



Gentrack Group Limited
**INTERIM FINANCIAL
STATEMENTS**

For the 6 months ended
31 March 2019



CONTENTS

4	Commentary
5	Interim Financial Statements
6	Condensed Statement of Comprehensive Income
7	Condensed Statement of Financial Position
8	Condensed Statement of Changes in Equity
10	Condensed Statement of Cash Flows
11	Notes to the Condensed Financial Statements
23	Independent Review Report
25	Corporate Directory

COMMENTARY

DEAR SHAREHOLDER,

- Revenue \$54.4m - up 5% on H1 FY18
- Recurring Revenue \$37.7m – up 26% on H1 FY18
- EBITDA1 \$12.8m - down 19% on H1 FY18
- NPAT (\$8.7m) after impairment of CA Plus of \$14.6m - adjusted NPAT \$4.6m
- Interim Dividend of 5.0cps declared

In line with guidance, the results for the half-year show an increase in revenue of 5% to \$54.4m and a fall in EBITDA of 19% to \$12.8m over the same period last year. Lower than historic revenue growth reflects the impact of the shift to SaaS sales and some deferred customer projects. Increased costs reflect the investment in productised SaaS solutions.

Recurring revenue for the half-year was \$37.7m, up 26% on H1 FY18, marking the continued growth in SaaS revenue. On an annualised basis, March 2019 recurring revenue (excluding Evolve which was acquired in June 2018) was \$74m, 33% up on March 2018.

Notwithstanding UK Brexit and electricity price regulation introduced in January 2019, Gentrack recorded a 7% increase in revenue on H1 FY18 in the UK. There was a 27% drop in Australia revenue with no large projects in the half. Our Rest of World revenues increased significantly to \$7.5m, reflecting ongoing airports projects in the US and Europe.

We have added four new utilities on a SaaS basis in H1 including Castle Water, Enigys, MoneyPlus and Northumbrian Energy. We completed deliveries at nPower, Mojo Power, MA Energy, Maxen Power and Goto Energy. Utilities revenues were flat at \$42.3m with EBITDA down 24% to \$10.1m.

Veovo has won one new customer, Perth Airport and is continuing significant projects at Ports of Jersey, Wellington, Orlando, Melbourne, London City, Auckland and Newark Liberty airports. Veovo first half revenues were up 25% to \$12.1m while EBITDA remained unchanged on the same period last year.

We have fully written down the value of the CA Plus business by \$14.6m reflecting the disappointing performance of this business. It was acquired in May 2017 as an early stage business delivering retail and concessionaire management solutions for airports.

In September 2018, when it became clear that the deferred consideration based on results would not be payable, we revalued the deferred consideration and impaired Goodwill with a net \$0.1m impact.

During the 6 months to 31 March 2019, expected sales growth has not been delivered and we are taking the decision to write the investment off. Notwithstanding this, there is clear demand for a solution to manage concessionaire revenues in the global airports sector.

We are integrating the business into the Airport 20/20 portfolio and still see value to be recovered from our investment.

We have over 550 staff and have continued to invest in strengthening the capabilities needed to enable our global strategy. This includes specialist skills needed to drive our SaaS product development and delivery as well as managing our global customer success operations.

We have seen a shift in the utilities sector to cloud based solutions, reflected in our growth in recurring revenues and adoption of our new SaaS offerings. In the first half we have completed the investment in our market compliant solutions for energy and water sectors covering the UK, Australia and Singapore.

Our priority for the second half of FY19 is to expand our presence in many of our large customers in the UK and Australia as they adopt our broader solution offering and they bring more of their customers onto our platforms. We will be growing our managed services business to support customers who increasingly want us to perform data processing and analytics functions on their behalf. We are also bringing the Evolve solution to market and expanding sales of the Junifer solution in Australia.

The board has declared an interim dividend at 5.0cps for the half-year in line with the interim dividend last year.

Ongoing, we are revising the dividend policy set at the time of IPO 5 years ago. The Board now intends to pay a dividend of at least 70% of underlying NPAT, subject to outlook, capital and liquidity requirements.

In line with our guidance at the Annual Meeting in February 2019, we expect to deliver a strong second half, and a full year FY19 EBITDA result marginally ahead of FY18, noting the usual dependency on the timing of key contracts and project milestones. We have a strong pipeline of opportunities in our utilities and airports markets which support our long term 15% CAGR EBITDA growth objective.



