



Enprise Group Limited

Half Year Report

for the six months ended 31 December 2022

Enprise Group Limited

Half Year Report for the six months ended 31 December 2022

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Enprise Group Limited

Directors' Report

The Directors are pleased to submit to shareholders their interim report and financial statements for the six-month period ended 31 December 2022.

Principal activities

Enprise Group Limited (Enprise) is a hi-tech software and services investment company that has two operating divisions:

- Kilimanjaro Consulting, an accounting solutions provider for MYOB Enterprise software in Australia and New Zealand.
- iSell Pty Limited (Sell), a developer/seller of a cloud-based quoting system (ITQuoter) on a Software-as-a-Service (SaaS) model to the Managed Service Provider (MSP) market in Australia, UK/Europe, New Zealand, South Africa, and North America.

Enprise Group has two additional strategic investments:

- 32.00% of Datagate Innovation Limited (Datagate), a developer/provider of online reporting/billing services under a SaaS model for MSP's reselling Telecom/Utility services in North America, Australia, New Zealand, and UK/Europe.
- 6.23% of Vadacom Limited (Vadacom), a developer/provider of multi-tenant cloud based VoIP solution for corporations in New Zealand and Australia.

Review of operations and outlook

Revenue from software and licenses has been decreased by \$0.31 million due to the reduction in MYOB Exo margins that are being challenged in court. The board reviewed the goodwill of the Kilimanjaro Australia cash generating unit and due to the ongoing dispute with MYOB, MYOB indicating further MYOB Exo margin reductions in future periods, and the current forecast, the board elected to write down the goodwill value by \$2.363 million. The board reviewed the goodwill of the iSell cash generating unit and has elected to write off the \$1 million in goodwill due to slower than expected customer acquisition, unexpected delays in the release of new features and changes in the discount rates.

BNZ has provided a waiver of the 30 June 2022 banking interest cover and leverage covenant, and a modification to the group's banking covenants on 23 September 2022. These remove the leverage ratio testing requirement, and temporarily waive the interest cover ratio requirements until 30 June 2023.

Kilimanjaro Consulting business

The current Strategic Plan of Kilimanjaro strives to achieve a Compound Annual Growth rate of 15%. The impact of the loss of the MYOB ALF Margin, as announced to the NZX on 1st August 2022, is severe, hence our legal challenge to MYOB (see below). Despite this, revenue has held up well. This year we have further invested in People, Processes and Systems to address efficiency, and to fortify the business in the longer term.

Kilimanjaro is fully resourced, with high customer satisfaction. Customer Satisfaction scores currently stand at an average of 4.7 out of 5. This is an exceptional performance for a professional services organisation, and will continue to be a core focus.

Charge-out rates have been increased across all service revenue streams. An increase in MYOB subscription rates will also flow through to our bottom line. A large proportion of the revenue is recurring or contracted. Recurring revenue has grown 3% despite the reduction in margin by MYOB of \$0.31 million during this period, as the mix of clients between MYOB Advanced and MYOB Exo changes. Contracted revenue has grown 26% during this period, mainly due to increases in support contracts and hosting fees.

	Recurring Revenue	Contracted Revenue	Total Recurring and Contracted Revenue
6 months to Dec-2022	1.794m	1.976m	3.770m
6 months to Dec-2021	1.731m	1.565m	3.296m

MYOB changed their strategy in the Enterprise space from a purely channel partner model, to a combination of direct and channel. This caused some disruption, further exacerbated as MYOB announced the acquisition of some of their Channel partners. Kilimanjaro faces significant challenges with MYOB's entry directly into our markets. Kilimanjaro have responded by executing a comprehensive new management plan, aimed at restoring profitability to our desired levels, accounting for the reduced MYOB Exo margins. Kilimanjaro believe that MYOB cannot satisfy the demand for the Advanced/Acumatica product without Channel Partners, and therefore remain optimistic that these differences can be settled.

As announced on the 16th December 2022 a case against MYOB has been filed in the Federal Court of Australia: [Kilimanjaro Consulting Pty Ltd v MYOB Australia Pty Ltd Federal Court of Australia proceedings NSD 1111 of 2022]. The matter has been listed for directions on 1 March 2023.

The year saw a significant shift in new sales from MYOB Exo to MYOB Advanced/Acumatica, as well as a slower than anticipated MYOB Exo attrition. Despite the suppressed economic conditions, Kilimanjaro were able to close the calendar year with New License Sales for MYOB (AU and NZ) of just over \$2 million. This included the largest MYOB Advanced/Acumatica contract in AU/NZ.

Kilimanjaro continue to focus on cost control and better utilisation of resources across all teams to maintain profitability in spite of MYOB's actions. The predominant theme is "Work Smarter".

Kilimanjaro's future with MYOB will be largely dictated by the final resolution reached with the dispute, as referenced in the announcement to the NZX on 1st August 2022. Kilimanjaro considers it prudent to diversify and the management team is actively investigating options. There are significant changes in the markets in which Kilimanjaro operate. The direct entry of MYOB has de-stabilised the Partner Channel, and further consolidation can be expected. If Kilimanjaro is not successful in challenging the legality of MYOB's retrospective changes to the MYOB Exo margins, the further indicated reductions in MYOB Exo margins are likely to require more drastic changes to the business model. Whilst low business confidence and inflationary expectations are creating headwinds, there is good cause for optimism. Kilimanjaro operates in markets that a number of diverse markets that are somewhat resilient, and this combined with our strong investment in marketing capability, technical capability, internal platforms and system and the trend towards Cloud based software positions the business well for future growth.

