Enprise Group Limited

Financial Statements

for the year ended 31 March 2019

Enprise Group Limited

Financial Statements
for the year ended 31 March 2019

Contents

Enprise Group Limited

Directors' Report

The Directors are pleased to submit to shareholders their report and financial statements for the year ended 31 March 2019.

Principal activities

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

Enprise has two joint venture investments:

- 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 in New Zealand, Australia, Canada and the USA. Enprise holds 36% of Datagate.
- Kilimanjaro Consulting Pty Limited (Kilimanjaro), the largest solution provider for MYOB Enterprise software in Australia, on 29 September 2017 Enprise took and continues to hold a 47.1% stake.

Enprise also initially invested in an associate, iSell Pty Limited (iSell) in December 2017 and currently holds a 19.9% stake. 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 subscribed $100,000 in a heavily oversubscribed rights issue undertaken by Datagate to enable Datagate to expand into international markets, Enprise stake in Datagate was diluted by this raising causing Enprise to recognise a gain on dilution. Enprise also subscribed $231,419 to a rights issue undertaken by iSell to accelerate the development of its cloud based software and conversion of its existing on premises customers to the cloud software solution.

Directors

Mr Lindsay Phillips (appointed 1 December 2013) - Chairman
Mr George Cooper (appointed 10 April 2012) - CEO
Mr Nicholas Paul (appointed 1 December 2015) – Independent Non-Executive Director
Mr Ronald Baskind (appointed 31 January 2018) – Non-Executive Director
Ms Marisa Fong (appointed 1 February 2019) – Independent Non-Executive Director

Remuneration of directors

The remuneration of the Directors for the year ended 31 March 2019 is set out below:

	2019 $'000	2018 $'000
Salaries, bonuses and commissions	211	201
Consultancy fees	3	33
Directors' fees	69	65
Total compensation	283	299
George Cooper	211	201
Lindsay Phillips	40	40
Nicholas Paul	28	58
Marisa Fong	4	-
	283	299

Rounding of amounts

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

Enprise Group Limited

Directors' Report

Review of operations and outlook

The decrease in Revenue in 2019 compared to 2018 is due to the change in accounting policy as a result of the adoption of IFRS 15 for the 2019 reporting period. The impact was significant on the reported Revenue and had a $264,078 negative impact on the retained earnings brought forward from 2018.

Enprise continues to leverage 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. In January 2019, Enprise became a MYOB Advanced Platinum Partner adding to its Platinum Partner status with MYOB for MYOB Exo.

The company paid a final dividend (declared in 2018) during the year of 1.0 cent per share in October 2018. The total dividend for the year was $95,351.

Datagate had forty five paying customers at 31 March 2019 representing annualised recurring revenue of $469,596, up 36% for the year. Datagate has recently completed the significant task of migrating all customers to their latest version of the software and is now focussed on selling and on-boarding new customers. The Datagate November 2018 rights issue was 50% over-subscribed, raising $750,000. Enprise subscribed for only 13.3% of the rights issue and consequently its ownership reduced to 36%. At the rights issue price of $1.75 per share, Enprise' 1,765,475 shares in Datagate had a notional value of approximately $3.1 million. This compares favourably to the actual carrying value of Datagate in the Enprise books at 31 March 2019 of $798,636 (after expensing Enprise share of the Datagate losses for the year). We remain confident in the future success of the Datagate business.

Enprise acquired 47.1% of Kilimanjaro, the largest reseller of MYOB Exo and Advanced in Australia, in September 2017. This strategic acquisition was made with the expectation that Enprise would gain future synergies due to the similarities in the Kilimanjaro/Enprise business models. To date, we have had to operate both businesses independently, though minor synergies have been gained by merging the Finance functions. Future synergies in regard to the consulting and sales divisions of the business will only be realised if a full merger were to proceed. The initial investment made by Enprise was $3,168,400. The carrying value of Kilimanjaro at year end has reduced to $2,037,413 as Enprise recognised its share of Kilimanjaro's operating losses and a Goodwill write off. Like Enprise, Kilimanjaro has had its' performance impacted by the adoption of IFRS15 in the reporting period. Enprise granted a put option to the Kilimanjaro shareholders to put the remaining 52.71% of Kilimanjaro which they retained in return for 2,854,650 ENS shares. This option can be exercised between 1 September 2019 and 30 August 2020 provided certain conditions are met.

In December 2018, Enprise participated in a rights issue for iSell who target the same Managed Service Provider market as Datagate. The value of the investment via the rights issue was $231,419 and saw Enprise increase its share of iSell to 19.9%. The total carrying value of the investment in iSell at 31 March 2019 is $1,044,126

In November 2018, Vadacom, a cloud based VOIP phone and virtual PABX provider raised $500,000 from external investors at $8.20 per share. An independent valuation was performed on Vadacom which valued the business at $10.40 per share, the value of Enprise' Vadacom investment is now $593,289.

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

Donations

Enprise made donations during the year of $2,000 (2018: nil).

Directors interests

	Number of Shares
Lindsay Phillips*	1,629,682
George Cooper	414,974
Nicholas Paul	39,600
Ronald Baskind~	717,978
Marisa Fong	11,000

Interests' register

The following entries are recorded in the year ending 31

- Lindsay Phillips was appointed as a director of Mayfield Properties Queensland Pty Ltd, Australis Music Group UK Ltd, and Aurora Marketing Ltd. Lindsay Phillips ceased directorships in I Sydenham Road Property Company Pty Ltd, Mayfield IP Pty Ltd, Moneyball Australia Pty Ltd, Infrastructure Logic Pty Ltd, Go Hold Ltd and Go Blank Ltd.
- Marisa Fong was appointed as a director of Masimaya Ltd and Arne Ltd.

Enprise Group Limited

Directors' Report

Top 20 shareholdings as at 25 July 2019

	Holding	Holding %
New Zealand Central Securities Depository Ltd	2,062,116	21.53
Nightingale Partners Pty Ltd*	1,189,991	12.42
Red Cow Investments Pty Ltd~	717,978	7.50
Net Power Solutions Limited	511,408	5.34
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	203,123	2.12
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
Mr Lindsay John Phillips	155,208	1.62
Roger John Williams	124,686	1.30
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 2019

Country	Holders	Holder %	Issued capital	Issued capital %
New Zealand	197	56.45	4,973,624	51.93
Australia	124	35.53	4,563,108	47.64
Germany	16	4.58	9,292	0.10
USA	7	2.01	16,250	0.17
Great Britain	4	1.15	15,096	0.16
Switzerland	1	0.28	200	0.00
Total	**349**	**100.00**	**9,577,570**	**100.00**

Distribution of shareholders as at 25 July 2019

Range	Holders	Holding quantity	Holding %
1-1000	120	56,848	0.59
1001-5000	121	318,349	3.32
5001-10000	37	281,717	2.94
10001-50000	48	1,168,669	12.20
50001-100000	6	492,805	5.15
Greater than 100000	17	7,259,182	75.80
Total	**349**	**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)
19 August 2019

George Cooper (Director)
19 August 2019

Consolidated Statement of Comprehensive Income for the year ended 31 March 2019

	Note	2019 $'000	2018 $'000
Continuing operations			
Revenue from contracts with customers	3	6,714	8,809
Cost of providing services		(600)	(3,356)
Gross profit		6,114	5,453
Other operating income	4	12	32
Employee benefit expense	5(d)	(4,080)	(3,426)
Operating costs	5(c)	(1,343)	(1,301)
Other gains/(losses)	5(a)	(40)	(6)
Operating profit from continuing operations		663	752
Equity earnings from associates and joint ventures	13	(1,001)	(570)
Write down of carrying value of joint ventures	13	(123)	-
Finance cost - net	5(b)	(52)	(79)
Profit/(loss) before income tax from continuing operations		(513)	103
Income tax benefit/(expense)	6(a)	(88)	35
Profit/(loss) for the period		**(601)**	**138**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences		10	13
Items that will not be reclassified to profit or loss			
Changes in the fair value of investments through other comprehensive income	14	345	-
Total other comprehensive income		355	13
Total comprehensive income for the year		**(246)**	**151**
Total comprehensive income for the year is attributable to:			
Shareholders of the parent		**(246)**	**151**

Enprise Group Limited

Consolidated Statement of Financial Position
as at 31 March 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash & cash equivalents	**17**	771	1,265
Trade and other receivables	**8**	1,324	1,346
Contract assets	**9**	296	-
Current tax assets	**6(c)**	1	-
Staff receivables		54	51
Loans to related parties	**19(e)**	193	-
Other current assets		-	3
Total current assets		**2,639**	**2,665**
Non-current assets			
Investments in associates, joint ventures	**13**	3,880	4,696
Investments in other entities	**14**	593	321
Staff receivables		33	85
Property plant and equipment	**15**	83	103
Intangible assets	**16**	1,695	1,760
Deferred tax asset	**6(d)**	352	341
Loans to related parties	**19(e)**	476	-
Total non-current assets		**7,112**	**7,306**
Total assets		**9,751**	**9,971**
Current liabilities			
Trade and other payables	**10**	1,010	880
Provisions	**11**	233	192
Contract liabilities	**12**	705	203
Borrowings	**17**	635	314
Other current liabilities		15	15
Total current liabilities		**2,598**	**1,604**
Non-current liabilities			
Borrowings	**17**	-	635
Deferred tax liability	**6(d)**	79	38
Other non-current liabilities		4	19
Total non-current liabilities		**83**	**692**
Total liabilities		**2,681**	**2,296**
Net assets		**7,070**	**7,675**
Equity			
Share capital	**18(a)**	6,566	6,566
Foreign exchange translation reserve		65	55
Financial assets at FVOCI reserve		345	-
Retained earnings		94	1,054
Total equity		**7,070**	**7,675**

These financial statements have been authorised for issue by the Directors.
For and on behalf of the Board:

Nicholas Paul (Director)
19 August 2019

George Cooper (Director)
19 August 2019

These financial statements should be read in conjunction with the notes to the financial statements and the Auditor's report.