John Clifford
Chairman



Ian Black
CEO



INTERIM
FINANCIAL
STATEMENTS
MARCH 2019

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2019

\$000		6 MONTHS 31 MARCH 2019	6 MONTHS 31 MARCH 2018	12 MONTHS 30 SEPTEMBER 2018
	NOTES	UNAUDITED	UNAUDITED	AUDITED
Revenue	3	54,421	51,977	104,477
Expenditure	4	(41,632)	(36,079)	(73,521)
Profit before depreciation, amortisation, acquisition related costs, revaluation of financial liabilities, impairment of goodwill and intangible assets, financing and tax		12,789	15,898	30,956
Depreciation and amortisation		(4,740)	(3,014)	(6,987)
Acquisition related income/(costs)		-	67	(1,268)
Revaluation of acquisition related financial liability		-	-	3,835
Impairment of goodwill and intangible assets	12,13,14	(14,551)	-	(3,984)
(Loss)/Profit before financing and tax		(6,502)	12,951	22,552
Finance income	5	6	9	26
Finance expense	5	(1,546)	(1,484)	(1,846)
(Loss)/Profit before tax		(8,042)	11,476	20,732
Income tax expense		(658)	(3,112)	(6,863)
(Loss)/Profit attributable to the shareholders of the company		(8,700)	8,364	13,869
OTHER COMPREHENSIVE INCOME				
Translation of international subsidiaries		(4,312)	3,301	5,519
Total comprehensive (loss)/income for the period		(13,012)	11,665	19,388
EARNINGS PER SHARE FOR (LOSS)/PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY (EXPRESSED IN DOLLARS PER SHARE)				
Basic and diluted earnings per share		(\$0.09)	\$0.10	\$0.16
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES ISSUED				
Basic		98,564	83,697	86,622
Diluted		98,973	84,004	86,928

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

\$000		31 MARCH 2019	31 MARCH 2018	30 SEPTEMBER 2018
	NOTES	UNAUDITED	UNAUDITED	AUDITED
CURRENT ASSETS				
Cash and cash equivalents	6	6,404	7,106	11,400
Trade and other receivables	7	32,110	28,844	24,055
Inventory		494	451	376
Total current assets		39,008	36,401	35,831
NON-CURRENT ASSETS				
Property, plant and equipment		3,539	3,553	3,836
Goodwill	13	132,295	125,758	146,189
Intangibles	14	61,933	42,093	68,187
Deferred tax asset		5,411	4,731	3,626
Total non-current assets		203,178	176,135	221,838
Total assets		242,186	212,536	257,669
CURRENT LIABILITIES				
Bank loans	8	4,000	-	-
Trade payables and accruals		5,938	6,127	6,907
Contract liabilities		12,932	11,073	7,749
GST payable		1,860	1,180	1,300
Financial liabilities		-	365	-
Employee entitlements		3,982	4,734	3,851
Income tax payable		2,761	2,628	4,030
Total current liabilities		31,473	26,107	23,837
NON-CURRENT LIABILITIES				
Bank loans		-	44,681	-
Lease incentives		3,257	4,062	3,612
Financial liabilities	15	2,662	6,388	2,808
Employee entitlements		414	385	339
Deferred tax liabilities		9,822	7,670	10,648
Total non-current liabilities		16,155	63,186	17,407
Total liabilities		47,628	89,293	41,244
Net assets		194,558	123,243	216,425
EQUITY				
Share capital	9	191,229	101,490	190,968
Share based payment reserve	11	469	404	570
Foreign currency translation reserve		5,027	7,121	9,339
Retained earnings		(2,167)	14,228	15,548
Total equity		194,558	123,243	216,425

The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2019

31 MARCH 2019 (\$000)		SHARE CAPITAL	SHARE BASED PAYMENT RESERVE	RETAINED EARNINGS	TRANSLATION RESERVE	TOTAL EQUITY
UNAUDITED	NOTES					
Balance as at 1 October 2018		190,968	570	15,548	9,339	216,425
Change in accounting policy	1			(443)		(443)
Restated total equity at 1 October 2018		190,968	570	15,105	9,339	215,982
Profit attributable to the shareholders of the company				(8,700)		(8,700)
Other comprehensive income					(4,312)	(4,312)
Total comprehensive income for the period, net of tax		-	-	(8,700)	(4,312)	(13,012)
TRANSACTION WITH OWNERS						
Dividend paid				(8,572)		(8,572)
Share based payments	11	261	(101)			160
Balance at 31 March 2019		191,229	469	(2,167)	5,027	194,558
31 MARCH 2018 (\$000)		SHARE CAPITAL	SHARE BASED PAYMENT RESERVE	RETAINED EARNINGS	TRANSLATION RESERVE	TOTAL EQUITY
UNAUDITED	NOTES					
Balance as at 1 October 2017		101,490	239	12,978	3,820	118,527
Profit attributable to the shareholders of the company				8,364		8,364
Other comprehensive income					3,301	3,301
Total comprehensive income for the period, net of tax		-	-	8,364	3,301	11,665
TRANSACTION WITH OWNERS						
Dividend paid				(7,114)		(7,114)
Share based payments			165			165
Balance at 31 March 2018		101,490	404	14,228	7,121	123,243