Enprise Group Limited

Directors' Report

iSell business

Annual recurring revenue (ARR) has increased to \$0.54 million (up 12%). Total revenue \$0.56 million (up 10%). Enprise currently owns 75% of iSell.

The current focus is on simplifying the on boarding process to empower new customers to perform more self service. A new version of IT Quoter with enhanced integration capability is expected to be available in the first quarter of 2023, this version includes the integration to Ingram CloudBlue PSA.

The integration with Datagate has been completed which will enable further synergies between the companies. In December 2022, iSell completed the Halo PSA integration and has already sold 3 new sites with this integration in January 2023.

Datagate investment

Enprise Group's associate, Datagate Innovation Ltd (Datagate) grew its annual recurring revenue (ARR) to over \$2.7 million, an increase of 34%. Growth in the USA was 40%. Datagate continues to be in high growth mode and is keeping its focus on growing revenue and market share. Enprise participated in the capital raising in November 2022, Enprise took up \$0.23 million of the total issue of \$0.75 million.

Enprise has 2,340,479 shares in Datagate which if valued at the last rights issue price of \$2.80 per share, values the investment at \$6.553 million. This investment is currently held on the balance sheet at approximately \$0.83 million as at 31 December 2022.

Vadacom investment

Vadacom Holdings Ltd (Vadacom)'s ARR and contracted revenue was \$1.71 million for the nine months ended 31 December 2022. The recently released new cloud PBX phone system 'Next Voice' functionality continues to expand to support new and existing customers directly and through resellers. There were 1,645 users of "Next Voice" at 31 December 2022, up 189% from 2021.

Significant changes in the state of affairs

Kilimanjaro commenced legal proceedings against MYOB on 16 December 2022, alleging breach of contract in relation to MYOB's conduct and the unilateral decision to reduce the MYOB Exo margins Kilimanjaro previously received. The negative impact on the revenue from software and licenses and therefore profitability of the Kilimanjaro division for the 5 months since the disputed unilateral change in MYOB Exo margin actioned by MYOB was \$0.31 million to 31 December 2022.

Datagate converted the convertible note at \$2.20 per share and then did a rights issue at \$2.80 per share, which Enprise participated in. The conversion and the rights issue increased Enprise's share of Datagate to 32%.

Enprise Group had a rights issue in November 2022 which issued 1,210,662 new shares raising \$1.029 million.

Directors

Mr Lindsay Phillips (appointed 1 December 2013) - Non-Executive Director

Mr George Cooper (appointed 10 April 2012) - CEO

Mr Nicholas Paul (appointed 1 December 2015) – Independent Non-Executive Chairman

Mr Ronald Baskind (appointed 31 January 2018) – Executive Director

Dr Aneesha Varghese-Cowan (appointed 24 November 2022) – Independent Non-Executive Director

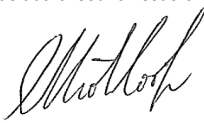
Rounding of amounts

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

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



Nicholas Paul (Chairman)
28 February 2023



George Cooper (Director)
28 February 2023

Enprise Group Limited

Condensed Interim Consolidated Statement of Comprehensive Income for the six months ended 31 December 2022

	Note	31 Dec 2022 Unaudited 6 mths \$'000	31 Dec 2021 Unaudited 6 mths \$'000	30 June 2022 Audited 12 mths \$'000
Revenue from contracts with customers	3	9,487	8,988	18,744
Government assistance		-	4	-
Employee expense	4	(7,814)	(7,295)	(15,057)
Other operating costs		(2,996)	(2,689)	(5,501)
Other gains/(losses) - net		(109)	(9)	32
Operating profit/(loss)		(1,432)	(1,001)	(1,782)
Equity earnings/(losses) from associates and joint ventures		(237)	(234)	(556)
Other gains/(losses) related to associates and joint ventures		-	8	8
Impairment of intangible assets		(3,364)	-	-
Finance cost - net		(79)	(33)	(90)
Profit/(loss) before income tax		(5,112)	(1,260)	(2,420)
Income tax benefit/(expense)		(418)	(40)	227
Profit/(loss) for the period		(5,530)	(1,300)	(2,193)
Other Comprehensive Income				
<i>Items that may be reclassified to profit or loss</i>				
Foreign currency translation differences		(221)	(120)	155
<i>Items that will not be reclassified to profit or loss</i>				
Changes in the fair value of investments through other comprehensive income		-	-	(60)
Total other comprehensive income/(loss) for the period, net of tax		(221)	(120)	95
Total comprehensive income/(loss) for the period		(5,751)	(1,420)	(2,098)
Profit for the period is attributable to:				
Non-Controlling Interest		(123)	(283)	(357)
Owners of Enprise Group Limited		(5,407)	(1,017)	(1,836)
		(5,530)	(1,300)	(2,193)
Total comprehensive income for the period is attributable to				
Non-Controlling Interest		(123)	(283)	(357)
Owners of Enprise Group Limited		(5,628)	(1,137)	(1,741)
		(5,751)	(1,420)	(2,098)
Earnings per share from profit for the period attributable to ordinary shareholders of the Enprise Group Limited				
Basic and diluted earnings per share (see note 5) cents per share		(32.96)	(6.29)	(11.36)

Enprise Group Limited

Condensed Interim Consolidated Statement of Financial Position as at 31 December 2022

