Gentrack

Gentrack Group Limited

Interim Financial Statements

For the six months ended 31 March 2020

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COMMENTARY

DEAR SHAREHOLDER

The results for the half-year show a decline in revenue of 7% to $50.6m. This reflects the loss of a number of UK customers due to supplier failure or acquisition, and a drop in non-recurring revenue in the UK and Australia. Committed Recurring Revenue of $29.7m continued to increase half on half, up 11% on the prior year, reflecting a net growth in meter points and the shift to a SaaS revenue model.

Underlying EBITDA of $4.3m ($2.8m pre IFRS 16 adjustment) was in line with guidance in February. In addition to the revenue reduction, profitability was eroded by an increase in costs of $6.2m over the prior year, principally people costs in the UK. This was addressed with a headcount reduction in February/March, which will benefit the second half.

The statutory NPAT loss of $12.8m for the half is a result of the decision to impair $10.7m of goodwill and intangible assets in Blip and $1.5m of previously capitalised utility software following rationalisation of our product range in the UK. Blip, which was acquired in April 2017, has been significantly impacted by the COVID-19 global airport shut down, with the timing of a recovery remaining uncertain. This has impacted the forecast revenues from new projects in H2. Blip has now been fully integrated into the Veovo business and we continue to see significant opportunities in passenger tracking and prediction at airports and railway stations.

Notwithstanding the reported loss, the Group achieved $8.6m operating cashflow for the period adjusted for IFRS 16, finishing with $6.4m Net Cash at 31 March 2020.

In light of the NPAT loss and in line with our dividend policy, the Board has decided not to pay an Interim Dividend and will review the position at the year end.

Both utilities and airports revenues were down on the prior year period, however we started new energy and water billing and assurance projects in the UK, and Veovo projects at Luton Airport and Swedavia, Sweden's Aviation Authority.

The COVID-19 pandemic had no material impact on the Group's operations for the first half and business continuity plans and working from home have enabled Gentrack to continue to operate largely unaffected. However, the economic downturn has now had an impact on our Airport and Utility customers, and we are seeing some projects delayed and postponed in the second half. In the UK, Energy Retailers were already under financial pressure prior to the economic downturn as a result of Government price caps introduced in 2019, and there is ongoing risk of further failures and consolidation in the second half.

Notwithstanding the impact of the economic downturn Gentrack expects to deliver a second half EBITDA result ahead of the first half, and to remain cash flow positive.

Longer term with SaaS products that deliver costs savings and improved operations and efficiency to utilities and airports on mission critical systems, Gentrack is well positioned to emerge from the current difficult market conditions and return to consistent profit growth.

John Clifford
Executive Chairman

Headlines

- Revenue: $50.6m—down 7% on H1 FY19
- Committed Recurring Revenue: $29.7m—up 11% on H1 FY19
- EBITDA[1]: $4.3m—down 78% on H1 FY19 on comparable pre IFR16 basis
- Statutory NPAT: ($12.8m)
- Adjusted NPAT[2]: ($1.0m)
- Net cash: $6.4m—up $1.8m
- No Interim Dividend payable

[1] EBITDA: Earnings before depreciation, amortisation, impairments and non-operating expenses related to acquisitions.

[2] Adjusted NPAT: Underlying NPAT adjusted for the impairment of Goodwill and intangible assets.

