% share of Kilimanjaro in September 2017. The carrying value of Kilimanjaro at year end was $2,876,847 after Enprise's share of loss for the year of $291,553. The purchase was made up of $1 million paid in cash and $2,168,400 through the issuance of Enprise shares. At the time of purchase the Company also granted a put option for the remaining 52.71% for $3,967,964 (2,854,650 ENS shares). The option can be exercised between 1 September 2019 and 30 August 2020, subject to approval by MYOB.

Kilimanjaro is the largest reseller of MYOB Exo and Advanced in Australia. This was a strategic addition to the portfolio to gain synergies due to the similarities in the business models and to expand Enprise's reach in Australia. Further details on the joint venture is provided in note 26.

Reconciliation of the net assets of the joint venture

Net assets of the joint venture	(411)
Proportion of the Group's ownership interest in the joint venture 47.09%	(194)
Goodwill	3,071
Carrying amount of the Group's interest in the joint venture	2,877

The recoverability of the investment in the joint venture is dependent on the joint venture meeting its profit forecast. If the joint venture were unable to meet its profit forecast, adjustments may need to be made to the carrying value of the investment in joint venture. Further details on the joint venture is provided in note 26.

(c) iSell Pty Limited

	2018 **$000**	2017 $000
Opening balance	**-**	-
Investments in associate for the year	**739**	-
Share of loss for the year	**(1)**	-
	738	-

The Company obtained a 14.6% holding in iSell in December 2017. The carrying value of iSell at year end was $738,471 after Enprise's share of the loss for the year of $739.

iSell is a software company that sells a cloud-based quoting system used by the IT reseller market in Australia, New Zealand and the UK.

Reconciliation of the net assets of the associate

Net assets of the associate	594
Proportion of the Group's ownership interest in the associate 14.16%	84
Goodwill	654
Carrying amount of the Group's interest in the associate	738

13 Non-current assets – property, plant and equipment

	Computer equipment $000	Furniture and fittings $000	Office equipment $000	Total $000
Year ended 31 March 2018				
Cost	150	171	84	**405**
Accumulated depreciation and impairment	(117)	(111)	(73)	**(301)**
Carrying value at beginning of the year	33	60	11	**104**
Additions	46	1	3	**50**
Disposals	(1)	-	-	**(1)**
Depreciation charge for the year	(31)	(17)	(2)	**(50)**
Carrying value at the end of the year	47	44	12	**103**
At 31 March 2018				
Cost	195	172	87	**454**
Accumulated depreciation and impairment	(148)	(128)	(75)	**(351)**
Net carrying amount	47	44	12	**103**

	Computer equipment $000	Furniture and fittings $000	Office equipment $000	Total $000
Year ended 31 March 2017				
Cost	165	171	84	**420**
Accumulated depreciation and impairment	(149)	(94)	(69)	**(312)**
Carrying value at beginning of the year	16	77	15	**108**
Additions	31	-	-	**31**
Disposals	(1)	-	-	**(1)**
Depreciation charge for the year	(13)	(17)	(4)	**(34)**
Carrying value at end of year	33	60	11	**104**
At 31 March 2017				
Cost	150	171	84	**405**
Accumulated depreciation and impairment	(117)	(111)	(73)	**(301)**
Net carrying amount	33	60	11	**104**

14 Non-current assets – intangible assets

	Customer relationship $000	Goodwill $000	Total $000
Year ended 31 March 2018			
Cost	329	1,626	**1,955**
Accumulated amortisation and impairment	(130)	-	**(130)**
Carrying value at the beginning of the year	199	1,626	**1,825**
Amortisation charge for the year	(65)	-	**(65)**
Carrying value at end of year	134	1,626	**1,760**
At 31 March 2018			
Cost	329	1,626	**1,955**
Accumulated amortisation and impairment	(195)	-	**(195)**
Net carrying amount	134	1,626	**1,760**

