Finzsoft Solutions Limited

Annual Report | 2014

For the year ended 31 March 2014

finzsoft

your vision + our innovation

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Corporate Directory

Principal Business	Computer software development, sales and support with hosting and SaaS Bureau service
Board of Directors	Brent Impey (Chairman) Andrew Holliday Paul Cook
Registered Office	Northern Steamship Building, Level 2, 122 - 124 Quay Street, Auckland 1010 New Zealand
Auditors	Staples Rodway
Solicitors	Russell McVeagh
Bankers	ANZ National Bank Limited St George Bank Limited
Share Registry	Computershare Limited
Stock Exchange Listing	New Zealand Stock Exchange

Chairman and Managing Director's Report

FY14 Full Year Highlights

Finzsoft has performed strongly for the year ended 31 March 2014, with:
1. An increase in Total Revenue of 7 percent to NZ$9.421 million;
2. An increase in Net Profit after Tax of 88 percent;
3. The delivery of our next generation integrated and platform independent mobile commerce solutions;
in comparison with the financial year ended 31 March 2013.

Finzsoft's performance was achieved against the backdrop of:

- A full takeover offer launched by Holliday Group Holdings (ICT Investments) Limited in the third quarter;
- A change in leadership;
- Continuing our investment of approximately 40% of staff productive hours into internally sponsored Research and Development continuing our commitment to future growth; and
- The announcement that Finzsoft had received the first material work orders from long-term client, St George Bank in Australia to assist with the integration of the Auto and Equipment Finance business of Capital Finance Australia Limited (CFAL) acquired from the Lloyds Banking Group Australia.

Strategic Focus

Finzsoft remains committed to its mission to provide innovative, transformational, scalable products and services. Our Sovereign banking and finance software and solutions are enabling technology that drives behaviour and empowers our customers. The strengths of the solution are its security, auditability, stability, flexibility and scalability. Its rich functionality dramatically improves effectiveness and efficiency through automated and paperless processes.

FY15 and Beyond

Finzsoft Managing Director, Andrew Holliday reconfirmed the company's strategy of focusing on known revenue opportunities in Australia and New Zealand and tightly managing costs, whilst continuing with investment in research and development and growth opportunities in the Asean region.

"To remain a market leader in banking software, Finzsoft continues to invest heavily in research and development of its Sovereign banking software to provide our customers and their customers with the latest financial technology."

FY15 will see Finzsoft continue to actively engage and participate with existing and new customers to:

- Leverage our established and proven banking and finance technology by way of vertical integration within and horizontal integration across customers' business lines;
- Leveraging our current state and future state new generation modules including our mobile commerce suite of products as part of our 'mBank' solution. This technology enables our clients to respond to the key current disruptive trends in banking O2O (Online to Offline), IoT (Internet of Things) and Customer Centricity and to take advantage of the growth opportunities in both the Pre-arranged, Direct and POS customer engagement models; and
- Provide multi-channnel deployment, service and delivery models including both proven On-premise licence, hosted, SaaS and private Cloud models.

Chairman and Managing Director's Report continued

Finzsoft is proud to continue its tradition of thought and technology leadership in developing Future Banking Solutions.

Capital Structure

In order for the Group to meet its' product development and market expansion plans, the Board has resolved it may require a change in Finzsoft's capital structure. To this end, Directors are committed to a plan to materially increase the Company's shareholder base, increase liquidity whilst continuing to examine options including a combination of new equity and debt. The Board has the full support of the Company's majority shareholder to execute these initiatives.

Dividend
The Directors have resolved not to pay a final dividend to shareholders at this time.

Finzsoft has offices in Auckland, Singapore, Malaysia and Australia and employs over 40 staff. Since its launch 25 years ago, the company has become a leading provider of software and solutions for banks and financial institutions in Australasia.

For more information on our activities, please refer to our website http://www.finzsoft.com

B G IMPEY
Chairman

A A Holliday
Managing Director

Auditor's Report to the Shareholders of Finzsoft Solutions Limited

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staplesrodway
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FINZSOFT SOLUTIONS LIMITED

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Finzsoft Solutions Limited ('the Company') and its Subsidiaries (together 'the Group') on pages 7 to 47, which comprise the Statements of Financial Position of the Company and Group as at 31 March 2014, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Company and Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of consolidated financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of consolidated financial statements that give a true and fair view of the matters to which they relate 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or Group.

Auditor's Report to the Shareholders of Finzsoft Solutions Limited continued

staplesrodway
CHARTERED ACCOUNTANTS

Opinion

In our opinion, the consolidated financial statements on pages 7 to 47:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the Company and Group as at 31 March 2014 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993 require us to comment on whether we have obtained all the information and explanations that we have required from the Company and Group and whether we consider that proper accounting records have been kept by the Company and Group.

We have obtained all the information and explanations that we have required.

In our opinion proper accounting records have been kept by the Company and Group as far as appears from our examination of those records.

Staples Rodway

STAPLES RODWAY AUCKLAND
CHARTERED ACCOUNTANTS
AUCKLAND

19 June 2014

Statement of Comprehensive Income

for the year ended 31 March 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
Revenue	4	9,415,343	8,807,111	-	-
Other Income	4	5,184	25,259	290,000	310,099
Total operating revenue		9,420,527	8,832,370	290,000	310,099
Development, servicing and direct costs	4	(5,641,110)	(5,639,717)	(3,389)	(15,997)
Occupancy expense	4	(302,291)	(290,730)	-	-
Depreciation and amortisation	8 & 9	(691,053)	(430,391)	-	-
Sales and marketing expenses		(567,941)	(800,973)	(5,163)	-
Finance expenses	4	(31,824)	(26,262)	-	(62)
Corporate expenses	4	(584,311)	(403,957)	(264,569)	(288,693)
Other operational overheads		(830,016)	(827,754)	(1,861)	(3,228)
Total operating expense		(8,648,546)	(8,419,784)	(274,982)	(307,980)
Profit before income tax expense		771,981	412,586	15,018	2,119
Share of profit of joint venture, net of tax	17	3,331	4,864	-	-
Net Profit before tax		**$775,312**	**$417,450**	**$15,018**	**$2,119**
Less Income tax expense	19	(20,763)	(16,829)	-	(29)
Profit for the year		**$754,549**	**$400,621**	**$15,018**	**$2,090**
Other comprehensive Income:					
Items that are or may be reclassified to profit or loss					
Exchange difference on translating foreign operations		(70,922)	(6,456)	-	-
Other comprehensive income for the year, net of tax		(70,922)	(6,456)	**-**	**-**
Total comprehensive income for the year		**$683,627**	**$394,165**	**$15,018**	**$2,090**

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

	Note	Group 2014	Group 2013
Basic earnings per share (cents per share)	22	9.08	4.83
Diluted earnings per share (cents per share)	22	8.80	4.65
Dividend per share (cents per share)	23	0.00	0.00

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

Statement of Changes in Equity

for the year ended 31 March 2014

GROUP	Note	Share Capital $	Currency Translation reserve $	Share Option reserve $	Retained Earnings $	Total Equity $
Balance at 1 April 2012		$3,950,000	$21,577	$4,948	($1,670,259)	$2,306,266
Comprehensive income						
Profit or loss		-	-	-	400,621	400,621
Other comprehensive income						
Currency translation differences	**12**	-	(6,456)	-	-	(6,456)
Total comprehensive income		-	(6,456)	-	400,621	394,165
Forfeited share option transferred to retained earnings	**11 & 12**	-	-	(2,590)	2,590	-
Transactions with owners						
Employee share option scheme:						
Options issued to employees under employee share option plan	**11 & 12**	-	-	15,997	-	15,997
Total transactions with owners		-	-	15,997	-	15,997
Balance at 31 March 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	**12**	-	(70,922)	-	-	(70,922)
Total comprehensive income		-	(70,922)	-	754,549	683,627
Forfeited share option transferred to retained earnings	**11 & 12**	-	-	(1,833)	1,833	-
Transactions with owners						
Employee share option scheme:						
Options issued to employees under employee share option plan	**11 & 12**	-	-	3,389	-	3,389
Share options exercised	**11**	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**