INTERIM FINANCIAL STATEMENTS
31 MARCH 2020

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	SECTION	6 MONTHS 31 MARCH 2020 UNAUDITED NZ$000	6 MONTHS 31 MARCH 2019 UNAUDITED NZ$000	12 MONTHS 30 SEPTEMBER 2019 AUDITED NZ$000
Revenue	3	50,623	54,421	111,682
Expenditure	4	(46,353)	(41,632)	(86,869)
Profit before depreciation, amortisation, revaluation of financial liabilities, impairment of goodwill and intangible assets, financing and tax		**4,270**	**12,789**	**24,813**
Depreciation and amortisation		(6,407)	(4,740)	(9,440)
Revaluation of acquisition related financial liability		(38)	-	384
Impairment of goodwill and intangible assets	14	(12,218)	(14,551)	(14,551)
(Loss)/Profit before financing and tax		**(14,393)**	**(6,502)**	**1,206**
Finance income	5	1,639	6	11
Finance expense	5	(758)	(1,546)	(774)
(Loss)/Profit before tax		**(13,512)**	**(8,042)**	**443**
Income tax income/(expense)		709	(658)	(3,758)
Loss attributable to the shareholders of the company		**(12,803)**	**(8,700)**	**(3,315)**
OTHER COMPREHENSIVE INCOME				
Translation of international subsidiaries		6,017	(4,312)	(1,675)
Total comprehensive loss for the period		**(6,786)**	**(13,012)**	**(4,990)**
EARNINGS PER SHARE LOSS ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY (EXPRESSED IN DOLLARS PER SHARE)				
Basic and diluted earnings per share		($0.13)	($0.09)	($0.03)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES ISSUED				
Basic		98,645	98,564	98,605
Diluted		99,054	98,793	98,872

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	SECTION	31 MARCH 2020 UNAUDITED NZ$000	31 MARCH 2019 UNAUDITED NZ$000	30 SEPTEMBER 2019 AUDITED NZ$000
CURRENT ASSETS				
Cash and cash equivalents	6	11,120	6,404	8,626
Trade and other receivables	7	25,088	32,110	31,279
Inventory		588	494	572
Total current assets		**36,796**	**39,008**	**40,477**
NON-CURRENT ASSETS				
Property, plant and equipment		3,239	3,539	3,453
Lease assets	1,12	11,591	-	-
Goodwill	13	131,032	132,295	134,434
Intangibles	15	55,386	61,933	60,482
Deferred tax assets		6,108	5,411	2,793
Total non-current assets		**207,356**	**203,178**	**201,162**
Total assets		**244,152**	**242,186**	**241,639**
CURRENT LIABILITIES				
Bank loans		-	4,000	4,000
Trade payables and accruals		5,080	5,938	5,487
Lease liabilities	1,12	2,643	-	-
Contract liabilities		14,470	12,932	12,173
GST payable		1,557	1,860	2,030
Financial liabilities		-	-	2,451
Employee entitlements		4,943	3,982	4,588
Income tax payable		1,382	2,761	2,051
Total current liabilities		**30,075**	**31,473**	**32,780**
NON-CURRENT LIABILITIES				
Bank loans	8	4,684	-	-
Related party loan		483	-	450
Lease liabilities	1,12	13,857	-	-
Lease incentives	1,12	-	3,257	3,028
Financial liabilities		-	2,662	-
Employee entitlements		418	414	411
Deferred tax liabilities		8,675	9,822	7,361
Total non-current liabilities		**28,117**	**16,155**	**11,250**
Total liabilities		**58,192**	**47,628**	**44,030**
Net assets		**185,960**	**194,558**	**197,609**
EQUITY				
Share capital	9	191,229	191,229	191,229
Share based payment reserve		363	469	389
Foreign currency translation reserve		13,681	5,027	7,664
Retained earnings		(19,313)	(2,167)	(1,673)
Total equity		**185,960**	**194,558**	**197,609**

For and on behalf of the Board who authorised these financial statements for issue on 29 May 2020.