Enprise Group Limited

Consolidated Statement of Changes in Equity
for the year ended 31 March 2019

	Share capital	Foreign exchange translation reserve	Financial assets at FVOCI reserve	Retained earnings	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2017	2,936	42	-	1,255	4,233
Transactions with shareholders in their capacity as owners					
New shares issued	3,630				3,630
Dividends paid				(339)	(339)
Total transactions with shareholders	3,630	-	-	(339)	3,291
Comprehensive income					
Profit for the period				138	138
Other comprehensive income		13	-		13
Total comprehensive income net of tax	-	13	-	138	151
Balance at 31 March 2018	**6,566**	**55**	**-**	**1,054**	**7,675**
Change in accounting policy				*(264)*	*(264)*
Balance at 1 April 2018	6,566	55	-	790	7,411
Transactions with shareholders in their capacity as owners					
New shares issued	-				-
Dividends paid				(95)	(95)
Total transactions with shareholders	-	-	-	(95)	(95)
Comprehensive income					
Profit/(loss) for the period				(601)	(601)
Other comprehensive income		10	345		355
Total comprehensive income net of tax	-	10	345	(601)	(246)
Balance at 31 March 2019	**6,566**	**65**	**345**	**94**	**7,070**

Enprise Group Limited

Consolidated Statement of Cash Flow
for the year ended 31 March 2019

	Note	2019 $'000	2018 $'000
Operating activities			
Cash was provided from:			
Receipts from customers		10,354	9,930
Interest received		8	11
Income tax refund received		4	-
		10,366	9,941
Cash was applied to:			
Payments to suppliers & employees		9,969	9,336
Interest paid		56	33
		10,025	9,369
Net cash inflow (outflow) from operating activities	**20**	**341**	**572**
Investing activities			
Cash was provided from:			
Loans repaid by staff		51	19
Proceeds from term deposit		-	154
		51	173
Cash was applied to:			
Purchase of property, plant and equipment		30	65
Investment in equity accounted joint venture		100	1,000
Investment in equity accounted associate		232	739
Investments in other entities		24	-
Advances to related parties		97	-
		483	1,804
Net cash inflow (outflow) from investing activities		**(432)**	**(1,631)**
Financing activities			
Cash was provided from:			
Proceeds from issue of shares		-	1,023
Proceeds from borrowings		-	1,054
		-	2,077
Cash was applied to:			
Dividends paid		95	294
Repayment of borrowings		314	51
		409	345
Net cash inflow (outflow) from financing activities		**(409)**	**1,732**
Net increase / (decrease) in cash and cash equivalents held		**(500)**	**673**
Net foreign exchange differences		6	(6)
Cash and cash equivalents at beginning of the year		1,265	598
Cash and cash equivalents at end of the year	17	**771**	**1,265**

These financial statements should be read in conjunction with the notes to the financial statements and the Auditor's report.

1 BASIS OF PREPARATION

(a) Reporting entity

Enprise Group Limited (the company) and its subsidiaries (together the Group) is a solution provider for MYOB enterprise software in Australia and New Zealand. The company is a limited liability company incorporated and domiciled in New Zealand and is listed on the New Zealand Stock Exchange (NZX) (formally listed on the New Zealand Alternative Market (NZAX)). The Group is registered under the Companies Act 1993 and is a FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act (FMCA) 2013. The address of its registered office is 16 Hugo Johnston Drive, Penrose, Auckland.

(b) Compliance statement

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), the Companies Act 1993, the FMCA 2013 and NZX listing rules. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS). The Group is a for-profit entity for the purposes of complying with NZ GAAP.

(c) Basis of preparation

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

The consolidated financial statements are presented in New Zealand dollars which is the Company's functional currency and the Group's presentation currency. All financial information has been prepared in thousands, unless otherwise stated.

The principal accounting policies adopted in the preparation of the financial report are set out in the accompanying notes and indicated by the shaded text. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(d) Principles of consolidation

The consolidated financial statements comprise the financial statement of the company and its subsidiaries.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed when necessary to ensure consistency with the policies adopted by the Company.

Name of Entity	Country of incorporation	Principal activity	Percentage ownership 2019	Percentage ownership 2018
Enprise Solutions Limited	New Zealand	Software sales and solutions	100	100
Enprise Australia Pty Limited	Australia	Software sales and solutions	100	100
Enprise Limited	New Zealand	Software sales and solutions	100	100
Global Bizpro Limited	New Zealand	Software sales and solutions	100	100

(e) Critical accounting judgements and estimates

In the process of applying the Group's accounting policies and the application of accounting standards, a number of estimates and judgements have been made. The estimates and underlying assumptions are based on historical experience and adjusted for current market conditions and other factors, including expectations of future events that are considered to be reasonable under the circumstances. If outcomes within the next financial period are significantly different from assumptions, this could result in adjustments to carrying amounts of the asset or liability affected.

Judgements and estimates which are material to the financial statements are found in the following notes:

(a) Revenue recognition (note 3).
(b) Taxation (note 6(d)).
(c) Intangible assets (note 16).
(d) Investments in joint ventures and associates (note 13).
(e) Investments in other entities (note 14).

1 BASIS OF PREPARATION (CONTINUED)

(f) Foreign currency translation

The consolidated financial statements are presented in New Zealand dollars, which is the Group's presentation currency. Items included in the financial statements of each of the subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The results and financial position of entities that have a different functional currency are translated to NZD as follows: assets and liabilities are translated at the exchange rate at balance date and income statement items are translated at the average exchange rates for the year. Exchange differences are recognised in other comprehensive income as a currency translation reserve movement.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss.

(g) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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 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 are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: 'fair value through other comprehensive income' and 'amortised cost'. The classification depends on the business model and contractual terms 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.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

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.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

1 BASIS OF PREPARATION (CONTINUED)

(g) Financial instruments

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

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.

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.

2 SEGMENT INFORMATION

The Group is organised into two reportable operating segments based on geographical location, namely New Zealand and Australia. These segments form the basis of internal reporting used by management and the Board of Directors to monitor and assess performance and assist with strategic decisions. There were no inter segment sales during the period (last year: nil).

The Board of Directors are the Group's chief operating decision maker (CODM). 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.

(a) Operational performance

	Revenue		Operating profit	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
New Zealand	4,994	6,869	474	606
Australia	1,720	1,911	189	146
Asia	-	29	-	-
	6,714	8,809	663	752
Equity earnings of associates and joint ventures			(1,001)	(570)
Write down of carrying value of joint venture			(123)	-
Finance cost - net			(52)	(79)
Profit/(loss) before taxation			(513)	103
Income tax			(88)	35
Net profit/(loss) attributable to shareholders			(601)	138

2 SEGMENT INFORMATION (CONTINUED)

(b) Interest, depreciation and amortisation

	Interest revenue		Interest expense		Depreciation and amortisation expense	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000	$'000	$'000
New Zealand	7	10	60	86	115	115
Australia	1	1	-	4	-	-
	8	11	60	90	115	115

(c) Balance sheet information

	Total assets		Total liabilities	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
New Zealand	6,107	6,732	1,990	1,891
Australia	4,413	3,983	1,460	1,149
	10,520	10,715	3,450	3,040
Inter-segment elimination	(769)	(744)	(769)	(744)
	9,751	9,971	2,681	2,296

3 REVENUE

Revenue from contracts with customers

The Group has adopted NZ IFRS15: *revenue from contracts with customers* from 1 April 2018.

The Group elected to apply the retrospective cumulative effect method, with no restatement of comparative period amounts. The cumulative effect of applying the new standard is included as an adjustment to the opening balance of retained earnings recognised in the statement of changes in equity for the year ended 31 March 2019.

The Groups primary activity is providing software solutions within Australia and New Zealand. From these activities the Group generates the following streams of revenue:

- Software licence revenue
- Support services revenue
- Implementation and consulting revenue
- Other fees such as hosting fees and hardware sales

Each of the above streams delivered to customers are considered separate performance obligations, even though for practical reasons they may be governed by a single legal contract with the customer.

Revenue recognition for each of the above revenue streams are as follows:

Revenue stream	Performance obligation	Timing of recognition
Software licence revenue	Initial access or continued access to the software	Software licence revenue under NZ IFRS 15 is recognised through an agency arrangement and therefore the agency revenue margin is recognised in the statement of comprehensive income. The revenue is calculated based on commission margin percentages agreed between the Group and the third-party licenser . The agency commission is recognised at a point in time when the customer gains access to the system or is enabled continued use of the software, generally through providing a code to enable continued access. Customers are typically invoiced annually (but sometimes monthly) for recurring software licences and commissions are recognised once the performance obligation has been satisfied.