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

Statement of Changes in Equity continued

for the year ended 31 March 2014

PARENT	Note	Share Capital $	Share Option Reserve $	Retained Earnings $	Total $
Balance at 1 April 2012		**$3,950,000**	**$4,948**	**$384,841**	**$4,339,789**
Comprehensive Income					
Profit or loss		-	-	2,090	2,090
Total comprehensive income		-	-	2,090	2,090
Forfeited share option transferred to retained earnings	**11 & 12**	-	(2,590)	2,590	-
Transactions with owners					
Employee share option scheme:					
Options issued to employees under employee share option plan	**11 & 12**	-	15,997	-	15,997
Total transactions with owners		-	15,997	-	15,997
Balance at 31 March 2013		**$3,950,000**	**$18,355**	**$389,521**	**$4,357,876**
Comprehensive Income					
Profit or loss		-	-	15,018	15,018
Total comprehensive income		-	-	15,018	15,018
Forfeited share option transferred to retained earnings	**11 & 12**	-	(1,833)	1,833	-
Transactions with owners					
Employee share option scheme:					
Options issued to employees under employee share option plan	**11 & 12**	-	3,389	-	3,389
Share options exercised	**11**	4,620	-	-	4,620
Total transactions with owners		4,620	3,389	-	8,009
Balance at 31 March 2014		**$3,954,620**	**$19,911**	**$406,372**	**$4,380,903**

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

Statement of Financial Position

as at 31 March 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
CURRENT ASSETS					
Cash and cash equivalents	**5**	810,652	34,902	2,839	3,491
Trade and other receivables	**6 & 26**	1,024,087	733,097	6,978	5,177
Total current assets		1,834,739	767,999	9,817	8,668
NON-CURRENT ASSETS					
Related party balances	**26**	-	-	1,382,161	1,359,296
Investments unlisted subsidiaries	**7**	-	-	3,000,000	3,000,000
Investment in joint venture	**17**	306,601	303,271	-	-
Property and equipment	**8**	153,447	149,299	-	-
Intangible assets and goodwill	**9**	3,387,055	3,307,641	-	-
Current income tax receivable		10,087	-	-	-
Total non-current assets		3,857,190	3,760,211	4,382,161	4,359,296
Total assets		**5,691,929**	**$4,528,210**	**4,391,978**	**$4,367,964**
CURRENT LIABILITIES					
Trade and other payables	**13 & 26**	1,166,865	1,016,930	11,075	10,088
Unearned revenue	**14**	795,499	354,301	-	-
Provision for employee benefits	**15**	288,371	291,414	-	-
Finance Leases	**16**	33,130	21,901	-	-
Bank & Other Loans	**18**	-	80,000	-	-
Current income tax payable		-	15,684	-	-
Total current liabilities		2,283,865	1,780,230	11,075	10,088
NON-CURRENT LIABILITIES					
Finance Leases	**16**	-	31,552	-	-
Total non-current liabilities		-	31,552	-	-
Total liabilities		**$2,283,865**	**$1,811,782**	**$11,075**	**$10,088**
NET ASSETS		**$3,408,064**	**$2,716,428**	**$4,380,903**	**$4,357,876**
EQUITY					
Ordinary shares	**10**	3,954,620	3,950,000	3,954,620	3,950,000
Other reserves	**12**	(35,890)	33,476	19,911	18,355
Retained earnings		(510,666)	(1,267,048)	406,372	389,521
Total equity		**$3,408,064**	**$2,716,428**	**$4,380,903**	**$4,357,876**

Authorised for issue on the 19 June 2014

B G IMPEY
Chairman

ANDREW HOLLIDAY
Managing Director

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

Statement of Cash Flows

for the year ended 31 March 2014

	Note	Group 2014 $	Group 2013 $	Parent 2014 $	Parent 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		9,168,731	8,755,290	-	-
Interest received	4	687	3,660	-	99
Goods and services tax received		-	-	6,161	(496)
Management fees		-	-	290,000	310,000
		9,169,418	8,758,950	296,161	309,603
Payments to suppliers and employees		(6,904,025)	(7,366,144)	(278,568)	(296,744)
Interest paid	4	(31,824)	(26,262)	-	(62)
Taxation paid		(46,534)	(9,497)	-	(30)
Goods and services tax paid		(511,196)	(590,550)	-	-
		(7,493,579)	(7,992,453)	(278,568)	(296,836)
Net cash generated from operating activities	5	1,675,839	766,497	17,593	12,767
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of equipment		1,656	550	-	-
Purchase of equipment	8	(113,972)	(61,567)	-	-
Investment in intangible assets	9	(674,280)	(760,670)	-	-
Net cash used in investing activities		(786,596)	(821,687)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of Bank and other loans	18	(80,000)	(113,926)	-	-
Repayment of Related party loans		-	-	(22,865)	(22,823)
Repayment of finance lease	16	(20,323)	(19,990)	-	-
Proceeds from exercised share options	11	4,620	-	4,620	-
Net cash used in financing activities		(95,703)	(133,916)	(18,245)	(22,823)
NET INCREASE / (DECREASE) IN CASH and CASH EQUIVALENTS		793,540	(189,106)	(652)	(10,056)
Exchange gains on cash and cash equivalents		(17,790)	(176)	-	-
Cash and cash equivalents at beginning of the year		34,902	224,184	3,491	13,547
Cash and cash equivalents at end of the year	5	**$810,652**	**$34,902**	**$2,839**	**$3,491**

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

Notes to the Financial Statements

for the year ended 31 March 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Finzsoft Solutions Limited ("the Company") and its subsidiaries (together "the Group") is a limited liability company, incorporated and domiciled in New Zealand, registered under the Companies Act 1993, and listed on the New Zealand Stock Exchange (NZX).

Finzsoft Solutions Limited is a reporting entity for the purposes of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

The Group's principal activity is that of computer software development, sale and support which is undertaken in New Zealand and Australia.

There have been no changes to the Group's principal activities during the year.

The financial statements comprise the consolidated financial statements of the Group and the separate financial statements of the parent company.

These Group consolidated financial statements were authorised for issue by the board of directors on 19 June 2014.

Measurement Base

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

Basis of Preparation

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for-profit entities. They also comply with International Financial Reporting Standards. For this purpose the Company and Group is designated as a for-profit entity.

The functional and presentation currency of the parent and the presentation currency of the Group is New Zealand dollars and the financial statements are rounded to the nearest dollar.

Notes to the Financial Statements continued

for the year ended 31 March 2014

2 SPECIFIC ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group has no non-controlling interests in subsidiaries.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration arrangements. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries are the same as those adopted by the Group and the financial statements of subsidiaries are prepared for the same period as those of the Group.

2 SPECIFIC ACCOUNTING POLICIES continued

b) Joint arrangements

The Group has applied NZ IFRS 11 to all joint arrangements as of 1 April 2013. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Adoption of NZ IFRS has had no effect on the financial position, comprehensive income and the cash flows of the Group. The change has had no impact on earnings per share.

c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

d) Property and Equipment

Property and Equipment are measured at historical cost less accumulated depreciation and any impairment loss.

When an item of plant and equipment is disposed of, any gain or loss is recognised in profit or loss and is calculated as the difference between the sale price and the carrying value of the item. Subsequent costs are added to the carrying amount of an item of plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the profit and loss as an expense as incurred.

Depreciation is provided on the straight line method at rates calculated to allocate the cost less estimated residual value over the estimated economic lives of the assets. The current rates of depreciation are as follows:

Office Furniture and Equipment	6.50% to 40.00% SL
Computer Equipment	18.00% to 40.00% SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Notes to the Financial Statements continued

for the year ended 31 March 2014

2 SPECIFIC ACCOUNTING POLICIES continued

e) **Trade and other Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an on-going basis. Individual debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered objective evidence of impairment.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the reversal is recognised in profit or loss.

Subsequent recoveries of amounts written off are recognised in profit or loss.

f) **Trade and other Payables**

These represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

g) **Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with registered banks, and other short term highly liquid investments with original maturities of three months or less.

2 SPECIFIC ACCOUNTING POLICIES continued

h) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss, except to the extent that it relates to items in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rate (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legal enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Financial Statements continued

for the year ended 31 March 2014

i) **SPECIFIC ACCOUNTING POLICIES** continued

i) **Leases**

Finzsoft Solutions (NZ) Limited lease certain plant and equipment and land and buildings.

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the Group are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the lower of the fair value of the leased assets and the present value of the minimum lease payments. Leased assets are amortised over their estimated useful lives. Each lease payment is allocated between the liability and finance charges and the interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.

A provision is recorded for any make good costs. The Company does not currently have any make good provisions.

j) **Goods and Services Taxation**

The financial statements have been prepared exclusive of goods and services taxation. All revenue and expense items are shown net of goods and services tax (GST); and for assets and liabilities, if the GST is recoverable or payable, all items in the statement of financial position are stated net of GST with the exception of trade receivables and payables which are stated with GST included.

k) **Intangible Assets**

i) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group’s share of the identifiable net assets acquired. Goodwill has an indefinite life and is recorded initially at cost (after being amortised on a straight-line basis to 31 March 2005, pre adoption of NZ IFRS) less any accumulated impairment loss. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

2 SPECIFIC ACCOUNTING POLICIES continued

ii) Computer Software

Costs associated with maintaining computer software programmes and research expenditure are recognised as an expense as incurred. Development costs that are directly attributed to the design and testing of identified and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributed to the software product during its development can be reliably measured.