John Clifford

John Clifford
Chairman

Date: 28 May 2020

Fiona Oliver

Fiona Oliver
Director

Date: 28 May 2020

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 2020

31 MARCH 2020		SHARE CAPITAL	SHARE BASED PAYMENT RESERVE	RETAINED EARNINGS	TRANSLATION RESERVE	TOTAL EQUITY
UNAUDITED	**SECTION**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**
Balance at 1 October		**191,229**	**389**	**(1,673)**	**7,664**	**197,609**
Change in accounting policy – NZ IFRS 16	1			(1,833)		(1,833)
Adjusted total equity at 1 October		**191,229**	**389**	**(3,506)**	**7,664**	**195,776**
Loss attributable to the shareholders of the company			(12,803)			(12,803)
Other comprehensive income					6,017	6,017
Total comprehensive loss for the period, net of tax		**-**	**-**	**(12,803)**	**6,017**	**(6,786)**
TRANSACTION WITH OWNERS						
Dividend paid				(3,004)		(3,003)
Share based payments		-	(26)			(26)
Balance at 31 March		**191,229**	**363**	**(19,313)**	**13,681**	**185,960**

31 MARCH 2019	SHARE CAPITAL	SHARE BASED PAYMENT RESERVE	RETAINED EARNINGS	TRANSLATION RESERVE	TOTAL EQUITY
UNAUDITED	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**
Balance at 1 October	**190,968**	**570**	**15,548**	**9,339**	**216,425**
Change in accounting policy – NZ IFRS 9			(443)		(443)
Adjusted total equity at 1 October	**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					
Issue of capital					-
Dividend paid			(8,572)		(8,572)
Share based payments	216	(101)			160
Balance at 31 March	**191,229**	**469**	**(2,167)**	**5,027**	**194,558**

30 SEPTEMBER 2019	SHARE CAPITAL	SHARE BASED PAYMENT RESERVE	RETAINED EARNINGS	TRANSLATION RESERVE	TOTAL EQUITY
AUDITED	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**
Balance at 1 October	**190,968**	**570**	**15,548**	**9,339**	**216,425**
Change in accounting policy – NZ IFRS 9			(443)		(443)
Adjusted total equity at 1 October	**190,968**	**570**	**15,105**	**9,339**	**215,982**
Profit attributable to the shareholders of the company			(3,315)		(3,315)
Other comprehensive income				(1,675)	(1,675)
Total comprehensive income for the period, net of tax	**-**	**-**	**(3,315)**	**(1,675)**	**(4,990)**
TRANSACTION WITH OWNERS					
Issue of capital					-
Dividend paid			(13,463)		(13,463)
Share based payments	216	(181)			80
Balance at 31 March	**191,229**	**389**	**(1,673)**	**7,664**	**197,609**

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

CONDENSED STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	SECTION	6 MONTHS 31 MARCH 2020 UNAUDITED NZ$000	6 MONTHS 31 MARCH 2019 UNAUDITED NZ$000	12 MONTHS 30 SEPTEMBER 2019 AUDITED NZ$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		60,036	50,040	108,083
Payments to suppliers and employees		(46,747)	(42,090)	(87,154)
Lease liability finance charge	12	(480)	-	-
Income tax paid		(2,839)	(4,295)	(8,138)
Net cash inflow from operating activities		**9,970**	**3,655**	**12,791**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment		(293)	(276)	(640)
Purchase of intangibles		(780)	(3,820)	(5,653)
Payment of acquisition related option		(2,419)	-	-
Proceeds from sale of property, plant and equipment		(1)	-	-
Net cash outflow from investing activities		**(3,493)**	**(4,096)**	**(6,293)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for lease liabilities	12	(1,238)	-	-
Drawdown of borrowings		5,007	8,325	8,439
Repayment of borrowings		(4,400)	(4,000)	(4,000)
Interest (paid)/received		(266)	(263)	(679)
Dividends paid		(3,004)	(8,572)	(13,463)
Net cash (outflow) from financing activities		**(3,899)**	**(4,510)**	**(9,703)**
Net (decrease)/increase in cash held		**2,576**	**(4,951)**	**(3,205)**
Foreign currency translation adjustment		(82)	(45)	431
Cash at beginning of the financial period		8,626	11,400	11,400
Closing cash and cash equivalents		**11,120**	**6,404**	**8,626**

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 2020

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited interim financial statements of Gentrack Group Limited (the Company) and its subsidiaries (together “Gentrack 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”).

