

FINZSOFT SOLUTIONS LIMITED

Results for announcement to the market

Reporting Period	Full year report 31 st March 2015	
Previous Reporting Period	12 months to 31 st March 2014	
	NZD Amount (000s)	Percentage change
Revenue from ordinary activities	\$19,593	108%
Profit (loss) from ordinary activities after tax attributable to shareholders	\$2,683	255.5%
Loss from discontinued activities after tax attributable to security holders	\$0	
Net profit (loss) attributable to shareholders.	\$2,683	255.5%

	Gross amount per share	Imputed amount per share
Final dividend	0 cents	0 cents
Record date	N/A	
Dividend payment date	N/A	

Comments:	<p>Refer to the attached for commentary from directors on the results to 31st March 2015.</p> <p>The figures for 31st March 2015 are in the process of being audited.</p>
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Dividends Paid	Date Paid	Cents per share (non-imputed)
Interim Dividend for the year ending 31 March 2015	9/01/2015	14.0
Interim Dividend for the year ending 31 March 2015	27/02/2015	8.7
Final Dividend for the year ending 31 March 2014	N/A	0.0
		22.7

Statement of Comprehensive Income

for the year ended 31 March 2015

	GROUP	
	2015	2014
	\$	\$
Revenue	19,578,600	9,415,343
Other Income	14,353	5,184
Total operating revenue	<u>19,592,953</u>	<u>9,420,527</u>
Development, servicing and other direct costs	(10,432,857)	(5,641,110)
Occupancy expense	(359,094)	(302,291)
Depreciation and amortisation	(885,801)	(691,053)
Sales and marketing expenses	(745,163)	(567,941)
Finance expenses	(15,408)	(31,824)
Corporate expenses	(1,534,150)	(584,311)
Other operational overheads	(1,788,474)	(830,016)
Total operating expense	<u>(15,760,947)</u>	<u>(8,648,546)</u>
Profit before income tax expense	3,832,006	771,981
Share of profit of joint venture, net of tax	22,855	3,331
Net Profit before tax	<u>\$3,854,861</u>	<u>\$775,312</u>
Less Income tax expense	(1,172,087)	(20,763)
Profit for the year	<u>\$2,682,774</u>	<u>\$754,549</u>
Other Comprehensive Income:		
Exchange difference on translating foreign operations	(28,151)	(70,922)
Other comprehensive income for the year, net of tax	<u>(28,151)</u>	<u>(70,922)</u>
Total Comprehensive income for the year	<u>\$2,654,623</u>	<u>\$683,627</u>

Earnings per share for profit attributable to the owners of the Company during the year.

Basic earnings per share (cents per share)	31.94	9.08
Diluted earnings per share (cents per share)	31.94	8.80
Dividend per share (cents per share)	22.7	0.00

The figures for 31 March 2015 are in the process of being audited.

Statement of Changes in Equity

for the year ended 31 March 2015

	Share Capital \$	Currency Translation reserve \$	Share Option reserve \$	Retained Earnings \$	Total Equity \$
Balance at 1 April 2013	3,950,000	15,121	18,355	(1,267,048)	2,716,428
Comprehensive income					
Profit or loss	-	-	-	754,549	754,549
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Currency translation differences	-	(70,922)	-	-	(70,922)
Total comprehensive income	-	(70,922)	-	754,549	683,627
Forfeited share option transferred to retained earnings	-	-	(1,833)	1,833	-
Transactions with owners					
Employee share option scheme:					
Options issued to employees under employee share option plan	-	-	3,389	-	3,389
Share options exercised	4,620	-	-	-	4,620
Total transactions with owners	4,620	-	3,389	-	8,009
Balance at 31 March 2014	\$3,954,620	(\$55,801)	\$19,911	(\$510,666)	\$3,408,064
Comprehensive income					
Profit or loss	-	-	-	2,682,774	2,682,774
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Currency translation differences	-	(28,151)	-	-	(28,151)
Total comprehensive income	-	(28,151)	-	2,682,774	2,654,623
Transactions with owners					
Employee share option scheme:					
Share options exercised	94,888	-	(19,911)	-	74,977
Dividends Paid	-	-	-	(1,944,518)	(1,944,518)
Total transactions with owners	94,888	-	(19,911)	(1,944,518)	(1,869,541)
Balance at 31 March 2015	\$4,049,508	(\$83,952)	\$-	\$227,590	\$4,193,146

The figures for 31 March 2015 are in the process of being audited.