Directly attributed costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives. Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Capitalised computer software	3-5 years

l) Impairment of Non-Financial Assets

Intangible assets with an indefinite useful life, for example goodwill, and intangible assets under development, are not amortised but are tested annually for impairment in accordance with NZ IAS 36. Other assets are subject to annual depreciation or amortisation and are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Financial Statements continued

for the year ended 31 March 2014

2 SPECIFIC ACCOUNTING POLICIES continued

m) **Share Option Plan**

The Group established an employee share option plan offering options to senior management staff. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the options are exercised.

n) **Revenue Recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of the goods or services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of the revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

i) Software licence fee revenue

Revenue from licence fees is recognised on the transferring of significant risks and rewards of the licensed software under an agreement between the company and the customer. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the licences. Licence fees are charged on an annual basis and recognised on delivery as no portion of the fee is refundable.

ii) Implementation, development and consulting services revenue

Implementation and development service revenue attributable to our licensed software is recognised in proportion to the projected total hours of completion. Consulting services revenue is recognised on a percentage completion basis and expenses are recognised when incurred.

iii) Maintenance and support service revenue

Revenue received in relation to the annual maintenance and service portion of customer contracts is initially credited to the liability account called unearned revenue and then the service portion is recognised on a straight line basis over 12 months or the period of the maintenance contract.

iv) Other contracted service revenue

Revenue is recognised following the percentage completion method. Income is deferred to the extent work has not been performed.

Notes to the Financial Statements continued

for the year ended 31 March 2014

2 SPECIFIC ACCOUNTING POLICIES continued

o) Foreign Currencies

i) Functional and presentation currency

At the reporting date, items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in New Zealand dollars (NZD) which is the company's functional and presentation currency and the presentation currency of the Group.

The functional currency of our overseas subsidiary Finzsoft Solutions (Australia) Pty Limited is Australian dollars (AUD).

The financial statements have been rounded to the nearest dollar.

ii) Transactions and balances

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss.

iii) Group companies

As at reporting date, the assets and liabilities of the overseas subsidiary are translated into the presentation currency of Finzsoft Solutions Limited at the rate of exchange ruling at the reporting date and the profit and loss is translated at the weighted average exchange rates for the period.

The exchange differences arising on the translation are recognised in a separate reserve in equity.

p) Employee entitlement

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and measured at the rates paid or payable. The Group pays contributions to defined contribution superannuation plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

Notes to the Financial Statements continued

for the year ended 31 March 2014

2 SPECIFIC ACCOUNTING POLICIES continued

q) **Financial Instruments**

Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

i) Financial assets at fair value through profit or loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance date, otherwise they are classified as non-current assets.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

The Group's loans and receivables comprise cash and cash equivalents, trade and other receivables and related party balances.

iii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

The Group does not have any financial assets classified as held to maturity.

2 SPECIFIC ACCOUNTING POLICIES continued

iv) Available for sale financial assets

Available for sale financial assets are non-derivatives, principally equity securities, that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

The Group does not have any financial assets classified as available for sale.

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value and transaction costs are expensed in profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income, except for foreign exchange movements on monetary assets, which are recognised in profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Notes to the Financial Statements continued

for the year ended 31 March 2014

2 SPECIFIC ACCOUNTING POLICIES continued

Financial Liabilities

Other financial liabilities

This category includes all financial liabilities other than those designated as fair value through profit or loss. Liabilities in this category are initially measured at fair value less transaction costs and thereafter carried at amortised cost.

These include:

Trade and other payables.

These amounts represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables as usually paid within 30 days, they are carried at face value.

r) **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or 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.

Changes in Accounting Policies

i) New and amended standards adopted by the Group.

- Amendment to NZ IAS 1*, ‘Financial statement presentation’* regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment also clarifies that when an entity produces an additional balance sheet as required by NZ IAS 8, no notes are required to support this balance sheet. Some of the existing disclosures have been slightly modified as a result of these amendments.

- NZ IFRS 13 ‘*Fair Value Measurement’ – Effective* 1 January 2013. IFRS 13 defines fair value and provides a single source of fair value measurement and disclosure requirements for use across all NZ IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other NZ IFRS. It has had no material impact on the Group or company’s financial statements.

- NZ IFRS 10 ‘*Consolidated Financial Statements’* replaces NZ IAS 27 *‘Separate Financial Statements’* and NZ SIC-12 ‘*Consolidation – Special Purpose entities’.* It has been issued concurrently with:

  - NZ IFRS 11 *‘Joint Arrangements’* (see below)

  - NZ IFRS 12 *‘Disclosure of Interests in Other Entities”*(see below)

- NZ IFRS 27 (revised 2011) – this includes amendments for the issue of NZ IFRS 10, but retains the current guidance for separate financial statements
- NZ IAS 28 *'Investments in Associates and Joint ventures'* (revised 2011) – this has been amended for conforming changes based on the issue of NZ IFRS 10 and NZ IFRS 11.

  Each of these standards is effective from 1 January 2013.

The object of NZ IFRS 10 is to establish control as the single basis for consolidation for all entities, regardless of the nature of the investee. The definition of control includes three elements – power over an investee, exposure or rights to variable returns of the investee, and the ability to use power over the investee to affect the investor's returns. The adoption of NZ IFRS 10 has had no impact on the Group.

- NZ IFRS 11 *'Joint Arrangements'* supersedes NZ IAS 31 '*Interests in Joint ventures"* and NZ SIC-13 *'Jointly Controlled Entities – Non-Monetary Contributions by Venturers* - applicable from 1 January 2013.

  NZ IFRS 11 classifies joint arrangements as either joint operations or joint ventures. The determination of whether a joint arrangement is a joint operation or a joint venture is based on the parties' rights and obligations under the arrangement.

  - A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. Joint operators recognise their assets, liabilities, revenue and expenses in relation to their interest in the joint operation.
  - 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 arrangement. NZ IFRS 11 requires the use of the equity method of accounting for interests in joint ventures.

  The adoption of NZ IFRS 11 has had no material impact on the Group. Any impact has been to presentation only.

- NZ IFRS 12 *'Disclosure of Interests in Other Entities'* – applicable from 1 January 2013. It applies to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. It establishes disclosure objective and specifies minimum disclosures that an entity must provide to meet those objectives. In general, it requires an entity to disclose information that helps users of its financial statements evaluate the nature of, and risks associated with, its interests in other entities, and the effects of those interests on its financial statements.

  The adoption of NZ IFRS 12 has had no material impact on the Group.

ii) New and amended standards, and interpretations issued but not effective for the financial year beginning 1 April 2013 and not early adopted by the Group

- NZ IFRS 9 *'Financial Instruments*' is applicable for annual periods beginning on or after 1 January 2017. Earlier application is permitted. NZ IFRS 9 is part of the IASB's project to replace NZ IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces amended requirements for classifying and measuring financial assets and financial liabilities. Management is still assessing the impact that the adoption of NZ IFRS 9 will have.

Comparative Information

No changes have been made to the comparative information.

Notes to the Financial Statements continued

for the year ended 31 March 2014

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with New Zealand Equivalents to International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires the company to exercise its judgement in the process of applying the company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, will seldom equal the related actual results.

The estimates and assumptions used in the current period are unlikely to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The critical accounting estimates and assumptions relating to the company are as follows:

Intangible assets and goodwill

The carrying value of intangible assets under development and goodwill are subject to an annual impairment test to ensure the carrying value does not exceed the recoverable amount at reporting date. Other intangible assets are reviewed annually for indicators of impairment. For the purpose of impairment testing, intangible assets and goodwill are allocated to individual cash-generating units to which they relate. Any impairment losses are recognised in the profit and loss.

In determining the recoverable amount, the Company uses a valuation model to calculate the present value of expected future cash flows of the cash-generating units, discounted at the Company's weighted average cost of capital. The major inputs and assumptions that are used in the model that require management judgement includes sales forecast (new sales and project work), the employment of new staff to match expected project work, discount rates and the market price of Sovereign software for new sales, (refer note 9).

Deferred Tax Asset

The Group has not recorded a deferred tax asset on its statement of financial position as at 31 March 2014 and 2013.

Significant judgement is required in determining if the utilisation of these deferred tax assets is probable. In determining if the utilisation of the deferred tax assets is probable the Directors have reviewed detailed forecasts of future earnings of the Group. All temporary timing differences and unused tax losses have not been recognised (refer note 19).