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

The Company is an 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 Gentrack Group for the six months ended 31 March 2020 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 Gentrack Group’s Annual Report for the year ended 30 September 2019. The only exception is the adoption of new or amended accounting standards as set out below.

COVID-19 PANDEMIC

On 11 March 2020, the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Gentrack Group, like most other organisations is impacted by COVID-19 in a variety of ways, both financially and operationally. In late March due to restrictions imposed to contain the spread of COVID-19 many businesses were forced to close or move to remote ways of working. Gentrack Group had the necessary infrastructure in place and had thoroughly tested its ability to support remote working and during this period Gentrack Group has been able to largely operate as normal.

At 31 March 2020, the financial impact of COVID-19 on Gentrack Group has been immaterial, but the longer-term implications are still somewhat uncertain particularly for the Airport business which customers have been severely impacted by COVID-19. Gentrack Group continues to closely monitor the longer-term financial and economic implications of COVID-19 on its operations.

In preparing these interim financial statements Gentrack Group has considered the increased level of uncertainty resulting from COVID-19 in applying its accounting estimates and judgements, details of these are provided below:

Accounting estimate and judgement area	Reference
Recoverability of trade receivables	Section 7
Impairment testing – Five year cashflow forecasts	Section 14
Blip Systems – full impairment of goodwill and intangibles	Section 14

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

NEW ACCOUNTING STANDARDS ADOPTED BY GENTRACK GROUP

During the current reporting period Gentrack Group has adopted NZ IFRS 16 Leases (NZ IFRS 16) and has had to change its accounting policies as a result of adopting this new standard. The impact of adopting NZ IFRS 16 is disclosed below and in further details in section 12.

NZ IFRS 16 LEASES – IMPACT OF ADOPTION

NZ IFRS 16 deals with the recognition, measurement, presentation and disclosure of leases and replaces NZ IAS 17 Leases (NZ IAS 17). NZ IFRS 16 introduces a single model for lessees which recognises all leases on the balance sheet through an asset representing the exclusive rights to use the lease item during the lease term and a liability for the obligation to make lease payments. NZ IFRS 16 removes the distinction between operating and finance leases and aims to provide the users of the financial statements relevant information to assess the effect that leases have on the statement of financial position, statement of comprehensive income and cash flows of the reporting entity

NZ IFRS 16 is effective for Gentrack Group beginning on or after 1 October 2019. Gentrack Group has adopted NZ IFRS 16 using the modified retrospective transition approach. Under this approach, the cumulative effect of initially applying NZ IFRS 16 is recognised as an adjustment to retained earnings at 1 October 2019. Comparative figures for the year ended 30 September 2019 are not restated but instead continue to reflect the accounting policies under NZ IAS 17.

On transition to NZ IFRS 16 Gentrack Group has recognised lease liabilities in relation to leases which were previously classified as operating leases under NZ IAS 17. These liabilities were measured at the present value of the remaining lease payments discounted using the lessees incremental borrowing rate as of 1 October 2019. The weighted average lessees incremental borrowing rate applied to these lease liabilities on 1 October 2019 was 5.68%

PRACTICAL EXPEDIENTS APPLIED

On transition to NZ IFRS 16, Gentrack Group has used the following practical expedients permitted by the standard:

- Exclusion of initial direct costs for the measurement of the lease asset at the date of initial application
- Excluded lease contracts of insignificant value
- Use of hindsight in determining a lease term
- Reliance on previous assessments on whether leases are onerous

A reconciliation of operating lease commitments at 30 September 2019 to the lease liability recognised at 1 October 2019 is shown below.

	UNAUDITED
	NZ$000
Operating lease commitments at 30 September	29,395
The effect of discounting	(5,062)
Adjustments related to options and lease term	(6,713)
Lease liabilities at 1 October 2019	**17,620**
Less than one year	2,530
One to five years	6,568
More than five years	8,522
Lease liabilities at 1 October 2019	**17,620**

A reconciliation of the adjustment to retained earnings at 1 October 2019 in applying NZ IFRS 16 is shown below.