3 REVENUE (CONTINUED)

Revenue stream	Performance obligation	Timing of recognition
Services and support revenue - Support contracts	Closure of support query	Support contract revenue is recognised at a point in time as the services are delivered. The contract is between the customer and Enprise, as principal. Revenue from providing support services are recognised in the accounting period in which the services are rendered. Revenue is calculated based on time and cost incurred, a fixed monthly charge or a combination of both. Recognition is determined based on the contract with the customer. This can be: - actual labour hours spend to resolve the query, - an agreed monthly charge plus actual labour hours spent to resolve the query not covered by the monthly agreed charge, and - an agreed monthly charge. Customers are typically invoiced monthly when the job has been closed. Consideration is payable when invoiced and corresponds directly to the performance completed to date in respect to this revenue stream.
Services and support revenue - Implementation and consulting revenue	At completion of data conversions, user acceptance testing (UAT) or specific solution provided.	Revenue is recognised at a point and time when the solution has been delivered . Revenue provided from services are recognised in the accounting period in which the solution has been provided Recognition is determined based on the contract, either a fixed price or actual labour hours spent. Revenue is recognised in full at the end of the project when go-live has occurred. Customers are typically invoiced throughout the project and consideration is payable when invoiced. The revenue is shown as a contract liability on the balance sheet until such time as the performance obligation has been met and released to the statement of comprehensive income.
Other fees	- Provision of hosting services. - Delivered hardware	Revenue is recognised during the period in which the services have been rendered or the goods supplied.

Some contracts include multiple deliverables, such as software licences and implementation service. However, because the implementation does not include material customisation to the software and could be provided by another party, the implementation services are accounted for as a separate performance obligation from software licences. In this case, the transaction price will be allocated to each performance obligation based on the standalone selling prices.

The group does not expect to recognise any revenue on existing contract outside the 12 months post year end.

	2019 $'000	2018 $'000
Revenue from software and licences	1,849	4,296
Revenue from services and support	4,446	4,413
Revenue from other fees	419	100
	6,714	8,809

Revenue by geographical location 2018	Revenue from software and licences	Revenue from services and support	Revenue from other fees	Total
	$'000	$'000	$'000	$'000
New Zealand	3,330	3,448	91	6,869
Australia	937	965	9	1,911
Asia	29	-	-	29
	4,296	4,413	100	8,809

Revenue by geographical location 2019	Revenue from software and licences	Revenue from services and support	Revenue from other fees	Total
	$'000	$'000	$'000	$'000
New Zealand	1,393	3,406	195	4,994
Australia	456	1,040	224	1,720
	1,849	4,446	419	6,714

4 OTHER INCOME

Rental income

Rental income is recognised in the profit and loss on a straight-line basis over the term of the sub-lease.

	2019	2018
	$'000	$'000
Rental income	12	32
	12	32

5 OPERATING EXPENSES

(a) Other gains and losses

	2019	2018
	$'000	$'000
Net foreign exchange gains/(losses)	(40)	(6)
	(40)	(6)

(b) Finance income and costs

Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method. The effective interest method calculates the amortised cost of a financial asset or liability and allocates the interest income over the relevant period.

Interest expense

Interest costs are expensed in the period in which they are incurred.

	2019	2018
	$'000	$'000
Finance income		
Interest from financial assets held for cash management purposes	1	4
Interest from other loans and receivables	7	7
	8	11
Finance costs		
Interest on bank overdrafts and loans (other than those from related parties)	(60)	(90)
	(60)	(90)
Net finance income and costs	(52)	(79)

5 OPERATING EXPENSES (CONTINUED)

(c) Other operating expenses

Leases:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received) are recognised in the profit and loss on a straight-line basis over the term of the lease.

Other operating expenses include:	2019 $'000	2018 $'000
Advertising and marketing	105	72
Amortisation	65	65
Auditors' remuneration	136	68
Communications	94	66
Depreciation of property plant and equipment	50	50
Legal fees	5	97
Operating lease payments	183	197
Bad debts	79	46
Movement in provision for bad and doubtful debts	(33)	45
Travel expenses	246	192
Other operational expenses	413	403
	1,343	1,301

(i) Auditors' remuneration

Amounts received or due and receivable by Baker Tilly Staples Rodway Auckland (last year: Staples Rodway Auckland)

	2019 $'000	2018 $'000
For auditing the Group financial statements	136	68
Other services	-	-
	136	68

(d) Employee benefit expense

	2019 $'000	2018 $'000
Wages and salaries	3,888	3,267
Superannuation	123	94
Directors remuneration	69	65
	4,080	3,426

6 TAXATION

(a) Income tax recognised in profit or loss

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.

	2019 $'000	2018 $'000
Current tax		
Current tax on profits for the year	-	-
Total current tax expense	-	-
Deferred income tax		
Decrease/(increase) in deferred tax assets	(11)	(17)
Increase/(decrease) in deferred tax liabilities	41	(18)
Impact of the adoption of NZ IFRS 15	58	-
Total deferred tax expense/(benefit)	88	(35)
Total income tax expense/(benefit)	88	(35)

(b) Reconciliation of income tax expense to prima facie tax payable

	2019 $'000	2018 $'000
Profit before income tax	(513)	103
Tax at the New Zealand domestic tax rate of 28%	(144)	29
Adjusted for the tax effect of:		
Non deductible expenses	393	256
Non assessable income	(58)	(55)
Difference in overseas tax rates	(4)	(3)
Previously unrecognised tax losses now recouped to reduce current tax expense	(99)	(262)
Total deferred tax expense/(benefit)	88	(35)
Total income tax expense/(benefit)	88	(35)

(c) Current tax assets and liabilities

	2019 $'000	2018 $'000
Current tax assets		
Income tax refundable	1	-
	1	-

6 TAXATION (CONTINUED)

(d) Deferred tax balances

Deferred tax asset	2019 $'000	2018 $'000
The balance comprises temporary differences attributable to:		
Future benefit of losses incurred	153	222
Future benefit of provisions and accruals	48	49
Employee benefits	66	70
Contract liabilities	85	-
Total deferred tax asset	352	341

Deferred tax liability	2019 $'000	2018 $'000
The balance comprises temporary differences attributable to:		
Customer relationships	(19)	(38)
Contract assets	(60)	-
Total deferred tax liability	(79)	(38)

Movements 2018	Property plant and equipment $'000	Customer relationships $'000	Tax losses $'000	Provisions & accruals (inc employee benefits) $'000	Total $'000
At 1 April 2017	12	(56)	222	91	269
(Charged)/credited					-
to profit or loss	(12)	18	-	28	34
to other comprehensive income	-	-	-	-	-
At 31 March 2018	-	(38)	222	119	303

Movements 2019	Property plant and equipment $'000	Customer relationships $'000	Tax losses $'000	Provisions & accruals (inc employee benefits) $'000	Total $'000
At 1 April 2018	-	(38)	222	119	303
(Charged)/credited					
to profit or loss	-	19	(69)	20	(30)
to other comprehensive income	-	-	-	-	-
At 31 March 2019	-	(19)	153	139	273

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.

Judgement is required to assess the deferred tax asset in relation to losses available. The balance represents the reasonable benefit that the Group is expected to utilise in the coming financial year. The Directors have not recognised the benefit of unutilised tax losses beyond one year due to uncertainty with regards to future shareholder continuity.

(e) Imputation credits available for use

Subject to the provisions of the Income Tax Act 2007, the benefit of these credits may be passed to the shareholders as imputed tax paid on future dividends.

	2019 $'000	2018 $'000
New Zealand imputation credits available	13	15

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of shares on issue during the year. Diluted earnings per share assumes conversion of all dilutive potential ordinary shares in determining the denominator.

There are no instruments that could potentially dilute earnings per share.

	2019 $'000	2018 $'000
Earnings for the purpose of basic and diluted earnings per share:		
Net profit attributable to shareholders	(601)	138
Weighted average number of ordinary shares for basic earnings per share	9,578	8,091
Basic and diluted earnings per share	(6.28)	1.71

8 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at cost less any provision for impairment. All trade and other receivables have been classified as current assets.

	2019 $'000	2018 $'000
Trade receivables	1,189	1,073
Related party receivable (note 19(d)).	164	330
Other receivables	10	-
Provision for impairment	(100)	(133)
	1,263	1,270
Prepayments	61	76
	1,324	1,346

(a) Allowance for impairment loss

The average credit period on sales of goods is 40 days. No interest is charged on outstanding trade receivables.

The Group has used specific identification on all overdue debtors. The Group measures the loss allowance on the balance of trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by referencing to past default experience of the debtor and an analysis of the debtors current financial position, adjusted for factors that are specific to the debtors, general economic conditions in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Following the adoption of IFRS9, there has been no changes in the estimation techniques or significant assumptions made during the current reporting period.

Bad debts are written-off when they are considered to have become uncollectable.

Movements in the provision for impairment loss were as follows:	2019 $'000	2018 $'000
At 1 April	(133)	(88)
Charge for the year	(9)	(105)
Amounts recovered	42	60
At 31 March	(100)	(133)

	0-30 days $'000	31-60 days $'000	61-90 days $'000	+91 days $'000	Total $'000
At 31 March 2019	855	141	37	156	1,189
At 31 March 2018	769	38	81	185	1,073

Enprise Group Limited

Notes to the Consolidated Financial Statements for the year ended 31 March 2019

9 CONTRACT ASSETS (WORK IN PROGRESS)

A contract asset is recognised for amounts relating to services rendered but not yet recognised. The costs recognised as contract asset are released to the statement of comprehensive income when the related revenue for the contract is released.