Notes to the Financial Statements continued

for the year ended 31 March 2014

4 REVENUES AND EXPENSES

a) Revenue

	Group		Parent	
	2014 $	2013 $	2014 $	2013 $
REVENUE				
Software licence fees	2,230,781	3,136,367		
Implementation, development and consulting	5,623,728	4,269,386	-	-
After hours support services	281,590	211,964	-	-
Hosting fees	1,056,408	946,498		
Other contracted services	222,836	242,896	-	-
	$9,415,343	**$8,807,111**	**$-**	**$-**
OTHER INCOME				
Interest received	687	3,660	-	99
Management fees	-	-	290,000	310,000
Foreign currency exchange gain	4,497	21,599	-	-
	$5,184	**$25,259**	**$290,000**	**$310,099**
b) Expenses				
FINANCE EXPENSE				
Interest paid	31,824	26,262	-	62
	$31,824	**$26,262**	**$-**	**$62**
CORPORATE EXPENSE				
Audit fees				
- Audit of the financial statements	37,430	61,002	10,000	30,731
Director fees	195,833	225,000	195,833	225,000
Legal fees	84,014	21,352	28,734	5,878
Professional and Consultancy costs (note 26)	237,032	73,090	-	3,571
Stock exchange fees	21,450	18,990	21,450	18,990
Other expenses	8,552	4,523	8,552	4,523
	$584,311	**$403,957**	**$264,569**	**$288,693**
c) Other expense items requiring separate disclosure				
Employee benefits – Salaries & wages	4,720,777	4,654,700	-	-
Included in employee benefits				
- Research and development expenses not capitalised	225,708	310,293	-	-
- Share options expense	3,389	15,997	3,389	15,997
- Contributions to defined contribution plans	141,599	112,004	-	-
Rental	207,866	232,712	-	-

Notes to the Financial Statements continued

for the year ended 31 March 2014

5 CASH AND CASH EQUIVALENTS

a) Cash is defined to include the following

	Group		Parent	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Cash at bank and on hand	210,385	34,559	2,839	3,491
Short-term bank deposits	600,267	343	-	-
	$810,652	**$34,902**	**$2,839**	**$3,491**

Cash at bank are the operating bank accounts earning no interest. The short-term bank deposit accounts are at call or made for varying periods between one day and six months depending on the cash requirements of the company and earn interest at the respective bank deposit rates. The fair value of cash and cash equivalents at 31st March 2014 and 2013 are their carrying values.

b) Reconciliation of net operating cash flows to profit for the year

	Group		Parent	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Profit for the year	754,549	400,621	15,018	2,090
Adjustments for non-cash items				
Depreciation & amortisation	691,053	430,391	-	-
Share options	3,389	15,997	3,389	15,997
Loss on sale of fixed asset	11,982	23,721	-	-
Share of profit of equity-accounted investee	(3,331)	(4,864)	-	-
Foreign currency exchange gain	(53,132)	(6,281)	-	-
Changes in assets and liabilities				
(Increase) / decrease in assets				
Trade receivable	(311,860)	25,246	-	-
Prepayments	28,124	(97,980)	-	-
Current income tax assets and liabilities	(25,771)	7,333	-	-
(Decrease) / increase in liabilities				
Trade payable	142,681	(79,520)	(814)	(5,320)
Unearned revenue	441,198	17,035	-	-
Provisions for employee benefits	(3,043)	34,798	-	-
Net operating cash flows	**$1,675,839**	**$766,497**	**$17,593**	**$12,767**

5 CASH AND CASH EQUIVALENTS continued

A deed of security dated 16 November 2000 is held by ANZ National Bank Ltd on behalf of New Zealand Stock Exchange. This is held against Finzsoft Solutions Limited bank funds to the value of $5,000.

Finzsoft Solution Limited, the parent, and Finzsoft Settlements Limited, a subsidiary, granted a General Security Agreement dated 27 March 2009 in favour of ANZ National Bank Ltd to cover the existing overdraft facility, flexible credit facility and the flexible rate term loan.

A Cross Guarantee and Indemnity for the benefit of ANZ National Bank Ltd was signed, in March 2009, between Finzsoft Solutions (Australia) Pty Ltd and Finzsoft Solutions Ltd, Finzsoft Solutions (New Zealand) Ltd and Finzsoft Settlements Ltd.

The Group has an overdraft facility of $40,000 with ANZ National Bank Ltd. Interest on the overdraft facility is charged on a daily basis and payable monthly in arrears. Interest is charged at the applicable rate as determined by the bank from time to time. At the date of the agreement the overdraft interest rate was 11.7%. At balance date none of the facility (2013:$Nil) had been drawn down.

The Group has a flexible credit facility of $660,000 with ANZ National Bank Ltd. The facility may be drawn down in tranches up to the agreed limit for a monthly period as determined. Interest is charged on the daily balance of each tranche drawn at a fixed rate quoted and advised by the Bank on the interest determination date as being the Bank's cost of funding that tranche plus a margin of 2% (2013: 2% above the Bank's cost of funding). Interest is payable monthly in arrears on the last day of each month. The facility is repaid at the end of each determined funding period. At balance date $Nil (2013: $80,000) had been drawn down on this facility (ref note 18).

6 TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
Trade Receivables due by related parties (ref note 26d)	220,092	3,333	-	-
Other Trade Receivables	648,625	553,524	-	-
Goods and services tax	12,431	5,177	6,978	5,177
Prepayments	142,939	171,063	-	-
	$1,024,087	**$733,097**	**$6,978**	**$5,177**

7 INVESTMENTS - UNLISTED SUBSIDIARIES

	Parent		Reporting	Country of
	2014	2013	Date	Incorporation
Finzsoft Solutions (NZ) Limited	100 %	100 %	31 March	New Zealand
Computer software development, sales and support				
Finzsoft Solutions (Australia) Pty Limited	100 %	100 %	31 March	Australia
Computer software development, sales and support				
Finzsoft Settlements Limited	100 %	100 %	31 March	New Zealand
Computer software development, sales and support				

Notes to the Financial Statements continued

for the year ended 31 March 2014

8 PROPERTY AND EQUIPMENT

	Computer equipment $	Office furniture and equipment $	Total $
Balance at 1st April 2012			
Cost	1,711,813	162,354	1,874,167
Accumulated Depreciation	(1,542,924)	(111,070)	(1,653,994)
Net book amount	**$168,889**	**$51,284**	**$220,173**
Year ended 31st March 2013			
Opening net book amount	168,889	51,284	220,173
Additions	61,567	-	61,567
Disposals	(24,270)	-	(24,270)
Depreciation charged	(97,637)	(10,534)	(108,171)
Closing net book amount	**$108,549**	**$40,750**	**$149,299**
Balance at 31st March 2013			
Cost	914,574	162,354	1,076,928
Accumulated depreciation	(806,025)	(121,604)	(927,629)
Net book amount	**$108,549**	**$40,750**	**$149,299**
Year ended 31st March 2014			
Opening net book amount	108,549	40,750	149,299
Additions	59,381	54,591	113,972
Disposals	-	(13,637)	(13,637)
Depreciation charged	(83,883)	(12,304)	(96,187)
Closing net book amount	**$84,047**	**$69,400**	**$153,447**
Balance at 31st March 2014			
Cost	964,655	104,225	1,068,880
Accumulated depreciation	(880,608)	(34,825)	(915,433)
Net book amount	**$84,047**	**$69,400**	**$153,447**

Notes to the Financial Statements continued

for the year ended 31 March 2014

9 INTANGIBLE ASSETS AND GOODWILL

GROUP	Goodwill	Internally generated software development	Total
	$	$	$
Balance at 1st April 2012			
Cost	2,683,485	1,679,997	4,363,482
Accumulated impairment		(10,931)	(10,931)
Accumulated amortisation	(1,073,392)	(409,968)	(1,483,360)
Net carrying amount	**$1,610,093**	**$1,259,098**	**$2,869,191**
Year ended 31st March 2013			
Opening net carrying amount	1,610,093	1,259,098	2,869,191
Additions	-	760,670	760,670
Amortisation charge	-	(322,220)	(322,220)
Closing net carrying amount	**$1,610,093**	**$1,697,548**	**$3,307,641**
Balance at 31st March 2013			
Cost	2,683,485	2,429,736	5,113,221
Accumulated amortisation	(1,073,392)	(732,188)	(1,805,580)
Net carrying amount	**$1,610,093**	**$1,697,548**	**$3,307,641**
Year ended 31st March 2014			
Opening net carrying amount	1,610,093	1,697,548	3,307,641
Additions	-	674,280	674,280
Amortisation charge	-	(594,866)	(594,866)
Closing net carrying amount	**$1,610,093**	**$1,776,962**	**$3,387,055**
Balance at 31st March 2014			
Cost	2,683,485	3,104,016	5,787,501
Accumulated amortisation	(1,073,392)	(1,327,054)	(2,400,446)
Net carrying amount	**$1,610,093**	**$1,776,962**	**$3,387,055**

Notes to the Financial Statements continued

for the year ended 31 March 2014

9 INTANGIBLE ASSETS AND GOODWILL continued

Impairment testing of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (k).