Statement of Financial Position

for the year ended 31 March 2015

	GROUP	
	2015	2014
	\$	\$
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	1,187,872	810,652
Trade and other receivables	2,810,322	1,024,087
Current income tax receivable	-	10,087
Total Current Assets	3,998,194	1,844,826
<u>NON - CURRENT ASSETS</u>		
Investments in joint venture	-	306,601
Property and equipment	426,561	153,447
Intangible assets and goodwill	4,546,578	3,387,055
Deferred Tax Benefit	243,309	-
Total non-current assets	5,216,448	3,847,103
TOTAL ASSETS	\$9,214,642	\$5,691,929
<u>CURRENT LIABILITIES</u>		
Trade and other payables	3,622,436	1,166,865
Unearned revenue	215,265	795,499
Provision for employee benefits	518,117	288,371
Finance Leases	15,281	33,130
Current income tax payable	568,318	-
Deferred Income Tax liability	78,120	-
Total current liabilities	5,017,537	2,283,865
<u>NON - CURRENT LIABILITIES</u>		
Finance Leases	3,959	-
Total non-current liabilities	3,959	-
TOTAL LIABILITIES	\$5,021,496	\$2,283,865
NET ASSETS	\$4,193,146	\$3,408,064
<u>EQUITY</u>		
Ordinary shares	4,049,508	3,954,620
Other reserves	(83,952)	(35,890)
Retained earnings	227,590	(510,666)
TOTAL EQUITY	\$4,193,146	\$3,408,064

The figures for 31 March 2015 are in the process of being audited.

Statement of Cash Flow

for the year ended 31 March 2015

	Group	
	2015	2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	17,643,374	9,168,731
Interest received	14,353	687
	17,657,727	9,169,418
Payments to suppliers and employees	(12,194,718)	(6,904,025)
Interest paid	(15,408)	(31,824)
Taxation paid	(836,991)	(46,534)
Goods and services tax paid	(1,107,045)	(511,196)
	(14,154,162)	(7,493,579)
Net cash generated from operating activities	3,503,565	1,675,839
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of equipment	-	1,656
Purchase of equipment	(393,414)	(113,972)
Net proceeds received from dissolution of JV	329,456	-
Net Proceeds paid for purchase of Sush Global Solutions Ltd	(1,066,667)	-
Investment in intangible assets	(180,896)	(674,280)
Net cash used in investing activities	(1,311,521)	(786,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Bank and other loans	-	(80,000)
Repayment of finance lease	(13,890)	(20,323)
Dividend paid	(1,944,518)	-
Proceeds from exercised share options	74,977	4,620
Net cash used in financing activities	(1,883,431)	(95,703)
NET INCREASE / (DECREASE) IN CASH and CASH EQUIVALENTS	308,613	793,540
Exchange gains on cash and cash equivalents	(13,359)	(17,790)
Cash included in purchase of Sush Global Solutions Limited	81,966	-
Cash and cash equivalents at beginning of the year	810,652	34,902
Cash and cash equivalents at end of the year	\$1,187,872	\$810,652

The figures for 31 March 2015 are in the process of being audited.

Statement of Cash Flows continued

for the year ended 31 March 2015

Reconciliation of net operating cash flows to profit for the year

	Group	
	2015	2014
	\$	\$
Profit for the year	2,682,774	754,549
Adjustments for non-cash items		
Depreciation & amortisation	127,095	96,187
Amortisation of finite life intangible assets	758,706	594,866
Share options	-	3,389
Loss on sale of fixed asset	10,503	11,982
Share of profit of equity-accounted investee	(22,855)	(3,331)
Foreign currency exchange gain	(14,792)	(53,132)
Deferred tax recognised	(165,189)	-
Changes in assets and liabilities		
(Increase) / decrease in assets		
Trade receivable	(1,230,214)	(311,860)
Prepayments	(124,778)	28,124
Current income tax assets and liabilities	500,285	(25,771)
(Decrease) / increase in liabilities		
Trade payable	1,332,518	142,681
Unearned revenue	(580,234)	441,198
Provisions for employee benefits	229,746	(3,043)
Net operating cash flows	\$3,503,565	\$1,675,839

The figures for 31 March 2015 are in the process of being audited.