	2019	2018
	$'000	$'000
Contract assets	296	-

10 TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

	2019	2018
	$'000	$'000
Trade payables	508	491
Related party payables (note 19(d)).	29	-
Payroll tax and other statutory liabilities	206	172
Other payables and accruals	267	217
	1,010	880

11 PROVISIONS

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.

	2019	2018
	$'000	$'000
Employee benefits	233	192

12 CONTRACT LIABILITIES

A contract liability is recognised for amounts received or due relating to services performed or expected to be performed. The Group's revenue recognition policy is stated at Note 3 which details when each class of revenue is released to the profit and loss.

	2019	2018
	$'000	$'000
Contract liabilities	705	203

Revenue recognised during the year in relation to contact liabilities as a result of the adoption of NZ IFRS15 was $723,000.

13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in joint ventures and associates are accounted for using the equity method and are measured in the statement of financial position at cost adjusted for the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Goodwill relating to associates and joint ventures is included in the carrying amount of the investment.

On acquisition of the investment in an associate or 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.

If the carrying amount of the equity accounted investment exceeds its recoverable amount, it is written down to the latter. When the Group's share of accumulated losses in an associate or joint venture equals or exceeds its carrying value, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture

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 an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with NZ IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that 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.

Carrying amount of joint ventures and associates	2019 $'000	2018 $'000
Carrying amount at the beginning of the year	4,696	1,358
Impact of changes in carrying amount as a result of NZ IFRS 15	(119)	-
	4,577	1,358
New investment in joint ventures and associates	427	3,908
Share of profits / (losses) of joint ventures and associates	(1,001)	(570)
Write down of carrying value of joint venture	(123)	-
	3,880	4,696

Investment by joint venture or associate	2019 $'000	2018 $'000
Investment in equity accounted joint venture		
Datagate Innovation Limited	799	1,081
Kilimanjaro Consulting Pty Limited	2,037	2,877
Investment in equity accounted associate		
iSell Pty Limited	1,044	738
	3,880	4,696

(a) Joint ventures and associates

The Group's joint venture partners and associates at 31 March 2019 are set out below. The country of incorporation or registration is also their principal place of business.

Name of Entity	Country of incorporation	Principal Activity	Percentage ownership 2019	Percentage ownership 2018
Datagate Innovation Limited	New Zealand	Software sales	36.05	39.29
Kilimanjaro Consulting Pty Limited	Australia	Software sales & support	47.09	47.09
iSell Pty Limited	Australia	Software sales	19.87	14.60

13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(b) Summary financial information of joint ventures

Datagate Innovation Limited	2019 $'000	2018 $'000
Net assets of joint venture	1,199	1,866
Proportion of the Group's ownership interest in the joint venture	432	733
Goodwill	367	348
Carrying amount of the Group's interest in the joint venture	799	1,081

Summary of joint venture's financial statements	2019 $'000	2018 $'000
Assets and liabilities of joint ventures are as follows:		
Current assets	737	838
Non-current assets	818	1,206
Current liabilities	(158)	(178)
Non-current liabilities	(198)	-
	1,199	1,866
Results of joint venture		
Revenue	441	329
Losses after taxation	(1,542)	(1,038)
Total comprehensive income	(1,542)	(1,038)
Group share of total comprehensive income	(382)	(277)
Group share of total comprehensive income is made up of the following:		
Gain on dilution	208	155
Share of operating loss	(590)	(432)
Group share of total comprehensive income	(382)	(277)

Other key financial information	2019 $'000	2018 $'000
Balance sheet		
Cash and cash equivalents	635	764
Trade and other receivables	83	74
Trade and other creditors	(108)	(127)
Property, plant and equipment	12	16
Intangible assets	805	1,191
Profit and loss		
Depreciation and amortisation	390	(362)
Interest income	(13)	16

Datagate Innovation Limited (Datagate) is a software company which provides online billing solutions for telecommunication services and other usage based services. Datagate has been involved in a number of capital raising events the most recent being December 2018 where the Group acquired an additional 57,142 shares but was diluted.

Datagate is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. The joint arrangement is governed by a Shareholder Agreement. The Shareholders Agreement states that at least 75% of the board of directors are required to approve all relevant activities. Enprise has the ability to appoint one out of three directors therefore has joint control. Furthermore, the parties to the joint arrangement have rights to the net asset of the arrangement on wind up. The joint arrangement is therefore classified as a joint venture and the Group accounts for its investment in accordance with the equity method.

The Board is comfortable that there is no impairment to the carrying value of Datagate due to external investment continuing to be received. The last capital raise in December 2018 was at $1.75 per share valuing Datagate at $8,569,491. Enprise's shareholding at $1.75 per share is $3,089,581, as this is substantially higher than the carrying value. If the Board decide to liquidate this asset the recovery is expected to be significantly higher than the carrying value.

13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(b) Summary financial information of joint ventures (continued)

Kilimanjaro Consulting Pty Limited	**2019** $'000	**2018** $'000
Net assets of joint venture	(1,882)	(411)
Proportion of the Group's ownership interest in the joint venture	(886)	(194)
Goodwill	3,046	3,071
Write down of carrying value of joint venture	(123)	-
Carrying amount of the Group's interest in the joint venture	2,037	2,877

Summary of joint venture's financial statements (converted to NZD)	**2019** $'000	**2018** $'000
Assets and liabilities of joint ventures are as follows:		
Current assets	2,231	1,509
Non-current assets	813	1,041
Current liabilities	(3,937)	(2,241)
Non-current liabilities	(989)	(720)
	(1,882)	(411)
Results of joint venture		
Revenue	8,380	4,949
Losses after taxation	(1,266)	(619)
Total comprehensive income	(1,266)	(619)
Group share of total comprehensive income	(596)	(292)

Other key financial information (converted to NZD)	**2019** $'000	**2018** $'000
Balance sheet		
Cash and cash equivalents	275	329
Trade and other receivables	1,249	849
Trade and other creditors	(1,196)	(559)
Current financial liabilities	(57)	(377)
Non-current financial liabilities	(142)	(202)
Property, plant and equipment	267	238
Intangible assets	65	803
Profit and loss		
Depreciation and amortisation	(818)	(35)
Interest income	4	3
Interest expense	(40)	(28)
Income tax benefit	242	2

The above summarised financial information for Kilimanjaro Consulting Pty Limited (Kilimanjaro) for the prior period is based on financial statements prepared from 1 October 2017 to 31 March 2018.

In accordance with Group policy, the carrying value of Kilimanjaro has been tested for impairment in accordance with NZ IAS 36 and resulted in a write down of $123,295.

Kilimanjaro is the largest reseller of MYOB Exo and Advanced in Australia. The Group acquired a 47.09% shareholding of Kilimanjaro in September 2017. 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

At the time of purchase, the Group also granted a put option for the remaining shares to be settled in a fixed number of Enprise's shares (2,854,650 ENS shares). The option can be exercised between 1 September 2019 and 31 August 2020.

The fair value of the option on grant date was determined using a Monte Carlo simulation with the Black Scholes option pricing model. Significant judgement was made around the probability of the option being exercised (including the probability of the Kilimanjaro shareholders placing the option, Enprise shareholder approval and key supplier approval). The put has been recorded at $0.

13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(b) Summary financial information of joint ventures (continued)

Kilimanjaro Consulting Pty Limited

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 Kilimanjaro'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.

Key assumptions used in determining the future cash flows from the cash generating unit (CGU) over the next 5 years are as follows.

	2019	2018
Revenue growth rates	4.40%	5.40%
Discount rates	18.81%	20.00%

The revenue growth rate is the average of the next five years. The revenue growth rate for the 2020 financial year is 11.8% based on managements budget for that period. The subsequent four years is based on a growth rate of 2.5% compounding

The terminal value is based on a 2% perpetual growth rate after five years. These assumptions are based on continued growth in new products and services being delivered by Kilimanjaro to both new and existing customers. The revenue growth assumptions support the recognition of a deferred tax asset.

The discount rate was estimated based on the weighted average cost of capital of Kilimanjaro.

It is assumed that costs will be contained to a 1.5% CPI increase.

Management has performed sensitivity analysis on the key assumptions and the effect on the carrying value is as follows:

Sensitivity analysis	**+ 5%** $'000	**- 5%** $'000
Revenue growth rates	123	(135)
Discount rates	(114)	119

(c) Summary financial information of associates

iSell Pty Limited	**2019** $'000	**2018** $'000
Net assets of associate	920	594
Proportion of the Group's ownership interest in the associate	183	87
Goodwill	861	651
Carrying amount of the Group's interest in the associate	1,044	738

Summary of associate's financial statements (converted to NZD)	**2019** $'000	**2018** $'000
Assets and liabilities of associate are as follows:		
Current assets	237	128
Non-current assets	1,179	794
Current liabilities	(421)	(316)
Non-current liabilities	(75)	(12)
	920	594
Results of associate		
Revenue	888	132
Losses after taxation	(104)	(5)
Total comprehensive income	(104)	(5)
Group share of total comprehensive income	(23)	(1)

13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(c) Summary financial information of associates (continued)

iSell Pty Limited

Other key financial information (converted to NZD)	2019 $'000	2018 $'000
Balance sheet		
Cash and cash equivalents	17	27
Trade and other receivables	111	102
Trade and other creditors	(34)	(29)
Property, plant and equipment	40	2
Intangible assets	1,139	792
Profit and loss		
Depreciation and amortisation	(25)	(114)
Interest income	-	-
Interest expense	(11)	(90)
Income tax expense or benefit	-	-

The above summarised financial information for iSell Pty Limited (iSell) for the prior period is based on financial statements prepared from 19 December 2017 to 31 March 2018.

iSell is a software company that sells cloud-based quoting solutions used by the IT reseller market worldwide.