	Note	31 Dec 2022 Unaudited \$'000	31 Dec 2021 Unaudited \$'000	30 June 2022 Audited \$'000
Current assets				
Cash and cash equivalents	10	1,579	1,402	1,546
Trade and other receivables		2,621	2,229	3,190
Contract assets		1,045	681	831
Current tax assets		44	7	-
Total current assets		5,289	4,319	5,567
Non-current assets				
Investments in joint ventures and associates	7	830	607	285
Investments in other entities	8	627	687	627
Property plant and equipment		357	405	406
Intangible assets	9	7,459	10,886	11,173
Right-of-use assets		1,006	1,325	1,340
Deferred tax asset		1,707	1,826	2,197
Loans to related parties	12(e)	73	87	73
Convertible note	7(a)	-	500	-
Other non-current assets		36	57	552
Total non-current assets		12,095	16,380	16,653
Total assets		17,384	20,699	22,220

Enprise Group Limited

Condensed Interim Consolidated Statement of Financial Position as at 31 December 2022

	Note	31 Dec 2022 Unaudited \$'000	31 Dec 2021 Unaudited \$'000	30 June 2022 Audited \$'000
Current liabilities				
Trade and other payables		2,864	2,423	2,963
Provisions		1,568	1,538	1,696
Contract liabilities		2,350	2,046	2,582
Current tax liabilities		-	-	19
Borrowings	10	1,817	538	1,183
Lease liabilities		288	546	495
Total current liabilities		8,887	7,091	8,938
Non-current liabilities				
Provisions		426	200	302
Lease liabilities		845	878	970
Deferred tax liability		605	616	656
Total non-current liabilities		1,876	1,694	1,928
Total liabilities		10,763	8,785	10,866
Net assets		6,621	11,914	11,354
Equity				
Share capital	5(a)	12,039	11,010	11,010
Foreign exchange translation reserve		130	76	351
Financial assets at FVOCI reserve		528	588	528
Retained earnings/(losses)		(6,113)	(19)	(696)
Equity attributable to the owners of Enprise Group Limited		6,584	11,655	11,193
Non-controlling interests	6	37	259	161
Total equity		6,621	11,914	11,354

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



Nicholas Paul (Chairman)
28 February 2023



George Cooper (Director)
28 February 2023

Total assets per share (\$ per share)	1.00	1.28	1.38
Net tangible assets per share (\$ per share)	(0.05)	0.06	0.01

Enprise Group Limited

Condensed Interim Consolidated Statement of Changes in Equity for the six months ended 31 December 2022

	Share capital	Foreign exchange translation reserve	Financial assets at FVOCI reserve	Retained earnings	Non- controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021	11,010	196	588	1,444	555	13,793
<i>Transactions with shareholders in their capacity as owners</i>						
Dividends paid	-	-	-	(404)	-	(404)
Transactions with non-controlling interests	-	-	-	(42)	(13)	(55)
Total transactions with shareholders	-	-	-	(446)	(13)	(459)
<i>Comprehensive income</i>						
Profit/(loss) for the period	-	-	-	(1,017)	(283)	(1,300)
Other comprehensive income/(loss)	-	(120)	-	-	-	(120)
Total comprehensive income/(loss) net of tax	-	(120)	-	(1,017)	(283)	(1,420)
Balance at 31 December 2021 (unaudited)	11,010	76	588	(19)	259	11,914
Balance at 1 July 2022	11,010	351	528	(696)	161	11,354
<i>Transactions with shareholders in their capacity as owners</i>						
New shares issued	1,029	-	-	-	-	1,029
Transactions with non-controlling interests	-	-	-	(10)	(1)	(11)
New share issue in iSell Pty Limited	-	-	-	-	-	-
Total transactions with shareholders	1,029	-	-	(10)	(1)	1,018
<i>Comprehensive income</i>						
Profit/(loss) for the period	-	-	-	(5,407)	(123)	(5,530)
Other comprehensive income/(loss)	-	(221)	-	-	-	(221)
Total comprehensive income/(loss) net of tax	-	(221)	-	(5,407)	(123)	(5,751)
Balance at 31 December 2022 (unaudited)	12,039	130	528	(6,113)	37	6,621
Balance at 1 July 2021	11,010	196	588	1,444	555	13,793
<i>Transactions with shareholders in their capacity as owners</i>						
Dividends paid	-	-	-	(404)	-	(404)
Transactions with non-controlling interests	-	-	-	100	(37)	63
Total transactions with shareholders	-	-	-	(304)	(37)	(341)
<i>Comprehensive income</i>						
Profit/(loss) for the period	-	-	-	(1,836)	(357)	(2,193)
Other comprehensive income/(loss)	-	155	(60)	-	-	95
Total comprehensive income/(loss) net of tax	-	155	(60)	(1,836)	(357)	(2,098)
Balance at 30 June 2022 (audited)	11,010	351	528	(696)	161	11,354

Enprise Group Limited

Condensed Interim Consolidated Statement of Cash Flows for the six months ended 31 December 2022