Notes to the Financial Statements

for the year ended 31 March 2015

JOINT VENTURE

In November 2014 the decision was made to dissolve the joint venture, NZ Bureau Limited. The Group had a 50 per cent equity shareholding (2014: 50%) with equivalent voting power in NZ Bureau Limited, a joint venture requiring unanimous consent for strategic financial and operating decisions, established in New Zealand on the 29th March 2012. At reporting date the joint venture had no commitments for capital expenditure (2014: Nil). The entity had a March balance date.

The Group's share of profit in its equity accounted investee, NZ Bureau Limited, for the year was \$22,855 (2014: \$3,331).

Summary financial information for equity accounted investees is as follows

	Group	
	2015	2014
	\$	\$
Current assets	-	696,241
Non-Current Assets	-	352,228
Total Assets	-	1,048,469
Current Liabilities	-	435,265
Total Liabilities	-	435,265
Net Assets	\$-	\$613,204
Income	1,096,305	1,769,137
Expenses	1,042,460	1,754,551
Profit after tax	45,710	6,663
Groups share of net assets	\$-	\$306,601
Carrying amount	\$-	\$306,601
Groups share of profit after tax	\$22,855	\$3,331

The figures for 31 March 2015 are in the process of being audited.

Notes to the Financial Statements *continued*

for the year ended 31 March 2015

ACQUISITION OF SUSH GLOBAL SOLUTIONS LIMITED

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

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed.

	\$
Fair Value of consideration transferred	
Amount settled in cash on settlement date	533,334
Fair value of future payments	940,593
Fair value of contingent consideration	428,495
	<u>1,902,422</u>
Identified assets acquired and liabilities assumed	
Cash and cash equivalents	81,966
Trade and other receivables	431,243
Fixed assets	17,298
Intangible assets	279,000
Trade and other payables	(287,298)
Deferred tax liability	(78,120)
Identifiable net assets	<u>444,089</u>
Goodwill on acquisition	<u>\$1,458,333</u>
Consideration transferred settled in cash	1,066,667
Cash and cash equivalent acquired	81,966
Net cash outflow	<u>\$984,701</u>

Fair value of future payments and fair value of contingent consideration

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

The purchase agreement included an earn-out arrangement whereby the purchase could be reduced if the earnings targets for the year to 31 March 2015 are not met. The \$428,495 fair value initially recognised for the contingent consideration represents the present value of the Group's probability weighted estimate of the future settlement. It reflects management's estimate of the weighted range of probable outcomes and was discounted using a rate of 18.4%. The full purchase price is to be settled within 12 months of the acquisition date.

The figures for 31 March 2015 are in the process of being audited.

Notes to the Financial Statements *continued*

for the year ended 31 March 2015

Identified assets acquired and liabilities assumed

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

	Valuation method	Fair value	Deferred tax liability
		\$	\$
Brands and trademarks	Relief from royalties	55,000	15,400
Customer relationships	Multi-period excess earnings	110,000	30,800
Customer contracts	Comparative income deferential	114,000	31,920

Goodwill

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

Contribution to Group results

In the seven months to 31 March 2015 the business contributed revenue of \$1,256,800 and a loss of \$629,083 to the Group's consolidated results. If the acquisition had occurred on 1 April 2014, management estimates that the contribution to the Group consolidated revenue would have been \$2,009,569 and the contribution to the Group consolidated profit for the year would have been a loss of \$665,415. In determining these amounts, management has assumed the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 April 2014.

Notes to the Financial Statements continued

for the year ended 31 March 2015

SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board.

The Board considers the business from both a geographic and product perspective. Geographically, management considers the performance of sales and services in New Zealand, Australia and the rest of the world.

The reportable operating segments derive their revenue primarily from software delivery and support with the exception of New Zealand which is further segregated into revenue from transactional banking.

The Board assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA). This measurement basis excludes the effects of non-recurring expenditure from operating segments. Interest income and expenditure are not allocated to segments, as this type of activity is considered to be a central treasury function.

There are no sales between segments. The revenue from external parties reported to the Board is measured in a manner consistent with that in the statement of comprehensive income.

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The figures for 31 March 2015 are in the process of being audited.

