



11 August 2023

Enprise accounting records

Enprise Group Limited (NZX: ENS) (“Enprise”) notes that the Financial Market Authority (“FMA”) has issued Enprise a warning under section 9 of the Financial Markets Authority Act 2011.

FMA considered Enprise had not maintained sufficient evidence to support the directors’ judgments in accounting for the recoverable amount of cash generating unit Kilimanjaro Consulting – Australia, and its recognised deferred tax assets, as recorded in the group financial statements for the year ended 30 June 2022.

Enprise is disappointed and remorseful that FMA reached this conclusion, and accepts the FMA’s decision to issue a warning. We are taking up FMA’s offer to discuss how Enprise can further improve its practices.

The judgments Enprise’s Board needed to make when finalising Enprise’s 2022 group financial statements were challenging, as subsequent to balance date Kilimanjaro had disputed MYOB’s unilateral attempt to retrospectively reduce margins that Kilimanjaro receives on existing sales of MYOB Exo software. Enprise had signalled these difficulties in an announcement to NZX on 29 September 2022 before it finalised the group financial statements on 6 October 2022.

In December 2022 Kilimanjaro filed legal proceedings against MYOB. On 7 August 2023 Enprise announced Kilimanjaro was granted an interlocutory injunction against MYOB restoring the MYOB margins, pending a full trial scheduled in 2024.

In October 2022 FMA commenced public consultation on draft guidance on its expectations for accounting records. In February 2023 FMA finalised and published FMA’s *‘Guidance and Expectations for Keeping Proper Accounting Records’*. Enprise welcomes the additional information contained in that guidance.

As acknowledged by the FMA in its warning, Enprise has already taken positive steps to improve its financial reporting functions in recent months, such as:

- restructuring the Board’s Audit and Risk Committee which is now chaired by a non-executive director;
- reviewing the staffing structures with a view to ensuring the financial accounting function is appropriately staffed; and
- engaging with external consultants to provide and implement recommendations to improve the financial reporting process.

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