	Note	31 Dec 2022	31 Dec 2021	30 June 2022
		Unaudited 6 mths \$'000	Unaudited 6 mths \$'000	Audited 12 mths \$'000
Operating activities				
Cash was provided from:				
Receipts from customers		13,729	12,620	26,154
Government assistance		-	4	4
Interest received		11	1	1
		13,740	12,625	26,159
Cash was applied to:				
Payments to suppliers & employees		14,289	12,654	26,163
Interest paid		104	35	122
Income tax paid		64	7	20
		14,457	12,696	26,305
Net cash inflow (outflow) from operating activities	13	(717)	(71)	(146)
Investing activities				
Cash was provided from:				
Loans repaid by related parties		-	-	16
		-	-	16
Cash was applied to:				
Purchase of property, plant and equipment		41	99	181
Software development costs		271	129	305
Investment in equity accounted joint venture		259	-	-
Convertible note		-	500	500
Purchase of business		-	325	325
		571	1,053	1,311
Net cash inflow (outflow) from investing activities		(571)	(1,053)	(1,295)
Financing activities				
Cash was provided from:				
Proceeds from issue of shares		1,029	-	-
Proceeds of bank borrowings		723	500	1,000
Proceeds from issue of shares in iSell Pty Limited to non-controlling interests		-	-	136
		1,752	500	1,136
Cash was applied to:				
Dividends paid net of reinvestment plan		-	404	404
Purchase of shares in iSell Pty Limited from non-controlling interests		11	55	74
Repayment of lease liabilities		318	296	612
Repayment of bank borrowings		192	-	188
Repayment of other borrowings		41	12	12
		562	767	1,290
Net cash inflow (outflow) from financing activities		1,190	(267)	(154)
Net increase / (decrease) in cash and cash equivalents held		(98)	(1,391)	(1,595)
Net foreign exchange differences		(12)	(13)	5
Cash and cash equivalents at beginning of the period		1,216	2,806	2,806
Cash and cash equivalents at end of the period	10	1,106	1,402	1,216

Enprise Group Limited

Notes to the Condensed Interim Consolidated Financial Statements for the six months ended 31 December 2022

1 BASIS OF PREPARATION

(a) Reporting entity

Enprise Group Limited (the company) and its subsidiaries (together the Group) is a hi-tech software and services investment company in Australia and New Zealand. The company is a limited liability company incorporated and domiciled in New Zealand and is listed on the New Zealand Stock Exchange (NZX). The Group is registered under the Companies Act 1993 and is a FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act (FMCA) 2013. The address of its registered office is 16 Hugo Johnston Drive, Penrose, Auckland.

(b) Compliance statement

The interim condensed consolidated financial statements are for Enprise Group Limited and its subsidiaries and have been prepared in accordance with:

- IAS 34 Interim Financial Reporting and NZ IAS 34 Interim Financial Reporting;
- the requirements of the Financial Market Conduct Act 2013, the Companies Act 1993, and the NZX listing rules;
- the going concern convention, which contemplates continuity of normal business activities, the realisation of assets, and the settlement of liabilities in the ordinary course of business.

(c) Basis of preparation

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

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

(d) Principles of consolidation

The condensed interim consolidated financial statements relate to the company and its subsidiaries.

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

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

Name of Entity	Country of incorporation	Principal Activity	Percentage ownership		
			31 Dec 2022	31 Dec 2021	30 June 2022
Kilimanjaro Consulting Limited	New Zealand	Software sales and solutions	100.00	100.00	100.00
Kilimanjaro Consulting Pty Limited	Australia	Software sales and solutions	100.00	100.00	100.00
Enprise Australia Pty Limited	Australia	Software sales and solutions	100.00	100.00	100.00
Enprise Limited	New Zealand	Non-trading	100.00	100.00	100.00
Global Bizpro Limited	New Zealand	Non-trading	100.00	100.00	100.00
Team Tiger KC Limited	New Zealand	Non-trading	100.00	100.00	100.00
iSell Pty Limited	Australia	Software sales and solutions	75.25	72.21	75.03
iSell Philippines Inc	Philippines	Software sales and solutions	75.25	72.21	75.03

(e) Accounting policies and significant estimates and assumptions

The same accounting policies included in the Group's Annual Report for the year ended 30 June 2022 have been applied when preparing these financial statements. There have been no changes to accounting policies, estimates and assumptions other than the impairment of the Australian Kilimanjaro and iSell cash

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2022.

(f) Going Concern

At 30 June 2022, the Group had incurred a loss of \$5.530m and had net working capital deficiency of \$3.598m. In addition, the Group was operating outside of its banking covenants. The Group had prepared a budget for the 2023 year that indicated a significant improvement in performance of the Kilimanjaro division, which was expected to have enabled the Group to comply with its banking covenants for the year to 30 June 2023.

Whilst the division's year to date results are tracking behind the original 2023 budget, cost savings have been identified to mitigate the impact. However, the Group's Kilimanjaro division received notification from its key software supplier (MYOB) of a substantial adjustment to margins on MYOB Exo software transactions. The Group is disputing this as detailed in note 26. The potential impact of this is significant to the Division and Group's level of future profitability. There is therefore significant uncertainty in relation to the achievability of the group's current forecasts.

The Group requires significant improvement in profitability and cash flow generation within the Kilimanjaro division, despite the (disputed) reduction in MYOB Exo margin, to be able to operate in compliance with modified banking covenants (note 26). These conditions create significant doubt as to the ability of the Group to operate as a going concern.

Enprise Group Limited

Notes to the Condensed Interim Consolidated Financial Statements for the six months ended 31 December 2022

2 SEGMENT INFORMATION

The Group is organised into two reportable operating segments based on the business segments. These segments form the basis of internal reporting used by management and the Board of Directors to monitor and assess performance and assist with strategic decisions. The Board of Directors is the Group's chief operating decision maker (CODM). Management has determined the operating segments based on the information reviewed by the Board of Directors and the Chief Executive Officer for the purposes of allocating resources and assessing performance.