	UNAUDITED
	NZ$000
Lease incentives	3,739
Prepaid lease payments	(388)
Lease asset	12,671
Lease liability	(17,620)
Foreign currency differences	149
Deferred tax	(384)
Adjustment to retained earnings from applying NZ IFRS 16	**(1,833)**

Lease assets predominantly comprise of property leases which are measured on a retrospective basis as if the new rules in NZ IFRS 16 has always applied.

2. OPERATING SEGMENTS

Gentrack 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 (Chief Operating Decision Maker) to make strategic decisions.

The assets and liabilities of Gentrack 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 2020	UTILITY	AIRPORT	TOTAL
UNAUDITED	NZ$000	NZ$000	NZ$000
TIMING OF REVENUE RECOGNITION			
Point in time	3,574	1,392	4,966
Over time	36,439	9,218	45,657
Total revenue	**40,013**	**10,610**	**50,623**
Expenditure	(37,270)	(9,083)	(46,353)
Segment contribution (1)	**2,743**	**1,527**	**4,270**
6 MONTHS 31 MARCH 2019	**UTILITY**	**AIRPORT**	**TOTAL**
UNAUDITED	**NZ$000**	**NZ$000**	**NZ$000**
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**
12 MONTHS 30 SEPTEMBER 2019	**UTILITY**	**AIRPORT**	**TOTAL**
AUDITED	**NZ$000**	**NZ$000**	**NZ$000**
TIMING OF REVENUE RECOGNITION			
Point in time	6,326	5,440	11,766
Over time	81,853	18,063	99,916
Total revenue	**88,179**	**23,503**	**111,682**
Expenditure	(68,174)	(18,695)	(86,869)
Segment contribution (1)	**20,005**	**4,808**	**24,813**

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

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

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

	6 MONTHS 31 MARCH 2020 UNAUDITED	6 MONTHS 31 MARCH 2019 UNAUDITED	12 MONTHS 30 SEPTEMBER 2019 AUDITED
	NZ$000	**NZ$000**	**NZ$000**
Segment contribution (1)	**4,270**	**12,789**	**24,813**
Depreciation and amortisation	(6,407)	(4,740)	(9,440)
Revaluation of acquisition related financial liabilities	(38)	-	384
Impairment of goodwill and intangible assets	(12,218)	(14,551)	(14,551)
Net finance income / (expense)	881	(1,540)	(763)
Income tax income / (expense)	709	(658)	(3,758)
Loss attributable to the shareholders of the company	**(12,803)**	**(8,700)**	**(3,315)**

	6 MONTHS 31 MARCH 2020 UNAUDITED	6 MONTHS 31 MARCH 2019 UNAUDITED	12 MONTHS 30 SEPTEMBER 2019 AUDITED
	NZ$000	**NZ$000**	**NZ$000**
REVENUE BY DOMICILE OF ENTITY			
Australia	10,070	11,262	22,724
New Zealand	9,264	7,825	18,142
United Kingdom	27,747	29,134	60,469
Rest of World	3,542	6,200	10,347
Total revenue	**50,623**	**54,421**	**111,682**
REVENUE BY DOMICILE OF CUSTOMER			
Australia	11,737	12,168	24,947
New Zealand	4,579	6,067	12,244
United Kingdom	26,462	28,729	58,913
Rest of World	7,845	7,457	15,578
Total revenue	**50,623**	**54,421**	**111,682**

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

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

3. REVENUE

	6 MONTHS 31 MARCH 2020 UNAUDITED	6 MONTHS 31 MARCH 2019 UNAUDITED	12 MONTHS 30 SEPTEMBER 2019 AUDITED
	NZ$000	**NZ$000**	**NZ$000**
OPERATING REVENUE:			
Annual fees	29,733	26,719	54,904
Support services	10,029	10,970	23,335
Project services	7,192	10,876	21,377
Licenses	1,350	2,415	5,708
Other	1,439	2,967	5,006
Total operating revenue	**49,743**	**53,947**	**110,330**
OTHER INCOME			
Government grants	880	474	1,352
Total revenue	**50,623**	**54,421**	**111,682**