The Group acquired a 14.6% shareholding in iSell in December 2017. Further shares were acquired in November 2018 through a rights issue and through exchanging shares in Zhik at the respective current market values. These transactions increased the Group's shareholding to 19.9%.

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.

The revenue growth in the 2020 financial year is based on converting 70% of the existing on premise customers to the cloud software. The 2021 financial year revenue growth is based on completing the transition of on premise customers to cloud and accelerating acquisition of new customers.

	2021	2022	2023	2024
Revenue growth rate	111.53%	49.40%	33.07%	24.85%

The discount rate used is 20% combined with a terminal value based on a 2% perpetual growth rate after 5 years.

A 5% decrease in the key revenue assumptions would have no effect on the carrying value.

14 INVESTMENTS IN OTHER ENTITIES

Until 31 March 2018, the Group classified its equity investments as an available-for-sale financial asset. Available-for-sale financial assets were investments that did not have fixed maturities and fixed or determinable payments, and that were intended to be held for the medium to long-term.

Available-for-sale financial assets were initially recognised at fair value and subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets were recognised in other comprehensive income. To determine if an available-for-sale financial asset was impaired, the Group evaluated the duration and extent to which the fair value of the asset was less than its cost, and the financial health of and short-term outlook for the business (including factors such as industry and sector performance, changes in technology, operational and financing cash flows, public disclosures by the business and published independent external analysis). When available-for-sale financial assets were sold or impaired, the accumulated fair value adjustments recognised in equity were included as gains or losses in the income statement. Dividends on available-for-sale financial assets were recognised in the income statement as part of 'other operating income' when the right to receive the payment was established.

The Group has made a designation of adoption of NZ IFRS 9 to measure the equity investment in Vadacom Holdings Limited at fair value through other comprehensive income (FVOCI).

Management continues to intend to hold the assets for the medium to long term and are therefore recognised as non-current. The Group revalued the investments at fair market value at the end of the financial year. This will not affect the previous measurement of these equity instruments, however cumulative gains or losses realised on the sale of equity instruments at FVOCI will no longer be transferred to profit or loss on sale, but instead will be transferred to retained earnings.

Carrying amount of investments in other entities	**2019** $'000	**2018** $'000
Carrying amount at the beginning of the year	321	-
New investment in other entities	24	321
Changes in fair value of other investments	345	-
Sale of investment in other entities	(97)	-
	593	321

	2019 $'000	**2018** $'000
Zhik Pty Limited	-	97
Vadacom Holdings Limited	593	224
	593	321

Zhik Pty Limited

In June 2017 the Group acquired a 0.6% shareholding in Zhik Pty Limited, a manufacturer of performance sports apparel. On 6 November 2018, the Group's shareholding in Zhik was swapped at current market value for equal value of shares in iSell Pty Limited.

Vadacom Holdings Limited

In November 2017 the Group acquired a 6.49% shareholding in Vadacom Holdings Limited, a cloud based VOIP phone and virtual PABX provider.

At 31 March 2019 the shares in Vadacom Holdings Limited have been independently valued at $10.40 resulting in a gain of $345,415. This gain has been recognised as other comprehensive income.

The table below summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement

Unobservable inputs	**Range of inputs** **2019**	**Relationship of unobservable inputs to fair value**
Recurring revenue	1,701	Increasing recurring revenue, non recurring revenue, the recurring revenue multiple, and the non recurring revenue multiple each by 4% would increase fair value by $47,000; Lowering each of the above inputs by 4% would decrease fair value by $45,000.
Non recurring revenue	1,573	
Recurring revenue multiple	4.15x	
Non recurring revenue multiple	1.0x	

2018: Vadacom was acquired in November 2017 and was valued at transaction cost as this represented fair value at balance date.

15 PROPERTY PLANT AND EQUIPMENT

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 on fixed assets is calculated using the diminishing value method to allocate their costs, net of their residual values over their estimated useful lives as follows:

Computer equipment	20-50%
Furniture and fittings	10-50%
Office equipment	10-50%

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

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

	Computer equipment	Furniture and fittings	Office equipment	Total
	$'000	$'000	$'000	$'000
At 1 April 2017				
Cost	150	171	84	405
Accumulated amortisation and impairment	(117)	(111)	(73)	(301)
Net book value	33	60	11	104
Year ended 31 March 2018				
Opening net book value amount	33	60	11	104
Additions	46	1	3	50
Disposals	(1)	-	-	(1)
Depreciation charge	(31)	(17)	(2)	(50)
Closing net book value	47	44	12	103
At 31 March 2018				
Cost	195	172	87	454
Accumulated amortisation and impairment	(148)	(128)	(75)	(351)
Net book value	47	44	12	103
Year ended 31 March 2019				
Opening net book value amount	47	44	12	103
Additions	19	10	1	30
Depreciation charge	(31)	(17)	(2)	(50)
Closing net book value	35	37	11	83
At 31 March 2019				
Cost	214	182	88	484
Accumulated amortisation and impairment	(179)	(145)	(77)	(401)
Net book value	35	37	11	83

16 INTANGIBLE ASSETS

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration paid above the fair value of the net identifiable assets, liabilities and contingent consideration acquired.

Goodwill is assessed as having an indefinite useful life and is not amortised but is subject to impairment testing annually or whenever there are indications of impairment.

For the purpose of impairment testing, goodwill has been allocated to the cash-generating units (CGU). The impairment test is based on an estimated discounted cash flow analysis (value in use). Estimated future cash flow projections are based on the Group's five-year business plan for the business units.

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 method over a period of 5 years. The amortisation has been recognised in the statement of comprehensive income within depreciation and amortisation expense. 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. No impairment has been assessed for the current financial year (last year: nil).

	Customer relationship	Goodwill	Total
	$'000	$'000	$'000
At 1 April 2017			
Cost	329	1,626	1,955
Accumulated amortisation and impairment	(130)	-	(130)
Net book value	199	1,626	1,825
Year ended 31 March 2018			
Opening net book value amount	199	1,626	1,825
Amortisation charge	(65)	-	(65)
Closing net book value	134	1,626	1,760
At 31 March 2018			
Cost	329	1,626	1,955
Accumulated amortisation and impairment	(195)	-	(195)
Net book value	134	1,626	1,760
Year ended 31 March 2019			
Opening net book value amount	134	1,626	1,760
Amortisation charge	(65)		(65)
Closing net book value	69	1,626	1,695
At 31 March 2019			
Cost	329	1,626	1,955
Accumulated amortisation and impairment	(260)	-	(260)
Net book value	69	1,626	1,695

The carrying amounts of goodwill allocated to the cash generating units are outlined below:

	2019	2018
	$'000	$'000
New Zealand	1,209	1,209
Australia	417	417
	1,626	1,626

16 INTANGIBLE ASSETS (CONTINUED)

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

	Growth rate		Discount rates	
	2019	**2018**	**2019**	**2018**
Enprise services – New Zealand	2.50%	2.50%	20.00%	20.00%
Enprise services – Australia	5.00%	5.00%	20.00%	20.00%

The terminal value is based on a 2% perpetual revenue growth rate after five 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.

It is assumed that cost increases are limited to 2.5% except for increases in staff numbers required to support the growth in customer numbers.

Management has performed sensitivity analysis on the key assumptions and believes that no reasonably foreseen possible changes in any of the above key assumptions would cause the carrying value of goodwill to be materially lower than its recoverable amount.

17 BORROWINGS

Cash on hand and at bank

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 on hand and at bank.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the net proceeds and the redemption amount is recognised in the profit and loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

	2019	**2018**
	$'000	$'000
Current cash on hand / (borrowings)		
Cash on hand and at bank	771	1,265
Bank borrowings	(635)	(314)
	136	951
Non-current borrowings		
Bank borrowings	-	(635)
Non-current borrowings	-	(635)
Net debt	136	316

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, Enprise Australia Pty Limited, Global Bizpro Limited, and Enprise Limited. The interest rate at 31 March 2019 is 6.82% (last year: 6.83%). The loan has a term of 36 months and will mature on 1 January 2021.

The losses incurred by joint ventures and associates has seen us in technical breach of our banking covenant in respect of interest cover ratio. The bank has provided a waiver of this breach, however as the bank is now within its rights to call the loan. The loan has been classified as a current liability.

The ASB Bank has provided an overdraft facility of $500,000. The Group has not drawn down on this facility during the year.

18 EQUITY

(a) Share capital

Share capital comprises of ordinary shares only. 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.

All shares on issue are fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share and have equal dividend rights and no par value.