Goodwill is allocated to the Group's cash-generating units (CGU's) identified according to operating segment. An operating segment-level summary of the goodwill is presented below.

GROUP	2014	2013
	Goodwill	Goodwill
New Zealand	816,444	816,444
Australia	793,649	793,649
Rest of World	-	-
Net carrying amount	**$1,610,093**	**$1,610,093**

The recoverable amount for the above cash generating units have been determined on a value in use calculation using cash flow projections on financial budgets approved by senior management covering a 5 year period and a discount rate of 16.9% (2013: 8.4%). Cash flows for the five year period and beyond have been extrapolated using a 5% growth rate for the first year and 2% thereafter (2013: 5% growth rate for the first year and 2% thereafter).

If impairment of goodwill is identified, it is first recognised by reducing the carrying amount of goodwill, then by reducing the carrying amounts of the other assets on a pro-rata basis.

The above estimates are sensitive in the following areas:

- An increase of 2% (from 16.9% to 18.9%) in the discount rate used would still not have generated impairment.
- A 10% decrease in planned cash flows over the five year period would still not have generated impairment.

10 SHARE CAPITAL

The total number of authorised and issued ordinary shares is 8,314,000 shares (2013: 8,300,000) with a total value of $3,954,620 (2013: $3,950,000). There is only one class of share and all issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, and rank equally with regard to the Company's residual assets.

Fourteen thousand (14,000) ordinary shares were issued as a result of the exercise of vested options arising from the 2012 option programme granted to key management (2013: Nil). Options were exercised at a rate of $0.33 per option.

Reconciliation of Share Capital

	Parent	
	2014	2013
Balance at beginning of year	8,300,000	8,300,000
Share options exercised	14,000	0
Balance at end of year	8,314,000	8,300,000

11 SHARE BASED PAYMENTS

During the year ended 31 March 2011, Directors established an employee share options plan and the Company had a share-based payment arrangement as follows:

Employee Share option plan

During the year ended 31 March 2013 the following share-based payment arrangement have been issued:

Grant date:	30 June 2012
Number of options granted:	120,000
Contractual life:	options terminate on cessation of employment
Vesting conditions:	1 year 5 months

The estimated fair value of each share option granted for 2013 was $0.06. This was calculated by applying a Black-Scholes option pricing model. The model inputs were the share price at grant date of $0.36, exercise price of $0.38, expected volatility of 30%, based on average share movements for the year, no expected dividends, contractual life of one year five months, and a risk-free interest rate of 8.5 %.

During the year ended 31 March 2012 the following share-based payment arrangement have been issued:

Grant date:	30 June 2011
Number of options granted:	200,000
Contractual life:	options terminate on cessation of employment
Vesting conditions:	1 year 5 months

The estimated fair value of each share option granted for 2012 was $0.06. This was calculated by applying a Black-Scholes option pricing model. The model inputs were the share price at grant date of $0.33, exercise price of $0.33, expected volatility of 30%, based on average share movements for the year, no expected dividends, contractual life of one year five months, and a risk-free interest rate of 8.5 %.

During the year ended 31 March 2011 the following share-based payment arrangement were issued:

Grant date:	30 June 2010
Number of options granted:	249,000
Contractual life:	options terminates on cessation of employment
Vesting conditions:	1 year 5 months

The estimated fair value of each share option granted for 2011 was $0.04. This was calculated by applying a Black-Scholes option pricing model. The model inputs were the share price at grant date of $0.20, exercise price of $0.20, expected volatility of 30%, based on average share movements for the year, no expected dividends, contractual life of one year five months, and a risk-free interest rate of 8.5 %.

Notes to the Financial Statements continued

for the year ended 31 March 2014

11 SHARE BASED PAYMENTS continued

Further details of the share option plan are as follows:

	Group & Parent 2014		Group & Parent 2013	
	Number of Options	Weighted average Exercise Price	Number of Options	Weighted average Exercise Price
Outstanding at beginning of year	312,709	0.26	239,909	0.26
Granted during the year		-	120,000	0.38
Prior year options forfeited	(27,516)	0.34	(47,200)	0.24
Current year options forfeited	-	-	-	-
Prior year options exercised	(14,000)	0.33	-	-
Outstanding at end of year	271,193	0.31	312,709	0.31
Exercisable at end of year	Nil		Nil	

	2014	2013
Expense arising from share option plans	$3,389	$15,997

During the 2014 and 2013 years employees, who had previously had been issued with options, resigned. Under the terms of the employee share option plan their entitlement to these options was forfeited.

Notes to the Financial Statements continued

for the year ended 31 March 2014

12 OTHER RESERVES

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
Share Option reserve				
Opening balance	18,355	4,948	18,355	4,948
Options issued during year	3,389	15,997	3,389	15,997
Forfeited & transferred to retained earnings	(1,833)	(2,590)	(1,833)	(2,590)
Total Share option reserve	19,911	18,355	19,911	18,355
Foreign currency translation reserve				
Opening balance	15,121	21,577	-	-
Currency translation difference recorded in other comprehensive income	(70,922)	(6,456)	-	-
Total Foreign currency translation reserve	(55,801)	15,121	-	-
Total Other Reserves	**($35,890)**	**$33,476**	**$19,911**	**$18,355**

13 TRADE AND OTHER PAYABLES

Trade Payables due to related parties (ref note 26d)	95,942	112,126	-	-
Other Trade Payables	262,805	322,623	575	438
Goods and services tax	231,474	93,057	-	-
Accrued expenses	576,644	489,124	10,500	9,650
	$1,166,865	**$1,016,930**	**$11,075**	**$10,088**

14 UNEARNED REVENUE

Unearned revenue	795,499	354,301	-	-
	$795,499	**$354,301**	**$-**	**$-**

15 PROVISION FOR EMPLOYEE BENEFITS

Annual leave	253,408	256,795	-	-
Long service leave	34,963	34,619	-	-
	$288,371	**$291,414**	**$-**	**$-**

Notes to the Financial Statements continued

for the year ended 31 March 2014

16 FINANCE LEASE

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
Gross finance leases	35,023	59,027	-	-
Less unexpired interest	(1,893)	(5,574)	-	-
	33,130	53,453	-	-
Less finance lease (current portion)	(33,130)	(21,901)	-	-
Finance lease (non-current portion)	**$-**	**$31,552**	**$-**	**$-**
Minimum lease payments:				
Not later than 1 year	33,130	21,901	-	-
Later than 1 year & not later than 5 years	-	31,552	-	-
	$33,130	**$53,453**	**$-**	**$-**

Property and equipment includes the following amounts where the Group is lessee under a finance lease:

Computer equipment at cost				
- capitalised finance lease	64,567	64,567	-	-
Accumulated depreciation	(53,806)	(27,979)	-	-
Net book value	10,761	36,588	-	-
Office furniture and equipment				
- capitalised finance lease	10,695	10,695	-	-
Accumulated depreciation	(2,995)	(1,731)	-	-
Net book value	7,700	8,964	-	-
Total net book value	**$18,461**	**$45,552**	**$-**	**$-**

The finance leases are secured over specific computer and office equipment with interest rates on the outstanding lease agreements of between 7.85% and 16.05% (2013: between 7.85% and 16.05%). This rate is fixed through the life of the lease. The term of the lease is over a period of 36 months.

Notes to the Financial Statements continued

for the year ended 31 March 2014

17 JOINT VENTURE

The Group has a 50 per cent equity shareholding (2013: 50%) with equivalent voting power in NZ Bureau Limited, a joint arrangement requiring unanimous consent for decisions concerning the relevant activities, established in New Zealand on the 29th March 2012. At reporting date the joint arrangement had no commitments for capital expenditure (2013: $83,003). The Group's share of this commitment is $Nil (2013:$41,501). The entity has a March balance date.

The Group's share of profit in its equity accounted investee, NZ Bureau Limited, for the year was $3,331 (2013: $4,864).