4. EXPENDITURE

	6 MONTHS 31 MARCH 2020 UNAUDITED	6 MONTHS 31 MARCH 2019 UNAUDITED	12 MONTHS 30 SEPTEMBER 2019 AUDITED
	NZ$000	**NZ$000**	**NZ$000**
LOSS BEFORE TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:			
Employee entitlements	33,904	28,081	58,914
Administrative costs	3,612	4,981	11,691
Third party customer-related costs	3,738	4,149	6,967
Advertising and marketing	617	1,081	1,565
Consulting and subcontracting	3,046	2,317	5,346
Other operating expenses	1,436	1,023	2,386
Total expenditure	**46,353**	**41,632**	**86,869**

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

5. NET FINANCE EXPENSES

	6 MONTHS 31 MARCH 2020 UNAUDITED	6 MONTHS 31 MARCH 2019 UNAUDITED	12 MONTHS 30 SEPTEMBER 2019 AUDITED
	NZ$000	**NZ$000**	**NZ$000**
FINANCE INCOME			
Interest income	4	6	11
Foreign exchange gains	1,635	-	-
FINANCE EXPENSE			
Interest expense	(750)	(269)	(690)
Interest paid – NPV discount	(8)	(27)	(54)
Foreign exchange losses	-	(1,250)	(30)
	(758)	**(1,546)**	**(774)**
Net finance income / (expense)	**881**	**(1,540)**	**(763)**

6. CASH AND CASH EQUIVALENTS

	6 MONTHS 31 MARCH 2020 UNAUDITED	6 MONTHS 31 MARCH 2019 UNAUDITED	12 MONTHS 30 SEPTEMBER 2019 AUDITED
	NZ$000	**NZ$000**	**NZ$000**
Bank balances	11,119	6,402	8,625
Cash on hand	1	2	1
Total cash and cash equivalents	**11,120**	**6,404**	**8,626**

7. TRADE AND OTHER RECEIVABLES

	6 MONTHS 31 MARCH 2020 UNAUDITED	6 MONTHS 31 MARCH 2019 UNAUDITED	12 MONTHS 30 SEPTEMBER 2019 AUDITED
	NZ$000	**NZ$000**	**NZ$000**
Trade receivables	17,183	18,324	22,254
Impairment provision - Expected credit loss	(476)	(369)	(460)
Impairment provision - Specific provision	(2,827)	(310)	(2,408)
Provision for warranty claims	(159)	(137)	(150)
Contract assets	8,685	11,909	9,593
Sundry receivables and prepayments	2,682	2,693	2,450
Total trade and other receivables	**25,088**	**32,110**	**31,279**

Due to the uncertainty caused by COVID-19 a specific provision of $0.2m has been raised against the Airport segments trade receivables to cover potential impairment.

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

	6 MONTHS 31 MARCH 2020 UNAUDITED	6 MONTHS 31 MARCH 2019 UNAUDITED	12 MONTHS 30 SEPTEMBER 2019 AUDITED
	NZ$000	**NZ$000**	**NZ$000**
Opening balance	2,868	504	504
Increase in impairment provision	890	583	2,794
Write back in impairment provision	(240)	(150)	(177)
Effect of movement in foreign exchange	151	(52)	(210)
Bad debt written off	(366)	(206)	(43)
Total trade receivables impairment provision	**3,303**	**679**	**2,868**

8. LOANS AND BORROWINGS

Gentrack Group has a NZ$20 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 Gentrack Group assets. Covenants are in place and compliance is reported quarterly. At all times during the period Gentrack Group has met the covenant requirements.

At 31 March 2020, $4.7m (2019: $4.0m) has been drawn down for working capital and to fund acquisitions.