30 SEPTEMBER 2018 (\$000)		SHARE CAPITAL	SHARE BASED PAYMENT RESERVE	RETAINED EARNINGS	TRANSLATION RESERVE	TOTAL EQUITY
AUDITED	NOTES					
Balance as at 1 October 2017		101,490	239	12,978	3,820	118,527
Profit attributable to the shareholders of the company				13,869		13,869
Other comprehensive income					5,519	5,519
Total comprehensive income for the period, net of tax		-	-	13,869	5,519	19,388
TRANSACTION WITH OWNERS						
Issue of capital		89,478				89,478
Dividend paid				(11,299)		(11,299)
Share based payments			331			331
Balance at 30 September 2018		190,968	570	15,548	9,339	216,425

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

\$000	NOTES	6 MONTHS 31 MARCH 2019 UNAUDITED	6 MONTHS 31 MARCH 2018 UNAUDITED	12 MONTHS 30 SEPTEMBER 2018 AUDITED
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		50,040	47,102	103,343
Payments to suppliers and employees		(42,090)	(33,618)	(73,173)
Income tax paid		(4,295)	(4,566)	(7,918)
Net cash inflow from operating activities		3,655	8,918	22,252
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment		(276)	(1,615)	(2,287)
Purchase of intangibles		(3,820)	(360)	(3,916)
Acquisition of business, net of cash		-	-	(42,796)
Repayment of acquisition related costs		-	-	(362)
Proceeds from sale of property, plant and equipment		-	260	272
Net cash outflow from investing activities		(4,096)	(1,715)	(49,089)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of ordinary shares		-	-	90,084
Costs in relation to issue of ordinary shares		-	-	(2,559)
Drawdown of borrowings	8	8,325	-	-
Repayment of borrowings	8	(4,000)	(2,174)	(46,826)
Interest (paid)/received		(263)	(551)	(1,095)
Dividends paid		(8,572)	(7,114)	(11,299)
Net cash (outflow)/inflow from financing activities		(4,510)	(9,839)	28,305
Net (decrease)/increase in cash held		(4,951)	(2,636)	1,468
Foreign currency translation adjustment		(45)	15	205
Cash at beginning of the financial period		11,400	9,727	9,727
Closing cash and cash equivalents		6,404	7,106	11,400

The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited interim financial statements of Gentrack Group Limited (the Company) and its subsidiaries (together “the Group”) have been prepared in accordance with the New Zealand equivalent of IAS 34: Interim Financial Reporting and New Zealand Generally Accepted Accounting Practice (“NZ GAAP”).

The Group is a profit-oriented entity for financial reporting purposes.

The Company is a FMC entity for the purposes of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013 and is listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX).

These unaudited consolidated condensed interim financial statements of the Group for the six months ended 31 March 2019 have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group’s Annual Report for the year ended 30 September 2018. The only exception is the adoption of new or amended accounting standards as set out below.

Certain comparatives have been reclassified to ensure consistency with the current period.

New accounting standards adopted by the Group

A number of new accounting standards become applicable for the current reporting period and the Group has had to change its accounting policies as a result of adopting the following standards:

- *NZ IFRS 15 Revenue from Contracts with Customers*
- *NZ IFRS 9 Financial Instruments*

The impact of adopting these new accounting standards is disclosed below.

Impact of standards issued but not yet adopted by the Group

NZ IFRS 16 *Leases* was issued in January 2016. The standard is mandatory for reporting periods beginning on or after 1 January 2019 and will become effective for the Group on 1 October 2019. It will result in almost all leases being recognised in the Statement of Financial Position, as the distinction between operating leases and finance leases has been removed. The Group does not intend to adopt the standard before its mandatory effective date. The Group is yet to fully assess its impact.

NZ IFRS 15 Revenue from Contracts with Customers – impact of adoption

NZ IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced NZ IAS 18: *Revenue*. Under NZ IFRS 15, revenue is recognised when the customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group conducted a detailed review of its customer contracts and management concluded that the implementation of NZ IFRS 15 has no material impact on the way in which the Group recognises revenue. Therefore, there is no requirement to restate revenue in prior periods. The Group’s accounting policies have been amended to ensure the 5-step method, as defined in NZ IFRS 15, is applied consistently to revenue recognition processes across the Group.

In assessing the impact of NZ IFRS 15 on the Group, management has selected to apply the portfolio approach as detailed in NZ IFRS 15. Using this approach, contracts within each operating segment were aggregated and a representative contract for each portfolio was selected. The 5-step model in NZ IFRS 15 was then applied to each representative contract to assess the impact on revenue recognition.