	Customer Relationship $000	Goodwill $000	Total $000
Year ended 31 March 2017			
Cost	329	1,626	1,955
Accumulated amortisation and impairment	(65)	-	(65)
Carrying value at the beginning of the year	264	1,626	1,890
Additions	-	-	-
Disposal of business	-	-	-
Impairment	-	-	-
Amortisation charge for the year	(65)	-	(65)
Effect of foreign exchange differences	-	-	-
Carrying value at end of year	199	1,626	1,825
At 31 March 2017			
Cost	329	1,626	1,955
Accumulated amortisation and impairment	(130)	-	(130)
Net carrying amount	199	1,626	1,825

The carrying amount of goodwill allocated to Australia's CGU is $417,244 and the carrying amount of goodwill for New Zealand's is $1,209,080.

Description of the Group's intangible assets

Customer Relationships

Customer relationship costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line value method over a period of 5 years. The amortisation has been recognised in the statement of comprehensive income in the line item depreciation and amortisation. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

15 Current liabilities - trade and other payables

	2018 $000	2017 $000
Trade payables	**491**	520
Payroll liabilities	**81**	72
Other payables	**511**	547
Carrying amount of trade and other payables	**1,083**	1,139

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Foreign exchange and liquidity risk

For further information on the management of foreign exchange and liquidity risk refer to note 3.

16 Current liabilities – provisions

	2018 $000	2017 $000
Employee entitlements	**192**	193
At 31 March	**192**	193

The staff leave entitlements which consist of holiday pay are due and payable, it is expected that they will be paid within the following 12 month period.

17 Contributed equity

	2018 $000	2017 $000
Ordinary shares		
Issued and fully paid	**6,566**	2,936

Ordinary shares have no par value. Each share entitles the holder to one vote and the right to dividends. On wind up each share has equal share of residual assets.

	2018 $000	2017 $000
Movement in ordinary shares on issue		
At 1 April 2017	**2,936**	2,823
Cancellation of ordinary shares	**-**	(80)
Issue of ordinary shares	**2,169**	113
Issue of ordinary shares	**1,185**	25
Issue of ordinary shares	**230**	55
Issue of ordinary shares	**46**	-
At 31 March 2018	**6,566**	2,936

On 29 September 2017, 1,560,000 shares were issued to existing Kilimanjaro shareholders to acquire a 47.09% stake. The shares were issued at a price of $1.39 per share.

On 30 November 2017, 852,664 shares were issued to eligible shareholders as part of a rights issue. The shares were issued at a price of $1.39 per share.

On 8 December 2017, 165,753 shares were issued in a private placement to staff. The shares were issued at a price of $1.39 per share.

On 31 January 2018, 32,508 shares were issued pursuant to a dividend reinvestment plan offered to eligible shareholders. The shares were issued at a price of $1.425 per share.

The Group's objectives when managing capital, that is share capital and retained earnings, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

18 Statement of cash flows reconciliation

	2018	2017
	$000	$000
Reconciliation of net profit to net cash flows from operations		
Net profit	**151**	778
Adjustments for non-cash items:		
Depreciation and amortisation	**115**	100
Net loss / (gain) on foreign exchange	**6**	(3)
Income tax benefit	**(35)**	(252)
Release of fit out loan	**(15)**	-
Impairment loss on trade receivables	**45**	-
Share of loss from equity accounted joint venture	**569**	290
Share of loss from equity accounted associate	**1**	-
Share based payment	**30**	-
Share issue in exchange for services	**(97)**	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**(159)**	(153)
(Decrease)/increase in trade and other payables	**(38)**	230
Decrease in other liabilities	**(1)**	(15)
Net cash from operating activities	**572**	975

19 Related party disclosure

(a) Subsidiaries, joint ventures and associates

The consolidated financial statements include the financial statements of Enprise Group Limited and its subsidiaries, joint ventures, and associate as listed in the following tables:

Subsidiary name	Country of incorporation	Principal Activity	% of equity interest		Investment ($000)	
			2018	2017	**2018**	2017
Enprise Solutions Limited	New Zealand	Software sales	**100**	100	**2,075**	2,075
Enprise Australia Pty Limited	Australia	Software sales	**100**	100	**-**	-
Enprise Limited	New Zealand	Software sales	**100**	100	**-**	-
Global Bizpro Limited	New Zealand	Software sales	**100**	100	**-**	-