9. SHARE CAPITAL

	SHARES ISSUED			SHARE CAPITAL		
	31 MARCH 2020 UNAUDITED	31 MARCH 2019 UNAUDITED	30 SEPTEMBER 2019 AUDITED	31 MARCH 2020 UNAUDITED	31 MARCH 2019 UNAUDITED	30 SEPTEMBER 2019 AUDITED
	000	**000**	**000**	**NZ$000**	**NZ$000**	**NZ$000**
Ordinary Shares	98,645	98,525	98,525	191,229	190,968	190,968
Issue of new ordinary shares	-	120	120	-	261	261
	98,645	**98,645**	**98,645**	**191,229**	**191,229**	**191,229**

10. RELATED PARTIES

Gentrack Group has related party relationships with its subsidiaries which are listed in the Annual Report for the year ended 30 September 2019. 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 Gentrack Group, directly or indirectly and include the Directors, the Chief Executive Officer and their direct reports.

Key management personnel compensation for the period was $2.0m (2019: $2.0m). Directors fees were $0.2m for the period (2019: $0.2m).

Related parties are materially consistent with those disclosed in the 2019 Annual Report.

11. EMPLOYEE SHARE SCHEME

During the period Gentrack Group granted 217,141 (2019: 113,519) 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.

During the period, no performance rights vested (2019: 119,613) and the unvested performance rights were forfeited. Please refer to the 2019 Annual Report for further information on the Employee Share Scheme.

12. LEASE ASSETS AND LEASE LIABILITIES

RECOGNITION AND MEASUREMENT OF GENTRACK GROUP'S LEASING ACTIVITIES

Gentrack Group predominantly leases property for fixed periods of 1-12 years and may have extension options. These extension options are usually at the discretion of Gentrack Group and are included in the measurement of the lease asset if management intends to exercise the extension. Lease terms are negotiated on an individual basis and contain a variety of terms and conditions. However, these lease agreements do not impose any covenants.

Prior to 1 October 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 October 2019, leases are recognised as a right of use asset (lease asset) and a corresponding lease liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period. The lease asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

See section 1 for more information on adjustments recognised on adoption of NZ IFRS 16 Leases, practical expedients applied and the impact of first-time adoption of NZ IFRS 16 on these financial statements.

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

12. LEASE ASSETS AND LEASE LIABILITIES (CONTINUED)

Key movements related to the lease assets and lease liabilities are presented below:

LEASE ASSETS

	6 MONTHS 31 MARCH 2020 UNAUDITED
	NZ$000
Balance at 1 October 2019, due to first time adoption of NZ IFRS 16	12,671
Additions during the year	-
Depreciation charges	(1,182)
Exchange differences	102
Lease assets at 31 March	**11,591**
Property	11,536
Office equipment	55
Lease assets at 31 March	**11,591**

Office equipment includes Coffee Machines and Printer/Copiers.

LEASE LIABILITIES

	6 MONTHS 31 MARCH 2020 UNAUDITED
	NZ$000
Balance at 1 October 2019, due to first time adoption of NZ IFRS 16	17,620
Leases entered into during the period	-
Principal repayments	(1,246)
Exchange differences	126
Lease liabilities at 31 March	**16,500**
Less than one year	2,643
One to five years	5,914
More than five years	7,943
Lease liabilities at 31 March	**16,500**

LEASE EXPENSES

	6 MONTHS 31 MARCH 2020 UNAUDITED
	NZ$000
Depreciation charges	1,182
Finance charges	480
Lease expenses	**1,662**

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.