The 5-step method for recognising revenue under NZ IFRS 15 is summarised below:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue

The table below provides further information on the application of IFRS 15 and how it has been applied to the major revenue types contained in the Group’s two operating segments.

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

Revenue type	Product details	Description	Key judgements	Outcome	Timing of revenue recognition
Annual fees	Software support and maintenance	Basic post implementation support and maintenance and minor upgrades of the software.	No major judgements, other than confirming the period of the maintenance contract.	N/A	Over time Benefits are simultaneously received and consumed over the support and maintenance term.
	Software subscription (1)	A subscription-based customer information system and billing system for utility companies.	Determining whether a sales-based license of intellectual property exists and if bundling with other components of the contract is required.	The software subscription is a sales-based license. Bundling of the software and support services is required to form a distinct performance obligation.	Point in time Recognised at the end of each month once the sales-based variable usage is known.
	Managed services (1)	A managed service using software to determine billing inaccuracies and errors.	Determining whether any variable consideration is highly probable.	Based on fee structure for the managed services offering revenue is updated at each reporting period when sufficient certainty exists.	Over time Benefits are simultaneously received and consumed. The value transferred is measured using an output method based on value transferred to the customer.
License fees and project services	Initial license fees and project services	License and implementation of software solutions.	Determining whether the initial license and project services are a distinct performance obligation. Determining whether any variable consideration is highly probable.	Providing the initial license and project services are highly interrelated and are required to be bundled to create a distinct performance obligation.	Over time Recognised on a stage of completion basis. The value is measured using an input method, with the input being the number of hours expended relative to the total estimated hours to complete the project.
Support services	Support services	Post implementation value-add services.	Determining whether the support services are a distinct performance obligation.	Support services are a distinct performance obligation, the customer has the ability to benefit from the support services as they are performed.	Over time Recognised on a stage of completion basis. The value is measured using an input method, with the input being the number of hours expended relative to the total estimated hours to complete the work.

(1) Applicable to the Utility segment only.

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

In terms of impact to the presentation of the condensed interim financial statements, NZ IFRS 15 requires the disaggregation of revenue to provide clear and meaningful information. For the Group, management has concluded that presentation of revenue in terms of the method of revenue recognition was most appropriate. Therefore, revenue is disaggregated in the operating segments note (refer to note 2) as the amounts recognised at a point in time and over time. Revenue is also disaggregated by revenue type in note 3.

NZ IFRS 9 Financial Instruments – impact of adoption

NZ IFRS 9: *Financial Instruments* replaces NZ IAS 39: *Financial Instruments: Recognition and Measurement* and brings together three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The adoption of NZ IFRS 9 from 1 October 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed interim financial statements. The new accounting policies are set out in the section below, along with the impact of adopting NZ IFRS 9.

Changes in accounting policies resulting from the adoption of NZ IFRS 9 have been applied retrospectively, except the Group has used an exemption not to restate comparative information.

Classification and measurement

NZ IFRS 9 principally impacts the following classifications of financial assets for the Group:

- Cash and cash equivalents
- Trade receivables

From 1 October 2018, the Group classifies its financial assets at amortised cost (previously classified as loans and receivables under NZ IAS 39). There was no change in the fair value of the financial assets as a result of the reclassification. At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Impairment

From 1 October 2018, the Group assess on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

In assessing whether there has been a significant increase in credit risk, the Group considers both forward looking and financial history of counterparts to assess the probability of default.

For trade debtors NZ IFRS 9 requires expected lifetime credit losses to be recognised from initial recognition of the trade debtor. When there is no reasonable expectation of recovery trade debtors are written off.

The expected credit loss allowance is based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation. This is based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each period. Further information on the key judgements and assumptions are detailed below.

Cash and cash equivalents

While cash and cash equivalents are subject to the impairment requirements of NZ IFRS 9, the identified impairment loss is nil.

Trade debtors

The Group has applied the lifetime expected credit loss approach for trade debtors under NZ IFRS 9. To measure the expected credit loss, trade debtors have been grouped and reviewed on the basis of the number of days past due. The expected credit loss allowance has been calculated using the following inputs:

- Baseline characteristic considers the age of each invoice and applies an increasing expected credit loss estimate as the invoice ages.
- The ageing characteristic considers the history of each specific customer and if the customer has a significant proportion of overdue invoices an additional provision is added.
- The Country, Customer and Market characteristics consider the relative risk related to the country where the customer resides and assesses the financial strength of the customer and the market position the Group has achieved within that market.