	Number of authorised shares		Share capital	
Contributed equity - ordinary shares	**2019**	**2018**	**2019**	**2018**
	shares	shares	$'000	$'000
Opening ordinary shares	9,577,570	6,966,645	6,566	2,936
Issue of ordinary shares - Kilimanjaro acquisition	-	1,560,000	-	2,169
Issue of ordinary shares - Rights issue	-	852,664	-	1,185
Issue of ordinary shares - Staff share scheme	-	165,753	-	230
Issue of ordinary shares - Dividend reinvestment plan	-	32,508	-	46
	9,577,570	9,577,570	6,566	6,566

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.

(b) Dividends

	2019	**2018**	**2019**	**2018**
	cents per share	cents per share	$'000	$'000
Final dividend for the period ended 31 March 2018	1.00	-	95	-
Interim dividend for the period ended 31 March 2018	-	1.00	-	95
Final dividend for the period ended 31 March 2017	-	3.50	-	244
	1.00	4.50	95	339

19 RELATED PARTY TRANSACTIONS

(a) Interest in other Entities

The Group's principal subsidiaries at 31 March 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Name of Entity	Country of incorporation	Principal activity	Percentage ownership 2019	Percentage ownership 2018
Enprise Solutions Limited	New Zealand	Software sales and solutions	100.00	100.00
Enprise Australia Pty Limited	Australia	Software sales and solutions	100.00	100.00
Enprise Limited	New Zealand	Software sales and solutions	100.00	100.00
Global Bizpro Limited	New Zealand	Software sales and solutions	100.00	100.00

(b) Ultimate Parent

The ultimate parent entity and controlling party is Enprise Group Limited. The Parent is domiciled in New Zealand.

(c) Transactions with Related Parties

During the year, the Group entered into the following trading transactions with related parties.

Name of Entity	Sale of services 2019 $'000	Sale of services 2018 $'000	Purchase of services 2019 $'000	Purchase of services 2018 $'000
Kilimanjaro Consulting Pty Limited	399	293	49	3
Zhik Pty Limited	11	81	19	-
Vadacom Limited	13	11	-	-
Datagate Innovation Limited	17	45	-	-
iSell Pty Limited	29	-	-	-
Nicholas Paul (Director)	-	-	3	33
	469	430	71	36

(d) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties.

Name of Entity	Amounts owed by related parties 2019 $'000	Amounts owed by related parties 2018 $'000	Amounts owed to related parties 2019 $'000	Amounts owed to related parties 2018 $'000
Kilimanjaro Consulting Pty Limited	146	318	29	-
Zhik Pty Limited	18	6	-	-
Vadacom Limited	-	2	-	-
Datagate Innovation Limited	-	4	-	-
	164	330	29	-

	0-30 days $'000	31-60 days $'000	61-90 days $'000	+91 days $'000	Total $'000
At 31 March 2019	33	32	31	68	164
At 31 March 2018	44	35	46	205	330

Allowance for impairment loss

The Group has used specific identification on all overdue debtors. The Group measures the loss allowance on related party receivables by referencing to past default experience of the debtor and an analysis of the debtors current financial position, adjusted for factors that are specific to the debtor. Through this assessment, only a small portion of debt has been determined unrecoverable.

19 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Loans to/from related parties

The following balances are outstanding at the end of the reporting period in relation to both documented and undocumented loans with related parties.

	Amounts owed by related parties		Amounts owed to related parties	
Name of Entity	**2019**	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Kilimanjaro Consulting Pty Limited	572	-	-	-
iSell Pty Limited	97	-	-	-
	669	-	-	-
Current	193	-	-	-
Non-Current	476	-	-	-
	669	-	-	-

During the year unpaid creditor invoices to Kilimanjaro Consulting Pty Limited relating to disbursements, services and consulting charges were capitalised against a loan account. On 1 December 2018 AU$542,000 was documented within a loan facility agreement. The loan was interest free until 1 April when monthly interest and principal payments began and will continue until repayment date. The loan is recognised in Australian dollars and converted at year end rates. Further advances have been capitalised subsequent to documentation of the loan resulting in a closing balance at year end of AU$548,000 or NZ$572,000. The interest rate at year end was 7%. The loan has a repayment date of 1 December 2020.

During the year Enprise advanced working capital to iSell Pty Limited. AU$102,000 of advances were converted into shares on 6 November 2018 when Enprise acquired further shares in iSell as part of the rights issue. A loan facility agreement has been signed for a facility of AU$250,000 with an interest rate of 8%. The loan is recognised in Australian dollars and converted at year end rates. At year end AU$93,000 or NZ$97,000 of the facility has been drawn down. The loan has a repayment date of 9 July 2021.

Allowance for impairment loss

Management believes that there is no cause to impair any of the above related party loans.

(f) Key Management Personnel

Key management includes the Directors of the Company and those employees who the Company has deemed to have disclosure obligation under subpart 6 of the Financial Markets Conduct Act 2013.

Key management compensation was as follows:

	2019	**2018**
	$'000	$'000
Salaries, bonuses and commissions	211	201
Consultancy fees	3	33
Directors' fees	69	65
	283	299

Key management did not receive any termination benefits during the period (last year: nil).

Key management did not receive and are not entitled to receive any post-employment or long term benefits (last year: nil).

Notes to the Consolidated Financial Statements for the year ended 31 March 2019

19 RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Key management personnel (continued)

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

	2019	2018
	Number of employees	
100,001 – 110,000	4	5
110,001 – 120,000	4	3
120,001 – 130,000	1	-
130,001 – 140,000	1	1
140,001 – 150,000	1	1
150,001 – 160,000	-	-
160,001 – 170,000	1	-
170,001 – 180,000	-	-
180,001 – 190,000	-	-
190,001 – 200,000	-	1
200,001 – 210,000	-	1
210,001 – 220,000	1	-
220,001 – 230,000	-	-
230,001 – 240,000	-	-
240,001 – 250,000	-	-
250,001 – 260,000	-	-
260,001 - 270,000	1	-

(g) Directors' fees

Directors received director's fees as detailed below:

	Directors' fees	
	2019	2018
	$'000	$'000
L Phillips	40	40
G Cooper	-	-
N Paul	25	25
R Baskind	-	-
M Fong	4	-
	69	65

20 CASH FLOW RECONCILIATIONS

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.

Reconciliation of net profit to net cash flows from operations:	2019 $'000	2018 $'000
Profit/(loss) for the period	(601)	151
Adjustments for:		
Depreciation and amortisation	115	115
Net loss/(gain) on foreign exchange	40	6
Release of fit out loan	(15)	(15)
Impairment loss on trade receivables	(33)	45
Share of loss from equity accounted investments	1,001	570
Write down of carrying value of joint ventures	123	-
Share based payment	-	30
Shares received in exchange for services	-	(97)
Loan issued in exchange for services	(572)	-
Movements in working capital		
(Increase)/decrease in trade and other receivable	22	(159)
(Increase)/decrease in contract assets	21	-
(Increase)/decrease in income taxes receivable	(1)	-
Increase/(decrease) in trade and other payables	130	(240)
Increase/(decrease) in provisions	41	(1)
Increase/(decrease) in contract liabilities	(18)	202
(Increase)/decrease in deferred tax asset	88	(35)
Net cash inflow from operating activities	341	572

21 COMMITMENTS

(a) Capital commitments

There were no material commitments for capital expenditure outstanding at balance date. (Last year: $nil)

(b) Operating lease commitments

Total lease expenditure contracted for at balance date but not provided for in the accounts are payable as follows:

	2019 $'000	2018 $'000
Not later than one year	151	137
Later than one year but not later than 5 years	22	160
Later than 5 years	-	-
	173	297
Representing:		
Cancellable operating leases	-	-
Non-cancellable operating leases	173	297
	173	297

The Group has commercial operating leases for the various office spaces.

The office spaces in Wellington, Hamilton and Christchurch are all on short term or month by month contracts with expiry dates of less than 6 months.

The lease of the space in Auckland 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. The Group has a bank guarantee granted in favour of the Landlord for $154,021.

Enprise Group Limited

Notes to the Consolidated Financial Statements
for the year ended 31 March 2019

22 CONTINGENT LIABILITIES

There were no material contingent liabilities or assets at balance date (last year: nil).

23 SUBSEQUENT EVENTS AFTER BALANCE DATE

On 1 May 2019 Enprise entered into an agreement to acquire a customer base from Walker Scott. The total deferred consideration is expected to be around $70,000 and is payable over 24 months.

24 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.

(a) 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 2019, 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:

	Profit		Equity	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
+1% (100 basis points)	(5)	(8)	(5)	(8)
- 1% (100 basis points)	5	8	5	8

(b) 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 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.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that an unforeseen event or miscalculation in the required liquidity level will result in the Group foregoing investment opportunities or not being able to meet its obligations in a timely manner, and therefore gives rise to lower investment income or to higher borrowing costs than otherwise. Prudent liquidity risk management includes maintaining sufficient cash, and ensuring the availability of adequate amounts of funding from credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity bands, based on the remaining period from balance date to the contractual maturity date.