Summary financial information for equity accounted investees is as follows:

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
Current assets	696,241	396,751	-	-
Non-Current Assets	352,228	414,707	-	-
Total Assets	**$1,048,469**	**$811,458**	**$-**	**$-**
Current Liabilities	435,265	204,916	-	-
Non-Current Liabilities	-	-	-	-
Total Liabilities	**$435,265**	**$204,916**	**$-**	**$-**
Net Assets	**$613,204**	**$606,542**	**S-**	**S-**
Income	1,769,137	1,622,448	-	-
Expenses	1,754,551	1,608,938	-	-
Profit after tax	**$6,663**	**$9,728**	**$-**	**$-**
Groups share of net assets	**$306,601**	**$303,271**	**$-**	**$-**
Carrying amount	**$306,601**	**$303,271**	**$-**	**$-**
Groups share of profit after tax	**$3,331**	**$4,864**	**$-**	**$-**

Notes to the Financial Statements continued

for the year ended 31 March 2014

18 BANK AND OTHER LOANS

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
ANZ flexible facility loan	-	80,000	-	-
	$-	**$80,000**	**$-**	**$-**

The ANZ flexible facility loan has a limit of $660,000. Interest is payable monthly from draw down at a margin of 2% above the Bank's Reference Rate (2013: 2% above the Bank's Reference Rate).

19 CURRENT INCOME TAX LIABILITY AND EXPENSE

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
a) Profit and loss				
The income tax expense consists of:				
Current income tax	20,763	16,829	-	29
Deferred income tax	-	-	-	-
	$20,763	**$16,829**	**$-**	**$29**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
Profit before tax expense	779,274	417,450	15,018	2,119
Tax calculated at domestic tax rates applicable to profits in the respective countries	218,197	116,886	4,205	593
Expenses not deductible for income tax purposes	18,811	7,206	8,994	4,479
Under provision of prior year	3,016	4,556	-	-
Corporate Tax rate variance with Australia @ 30c	991	816	-	-
Corporate Tax rate variation with Singapore @ 17c	(10,659)	-	-	-
Deferred tax asset from temporary differences not booked	(16,598)	18,180	98	378
Taxation Losses utilised	(192,995)	(130,815)	(13,297)	(5,421)
Income tax expense	**$20,763**	**$16,829**	**$-**	**$29**

19 CURRENT INCOME TAX LIABILITY AND EXPENSE continued

b) Deferred Tax

The following deferred tax assets and liabilities have not been recognised

	Tax Losses	Provision	Other	Total
Deferred tax assets and liabilities				
Balance at 31 March 2014	**$8,313**	**$88,392**	**$14,172**	**$110,877**
Balance at 31 March 2013	**$201,308**	**$99,339**	**$3,826**	**$304,473**

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Directors believe the Group will have future taxable profits based on its profit projections. However a conservative approach has been taken not to recognise deferred tax assets of $8,313 (2013: $201,308) in respect of losses amounting to $29,688 (2013: $718,959) that can be carried forward against future taxable income. The ability to utilise these tax benefits depends on the generation of sufficient assessable income, and the statutory requirement for shareholder continuity being met. In addition, a deferred tax asset relating to temporary differences of $102,564 (2013: $103,165) has not been recognised.

c) Imputation Credits

	Group		Parent	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Balance at beginning of year	8,835	15,255	2,166	2,136
Tax payments, net of refunds	(6,784)	(7,152)	-	-
RWT on interest received	264	732	-	30
Credits Converted to losses	-	-	-	-
Balance at end of year	**$2,315**	**$8,835**	**$2,166**	**$2,166**

Imputation credits available to shareholders		
Through the company	2,166	2,166
Through subsidiaries	149	6,669
Balance at end of year	**$2,315**	**$8,835**

Notes to the Financial Statements continued

for the year ended 31 March 2014

20 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Credit Risk

Credit risk is defined as the risk a loss will be incurred if the counter party to a transaction does not fulfil its financial obligation. The Group concentration of credit risk is stated below. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with registered banks, as well as credit exposure to registered banks and financial institutions, including outstanding trade and other receivables. For registered banks, only independently rated parties with a minimum rating of 'AA' are accepted. For financial institutions, the majority are independently rated 'BB' or above. If there is no independent rating, risk control assesses the credit quality of those customers taking into account their financial position, past experiences and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Maximum exposure to credit risk at the reporting date are the carrying amounts of financial assets:

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
Cash and cash equivalents	810,652	34,902	2,839	3,491
Trade receivables due by related parties (ref note 26d)	220,092	3,333	-	-
Other Trade receivables	648,625	553,524	-	-
Related party balance	-	-	1,382,161	1,359,296

The above maximum exposures are net of any recognised impairment losses on these financial instruments.

Concentrations of Credit Risk

The Group's two largest customers accounted for 43% and 42% trade accounts receivable at 31 March 2014 and 31 March 2013 respectively. The Group at the reporting date holds 87% (2013: 79%) of cash with one registered bank.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments. Consolidated cash flow forecasting is performed for all operating entities in the Group. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient head-room on its undrawn committed borrowings (note 5) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on its borrowing facility. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance.

Surplus cash held by operating entities over and above balance required for working capital management are invested in term deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. Refer to note 5 for breakdown between cash on hand and cash on deposit.

Notes to the Financial Statements continued

for the year ended 31 March 2014

20 FINANCIAL RISK MANAGEMENT continued

The table below analyses the Group's and Parent's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

GROUP

Balance at 31 March 2014	**Carrying Value $**	**Gross Nominal Outflow $**	**Less than 3 months $**	**Between 3 months and 1 year $**	**Between 1 and 2 years $**	**Between 2 and 5 years $**
Finance lease liabilities	33,130	35,023	6,444	28,579	-	-
Trade payables due to related parties (ref note 26d)	95,942	95,942	95,942	-	-	-
Other trade payables	494,279	494,279	494,279			
	$623,351	**$625,244**	**$596,665**	**$28,579**	**$-**	**$-**
PARENT						
Trade and other payables	$575	$575	$575	**$-**	**$-**	**$-**

GROUP

Balance at 31 March 2013	**Carrying Value $**	**Gross Nominal Outflow $**	**Less than 3 months $**	**Between 3 months and 1 year $**	**Between 1 and 2 years $**	**Between 2 and 5 years $**
Bank loans (ex finance lease liabilities)	80,000	80,000	80,000	-	-	-
Finance lease liabilities	53,453	59,027	4,919	14,757	36,592	2,759
Trade payables due to related parties (ref note 26d)	112,126	112,126	112,126	-	-	-
Other trade payables	415,680	415,680	415,680			
	$661,259	**$666,833**	**$612,725**	**$14,757**	**$36,592**	**$2,759**
PARENT						
Trade and other payables	$575	$575	$575	**$-**	**$-**	**$-**

Market Risk

Interest Rate Risk

Interest rate risk is the risk of loss to the Group arising from changes in interest rates. The Group policy is to maintain minimal borrowings in fixed rate instruments (see note 18) and therefore any interest rate movement impact is minor. Excess funds are held in interest paying deposit accounts.

The Group is exposed to interest rate risk in that future interest rate movements will affect the market value of cash held. The Group policy is to have minimal exposure to interest rate risk on cash held as they are held on short term maturity terms.

Notes to the Financial Statements continued

for the year ended 31 March 2014

20 FINANCIAL RISK MANAGEMENT continued

Foreign Exchange Rate Risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from change in the measurement of exchange rate between transaction date and settlement date, primarily with respect to the Australian dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities.

The Group treasury risk management policy is to hedge when the market outlook is for the Australian/New Zealand cross rate to strengthen. It has been assessed that this is unlikely in the short term.

- up to 50% of anticipated cash flows for the next 90 days, and
- up to 25% of anticipated cash flows between 90 and 180 days

If greater than A$50,000 projected Australian client sales.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from net assets of the Group's foreign operations is managed primarily through regular repatriation of excess bank funds to New Zealand.

At 31 March 2014, if the Australian currency had weakened (to 0.8893: 2013 to 0.7500) or strengthened (to 0.9829: 2013 to 0.8290) by 5% against the NZ dollar with all other variables held constant, post tax profit for the year would have been NZ$43,000 (2013: NZ$38,000) higher or lower mainly as a result of foreign exchange gains or losses on translation of Australian dollar denominated trade receivables and foreign exchange gains / losses on translation of Australian dollar denominated trade payables.

There were no forward cover contracts at the reporting date for the 2014 and 2013 years.

Maximum exposures to foreign currency risk at reporting date are:

	Group	
	2014	2013
Current assets		
New Zealand dollar equivalents of amounts receivable and cash held in foreign currencies which are not effectively hedged:		
Australian dollars	$528,570	$175,073
Current liabilities		
New Zealand dollar equivalents of amounts payable in foreign currencies which are not effectively hedged:		
Australian dollars	$317,841	$101,469

20 FINANCIAL RISK MANAGEMENT continued

The fair value of financial instruments approximates their carrying value (refer specific accounting policies e and f) as these are short term, carried at market interest rates and receivables are subject to impairment.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, reserves and retained earnings of the Group. The board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

Currently management is discussing alternatives for extending the Group's share option programme beyond key management and other senior employees; at present other employees are awarded share appreciation rights and participate in an employee share purchase programme (ref note11).