An increase of \$0.4m in the allowance for impairment under the expected credit loss model was recognised in opening retained earnings at 1 October 2018 on transition to NZ IFRS 9.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

2 OPERATING SEGMENTS

The Group currently operates in two business segments: utility billing software and airport management software. These segments have been determined based on the reports reviewed by the Board to make strategic decisions.

The assets and liabilities of the Group are reported to and reviewed by the Chief Operating Decision Maker in total and are not allocated by business segment. Therefore, operating segment assets and liabilities are not disclosed.

6 MONTHS 31 MARCH 2019 UNAUDITED	UTILITY	AIRPORT	TOTAL
TIMING OF REVENUE RECOGNITION			
Point in time	2,904	3,421	6,325
Over time	39,433	8,663	48,096
Total revenue	42,337	12,084	54,421
Expenditure	(32,247)	(9,385)	(41,632)
Segment contribution (1)	10,090	2,699	12,789

6 MONTHS 31 MARCH 2018 UNAUDITED - RESTATED	UTILITY	AIRPORT	TOTAL
TIMING OF REVENUE RECOGNITION			
Point in time	3,371	1,682	5,053
Over time	38,876	8,048	46,924
Total revenue	42,247	9,730	51,977
Expenditure	(29,035)	(7,044)	(36,079)
Segment contribution (1)	13,212	2,686	15,898

12 MONTHS 30 SEPTEMBER 2018 AUDITED - RESTATED	UTILITY	AIRPORT	TOTAL
TIMING OF REVENUE RECOGNITION			
Point in time	7,946	3,432	11,378
Over time	77,175	15,924	93,099
Total revenue	85,121	19,356	104,477
Expenditure	(59,156)	(14,365)	(73,521)
Segment contribution (1)	25,965	4,991	30,956

The comparatives for 31 March 2018 and 30 September 2018 have been reclassified to include the timing of revenue recognition under NZ IFRS 15. The segment revenue and total revenue for these comparative periods has not changed.

- (1) Segment contribution is defined as Profit before depreciation, amortisation, acquisition related costs, revaluation of financial liabilities, impairment of goodwill and intangible assets, financing and tax

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

A reconciliation of segment contribution (1) to profit attributable to the shareholders of the company is as follows

\$000	6 MONTHS	6 MONTHS	12 MONTHS
	31 MARCH 2019	31 MARCH 2018	30 SEPTEMBER 2018
	UNAUDITED	UNAUDITED	AUDITED
Segment contribution (1)	12,789	15,898	30,956
Depreciation and amortisation	(4,740)	(3,014)	(6,987)
Acquisition related costs	-	67	(1,268)
Revaluation of acquisition related financial liabilities	-	-	3,835
Impairment of goodwill and intangible assets	(14,551)	-	(3,984)
Net finance expense	(1,540)	(1,475)	(1,820)
Income tax expense	(658)	(3,112)	(6,863)
Profit attributable to the shareholders of the company	(8,700)	8,364	13,869

\$000	6 MONTHS	6 MONTHS	12 MONTHS
	31 MARCH 2019	31 MARCH 2018	30 SEPTEMBER 2018
	UNAUDITED	UNAUDITED	AUDITED
REVENUE BY DOMICILE OF ENTITY			
Australia	11,262	14,952	29,062
New Zealand	7,825	9,135	18,791
United Kingdom	29,134	23,508	56,193
Rest of World	6,200	4,382	431
	54,421	51,977	104,477
REVENUE BY DOMICILE OF CUSTOMER			
Australia	12,168	16,721	31,903
New Zealand	6,067	5,721	11,762
United Kingdom	28,729	26,692	52,931
Rest of World	7,457	2,843	7,881
	54,421	51,977	104,477

(1) Segment contribution is defined as Profit before depreciation, amortisation, acquisition related costs, revaluation of financial liabilities, impairment of goodwill and intangible assets, financing and tax

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

3. REVENUE

\$000	6 MONTHS 31 MARCH 2019 UNAUDITED	6 MONTHS 31 MARCH 2018 UNAUDITED	12 MONTHS 30 SEPTEMBER 2018 AUDITED
OPERATING REVENUE:			
Annual fees	26,719	16,944	38,294
Support services	10,970	13,085	25,696
Project services	10,876	13,576	25,406
Licenses	2,415	6,079	10,545
Other	2,967	1,926	3,681
	53,947	51,610	103,622
OTHER INCOME:			
Government grants	474	367	855
	54,421	51,977	104,477

4. EXPENDITURE

\$'000	6 MONTHS 31 MARCH 2019 UNAUDITED	6 MONTHS 31 MARCH 2018 UNAUDITED	12 MONTHS 30 SEPTEMBER 2018 AUDITED
PROFIT BEFORE TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:			
Employee entitlements	28,081	23,984	49,961
Administrative costs	4,981	5,117	9,451
Third party customer-related costs	4,149	2,682	5,500
Advertising and marketing	1,081	1,040	1,543
Consulting and subcontracting	2,317	2,313	5,147
Other operating expenses	1,023	943	1,919
Total expenditure	41,632	36,079	73,521