Joint Venture/Associate name	Country of incorporation	Principal Activity	% of equity interest		Investment ($000)	
			2018	2017	**2018**	2017
Datagate Innovation Limited	New Zealand	Software Sales	**39.29**	44.19	**1,352**	1,352
Kilimanjaro Consulting Pty Limited	Australia	Software Sales	**47.09**	-	**3,168**	-
iSell Pty Limited	Australia	Software Sales	**14.60**	-	**739**	-

(b) Ultimate parent

Enprise Group Limited is the ultimate New Zealand parent entity and the ultimate parent of the Group.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 20.

(d) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances on related party trade receivables and payables at year-end, refer to notes 11 and 15 respectively):

Related Party		Sales to related parties $000	Purchases from related parties $000	Amounts owed by related parties $000	Amounts owed to related parties $000
Group					
Kilimanjaro Consulting Pty Limited	**2018**	**293**	**3**	**318**	**-**
	2017	-	-	-	-
Zhik Pty Limited	**2018**	**81**	**-**	**6**	**-**
	2017	-	-	-	-
Vadacom Limited	**2018**	**11**	**-**	**2**	**-**
	2017	-	-	-	-
Datagate Innovation Limited	**2018**	**45**	**-**	**4**	**-**
	2017	58	-	6	-
Nicholas Paul (Director)*	**2018**	**-**	**33**	**-**	**-**
	2017	-	50	-	-

*The outstanding balance from The Sales Factory within creditors is related by Nicholas Paul, who is a common director for both companies.

19 Related party disclosure (cont)

Terms and conditions of transactions with related parties:

(i) Shareholders and other related parties

During the year, the group provided and received services on standard commercial terms with related parties.

(ii) Subsidiaries

The transactions between the parent, Enprise Group Limited, and its subsidiaries, are comprised of cash advances from the parent to the subsidiaries ($539k), and purchases made on behalf of the parent by the subsidiaries ($133k).

20 Key management personnel

Compensation for key management personnel

	2018	2017
	$000	$000
Salaries, bonuses and commissions	**201**	211
Other benefits	**33**	-
Directors fees	**65**	65
Total compensation	**299**	276

During the year, the number of employees or former employees, not being non-executive directors of Enprise Group Limited received remuneration and the value of other benefits that exceeded $100,000 as follows:

	2018	2017
	Number of employees	
100,001 – 110,000	5	3
110,001 – 120,000	3	1
120,001 – 130,000	-	4
130,001 – 140,000	1	-
140,001 – 150,000	1	-
150,001 – 160,000	-	-
160,001 – 170,000	-	1
170,001 – 180,000	-	1
180,001 – 190,000	-	-
190,001 – 200,000	1	-
200,001 – 210,000	1	-
210,001 – 220,000	-	1

21 Commitments

(i) Leasing commitments
Lease commitments
The Group has commercial lease commitments.

- Enprise Solutions Limited – Auckland Office

  The lease of Enprise Solutions Limited, Auckland Office, is for an initial term of 8 years, commencing 21 June 2012 with a renewal of a further six years. The renewal date is 21 June 2020. The final expiry date of the lease is 20 June 2026.

- Enprise Solutions Limited – Wellington Office

  The lease of Enprise Solutions Limited, Wellington office, is for a term of 12 months, commencing on the 1st February 2018. The lease expires on 31st January 2019 with a renewal of a further one year.

- Enprise Solutions Limited – Hamilton Office

  The lease of Enprise Solution Limited, Hamilton office, commenced on the 5th November 2007. The lease agreement continues to operate until terminated by either party by way of 3 months' notice in writing.

The total expense recognised for the year ended 31 March 2018 in relation to operating commitments is $197,022 (2017: $194,339).