Notes to the Financial Statements continued

for the year ended 31 March 2015

SEGMENT INFORMATION continued

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

	New Zealand Software Delivery & Support \$	Australia Software Delivery & Support \$	Rest of the World Software Delivery & Support \$	Total \$
Segment revenue from external customers	5,510,034	14,068,566	-	19,578,600
Adjusted EBITDA	5,978,863	274,420	(271)	6,253,012
Depreciation and amortisation	880,128	5,673	-	885,801
Income tax expense	1,056,290	115,797	-	1,172,087
Total Assets	7,476,462	1,738,180	-	9,214,642
Additions to non-current assets (other than Financial instruments and deferred tax assets)	2,300,163	28,777	-	2,328,940
Total Liabilities	(3,864,018)	(1,151,168)	(6,310)	(5,021,496)

The segment information for the year ended 31 March 2014 is as follows:

Segment revenue from external customers	5,306,605	4,108,738	-	9,415,343
Adjusted EBITDA	2,273,005	201,531	(395,111)	2,079,425
Depreciation and amortisation	691,053	-	-	691,053
Income tax expense	-	14,868	5,895	20,763
Total Assets	5,145,389	535,940	10,600	5,691,929
Additions to non-current assets (other than Financial instruments and deferred tax assets)	788,252	-	-	788,252
Total Liabilities	(1,389,277)	(893,338)	(1,250)	(2,283,865)

The figures for 31 March 2015 are in the process of being audited.

Notes to the Financial Statements continued

for the year ended 31 March 2015

SEGMENT INFORMATION continued

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

	2015	2014
	\$	\$
Adjusted EBITDA from reportable segments	6,253,012	2,079,425
Depreciation	(127,095)	(96,187)
Amortisation	(758,706)	(594,866)
Interest received	14,353	687
Interest paid	(15,408)	(31,824)
Legal expenses	(430,531)	(84,014)
Directors fees	(200,040)	(195,833)
Professional and Consultancy costs (not attributable to a segment)	(430,531)	(237,032)
Share of profit in equity-accounted investee	22,855	3,331
Other	(473,048)	(68,375)
Profit before income tax	\$3,854,861	\$775,312

The entity is domicile in New Zealand. The result of its revenue from external customers in New Zealand is \$5,510,034 (2014:\$5,306,605), and the total revenue from external customers from other countries is \$14,068,566 (2014: \$4,108,738).

The total non-current assets located in New Zealand is \$5,188,229 (2014: \$3,847,103).

Revenues of approximately \$12,936,107 and \$1,167,439 (2014: \$3,198,409 and \$1,469,214) are derived from two single external customers. The amount attributed to the Australian segment is \$12,936,107 (2014: \$3,198,409).

EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributed to owners of the company by the weighted average number of ordinary shares in issue during the year.

	Group	
	2015	2014
Profit attributable to owners of the company	\$2,682,774	\$754,549
Weighted average number of ordinary shares in issue	8,399,427	8,306,137
Adjusted for share options	-	271,193
Weighted average number of ordinary shares for diluted earnings per share	8,399,427	8,577,330
Basic earnings per share (cents per share)	31.94	9.08
Diluted earnings per share (cents per share)	31.94	8.80

The figures for 31 March 2015 are in the process of being audited.

Notes to the Financial Statements *continued*

for the year ended 31 March 2015

EARNINGS PER SHARE *continued*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

DIVIDENDS PER SHARE

The dividend per share is calculated by multiplying the dividend declared per share attributed to owners of the company by the number of ordinary shares on issue at the record date.

CONTINGENT LIABILITIES

The Group is contingently liable in respect of an all obligations guarantee and indemnity provided over all monies due to the ANZ National Bank Limited.

EVENTS AFTER THE BALANCE DATE

There were no significant events occurring after the balance date (2014: Nil).

The figures for 31 March 2015 are in the process of being audited.

Notes to the Financial Statements continued

for the year ended 31 March 2015

OTHER INFORMATION

A. Dividends

The Directors have resolved not to pay a final Dividend for the 31st March 2015.

B. Net Tangible Assets per Security

	31 March 2015	31 March 2014
Net Tangible Assets	\$330,107	\$21,009
Number of Ordinary Securities	8,595,271	8,314,000
Net Tangible Assets per Ordinary Security	0.04	0.00

C. Audit

The financial statements are in the process of being audited for 31 March 2015.

D. Business Changes

There have not been any other major changes or trends in Finzsoft's business subsequent to year end.

The figures for 31 March 2015 are in the process of being audited.