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

5. NET FINANCE EXPENSE

\$000	6 MONTHS 31 MARCH 2019 UNAUDITED	6 MONTHS 31 MARCH 2018 UNAUDITED	12 MONTHS 30 SEPTEMBER 2018 AUDITED
FINANCE INCOME			
Interest income	6	9	26
Foreign exchange gains	-	-	-
	6	9	26
FINANCE EXPENSE			
Interest expense	(269)	(560)	(1,121)
Interest paid - unwinding of discount of financial liability	-	-	(127)
Interest paid - NPV discount	(27)	(62)	-
Foreign exchange losses	(1,250)	(862)	(598)
	(1,546)	(1,484)	(1,846)
Net finance cost	(1,540)	(1,475)	(1,820)

6. CASH AND CASH EQUIVALENTS

\$000	31 MARCH 2019 UNAUDITED	31 MARCH 2018 UNAUDITED	30 SEPTEMBER 2018 AUDITED
Bank balances	6,402	7,101	11,398
Cash on hand	2	5	2
	6,404	7,106	11,400

7. TRADE AND OTHER RECEIVABLES

\$000	31 MARCH 2019 UNAUDITED	31 MARCH 2018 UNAUDITED	30 SEPTEMBER 2018 AUDITED
Trade debtors	18,324	21,926	17,583
Impairment provision	(679)	(509)	(504)
Provision for warranty claims	(137)	(15)	(15)
Contract assets	11,909	4,909	4,093
Sundry receivables and prepayments	2,693	2,533	2,898
	32,110	28,844	24,055

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

8. LOANS AND BORROWING

The company has a NZ\$50.5 million multi-currency facility with ASB Bank Limited to provide additional funding as required for acquisitions and general corporate purposes. This facility expires on 28 March 2022.

The facility is secured by a general security agreement under which the bank has a security interest in all of the Group's taxable assets. Covenants are in place and compliance is reported quarterly. At all times during the period the Group has met the covenant requirements.

As at 31 March 2019, \$4.0m (2018: \$Nil) has been drawn down for working capital purposes.

9. CAPITAL

	SHARES ISSUED			SHARE CAPITAL		
	31 MARCH 2019 UNAUDITED	31 MARCH 2018 UNAUDITED	30 SEPTEMBER 2018 AUDITED	31 MARCH 2019 UNAUDITED	31 MARCH 2018 UNAUDITED	30 SEPTEMBER 2018 AUDITED
Ordinary Shares	98,525	83,697	83,697	190,968	101,490	101,490
Issue of new ordinary shares	120	-	14,828	261	-	89,478
	98,645	83,697	98,525	191,229	101,490	190,968

10. RELATED PARTIES

IDENTITY OF RELATED PARTIES

The Group has related party relationships with its subsidiaries which are listed in the Group's Annual Report for the year ended 30 September 2018. The related party transactions primarily consist of the purchase and sale of software products, provision of technical support, loan advances and repayments, consultancy services and management charges on commercial terms.

Key management personnel that have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly and include the Directors, the Chief Executive Officer and their direct reports. Key management personnel compensation for the period was \$2.1m (2018: \$4.1m). Directors fees were \$0.2m for the period (2018: \$0.4m).

Related parties are materially consistent with those disclosed in the 2018 Annual Report.

11. EMPLOYEE SHARE SCHEME

During the period the Company granted 113,519 (2018: 78,040) unlisted performance rights for nil consideration to senior executives under the Gentrack Long Term Incentive Scheme. Vesting is conditional on the completion of the necessary years' service to the vesting date and performance goals over the vesting period.

In February 2019 119,613 of a possible 152,400 performance rights vested (2018: Nil), these performance rights were granted in May 2016 under the Gentrack Long Term Incentive Scheme. The unvested performance rights were forfeited. Please refer to the 2018 Annual Report for further information on the Employee Share Scheme.

12. CA PLUS IMPAIRMENT

CA Plus offers solutions to airports to process non-aeronautical revenues derived from retail and concessionaire management activities. The CA Plus solution collects sales data from tenants to calculate and charge concession fees and to provide detailed analytics supporting planning and decision making.

The Group acquired 75% of CA Plus in May 2017 with an option to acquire the remaining 25% exercisable in May 2020 based on a three year earn-out target to 31 December 2019. CA Plus was acquired as an early stage business with the expectation that it would rapidly develop.