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital above 20%; in 2014 the return was 21.95% (2013: 15.12%). In comparison the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 7.22% (2013: 8.92%).

21 SEGMENT INFORMATION

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

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

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

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

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

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

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

Notes to the Financial Statements continued

for the year ended 31 March 2014

21 SEGMENT INFORMATION continued

The segment information for the year ended 31 March 2014 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	5,306,605	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 segment information for the year ended 31 March 2013 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	5,134,392	3,672,719	-	8,807,111
Adjusted EBITDA	1,443,868	323,291	(492,556)	1,274,603
Depreciation and amortisation	430,391	-	-	430,391
Income tax expense	30	16,799	-	16,829
Total Assets	4,363,349	146,220	18,641	4,528,210
Additions to non-current assets (other than Financial instruments and deferred tax assets)	822,237	-	-	822,237
Total Liabilities	(1,389,474)	(414,068)	(8,240)	(1,811,782)

Notes to the Financial Statements continued

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21 SEGMENT INFORMATION continued

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

	2014	2013
	$	$
Adjusted EBITDA from reportable segments	2,079,425	1,274,603
Depreciation and amortisation	(96,187)	(108,171)
Amortisation	(594,866)	(322,220)
Interest received	687	3,660
Interest paid	(31,824)	(26,262)
Legal expenses	(84,014)	(21,352)
Directors fees	(195,833)	(225,000)
Professional and Consultancy costs (not attributable to a segment)	(237,032)	(67,407)
Share of profit in equity-accounted investee	3,331	4,864
Other	(68,375)	(95,256)
Profit before income tax	**$775,312**	**$417,450**

The entity is domiciled in New Zealand. The result of its revenue from external customers in New Zealand is $5,306,605 (2013: $5,134,392), and the total revenue from external customers from other countries is $4,108,738 (2013: $3,672,719).

The total of non-current assets located in New Zealand is $3,861,152 (2013: $3,760,211).

Revenues of approximately $3,198,409 and $1,469,214 (2013: $2,155,317 and $1,800,247) are derived from two single external customers. The amount attributable to the Australian segment is $3,198,409 (2013: $2,155,317).

22 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	
	2014	2013
Profit attributable to owners of the company	$754,549	$400,621
Weighted average number of ordinary shares in issue	8,306,137	8,300,000
Adjusted for share options	271,193	312,709
Weighted average number of ordinary shares for diluted earnings per share	8,577,330	8,612,709
Basic earnings per share (cents per share)	9.08	4.83
Diluted earnings per share (cents per share)	8.80	4.65

Notes to the Financial Statements continued

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22 **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.

23 **DIVIDENDS PER SHARE**

No dividends have been paid for the 2014 or 2013 year.

24 **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 (ref note 5).

25 **COMMITMENTS**

In respect of its interest in a joint venture (ref note 18), the joint venture is committed to incur capital expenditure of $Nil (2013: $83,003), of which the Group's share of this commitment is $Nil (2013: $41,501). The Group is itself not committed to incur any capital expenditure as at reporting date.

The Group is committed under a deed of lease for premises as follows:

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
Premises				
Not Later than 1 year	179,608	163,887	-	-
Later than 1 year & not later than 5 years	134,709	-	-	-
	$314,317	**$163,887**	**$-**	**$-**

The company entered into a new lease in October 2013 and moved premises in December 2013. The lease is for a two year term expiring on 2 December 2015.

A tenancy agreement for premises in Singapore expired on 14 August 2013 and was not renewed.

The Group is committed under finance leases, refer to note 16.

In respect of its interest in a joint venture (ref note 17) the joint venture is committed under a deed of lease for premises and data centre contracts. The Groups share of this commitment is as follows:

25 COMMITMENTS continued

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
Premises				
Not Later than 1 year	184,440	185,550	-	-
Later than 1 year & not later than 5 years	58,167	240,274	-	-
	$242,607	**$425,824**	**$-**	**$-**

The premises are leased from New Zealand Association of Credit Union and is subject to their tenancy arrangement.

26 RELATED PARTY DISCLOSURES

a) Balance

	Group		Parent	
	2014	2013	2014	2013
	$	$	$	$
Finzsoft Solutions (NZ) Limited	-	-	1,382,161	1,359,296
	$-	**$-**	**$1,382,161**	**$1,359,296**

Finzsoft Solutions (NZ) Limited, Finzsoft Settlements Limited and Finzsoft Solutions (Australia) Pty Limited are wholly-owned subsidiaries of Finzsoft Solutions Limited, the ultimate controlling entity. The above balances are unsecured, non-interest bearing and are repayable on demand, but not expected to be repaid within the next 12 months.

b) Transactions

The parent entity entered into the following transactions during the year with related parties in the wholly-owned group:

Loans were advanced and repayments received on short term intercompany accounts as follows:

- Management fees charged by Finzsoft Solutions Limited of $290,000 (2013: $310,000) from Finzsoft Solutions (NZ) Limited during the year. Any amounts outstanding are included in the related party balance shown above.

Transactions between subsidiaries for the year were as follow:

- Finzsoft Solutions (Australia) Pty Limited charges a margin of 15% on local costs incurred by Finzsoft Solutions (Australia) Pty Limited to Finzsoft Solutions (NZ) Limited. In the financial year Finzsoft Solutions (NZ) Limited received income of $4,768,817 and paid costs of $582,325 (2013: $3,677,259 and $675,370). At balance date there is a loan balance owed by Finzsoft Solutions (NZ) Limited to Finzsoft Solutions (Australia) Pty Limited of $871,178 (2013: $755,780). This loan is unsecured, non-interest bearing and payable on demand, but not expected to be repaid within the next 12 months.

Notes to the Financial Statements continued

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26 RELATED PARTY DISCLOSURES continued

c) Key management compensation

Key management includes directors (including executive directors) and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	2014 $	2013 $
Salaries and other short-term employee benefits	1,652,135	1,596,508
Post-employment benefits	2,000	31,977
Share-based payments	-	6,272
	$1,654,135	$1,634,757

d) Other Related party transactions

	Transaction values for the year ended 31 March	
	2014 $	2013 $
Sale of Goods and Services		
NZ Bureau Ltd – Service Expenses paid	593,581	530,422
NZ Bureau Ltd – Service Expenses received	(44,930)	(126,950)
NZ Bureau Ltd – Software Licence Fees received	(100,000)	-
NZ Bureau Ltd – Development and consulting received	(88,486)	-
Pi Capital Investments Ltd – Consulting & Management Services paid	-	600,000
Wills Capital Investments Ltd – Consulting & Management Services paid	130,592	-
Holliday Group Holdings Ltd – Consulting & Management Services paid	356,347	-

Pi Capital Investments Ltd is a related party by virtue of common directorship.
Wills Capital Investments Ltd is a related party by virtue of common directorship.
Holliday Group Holdings Ltd is a related party by virtue of common directorship.
NZ Bureau Limited is a related party on account of being 50% owned by the Group as a joint arrangement.

All outstanding balances with these related parties are priced on normal commercial terms and are to be settled in cash within two months of the reporting date. None of the balances are secured. Included in Accounts Receivable is a balance owed by NZ Bureau of $220,092 (2013: $3,333). Included in Accounts Payable is a balance owing to NZ Bureau of $54,148 (2013: $54,626), Andrew Holliday $3,461 (2013: $Nil), Holliday Group Holdings $38,333 (2013: $Nil) and Pi Capital $Nil (2013: $57,000).

27 EVENTS AFTER THE BALANCE DATE

There were no significant events occurring after the balance date.

Corporate Governance

for the year ended 31 March 2014

Principal Activity

Finzsoft Solutions Limited (FIN) is a listed IT software development company for the banking and finance sector. We predominately operate in New Zealand and Australia. There has not been any change in the nature of the company's business in the year ended 31 March 2014.

Directors Holding Office

Directors holding office during the year were:

Paul Cook	(appointed 15/12/11)
Andrew Holliday	(appointed Managing Director 23/03/12)
Brent Impey	(appointed 15/12/11)
Ian Wills	(resigned 06/09/13)

Director Independence

The Board has resolved that the following Directors are independent within the meaning of the NZX listing rules.

Brent Impey	Chairman
Paul Cook	Non-Executive Director

Directors considered not independent due to a disqualifying relationship within the meaning of the NZX listing rules are:

Andrew Holliday	Substantial Security Holder

The Board of Directors, with advice from the Managing Director and Senior Management Team, is responsible for developing and maintaining the company's corporate governance and ethical business practices.

Governance Standards

The Board has reviewed the Rules, Principles and Guidelines embodied in the NZX listing rules and is taking progressive steps to improve the governance systems and processes by reference to them.