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	2018 $000	2017 $000
Within one year	**137**	139
After one year but not more than five years	**160**	288
After more than five years	**-**	-
Total minimum lease payments	**297**	427

(ii) Property, plant and equipment commitments
The Group had no contractual obligations to purchase plant and equipment at balance date. (2017: $nil).

22 Contingencies

There were no known material contingent liabilities at 31 March 2018 (2017: $nil).

23 Events after the reporting date

There were no known material events after the reporting date (2017: $nil).

24 Auditor's remuneration

	2018 $000	2017 $000
Amounts received or due and receivable by Staples Rodway Auckland		
Audit of financial statements – Staples Rodway Auckland		
Current year	**68**	57
Prior year	**-**	31
	68	88

25 Borrowings

	2018 $000	2017 $000
Secured - at amortised cost		
Bank loan	**949**	-
	949	**-**
Current	**314**	-
Non-current	**635**	-
	949	**-**

Borrowing arrangements
On 15 December 2017 the Company took out a $1 million loan with ASB Bank. The bank loan is secured by unlimited cross guarantee and indemnity from and between Enprise Group Limited, Enprise Solutions Limited, Globalbizpro Limited, and Enprise Limited.
The weighted average interest rate is 6.830% per annum as at 31 March 2018. The term of the loan is 36 months.

Borrowing covenants
The Group has complied with all borrowing covenants in the current financial year (2017: N/A).

26 Joint Ventures and associate

(a) Datagate Innovation Limited

The Company invested $250,000 in Datagate at $1.20 per share on 1 December 2016. The capital raising total of $1,042,794 reduced the Company's share of Datagate to 44.19% and valued the company's investment at $2,050,000. The Company later reduced its equity stake in Datagate in November 2017 to 39.29% by not investing in a second capital raising. This rights issue took place at $1.50 per share, valuing the Company's equity interest in Datagate at $2,562,000.

The following is summarised financial information for Datagate Innovation, based on its financial statements prepared in accordance with IFRS.

In thousands of New Zealand Dollars	**2018 $000**	**2017 $000**
Revenue	**329**	227
Profit / (Loss) from continuing operation's	**(1,038)**	(862)
Other comprehensive income	**-**	-
Total comprehensive income / (loss) for the period	**(1,038)**	**(862)**
Current assets	**838**	1035
Non-current assets	**1,206**	1,341
Current liabilities	**(178)**	(163)
Non-current liabilities	**-**	-
Net assets	**1,866**	**2,213**

Financial Information as at 31 March 2018

	2018 000's	2017 000's
Trade and Other Debtors	**74**	48
Cash	**764**	999
Trade Creditors	**(127)**	(168)
Fixed Assets	**16**	14
Intangible Assets	**1,191**	1,250

Charges to the Statement of Comprehensive Income of Datagate

	2018 000's	2017 000's
Depreciation and Amortisation	**(362)**	(297)
Interest Income	**16**	14
Interest expense	**-**	-
Income Tax	**-**	-

26 Joint Ventures and associate (cont)

(b) Kilimanjaro Consulting Pty Limited

Kilimanjaro is the largest reseller of MYOB Exo and Advanced in Australia. This was a strategic addition to the portfolio to gain synergies due to the similarities in the business models and to expand Enprise's reach in Australia.

The Company obtained a 47.09% share of Kilimanjaro in September 2017. The carrying value of Kilimanjaro at year end was $2,876,847 after Enprise's share of the loss for the year of $291,553.

At the time of purchase the Company also granted a put option for the remaining 52.71% for $3,967,964 (2,854,650 ENS shares). The option can be exercised between 1 September 2019 and 30 August 2020.

The following is summarised financial information for Kilimanjaro Consulting, based on its financial statements prepared in accordance with IFRS from 1 October 2017 to 31 March 2018.