At 30 September 2018 the value of the liability for the option related deferred consideration was revalued to 1.00 Euro resulting in a gain of \$3.8m and at the same time an impairment to goodwill of \$3.9m was recognised. It was noted at that time that the carrying value after the impairment would remain sensitive to future growth and performance of the CA Plus business.

During the 6 months ending 31 March 2019, CA Plus has not delivered expected sales growth and a strategic review of the business has been undertaken during the period. The conclusion is that while there is identifiable market demand for its solutions in the global airports sector, the approach to market needed to be significantly changed to realise the opportunity. Plans are being prepared to fully integrate CA Plus into the Airports 20/20 business and to deliver the solution as a component of the Airports 20/20 product set which will leverage the intellectual property, the resources and reshape the sales approach.

In view of the uncertainties around the future shape and performance of the business and associated financial outcomes, management considers a full impairment of the \$14.6m carrying value of these acquired assets is appropriate.

Details of the impairment related amounts are shown in the notes that follow.

13. GOODWILL

Goodwill represents the difference between the acquisition of the fair value of the net identifiable assets acquired. Goodwill is stated at its initial fair value less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually or when indicators of impairment are present.

\$000	31 MARCH 2019 UNAUDITED	31 MARCH 2018 UNAUDITED	30 SEPTEMBER 2018 AUDITED
Opening balance	146,189	122,212	122,212
Goodwill arising on acquisition	-	-	22,408
Goodwill impairment	(10,380)	-	(3,984)
Exchange rate differences	(3,514)	3,546	5,553
Closing net book value	132,295	125,758	146,189
Goodwill allocated to Gentrack Velocity	43,895	37,377	43,895
Goodwill allocated to Airport 20/20	2,900	2,900	2,900
Goodwill allocated to Junifer	62,022	62,813	63,775
Goodwill allocated to Blip	7,863	8,136	8,376
Goodwill allocated to CA Plus	-	14,532	11,005
Goodwill allocated to Evolve Analytics	15,615	-	16,238
Net book amount	132,295	125,758	146,189

As detailed in note 12 above, the impairment of \$10.4m (2018: \$4.0m) relates solely to the CA Plus cash-generating unit.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

14. INTANGIBLE ASSETS

31 MARCH 2019 UNAUDITED	SOFTWARE	CUSTOMER RELATIONSHIPS	BRAND NAMES	TRADEMARKS	CAPITALISED DEVELOPMENT	TOTAL
Opening balance	39,126	19,002	5,024	793	4,242	68,187
Additions	520	-	-	-	3,300	3,820
Acquisitions through business combination	-	-	-	-	-	-
Amortisation	(2,464)	(1,250)	-	(81)	(434)	(4,229)
Impairment	(2,837)	(617)	-	-	(717)	(4,171)
Movement in foreign exchange	(1,125)	(485)	-	(22)	(42)	(1,674)
Closing net book value	33,220	16,650	5,024	690	6,349	61,933
Cost	46,414	24,327	5,024	824	7,187	83,775
Accumulated amortisation	(13,194)	(7,677)	-	(134)	(838)	(21,842)
Net book value	33,220	16,650	5,024	690	6,349	61,933

30 SEPTEMBER 2018 AUDITED	SOFTWARE	CUSTOMER RELATIONSHIPS	BRAND NAMES	TRADEMARKS	CAPITALISED DEVELOPMENT	TOTAL
Opening balance	24,783	11,250	5,024	11	890	41,958
Additions	186	-	-	-	3,730	3,916
Acquisitions through business combination	16,559	8,994	-	812	-	26,365
Amortisation	(3,792)	(1,855)	-	(43)	(397)	(6,087)
Movement in foreign exchange	1,390	613	-	13	19	2,035
Closing net book value	39,126	19,002	5,024	793	4,242	68,187
Cost	50,650	25,620	5,024	847	4,654	86,795
Accumulated amortisation	(11,524)	(6,618)	-	(54)	(412)	(18,608)
Net book value	39,126	19,002	5,024	793	4,242	68,187

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

15. FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets and liabilities by category are summarised as follows:

Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and on hand and the carrying amount is equivalent to fair value.

Trade debtors

These assets are short term in nature and are reviewed for impairment; the carrying value approximates their fair value.

Trade payables

These liabilities are mainly short term in nature with the carrying value approximating the fair value.

Loans and Borrowings

Loans and borrowings have a fixed and floating interest rates. Fair value is estimated using the discounted cash flow model based on current market interest rate for a similar product; the carrying value approximates their fair value.

Fair values

The Group's financial instruments that are measured subsequent to initial recognition at fair values are grouped into levels based on the degree to which their fair value is observable:

Level 1 – fair value measurements derived from quoted prices in active markets for identical assets.