(a) Operational performance

Business segments	Revenue						Operating profit					
	31 Dec 2022		31 Dec 2021		30 June 2022		31 Dec 2022		31 Dec 2021		30 June 2022	
	6 mths	\$'000	6 mths	\$'000	12 mths	\$'000	6 mths	\$'000	6 mths	\$'000	12 mths	\$'000
Kilimanjaro Consulting		8,896		8,464		17,618		(458)		209		351
iSell		560		509		1,093		(427)		(760)		(1,249)
Corporate		31		15		33		(547)		(450)		(884)
		9,487		8,988		18,744		(1,432)		(1,001)		(1,782)
Equity earnings and gains related to associates and joint ventures								(237)		(226)		(548)
Impairment of intangible assets								(3,364)		-		-
Net interest expense								(79)		(33)		(90)
Profit/(loss) before taxation								(5,112)		(1,260)		(2,420)
Income Tax								(418)		(40)		227
Net profit/(loss) attributable to shareholders								(5,530)		(1,300)		(2,193)

Geographic segments	Revenue					
	31 Dec 2022		31 Dec 2021		30 June 2022	
	6 mths	\$'000	6 mths	\$'000	12 mths	\$'000
New Zealand		3,306		2,685		6,066
Australia		6,094		6,199		12,474
EMEA*		78		81		152
North America		7		-		9
Asia		2		23		43
		9,487		8,988		18,744

* Europe, Middle East and Africa

(b) Interest, depreciation and amortisation

	Interest revenue						Interest expense					
	31 Dec 2022		31 Dec 2021		30 June 2022		31 Dec 2022		31 Dec 2021		30 June 2022	
	6 mths	\$'000	6 mths	\$'000	12 mths	\$'000	6 mths	\$'000	6 mths	\$'000	12 mths	\$'000
New Zealand		14		2		22		84		35		92
Australia		1		-		-		10		-		20
		15		2		22		94		35		112

	Depreciation and amortisation expense					
	31 Dec 2022		31 Dec 2021		30 June 2022	
	6 mths	\$'000	6 mths	\$'000	12 mths	\$'000
New Zealand		145		136		292
Australia		533		516		1,062
		678		652		1,354

(c) Balance sheet information

	Total assets			Total liabilities		
	31 Dec 2022	31 Dec 2021	30 June 2022	31 Dec 2022	31 Dec 2021	30 June 2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
New Zealand	8,220	6,992	9,832	4,997	4,416	5,566
Australia	10,990	15,358	15,764	7,592	6,020	8,676
	19,210	22,350	25,596	12,589	10,436	14,242
Inter-segment elimination	(1,826)	(1,651)	(3,376)	(1,826)	(1,651)	(3,376)
	17,384	20,699	22,220	10,763	8,785	10,866

Enprise Group Limited

Notes to the Condensed Interim Consolidated Financial Statements for the six months ended 31 December 2022

2 SEGMENT INFORMATION (CONTINUED)

(c) Balance sheet information (continued)

	Total assets			Total liabilities		
	31 Dec 2022	31 Dec 2021	30 June 2022	31 Dec 2022	31 Dec 2021	30 June 2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Kilimanjaro Consulting	11,947	15,554	16,688	9,639	7,493	11,374
iSell	2,999	4,031	4,150	1,395	1,324	878
Corporate	4,847	2,656	5,227	2,138	1,510	2,459
	19,793	22,241	26,065	13,172	10,327	14,711
Inter-segment elimination	(2,409)	(1,542)	(3,845)	(2,409)	(1,542)	(3,845)
	17,384	20,699	22,220	10,763	8,785	10,866

3 REVENUE

	31 Dec 2022		31 Dec 2021		30 June 2022	
	6 mths	\$'000	6 mths	\$'000	12 mths	\$'000
Revenue from software and licences		2,135		2,165		4,852
Revenue from services and support		5,956		5,671		11,398
Revenue from iSell		559		509		1,093
Revenue from hosting services		835		640		1,388
Revenue from other fees		2		3		13
		9,487		8,988		18,744

Geographical location	Software & licences	Services and support	Exo Hosted	iSell	Other fees	Total
31 Dec 2022	\$'000	\$'000	\$'000	\$'000	\$'000	6 mths \$'000
New Zealand	772	2,127	339	66	2	3,306
Australia	1,363	3,829	496	406	-	6,094
EMEA*	-	-	-	78	-	78
North America	-	-	-	7	-	7
Asia	-	-	-	2	-	2
	2,135	5,956	835	559	2	9,487

* Europe, Middle East and Africa

Geographical location	Software & licences	Services and support	Exo Hosted	iSell	Other fees	Total
31 Dec 2021	\$'000	\$'000	\$'000	\$'000	\$'000	6 mths \$'000
New Zealand	745	1,590	284	63	3	2,685
Australia	1,420	4,081	356	342	-	6,199
EMEA*	-	-	-	81	-	81
North America	-	-	-	23	-	23
	2,165	5,671	640	509	3	8,988