Contractual maturity analysis	**less than 6 mths**	**6 - 12 months**	**1 - 3 years**	**> 3 years**	**Total**
2019	$'000	$'000	$'000	$'000	$'000
Trade and other payables	1,010	-	-	-	1,010
Term loan	165	470	-	-	635
Other payables	8	7	4	-	19
Total	1,183	477	4	-	1,664

Contractual maturity analysis	**less than 6 mths**	**6 - 12 months**	**1 - 3 years**	**> 3 years**	**Total**
2018	$'000	$'000	$'000	$'000	$'000
Trade and other payables	880	-	-	-	880
Term loan	154	160	635	-	949
Other payables	8	8	18	-	34
Total	1,042	168	653	-	1,863

(d) Financial instrument classification

Financial assets	**2019**	**2018**
	$'000	$'000
Cash and cash equivalents	771	1,265
Financial asset at fair value through other comprehensive income	593	321
Amortised Cost		
Trade receivables (excluding prepayments)	1,263	1,270
Staff receivables	87	136
Other receivables	-	3
	2,714	2,995

Financial liabilities	**2019**	**2018**
	$'000	$'000
Trade and other payables	743	663
Other payables	19	34
Borrowings	635	949
	1,397	1,646

(e) 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 (predominantly 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.

25 NEW ACCOUNTING STANDARDS

(a) Adoption of New Standards

There were two new accounting standards adopted during the period.

NZ IFRS 9: Financial Instruments (effective for annual periods beginning on or after 1 January 2018).

NZ IFRS 9, *Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in NZ IAS 39, *Financial Instruments: Recognition and Measurement*, that relates to the classification and measurement of financial instruments.

The Group has chosen not to restate comparative information and any adjustments required by the application of the new standard is to be made to the opening balance of retained earnings recognised in the statement of changes in equity for the year ended 31 March 2019.

The Group's classification measure of financial assets and liabilities under NZ IFRS 9 remains largely the same as it was under NZ IAS 39. With the exception of financial assets held for sale now being classified as financial assets at fair value through other comprehensive income.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as was the case under NZ IAS 39. The standard applies to the Group in relation to financial assets classified at amortised cost, being the Group's trade receivables. Based on the Group's assessment of historical provision rates and forward-looking analysis, there is no material financial impact on the impairment provisions.

NZ IFRS 15: Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018).

NZ IFRS 15, *revenue from contracts with customers*, introduces a five step process for revenue recognition with the core principle being for entitles to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling the contract.

The Group elected to apply the retrospective cumulative effect method, with no restatement of comparative period amounts. The cumulative effect of applying the new standard is included as an adjustment to the opening balance of retained earnings recognised in the statement of changes in equity for the year ended 31 March 2019.

Adoption of NZ IFRS 15 has given rise to material changes in how revenue has been recognised for the following line items:

(i) Software and Licences - agency commissions

NZ IFRS 15 does not allow for amounts collected on behalf of others to be included as revenue. This change in accounting policy has materially changed how revenue is being recorded by the Group. The Group must show only the agency commission and this has impacted the revenue and cost recorded in the statement of comprehensive income, especially when comparing with the prior year.

The adoption of IFRS 15 and the application of the five step process has also impacted on the timing of when the agency commission can be recognised. The Group has concluded that the recognition of agency commission occurs once the performance obligation is satisfied, not when the payment has been received. The impact of this adjustment is $117,738 to opening retained earnings.

(ii) Income from Services

The Group has concluded that income from services, such as certain aspects of consulting income, should be recognised when there is a reasonable expectation from both parties that a project has been completed and in a usable state. The adoption of NZ IFRS 15 has impacted on the timing of the income and the related costs resulting in a net adjustment of $84,933 to opening retained earnings.

25 NEW ACCOUNTING STANDARDS (CONTINUED)

(b) Summary of NZ IFRS 9 and NZ IFRS 15 adjustments

Impact to opening retained earnings

	$'000
Balance as at 1 April 2018	1,054
NZ IFRS15 adjustments	
Change in recognition of agency commissions	(118)
Change in recognition of services income	(128)
Change in recognition of services costs	43
Change in recognition of equity earnings from joint ventures	(119)
Change in income tax benefit	58
Adjusted balance at 1 April 2018	790

Impact of the adoption of NZ IFRS 9 and NZ IFRS 15 on the statement of financial position as at 1 April 2018

	31 March 2018 as originally presented	1 April 2018 NZ IFRS 15 adjustments	1 April 2018 NZ IFRS 9 adjustments	1 April 2018 Restated
	$'000	$'000	$'000	$'000
Assets				
Cash & cash equivalents	1,265	-	-	1,265
Trade and other receivables	1,346	-	-	1,346
Contract assets	-	317	-	317
Staff receivables	136	-	-	136
Other current assets	3	-	-	3
Investments in associates, joint ventures	4,696	(119)	-	4,577
Investments in other entities	321	-	-	321
Property plant and equipment	103	-	-	103
Intangible assets	1,760	-	-	1,760
Deferred tax asset	341	151	-	492
Total assets	9,971	349	-	10,320
Liabilities				
Trade and other payables	880	-	-	880
Provisions	192	-	-	192
Contract liabilities	203	520	-	723
Borrowings	949	-	-	949
Other liabilities	34	-	-	34
Deferred tax liability	38	93	-	131
Total liabilities	2,296	613	-	2,909
Equity				
Share capital	6,566	-	-	6,566
Foreign exchange translation reserve	55	-	-	55
Financial assets at FVOCI reserve	-	-	-	-
Retained earnings	1,054	(264)	-	790
Total equity	7,675	(264)	-	7,411
	-			
Total equity and liabilities	9,971	349	-	10,320

25 NEW ACCOUNTING STANDARDS (CONTINUED)

(b) Summary of NZ IFRS 9 and NZ IFRS 15 adjustments (continued)

Presentation of the statement of comprehensive income for the year ended 31 March 2019 as if IFRS 15 and NZ IFRS 9 had not been adopted.

	31 March 2019 as reported	31 March 2019 NZ IFRS 15 adjustments	31 March 2019 NZ IFRS 9 adjustments	31 March 2019 without adopting NZ IFRS 15 & 9
	$'000	$'000	$'000	$'000
Revenue from contracts with customers	6,714	3,502	-	10,216
Cost of providing services	(600)	(3,160)	-	(3,760)
Other operating income	12	-	-	12
Employee benefit expense	(4,080)	(37)	-	(4,117)
Operating costs	(1,343)	-	-	(1,343)
Other gains/(losses)	(40)	-	-	(40)
Equity earnings from associates and joint ventures	(1,001)	108	-	(893)
Finance cost - net	(52)	-	-	(52)
Income tax benefit/(expense)	(88)	32	-	(56)
Profit/(loss) for the period	(478)	445	-	(33)
Other comprehensive income	-	-	-	-
Foreign currency translation differences	10	-	-	10
Changes in the fair value of investments at FVOCI	345	-	-	345
Total comprehensive income for the year	(123)	445	-	322

25 NEW ACCOUNTING STANDARDS (CONTINUED)

(b) Summary of NZ IFRS9 and NZ IFRS15 adjustments (continued)

Presentation of the statement of financial position as at 31 March 2019 as if IFRS 15 and NZ IFRS 9 had not been adopted.

	31 March 2019 as reported	31 March 2019 NZ IFRS 15 adjustments	31 March 2019 NZ IFRS 9 adjustments	31 March 2019 without adopting NZ IFRS 15 & 9
	$'000	$'000	$'000	$'000
Assets				
Cash & cash equivalents	771	-	-	771
Trade and other receivables	1,324	-	-	1,324
Contract assets	296	(222)	-	74
Current tax assets	1	-	-	1
Staff receivables	87	-	-	87
Loans to related parties	669	-	-	669
Investments in associates, joint ventures	3,880	108	-	3,988
Investments in other entities	593	-	-	593
Property plant and equipment	83	-	-	83
Intangible assets	1,695	-	-	1,695
Deferred tax asset	352	(86)	-	266
Total assets	9,751	(200)	-	9,551
Liabilities				
Trade and other payables	1,010	3	-	1,013
Provisions	233	-	-	233
Contract liabilities	705	(326)	-	379
Borrowings	635	-	-	635
Other liabilities	19	-	-	19
Deferred tax liability	79	(60)	-	19
Total liabilities	2,681	(383)	-	2,298
Equity				
Share capital	6,566	-	-	6,566
Foreign exchange translation reserve	65	2	-	67
Financial assets at FVOCI reserve	345	-	-	345
Retained earnings	94	181	-	275
Total equity	7,070	183	-	7,253
Total equity and liabilities	9,751	(200)	-	9,551

25 NEW ACCOUNTING STANDARDS (CONTINUED)

(c) Standards on issue but not yet effective

Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for later periods and which the Group has not early adopted. These will be applied by the Group in the mandatory periods listed below. The key items applicable to the Group are:

NZ IFRS 16: Leases (effective for annual periods beginning on or after 1 January 2019).

This standard replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The profit and loss will also be impacted by the recognition of an interest expense and a depreciation expense and the removal of the current rental expense.

This standard will affect primarily the accounting for the Group's operating leases. Applying the new standard will impact our net profit. Rental and lease expenses are effectively reclassified into a deprecation component and an interest component to reflect the implied financing in the lease.

The indicative impacts of implementing NZ IFRS 16 from 1 April 2019 are as follows for all leases that the Group is party to:

Recognition and measurement

- Initially the right-of-use (ROU) asset would be measured at its carrying amount as if NZ IFRS 16 had been applied since the commencement of the lease, but discounted using the Group's borrowing rate.
- Recognition of a lease liability which would reflect the initial measurement of the present value of lease payments, including reasonably certain renewals.
- The ROU would be subsequently measured through depreciating the asset based on NZ IAS 16: 'Property, plant and equipment'.
- The lease liability will be reduced when payments are made and interest taken up based on the effective interest method, using a discount rate determined at lease commencement.