In thousands of New Zealand Dollars	**2018 $000**	**2017 $000**
Revenue	**4,949**	-
Profit / (Loss)	**(619)**	-
Other comprehensive income	**-**	-
Total comprehensive income / (loss) for the period	**(619)**	**-**
Current assets	**1,509**	-
Non-current assets	**1,041**	-
Current liabilities	**(2,241)**	-
Non-current liabilities	**(720)**	-
Net assets	**(411)**	**-**

Financial Information as at 31 March 2018

	2018 000's	2017 000's
Trade and Other Debtors	**849**	-
Cash	**329**	-
Trade Creditors	**(559)**	-
Current Financial Liabilities	**377**	-
Non-current Financial Liabilities	**202**	-
Fixed Assets	**238**	-
Intangible Assets	**803**	-

Charges to the Statement of Comprehensive Income of Kilimanjaro

	2018 000's	2017 000's
Depreciation and Amortisation	**(35)**	-
Interest Income	**3**	-
Interest Expense	**(28)**	-
Income Tax	**2**	-

26 Joint Ventures and associate (cont)

(c) iSell Pty Limited

iSell is a software company that sells a cloud-based quoting system used by the IT reseller market in Australia, New Zealand and the UK.

The Company obtained a 14.6% holding in iSell in December 2017. The carrying value of iSell at year end was $738,471 after Enprise's share of the loss for the year of $739.

The following is summarised financial information for iSell, based on its financial statements from 19 December 2017 to 31 March 2018.

In thousands of New Zealand Dollars	**2018 $0**	**2017 $0**
Revenue	132	-
Profit / (Loss) from continuing operation's	(5)	-
Other comprehensive income	-	-
Total comprehensive income / (loss) for the period	**(5)**	**-**
Current assets	128	-
Non-current assets	794	-
Current liabilities	(316)	-
Non-current liabilities	(12)	-
Net assets	594	**-**

Financial Information as at 31 March 2018

	2018 000's	2017 000's
Trade and Other Debtors	**102**	-
Cash	**27**	-
Trade Creditors	**(29)**	-
Fixed Assets	**2**	-
Intangible Assets	**792**	-

Charges to the Statement of Comprehensive Income of iSell

	2018 000's	2017 000's
Depreciation and Amortisation	**(114)**	-
Interest Income	**-**	-
Interest Expense	**(90)**	-
Income Tax	**-**	-

27 Deferred Tax Balances

	2017	Recognised in profit	2018
Deferred tax assets in relation to			
Doubtful debts	25	14	**39**
Employee benefits and entitlements	51	19	**70**
Tax losses carried forward	222	-	**222**
Audit fee accrual	15	(5)	**10**
Depreciation of Impaired Assets	12	(12)	**-**
Total deferred tax assets recognised	269	34	**303**
Deferred tax (liabilities) in relation to			
Customer relationships	(56)	18	**(38)**
Total deferred tax liabilities recognised	(56)	18	**(38)**

28 Non-Equity Accounted Investments

	2018 $000	2017 $000
Zhik	**97**	-
Vadacom	**224**	-
	321	**-**

(a) Zhik Pty Limited
In June 2017 Enprise paid $97,101 for a 0.6% holding in Zhik, a manufacturer of performance sports apparel.
The asset has been treated as an available-for-sale investment carried at fair value. This is because the Company does not have significant influence over the entity.

(b) Vadacom Limited
In November 2017 Enprise paid $223,737 for a 6.49% holding in Vadacom, a cloud based VOIP phone and virtual PABX provider. Enprise has a similar target market as Vadacom and both entities have and will continue to leverage off this.
The asset has been treated as an available-for-sale investment carried at fair value. This is because the Company does not have significant influence over the entity.

The following table gives information about how the fair values of the Group's available for sale financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	31 March 2018	31 March 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Zhik	0.6% equity holding in Zhik totalling $97,101.	-	Level 2	Market approach using prices determined by market transactions involving the investment's equity instruments.	N/A	N/A
Vadacom	6.49% equity holding in Vadacom $223,737	-	Level 2	Market approach using prices determined by market transactions involving the investment's equity instruments.	N/A	N/A

29 Prior Period Adjustment

The Company made an adjustment in the prior period (2017) to account for the gain on dilution on its investment in Datagate.