Geographical location	Software & licences	Services and support	Exo Hosted	iSell	Other fees	Total
30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000	12 mths \$'000
New Zealand	1,870	3,466	598	124	8	6,066
Australia	2,982	7,932	790	765	5	12,474
EMEA*	-	-	-	152	-	152
North America	-	-	-	9	-	9
Asia	-	-	-	43	-	43
	4,852	11,398	1,388	1,093	13	18,744

Enprise Group Limited

Notes to the Condensed Interim Consolidated Financial Statements for the six months ended 31 December 2022

4 EMPLOYEE BENEFIT EXPENSE

	31 Dec 2022		31 Dec 2021		30 June 2022	
	6 mths	\$'000	6 mths	\$'000	12 mths	\$'000
Wages and salaries		7,223		6,821		14,060
Superannuation		548		429		905
Directors remuneration		43		45		92
		<u>7,814</u>		<u>7,295</u>		<u>15,057</u>

5 SHARE CAPITAL AND EARNINGS PER SHARE

(a) Share capital

Share capital comprises of ordinary shares only. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

Contributed equity ordinary shares	Number of authorised shares			Share capital		
	31 Dec 2022	31 Dec 2021	30 June 2022	31 Dec 2022	31 Dec 2021	30 June 2022
	shares	shares	shares	\$'000	\$'000	\$'000
Opening ordinary shares	16,157,699	16,157,699	16,157,699	11,010	11,010	11,010
Share issue - Rights issue	1,210,662	-	-	1,029	-	-
	<u>17,368,361</u>	<u>16,157,699</u>	<u>16,157,699</u>	<u>12,039</u>	<u>11,010</u>	<u>11,010</u>

(b) Earnings per share

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

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

	31 Dec 2022		31 Dec 2021		30 June 2022	
	6 mths	\$'000	6 mths	\$'000	12 mths	\$'000
Earnings for the purpose of basic and diluted earnings per share:						
Net profit attributable to shareholders		(5,407)		(1,017)		(1,836)
Weighted average number of ordinary shares for basic earnings per share		16,402		16,158		16,158
Basic and diluted earnings per share (cents)		<u>(32.96)</u>		<u>(6.29)</u>		<u>(11.36)</u>

6 NON CONTROLLING INTEREST

Enprise Group Limited consolidates 100% of iSell's results and presents the portion of profit/(loss) and other comprehensive income attributable to a non-controlling interest (NCI).

Enprise Group Limited acquired a controlling stake in iSell on 27 May 2020. Purchase of shares from non controlling interests during the year and the rights issue in March 2022 both increased Enprise's shareholding in iSell, ultimately resulting in a non-controlling interest percentage of 24.75% at 31 December 2022, (24.97% at 30 June 2022; 28.86% at 31 December 2021).

Non-controlling interest	31 Dec 2022		31 Dec 2021		30 June 2022	
		\$'000		\$'000		\$'000
Carrying amount at the beginning of the period		161		555		555
Transactions with non-controlling interests		-		-		137
Purchase of shares from non-controlling interest		(11)		(55)		(74)
Movement attributable to the owners of the parent		10		42		(100)
Share of profit/(loss) for the period		<u>(123)</u>		<u>(283)</u>		<u>(357)</u>
		<u>37</u>		<u>259</u>		<u>161</u>

Enprise Group Limited

Notes to the Condensed Interim Consolidated Financial Statements for the six months ended 31 December 2022

7 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Carrying amount of joint ventures and associates	31 Dec 2022	31 Dec 2021	30 June 2022
	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	285	833	833
New investment in joint ventures and associates	782	-	-
Equity earnings/(losses) from associates and joint ventures	(237)	(234)	(556)
Other gains/(losses) related to associates and joint ventures	-	8	8
	830	607	285

Investment in joint venture or associate	31 Dec 2022	31 Dec 2021	30 June 2022
	\$'000	\$'000	\$'000
<i>Investment in equity accounted joint venture</i>			
Datagate Innovation Limited	830	607	285
	830	607	285

The Group's joint venture and associates at 31 Dec 2022 are set out below. The country of incorporation or registration is also their principal place of business.

Name of Entity	Country of incorporation	Principal Activity	Percentage ownership		
			31 Dec 2022	31 Dec 2021	30 June 2022
Datagate Innovation Limited	New Zealand	Software sales	32.00	31.95	31.95

(a) Convertible Note

On 20 December 2021 Enprise Group advanced \$500,000 to Datagate as part of a \$1.55M convertible note offering. Shares were issued under the convertible note in November 2022 at \$2.20 per share, the company was issued 237,471 shares.

8 INVESTMENTS IN OTHER ENTITIES

Carrying amount of investments in other entities	31 Dec 2022	31 Dec 2021	30 June 2022
	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	627	687	687
Changes in fair value of other investments	-	-	(60)
	627	687	627

	31 Dec 2022	31 Dec 2021	30 June 2022
	\$'000	\$'000	\$'000
Vadacom Holdings Limited	627	687	627

Enprise Group Limited

Notes to the Condensed Interim Consolidated Financial Statements for the six months ended 31 December 2022