The primary responsibilities of the Board include:

- The establishment of the long term goals of the company and strategic plans to achieve those goals.
- The approval of the annual and half year financial statements.
- The review and adoption of annual budgets for the financial performance of the company and monitoring the results on a monthly basis.
- Ensuring that the company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.

Corporate Governance continued
for the year ended 31 March 2014

Independent Professional Advice

With the approval of the Chairman, each director has the right to seek independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Audit & Remuneration Committee

The Audit & Remuneration Committee reviews the Group's financial statements and announcements. It also liaises with the external auditors and reviews internal controls which are relevant to financial reporting and related matters. This committee approves the management staff remuneration.

The current members of the committee are: Brent Impey (Chairman), Paul Cook and Andrew Holliday.

Nomination Committee

Due to the size of the company, a separate Nomination Committee has not been formally established. Any Board nomination is dealt with by the Board as a whole.

Attendance at meetings

During the financial year ending 31 March 2014, the Board met 10 times (2013: 9). The table below sets out attendance at meetings by all Directors.

	2014		2013	
	Board attendance (scheduled and special purpose)	Audit & Remuneration Committee	Board attendance (scheduled and special purpose)	Audit & Remuneration Committee
Paul Cook	10	2	8	2
Andrew Holliday	10	2	8	2
Brent Impey	10	2	9	3
Ian Wills	5	1	9	3

Directors Interests Register

In March 2014 the Board authorised the renewal of the Directors' and Officers' insurance cover as at 31 March 2014 for a period of 12 months and has certified, in terms of section 162 of the Companies Act 1993, that this cover is fair to the company. No director has given notice to the company of an interest in any transaction with the company. No director has sought authorisation to use company information.

The following are particulars of general disclosures of interest given by the Directors of the Company pursuant to Section 140(2) of the Companies Act 1993:

Andrew Holliday	Director of Holliday Group Holdings Limited
	Holliday Group Holdings (ICT Investments) Limited

Corporate Governance continued

for the year ended 31 March 2014

Directors Remuneration

Below are details of the total of the value of remuneration and other benefits received by each Director during the year.

	2014		2013	
	Director Fees	Other Remuneration	Director Fees	Other Remuneration
	$	$	$	$
Paul Cook	50,000	-	50,000	-
Brent Impey	75,000	-	75,000	-
Andrew Holliday	50,000	-	50,000	-
Ian Wills	20,833	-	50,000	-
	$195,833	$-	$225,000	$-

Neither the Company nor its subsidiaries have provided any other benefits to a director for services as a director or in any other capacity, apart from the following consultancy fees:

	2014	2013
Andrew Holliday	$356,347	$-
Ian Wills	$130,952	$-
Pi Capital Investments Ltd (an associate to the directors Andrew Holliday and Ian Wills)	$-	$600,000

Dealings in Company Securities

The Board has developed a policy that covers trading in Finzsoft securities and the disclosure requirements for directors, managers and representatives.

In accordance with Section 148(2) of the Companies Act 1993, the Board has received disclosures from the Directors named below of acquisitions or dispositions of relevant interests in the company between 1 April 2013 and 31 March 2014, and details of those dealings were entered in the company's interests register. The particulars of such disclosures are:

Andrew Holliday

Holliday Group made a full takeover offer under the Takeovers Code to acquire all the equity securities in Finzsoft Solutions Limited. During the period a number of shareholders accepted the Offer, resulting in Holliday Group acquiring a relevant interest in a further 366,808 ordinary shares for an aggregate price of $166,751 (reflecting the Offer price of $0.4546 per share).

Neither the Company nor its subsidiaries have made loans to a director, nor has the Company or subsidiaries guaranteed any debts incurred by a director.

Donations

Neither the Company nor its subsidiaries made any donations during the year.

Auditor's fees

Staples Rodway	Audit fees	$32,535
	Other fees paid to auditors for agreed upon procedures engagements	Nil

Corporate Governance continued

for the year ended 31 March 2014

Remuneration of Employees

The number of employees, who are not directors, whose remuneration and other benefits exceeded $100,000 in the financial year were:

	2014		2013	
	Group	Parent	Group	Parent
$100,000-$110,000	3	-	6	-
$110,000-$120,000	3	-	5	-
$120,000-$130,000	3	-	1	-
$130,000-$140,000	3	-	2	-
$140,000-$150,000	-	-	1	-
$150,000-$160,000	1	-	6	-
$160,000-$170,000	1	-	1	-
$170,000-$180,000	3	-	-	-
$180,000-$190,000	-	-	2	-
$190,000-$200,000	-	-	-	-
$200,000-$210,000	-	-	1	-
$210,000-$220,000	-	-	-	-
$220,000-$230,000	-	-	-	-
$230,000-$240,000	-	-	-	-
$240,000-$250,000	2	-	1	-
$250,000-$260,000	-	-	-	-
$260,000-$270,000	-	-	-	-
$270,000-$280,000	-	-	-	-
$280,000-$290,000	-	-	-	-
$290,000-$300,000	-	-	-	-
$300,000-$310,000	-	-	-	-

Gender Composition of Directors and Officers

	2014		2013	
	Male	Female	Male	Female
Directors	3	-	4	-
Officers	2	1	2	1
	5	1	6	1

Diversity

The Company does not have a gender diversity policy as at 31 March 2014

Shareholder and Statutory Financial Information

as at 9 May 2014

The following information is provided in accordance with the Listing Rules of the New Zealand Stock Exchange.

PRINCIPAL SHAREHOLDERS

The names and holdings of the largest twenty registered shareholders as at 9th May 2014 were:

	Shares Held	Percentage (%)
Holliday Group Holdings (ICT Investments) Limited	5,646,438	67.91 %
Rubik Financial Limited	1,659,960	19.97 %
Denise Jane Campbell	166,550	2.00 %
John Barry Martin	156,250	1.88 %
Timothy James Hurring and Susan Jane Hurring as trustees of the Hurring Family Trust	130,000	1.56 %
Zinka Matulic	40,000	0.48 %
FNZ Custodians Limited	36,449	0.44 %
Michael Witt	33,872	0.41 %
Neville Baden Dickey	31,800	0.38 %
Ying Zhu	30,000	0.36 %
Open Business Software Limited	29,700	0.36 %
Rupert Peter Scott	25,000	0.30 %
John Neil McCallum and Ross Fraser McCallum as trustees for the McCallum Family Trust	23,673	0.28 %
Lee Adam Dare	15,000	0.18 %
Alan Blair	14,000	0.17 %
Raymond George Search	11,000	0.13 %
William Rupert Aldridge & Gillian Mary Aldridge	10,500	0.13 %
Christopher Francis Lucas & Richard Kenneth Owen (Ruakiwi A/C)	10,365	0.12 %
Jixiang Liu	10,000	0.12 %
Wayne Robert Morris	10,000	0.12 %
	8,090,557	**97.3 %**

Shareholder and Statutory Financial Information continued

as at 9 May 2014

SHAREHOLDER ANALYSIS

Domicile	No. of Holders	Percentage	No. of Shares	Percentage
Australia	1	0.93%	1,659,960	19.97 %
Belgium	1	0.93 %	2,000	0.02 %
China	1	0.93 %	30,000	0.36 %
Fiji	1	0.93 %	6,800	0.08 %
New Zealand	102	94.44 %	6,600,940	79.40 %
Singapore	1	0.92 %	14,000	0.17 %
USA	1	0.92 %	300	0.00 %
Total	**108**	**100.00 %**	**8,314,000**	**100.00 %**

Size of Holding	No. of Holders	Percentage	No. of Shares	Percentage
1 – 999	24	22.22 %	9,564	0.11 %
1,000 - 4,999	47	43.52 %	91,606	1.10 %
5,000 - 9,999	15	13.89 %	102,273	1.23 %
10,000 - 49,999	17	15.74 %	351,359	4.23 %
50,000 – 499,999	3	2.78 %	452,800	5.45 %
500,000 - 5,999,999	2	1.85 %	7,306,398	87.88 %
Total	**108**	**100.00 %**	**8,314,000**	**100.00 %**

SUBSTANTIAL SECURITY HOLDERS

As at 9 May 2014, the following security holders had given notice pursuant to Section 26 of the Securities Markets Act 1988 that they were substantial security holders in the Company and had a relevant interest in the number of ordinary shares below:

	Shares Held	Percentage
Holliday Group Holdings (ICT Investments) Limited	5,646,438	67.91 %
Rubik Financial Limited	1,659,960	19.97 %

DIRECTORS HOLDINGS

Directors and related parties held the following ordinary shares in the company as at 9th May 2014:

	Shares Held
Holliday Group Holdings (ICT Investments) Limited	5,646,438

finzsoft

your vision + our innovation

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