	2017 (Restated)	2017 (As Reported)
Share of loss from equity accounted investment, net of tax	(290)	(411)
Retained earnings	1,297	1,176
Investments in equity accounted joint venture	1,358	1,237

The effect was to restate the financial position and the statement of comprehensive income of the Company as at 31 March 2017.

Corporate Information

New Zealand company number	1562383
ARBN (Australian Registered Body Number)	125 825 792
ABN (Australian Business Number)	41 125 825 792

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Registered office
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Penrose, Auckland 1061

Principal place of business – Australia
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NSW 2150

Suite 422-433, 838 Collins Street, Docklands
VIC 3008

Registered office – Enprise Australia
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Sydney, NSW 2000

Directors	George Cooper	*Chief Executive Officer*
	Lindsay Phillips	*Chairman*
	Nicholas Paul	*Non-executive Director*
	Ronald Baskind	*Executive Director*

Share Register	Link Market Services Limited Level 7, Zurich House 21 Queen Street Auckland, New Zealand Phone: +64 9 375 5990

Enprise Group Limited shares are listed on the NZX Alternative Market

Auditor	Staples Rodway Auckland, New Zealand
Lawyer	Hudson Gavin Martin, Auckland, New Zealand Sean Joyce, Auckland, New Zealand
Principal Bankers	ASB Bank Limited, Auckland, New Zealand

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Enprise Group Limited

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Enprise Group Limited and its subsidiaries ('the Group') on pages 7 to 50, which comprise the consolidated statement of financial position as at 31 March 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, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 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 Enprise Group 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 Enprise Group Limited and the Shareholders of Enprise Group Limited, for our audit work, for our report or for the opinions we have formed.

Basis for Qualified Opinion

The Group's investment in iSell Pty Ltd, a foreign associate acquired during the year and accounted for by the equity method, is carried at $738,000 on the consolidated statement of financial position as at 31 March 2018, and the Group's share of iSell Pty Ltd's net loss of $1,000 is included in the Group's income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's investment in iSell Pty Ltd as at 31 March 2018 and the Group's share of iSell Pty Ltd's net loss for the year because Management was unable to provide us access to the financial information and management of iSell Pty Ltd. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

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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 qualified opinion.

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

Emphasis of Matter

We draw attention to Note 12 (a) and (b) of the consolidated financial statements, which describes the uncertainty regarding the recoverability of the investments in joint ventures. Our opinion is not modified in respect of this matter.

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.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Impairment testing of Goodwill

As disclosed in Note 14 of the Group's consolidated financial statements, the Group has goodwill of $1.6m allocated across two of the Group's cash-generating units ('CGUs'). 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 these CGUs' for the purpose of the required annual impairment test. The measurement of a CGUs recoverable amount includes the assessment and calculation of its 'value-in-use'.

Management has completed the annual impairment test for each of these CGU as at 31 March 2018.

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.</td><td>Our audit procedures among others included:
• Evaluating Management's determination of the Group's CGUs based on our understanding of the nature of the Group's business and the economic environment in which the segments operate. We also analysed the internal reporting of the Group to assess how CGUs are monitored and reported.
• Challenging Management's assumptions and estimates used to determine the recoverable value of its goodwill, including those relating to forecasted revenue, cost, capital expenditure, discount rates, by adjusting for future events and corroborating the key market related assumptions to external data. Procedures included:
o Evaluating the logic of the value-in-use calculations supporting their annual impairment test and testing the mathematical accuracy of these calculations;
o Evaluating Management's process regarding the preparation and review of forecasts;
o Comparing forecasts to Board approved forecasts;
o Evaluating the historical accuracy of the Group's forecasting to actual historical performance;
o Evaluating the forecast growth assumptions;
o Evaluating the inputs to the calculation of the discount rates applied;</td></tr>
</table>

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td></td><td>
<li style="list-style-type:none">
Engaging our own internal valuation experts to evaluate the discount rates applied;
Evaluating Management's sensitivity analysis' for reasonably possible changes in key assumptions; and
Performing our own sensitivity analyses for reasonably possible changes in key assumptions, the two main assumptions being: the discount rate and forecast growth assumptions.