9 INTANGIBLE ASSETS

	Software	Customer relationships	Intellectual Property	Goodwill	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2021 (audited)					
Cost	2,928	1,264	-	7,538	11,730
Accumulated amortisation and impairment	(295)	(625)	-	-	(920)
Net book value	2,633	639	-	7,538	10,810
Period ended 31 December 2021 (unaudited)					
Opening net book value amount	2,633	639	-	7,538	10,810
Additions	131	-	325	-	456
Exchange differences	(33)	(7)	-	(71)	(111)
Amortisation charge	(139)	(97)	(33)	-	(269)
Closing net book value	2,592	535	292	7,467	10,886
As at 31 December 2021 (unaudited)					
Cost	3,026	1,257	325	7,467	12,075
Accumulated amortisation and impairment	(434)	(722)	(33)	-	(1,189)
Net book value	2,592	535	292	7,467	10,886
Year ended 30 June 2022 (audited)					
Opening net book value amount	2,633	639	-	7,538	10,810
Additions	305	-	325	-	630
Exchange differences	83	12	-	182	277
Amortisation charge	(293)	(186)	(65)	-	(544)
Closing net book value	2,728	465	260	7,720	11,173
As at 30 June 2022 (audited)					
Cost	3,316	1,276	325	7,720	12,637
Accumulated amortisation and impairment	(588)	(811)	(65)	-	(1,464)
Net book value	2,728	465	260	7,720	11,173
Period ended 31 December 2022 (unaudited)					
Opening net book value amount	2,728	465	260	7,720	11,173
Additions	271	-	-	-	271
Exchange differences	(102)	(13)	-	(224)	(339)
Amortisation charge	(158)	(92)	(32)	-	(282)
Impairment charge	-	-	-	(3,364)	(3,364)
Closing net book value	2,739	360	228	4,132	7,459
As at 31 December 2022 (unaudited)					
Cost	3,485	1,263	325	7,496	12,569
Accumulated amortisation and impairment	(746)	(903)	(97)	(3,364)	(5,110)
Net book value	2,739	360	228	4,132	7,459

Kilimanjaro Consulting

The directors have reviewed the recognised goodwill and intangible assets, and considered that the expected increase in profitability of Kilimanjaro in both Australia and New Zealand for the remaining six months of the financial year and that forecasts for the future periods cash generating expectations, and an independent review, due to the failure to reach an agreement with MYOB which is now subject to litigation, MYOB's indication of further reductions in MYOB Exo margins and lower than expected profitability in the 6 months to 31 December 2022, the board has elected to impair the goodwill of the Australian cash generating unit.

Enprise Group Limited

Notes to the Condensed Interim Consolidated Financial Statements for the six months ended 31 December 2022

9 INTANGIBLE ASSETS (CONTINUED)

iSell

The directors have assessed the iSell carrying values, and noted a degree of under-performance relative to the revenue forecasts utilised at the time of the 30 June 2022 impairment test. The directors have considered current forecast information, discount rates, revenue multiples and tested the carrying value of iSell fair value assessment for impairment at 31 December 2022 and due to the under-performance in revenue, slower than expected delivery of some features, the current customer churn and change in the base multiple applied to the discount rate, the directors have elected to write off the goodwill applied to iSell. The directors are confident in the current forecast information due progress on delivery of the product road map and planned geographic expansion.

Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	Dec-22	Jun-22	
Recurring revenue (\$'000)	1,052	1,138	Increasing recurring revenue, non recurring revenue, the recurring revenue multiple, and the non recurring revenue multiple by 5% would increase fair value by \$420,820 (June-22: \$570,000). Lowering all the above inputs by 5% would decrease fair value by \$402,320 (June-22: \$542,190).
Non recurring revenue (\$'000)	41	69	
Recurring revenue multiple	3.885x	4.825x	
Non recurring revenue multiple	1x	1x	

10 CASH AND CASH EQUIVALENTS / BORROWINGS

	31 Dec 2022	31 Dec 2021	30 June 2022
	\$'000	\$'000	\$'000
<i>Current cash on hand / (borrowings)</i>			
Cash on hand and at bank	1,579	1,402	1,546
Bank overdraft	(473)	-	(330)
Cash and cash equivalents	1,106	1,402	1,216
Bank borrowings	(1,344)	(500)	(812)
Other borrowings	-	(38)	(41)
	(238)	864	363
<i>Non-current borrowings</i>			
Bank borrowings	-	-	-
Other borrowings	-	-	-
Non-current borrowings	-	-	-
Net cash on hand	(238)	864	363
	31 Dec 2022	31 Dec 2021	30 June 2022
	\$'000	\$'000	\$'000
<i>Borrowings</i>			
Bank loan	(1,344)	(500)	(812)
Bank overdraft	(473)	-	(330)
Total borrowings	(1,817)	(500)	(1,142)

(a) Summary of borrowing arrangements

On 4 February 2021, the Bank of New Zealand (BNZ) has provided the Group with an overdraft facility of \$1,000,000 and a commercial loan facility of \$2,000,000. The Group is currently under the waiver issued by the BNZ in September 2022 in respect of the breaches to both the interest cover and financial debt ratios. The year to date results have further continued to have these two covenants breached, the current waiver is in effect until 30 June 2023. At 31 December the balance owing on the commercial loan facility was \$1,343,330 with an interest rate of 7.61%

11 DIVIDENDS

	31 Dec 2022	31 Dec 2021	30 June 2022	31 Dec 2022	31 Dec 2021	30 June 2022
	cents per share	cents per share	cents per share	\$'000	\$'000	\$'000
Final dividend - 30 June 2021	-	2.50	2.50	-	404	404
	-	2.50	2.50	-	404	404

Enprise Group Limited

Notes to the Condensed Interim Consolidated Financial Statements for the six months ended 31 December 2022

12 RELATED PARTY TRANSACTIONS

(a) **Interest in other Entities**

The Group's principal subsidiaries are set out in note 1(d). Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group. The country of incorporation or registration is also their principal place of business.