Level 2 – fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – fair value measurements derived from valuation techniques that include inputs for the asset or liability which are not based on observable market data.

There have been no transfers between levels or changes in the valuation methods used to determine the fair value of the Group's financial instruments during the period. As at 31 March 2019 the Group has \$2.7m of level 3 financial instruments related to the acquisition of Blip Systems (2018: \$2.8m). Refer to note 33 of the 2018 Annual Financial Statements for further information.

FINANCIAL INSTRUMENTS BY CATEGORY

\$000	31 MARCH 2019 UNAUDITED	31 MARCH 2018 UNAUDITED	30 SEPTEMBER 2018 AUDITED
FINANCIAL ASSETS MEASURED AT AMORTISED COST			
Cash and cash equivalents	6,404	7,106	11,400
Trade debtors	17,645	21,417	17,079
	24,049	28,523	28,479
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST			
Loans and borrowings	4,000	44,681	-
Trade creditors	7,688	4,519	5,102
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE			
Financial Liabilities	2,662	6,753	2,808
	14,350	55,953	7,910

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

16. CAPITAL COMMITMENTS

The are no capital expenditure commitments at 31 March 2019 (2018: \$Nil).

17. CONTINGENCIES

ASB New Zealand has provided the following guarantees on behalf of the Gentrack Group:

- NZD\$75,000 to NZX Limited. This guarantee has no expiry date.
- HKD\$994,528 to ANZ Hong Kong. This guarantee expires on 8 September 2019.
- AUD\$122,850 to ASB. This guarantee is open ended.
- NZD\$111,568 (AUD105,030) to Walsh and Company Investment Services Pty Ltd. This guarantee is open ended.
- AUD\$558,038 to ASB. This guarantee expires on 30 April 2020.

18. EVENTS AFTER THE BALANCE DATE

An interim dividend of \$4.9m (\$0.05 per share) was declared on 24 May 2019 for the six months ended 31 March 2019 and will be paid on 14 June 2019.



Independent Review Report

To the shareholders of Gentrack Group Limited

Report on the interim financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 5 to 22 do not:

- i. present fairly in all material respects the Group's financial position as at 31 March 2019 and its financial performance and cash flows for the 6 month period ended on that date; and
- ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying interim financial statements which comprise:

- the condensed statement of financial position as at 31 March 2019;
- the condensed statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for conclusion

A review of interim financial statements in accordance with NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity ("NZ SRE 241 O") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Gentrack Group Limited, NZ SRE 241 O requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the group in relation to the audit of the Group's components' standalone financial statements, tax compliance, tax advisory and other assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.



Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our review work, this report, or any of the opinions we have formed.



Responsibilities of the Directors for the interim consolidated financial statements

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of an interim financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these interim financial statements.

This description forms part of our Independent Review Report.



KPMG Auckland

24 May 2019

CORPORATE DIRECTORY

REGISTERED OFFICE

Gentrack Group Limited
17 Hargreaves Street, St Marys Bay, Auckland 1011, New Zealand
Phone: +64 9 966 6090
Facsimile: +64 9 376 7223

Level 9, 390 St Kilda Road, Melbourne, VIC 3004
Australia
Phone: +61 3 9867 9100
Facsimile: +61 9867 9140

POSTAL ADDRESS

PO Box 3288, Shortland Street, Auckland 1140
New Zealand

NEW ZEALAND INCORPORATION NUMBER

3768390

AUSTRALIAN REGISTERED BODY NUMBER (ARBN)

169 195 751

DIRECTORS

John Clifford, Chairman
Andy Coupe
James Docking
Nicholas Luckock
Leigh Warren
Fiona Oliver (elected 26 February 2019)
Graham Shaw (resigned 26 February 2019)

COMPANY SECRETARY

Jon Kershaw

AUDITOR

KPMG
18 Viaduct Harbour Avenue, Auckland, 1140
Phone: +64 9 367 5800
Facsimile: +64 9 367 5875

LEGAL ADVISERS

BELL GULLY

BANKERS

ASB BANK LIMITED
ANZ LIMITED HSBC
PLC

SHARE REGISTRAR

NEW ZEALAND

LINK MARKET SERVICES LIMITED
Level 11, Deloitte Centre, 80 Queen Street, Auckland 1010
PO Box 91 976, Auckland 1142
Phone: +64 9 375 5998
Facsimile: +64 9 375 5990
Email: enquiries@linkmarketservices.com

AUSTRALIA

LINK MARKET SERVICES LIMITED
Level 12, 680 George Street, Sydney, NSW 2000
Locked Bag A14, Sydney South, NSW 1235 Phone:
+61 1300 554 474
Facsimile: +292870303
Email: enquiries@linkmarketservices.com



Gentrack
www.gentrack.com