Evaluating the related disclosures about indefinite life intangible assets which are included in Note 2(q) and Note 14 in the Group's consolidated financial statements.
</td></tr>
<tr><td>
Accounting for joint ventures
As disclosed in Note 12 of the Group's consolidated financial statements, the Group's interest in Datagate Innovation Limited is accounted for as a joint venture using the equity method of accounting. The Group's share of the net loss after tax of Datagate Innovation Limited for the year ended 31 March 2018 was $432,000. The carrying value of the Group's investment in Datagate Innovation Limited at 31 March 2018 was $1,081,000.
As disclosed in Note 12 of the Group's consolidated financial statements, the Group's interest in Kilimanjaro Consulting Pty Ltd is accounted for as a joint venture using the equity method of accounting. The Group's share of the net loss after tax of Kilimanjaro Consulting Pty Ltd for the year ended 31 March 2018 was $291,000. The carrying value of the Group's investment in Kilimanjaro Consulting Pty Ltd at 31 March 2018 was $2,877,000.
The joint ventures were significant to our audit due to the size of the joint venture related balances and complexity inherent in accounting for joint ventures using the equity method.
Management has completed the equity accounting for the joint ventures for the year ended and as at 31 March 2018.
Management has completed an impairment test of the investments in the joint ventures as at 31 March 2018.
The determination of the classification of the Group's interests in Datagate Innovation Limited and Kilimanjaro Consulting Pty Ltd requires subjective judgement by Management. The assessment of indicators of impairment and where such indicators exist, the determination of the recoverable amounts of the CGUs require subjective estimation and judgement by Management.
</td><td>
Our audit procedures among others included:

Performing audit procedures on key balances of Datagate Innovation Limited and Kilimanjaro Consulting Pty Ltd (including intangible assets and revenue).
Evaluating Management's accounting treatment of Datagate Innovation Limited and Kilimanjaro Consulting Pty Ltd to ensure compliance with NZ IAS 28 Investments in Associates and Joint Ventures.
Evaluating Management's assessment of the indicators of impairment based on our understanding of the joint ventures, as its auditors, and current economic data.
Where indicators of impairment have been identified, our audit procedures included challenging Management's assumptions and estimates used to determine the recoverable value of the joint venture, including those relating to forecasted revenue, cost, capital expenditure, discount rates, by adjusting for future events and corroborating the key market related assumptions to external data. Procedures included:

Evaluating the logic of the value-in-use calculations and testing the mathematical accuracy of these calculations;
Evaluating the joint venture's process regarding the preparation and review of forecasts;
Comparing forecasts to Board approved forecasts;
Evaluating the historical accuracy of the joint venture's forecasting to actual historical performance;
Evaluating the forecast growth assumptions;
Evaluating the inputs to the calculation of the discount rates applied;
Engaging our own internal valuation experts to evaluate the discount rates applied;
Evaluating the joint venture's sensitivity analysis' for reasonably possible changes in key assumptions; and
Performing our own sensitivity analyses for reasonably possible changes in key assumptions, the two main assumptions being: the discount rate and forecast growth assumptions.

Evaluating the related disclosures about investments in equity accounted joint ventures which are included in Note 12 and Note 26 in the Group's consolidated financial statements.

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Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition The Group has two distinct categories of revenue, being revenue from software and licences and revenue from services and support. Revenue recognition in relation to services and support is based on Management's estimate of the stage of completion with reference to the underlying contract. Revenue recognition was significant to our audit because of its significance to profit, the high volume of transactions and the level of estimates and judgements required by Management in recognising revenue from service and support.	Our audit procedures among others included: • Evaluating Management's systems, processes and controls in place to calculate the amount of software and licence revenue and services and support revenue recognised by the Group. • Evaluating the application of the Group's revenue recognition policy for a sample of software and licence revenue and services and support revenue transactions. • Evaluating the related disclosures about revenue recognition which are included in Note 2(n) in the consolidated financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 March 2018 (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

STAPLES RODWAY AUCKLAND
Auckland, New Zealand
31 July 2018