(b) **Ultimate Parent**

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

(c) **Transactions with Related Parties**

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

Name of Entity	Sale of services						Purchase of services					
	31 Dec 2022		31 Dec 2021		30 June 2022		31 Dec 2022		31 Dec 2021		30 June 2022	
	6 mths	\$'000	6 mths	\$'000	12 mths	\$'000	6 mths	\$'000	6 mths	\$'000	12 mths	\$'000
Vadacom Limited*	21		16		37		-		-		-	
Next Telecom*	-		-		-		19		18		32	
Nicholas Paul (Director)	-		-		-		-		71		73	
	21		16		37		19		89		105	

* Vadacom Limited and Next Telecom Limited are subsidiaries of Vadacom Holdings Limited

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

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

Name of Entity	Amounts owed by related parties			Amounts owed to related parties		
	31 Dec 2022	31 Dec 2021	30 June 2022	31 Dec 2022	31 Dec 2021	30 June 2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Next Telecom Limited	-	-	-	2	3	5
Vadacom Limited	4	4	4	-	-	-
	4	4	4	2	3	5

(e) **Loans to/from related parties**

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

Name of Entity	Amounts owed by related parties			Amounts owed to related parties		
	31 Dec 2022	31 Dec 2021	30 June 2022	31 Dec 2022	31 Dec 2021	30 June 2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Datagate Innovation Limited	-	500	518	-	-	-
Vadacom Limited	73	87	87	-	-	-
	73	587	605	-	-	-
Current	-	-	-	-	-	-
Non-Current	73	587	605	-	-	-
	73	587	605	-	-	-

Enprise Group Limited

Notes to the Condensed Interim Consolidated Financial Statements for the six months ended 31 December 2022

13 CASH FLOW RECONCILIATION

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

Reconciliation of net profit to net cash flows from operations:	31 Dec 2022		31 Dec 2021		30 June 2022	
	6 mths	\$'000	6 mths	\$'000	12 mths	\$'000
Profit/(loss) for the period		(5,530)		(1,300)		(2,193)
Adjustments for:						
Depreciation and amortisation		679		651		1,354
Goodwill impairment		3,364		-		-
Net loss/(gain) on foreign exchange		122		(2)		5
Share of loss from equity accounted investments		237		226		548
Loss on disposal of property, plant and equipment		-		-		5
Non cash employee transactions		-		107		-
Movement in deferred tax		418		45		(227)
Movements in working capital						
(Increase)/decrease in trade and other receivable		446		592		(326)
(Increase)/decrease in contract assets		(243)		32		(100)
(Increase)/decrease in income taxes receivable		(64)		(6)		18
Increase/(decrease) in trade and other payables		(31)		(132)		357
Increase/(decrease) in provisions		55		32		245
Increase/(decrease) in contract liabilities		(170)		(316)		168
Net cash inflow from operating activities		(717)		(71)		(146)

14 CONTINGENT LIABILITIES

iSell Pty Limited continues to defend the claim in relation to a claim from a former iSell employee. The company maintains its position that the amount recorded and paid was accurate and correct and no further liability exists. A date for hearing the case is scheduled for 31 July 2023.

Kilimanjaro has initiated proceedings against MYOB to seek to recover the disputed margin on MYOB Exo; there is a risk that the outcome may not be in favour of the group and that costs may be awarded to MYOB.

There were no other material contingent liabilities or assets at balance date (December 2021: nil, June 2022: nil).

15 SUBSEQUENT EVENTS AFTER BALANCE DATE

There are no known events after balance date

Enprise Group Limited

Corporate Information for the six months ended 31 December 2022

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

Contact Details	New Zealand	Principal place of business
	Level 2, 16 Hugo Johnston Drive Penrose, Auckland 1061 PO Box 62262 Sylvia Park Auckland 1644 Phone: +64 9 829 5500 Fax: +64 9 829 5501	Level 2, 16 Hugo Johnston Drive Penrose, Auckland 1061 Phone: +64 9 829 5500
	Australia	Registered office
	Level 4, 122 Walker Street North Sydney NSW 2060 Phone: +61 2 8355 7055 Fax: +61 2 8355 7045	Level 2, 16 Hugo Johnston Drive Penrose, Auckland 1061
	Principal place of business – Australia	
	Level 4, 122 Walker Street North Sydney, NSW 2060	
	Internet address	www.enprisegroup.com
	Email	info@enprisegroup.com

Directors	George Cooper	Chief Executive Officer
	Lindsay Phillips	Non-executive Director
	Nicholas Paul	Chairman
	Ronald Baskind	Executive Director
	Dr Aneasha Varghese-Cowan	Non-executive Director

Share Register	Link Market Services Limited Level 30, PwC Tower 15 Customs Street West Auckland, New Zealand Phone: +64 9 375 5990	<i>Enprise Group Limited shares are listed on the NZX. The Group's share register is maintained by Link Market Services Limited. Link is your first point of contact for any queries regarding your investment in Enprise Group</i>

Auditor	RSM Hayes Audit Level 1, 1 Broadway Newmarket 1023 Auckland, New Zealand Phone +64 9 367 1656
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Lawyer	Hudson Gavin Martin, Auckland, New Zealand Chapman Tripp, Auckland, New Zealand Ash Street, Sydney, Australia
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Principal Bankers	Bank of New Zealand Limited, Auckland, New Zealand
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