

ENTITY NAME: Enprise Group Limited

DATE: 11 August 2023

WARNING

1. The Financial Markets Authority (**FMA**, we or us) warns Enprise Group Limited (**Enprise**) under section 9(1)(a)(ii) of the Financial Markets Authority Act 2011 for conduct that we consider contravenes section 455(1)(c) of the Financial Markets Conduct Act 2013 (the **FMC Act**). Our reasons for the warning are summarised below and in the Notice of Intention (**Notice**) dated 3 July 2023.
2. The purpose of the warning is to censure Enprise and promote future compliance, particularly relating to preparing and keeping proper accounting records. The warning will also put Enprise and its directors on notice that subsequent contraventions of its obligations under financial markets legislation may lead to more serious enforcement action by the FMA.
3. One of the FMA functions is to promote the confident and informed participation of businesses, investors, and consumers in the financial markets by issuing warnings about any matter relating to those markets, financial market participants or other persons engaged in conduct relating to those markets. The FMA is of the view that issuing the warning to Enprise is consistent with that function.

Summary of reasons

4. The FMA has considered information received from Enprise following our enquiry into Enprise's group financial statements for the financial year ended 30 June 2022 (**2022 financial statements**). In particular, information relating to the recoverable amount of cash generating unit Kilimanjaro Consulting - Australia (**CGU-KCA**), and recognised deferred tax assets (**DTA**) for unused tax losses at 30 June 2022, including explanations received for:
 - a. the basis of determining the recoverable amount of CGU-KCA, key inputs and assumptions applied, including assumptions relating to all possible outcomes at 30 June 2022 (underpinning compliance with NZ IAS 36 Impairment of Assets (**NZ IAS 36**)), and
 - b. the rationale and basis for recognising DTA for unused tax losses (underpinning compliance with NZ IAS 12 Income Taxes (**NZ IAS 12**)).
5. In response to our request, Enprise was unable to provide sufficient appropriate evidence underpinning management's assumptions and details of considerations of the impact of certain matters on forecasted cash flows used in the model to determine the recoverable amount of CGU-KCA. Enprise was also unable to provide adequate records to support recognition of a deferred tax asset for unused tax losses at 30 June 2022. The response did not evidence the management assessment and conclusion that it was probable that future taxable profits would be available against which the unused losses could be utilised.
6. After consideration of the matter and the explanations received from Enprise, including Enprise's submissions dated 28 July 2023, the FMA is satisfied that Enprise did not prepare and keep proper accounting records to support compliance with relevant accounting standards, namely NZ IAS 36 and NZ IAS 12.
7. The full reasons for issuing the warning and a detailed overview of our findings are set out in the Notice.