The Group has elected to adopt the cumulative effect approach under which the Group will not restate comparative information. Based on existing lease arrangements, the preliminary assessment of the adoption of NZ IFRS 16, is expected to result in the recognition of the following

Impact on statement of financial position	**1 April 2019** $'000	**31 March 2020** $'000
Right-of-use Asset	118	22
Lease liability	(157)	(30)
Movement in deferred tax	11	2
Decrease in retained earnings	(28)	(6)

Impact on statement of comprehensive income	**31 March 2020** $'000
Decrease in rental expense	(134)
Increase in depreciation expense	97
Increase in finance costs	7
Increase in taxable profit	(30)

The Group has not accounted for the lease renewal as it is not reasonably certain that the renewal option will be exercised.

The Group's operating lease commitments as at 31 March 2019 are set out in note 21(b).

Enprise Group Limited

Corporate Information
for the year ended 31 March 2019

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

Contact Details

New Zealand
Level 2, 16 Hugo Johnston Drive
Penrose, Auckland 1061
PO Box 62262
Sylvia Park
Auckland 1644
Phone: +64 9 829 5500
Fax: +64 9 829 5501

Principal place of business
Level 2, 16 Hugo Johnston Drive
Penrose, Auckland 1061
Phone: +64 9 829 5500

Registered office
Level 2, 16 Hugo Johnston Drive
Penrose, Auckland 1061

Australia
P O Box R348
Royal Exchange
Sydney
NSW 1225
Phone: +61 2 8355 7055
Fax: +61 2 8355 7045

Principal place of business – Australia
2/52 O'Connell Street, Parramatta
NSW 2150

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

Registered office – Enprise Australia
Level 3, 22 Market Street
Sydney, NSW 2000

Internet address www.enprisegroup.com
Email info@enprisegroup.com

Directors

George Cooper	Chief Executive Officer
Lindsay Phillips	Chairman
Nicholas Paul	Non-executive Director
Ronald Baskind	Executive Director
Marissa Fong	Non-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 Market

Auditor

Baker Tilly 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

Level 9, 45 Queen Street, Auckland 1010
PO Box 3899, Auckland 1140
New Zealand

T: +64 9 309 0463
F: +64 9 309 4544
E: auckland@bakertillysr.nz
W: www.bakertillysr.nz

bakertilly
STAPLES RODWAY

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 5 to 40, which comprise the consolidated statement of financial position as at 31 March 2019, 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 matters 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 2019, 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 the Group. Our audit work has been undertaken so that we might state to the Shareholders of the Group those matters 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 the Shareholders of the Group as a body, for our audit work, for our report or for the opinions we have formed.

Basis for Qualified Opinion – iSell Pty Ltd

The Group's investment in iSell Pty Ltd, an associate accounted for using the equity method, is carried at $1,044,000 on the consolidated statement of financial position as at 31 March 2019, and the Group's share of iSell Pty Ltd's net loss of $23,000 is included in the Group's profit or loss for the year then ended. In addition, the Group's loan to iSell Pty Ltd is carried at $97,000 on the consolidated statement of financial position as at 31 March 2019. The recoverability of the carrying value of the investment in, and loan, to iSell Pty Ltd is dependent on achieving significant future revenue growth and associated cash flows from a newly developed software asset. We were unable to obtain sufficient appropriate audit evidence to support the achievability of the future revenue growth and associated cash flows and, therefore, on the carrying value of the Group's investment in, and loan, to iSell Pty Ltd as at 31 March 2019 and the Group's share of iSell Pty Ltd's net loss for the year. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Basis for Qualified Opinion – Kilimanjaro Consulting Pty Ltd

The Group's investment in Kilimanjaro Consulting Pty Ltd, a joint venture accounted for using the equity method, is carried at $2,037,000 on the consolidated statement of financial position as at 31 March 2019, and the Group's share of Kilimanjaro Consulting Pty Ltd's net loss of $596,000 is included in the Group's profit or loss for the year then ended. In addition, the Group's loan to Kilimanjaro Consulting Pty Ltd is carried at $572,000 on the consolidated statement of financial position as at 31 March 2019. The Group recognised an impairment of $123,000 on the carrying value of the investment in Kilimanjaro Consulting Pty Ltd during the year ended 31 March 2019. Kilimanjaro Consulting Pty Ltd has negative net assets of $1,882,000 as at 31 March 2019 and the recoverability of the carrying value of the investment in, and loan to, Kilimanjaro Consulting Pty Ltd is dependent on Kilimanjaro Consulting Pty Ltd achieving forecast revenue growth and associated cash flows. We were unable to obtain sufficient appropriate audit evidence to support the achievability of the future revenue growth and associated cash flows and, therefore, on the carrying value of the Group's investment in, and loan to, Kilimanjaro Consulting Pty Ltd as at 31 March 2019, the impairment expense recognised during the year and the Group's share of Kilimanjaro Consulting Pty Ltd's net loss for the year. 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 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.

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. In addition to the matters described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Impairment testing of Goodwill As disclosed in Note 16 of the Group's consolidated financial statements, the Group has goodwill of $1,626,000 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' in assessing whether these assets were impaired. The measurement of a CGUs recoverable amount of each CGU includes the assessment and calculation of its 'value-in-use'. Management has undertaken an impairment test for each of these CGUs as at 31 March 2019. This 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.	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 these CGU's operate. We also analysed the internal reporting of the Group to assess how these CGUs are monitored and reported. ▪ Challenging Management's assumptions and estimates used to determine the recoverable value of its goodwill, including those relating to forecast revenue, capital expenditure, operating expenditure and 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 supporting the annual impairment test and testing the mathematical accuracy of these calculations; ▪ Evaluating Management's process regarding the preparation and review of forecasts; ▪ Comparing forecasts used in the calculations to Board approved forecasts; ▪ Evaluating the historical accuracy of the Group's forecasting to actual historical performance; ▪ Challenging and evaluating the forecast growth assumptions; ▪ Evaluating the discount rates used in the calculation; ▪ 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 16 to the Group's consolidated financial statements.

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

Accounting for Datagate Innovation Limited

As disclosed in Note 13 to 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 2019 was $382,000 The carrying value of the Group's investment in Datagate Innovation Limited as at 31 March 2019 was $799,000.

The joint venture was significant to our audit due to the size of the investment and the complexity inherent in accounting for joint ventures.

Management has equity accounted for the joint venture for the year ended, and as at, 31 March 2019 and has undertaken an impairment test of the investment in the joint venture as at 31 March 2019.

The determination of the classification of the Group's interests in Datagate Innovation Limited requires 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:

- Evaluating Management's accounting treatment of Datagate Innovation Limited to ensure compliance with NZ IAS 28 *Investments in Associates and Joint Ventures*.
- Assessing of key balances of Datagate Innovation Limited (including intangible assets and revenue).
- Evaluating Management's assessment of the indicators of impairment based on our understanding of the joint venture 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 forecast revenue, capital and operating expenditure, discount rates, adjustments 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 used in these calculations 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 venture which are included in Note 13 to the Group's consolidated financial statements.

</td></tr>
</table>

Key Audit Matter	How our audit addressed the key audit matter

Revenue Recognition
 	
The Group's two largest revenue streams are revenue from the sale of software licences $1,849,000 and services and support revenue of $4,446,000. On 1 April 2018, the Group adopted NZ IFRS 15 *Revenue from Contracts with Customers* ('NZ IFRS 15'). As described in Note 25(a), Management have assessed the impact of adoption on the Group's recognition of revenue for each of the Group's sources of revenue.
 	
Management have concluded that:
 	
▪ With respect to the sale of software licences, revenue is recognised, through an agency arrangement, when the performance obligation is satisfied, being the point in time the licence is provided; and
 	
▪ With respect to services and support revenue, revenue is recognised when the performance obligation is satisfied, being the point in time when the service is completed or when the solution is delivered.
 	
Management has concluded that the adoption of NZ IFRS 15 has materially affected the timing of revenue recognition and an adjustment to Opening Retained Earnings was made.
 	
The recognition of revenue was significant to our audit due to the significant judgements made by Management in relation to the timing and amount of revenue to be recognised together with the impact of the adoption of NZ IFRS 15.
	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 and challenging Management's assessment of the impact of adopting NZ IFRS 15 including:
	
	  ▪ Identification of the contracts with customers;
	  ▪ Identification of the performance obligations in the contracts with customers;
	  ▪ Determination of the transaction price;
	  ▪ Allocation of the transaction price to each performance obligation; and
	  ▪ Recognition of revenue when each performance obligation has been satisfied.
	
	▪ Reviewing a sample of contracts with customers to ensure Management's conclusions with regards to the adoption of NZ IFRS 15 are in line with our understanding.
	
	▪ Testing Management's calculation of the contract liability and contract asset for compliance with the adoption of NZ IFRS 15 as at 31 March 2019.
	
	▪ Evaluating the application of the Group's revenue recognition policy for a sample of software licence revenue and services and support revenue transactions.
	
	▪ Evaluating the disclosures made in Note 3 and Note 25(a) of the Group's consolidated financial statements relating to NZ IFRS 15.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 March 2019 (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

19 August 2019