	6 MONTHS 31 MARCH 2020 UNAUDITED	6 MONTHS 31 MARCH 2019 UNAUDITED	12 MONTHS 30 SEPTEMBER 2019 AUDITED
	NZ$000	**NZ$000**	**NZ$000**
Opening balance	134,434	146,189	146,189
Goodwill arising on acquisition	-	-	-
Goodwill impairment	(8,710)	(10,380)	(10,380)
Exchange rate differences	5,308	(3,514)	(1,375)
Closing net book value	**131,032**	**132,295**	**134,434**
Goodwill allocated to Utilities	128,132	121,532	123,242
Goodwill allocated to Airport 20/20	2,900	2,900	2,900
Goodwill allocated to Blip Systems	-	7,863	8,292
Net book value	**131,032**	**132,295**	**134,434**

During the period due to further alignment of the Utilities and Evolve Analytics CGU's, the Evolve Analytics CGU has been combined within the Utilities CGU. With the increased alignment it is now no longer possible to meaningfully separate the cash flows and they are therefore now reported as a single CGU

14. IMPAIRMENT TESTING

At each reporting date, Gentrack Group assesses whether there is any indication that an asset may be impaired. For the period ended 31 March 2020 due to COVID-19 all Gentrack Group CGU's had indicators of impairment.

Where an indicator of impairment exists, Gentrack Group makes a formal estimate of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the greater of fair value less costs to sell or the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects the current market assessments and the time value of money and the risks specific to the asset. Value in use is determined by discounting the future cash flows generated by each CGU. Cash flows were projected based on five-year forecasts. The Weighted Average Cost of Capital (WACC) is based on CAPM methodology using market specific inputs. The WACC for each CGU is reviewed annually and when an impairment test is required.

Preparing five-year forecasts in a COVID-19 environment has been a challenging task due to the uncertainty of the future. In preparing the five-year forecasts, management have reviewed the assumptions and weighed up the information available at the time to ensure the forecasts are appropriate given the CGU's position and the prevailing market conditions.

14. IMPAIRMENT TESTING (CONTINUED)

The key assumptions are detailed in the table below.

The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of assumptions, the details of these assumptions and the potential impact of changes to the assumptions are presented below.

CASH GENERATING UNIT	2020 REVENUE GROWTH 2020 - 2024	WACC 2020	2019 REVENUE GROWTH 2020 - 2024	WACC 2019
Utilities	4% CAGR	7.8%	8% CAGR	8.7%
Airport 20/20	6% CAGR	7.8%	10% CAGR	8.8%

The terminal revenue growth rate for Gentrack Group CGU's is calculated based on the 2024 year and assumes a continuous growth of a minimum of projected inflation estimates of 1.25% (2019: 1.25%). These values assigned to the key assumptions represent management's assessments of future trends and are based on both external and internal sources.

IMPAIRMENT TESTING RESULTS – EXCLUDING BLIP SYSTEMS

The calculations confirmed there was no impairment of goodwill during the period for the Utilities and Airport 20/20 CGU's. Management believes that any reasonable possible change in the key assumptions for the Airport 20/20 CGU's, would not cause the carrying amount to exceed the recoverable amount.

Changes in key assumptions were considered as sensitivities. These are summarised in the table below.

CASH GENERATING UNIT (NZD 000's)	RECOVERABLE AMOUNT	EBITDA +5%	EBITDA -5%	WACC +1%	WACC -1%
Utilities	186,117	11,100	(11,100)	(25,909)	35,334
Airport 20/20	14,209	992	(992)	(1,811)	2,463

The Utilities CGU impairment test is sensitive to WACC discount rate, EBITDA and terminal growth rate. Detailed below is the amount by which each assumption would have to change to result in the recoverable amount being equal to the carrying value. The relevant sensitivities in key assumptions are as follows:

- WACC discount rate: 50 basis points increase
- EBITDA: 6.2% reduction
- Terminal growth: 63 basis points reduction

BLIP SYSTEMS – FULL IMPAIRMENT

Blip Systems was acquired by Gentrack Group in April 2017 as an innovative supplier of passenger tracking solutions principally for airports. During the 6 months to 31 March 2020, expected sales growth has not been delivered. Further, Blip Systems is impacted by COVID-19 with uncertainty over when the business will return to business as usual.

In view of the recent performance and the uncertainties around future performance of Blip Systems in a COVID-19 environment, management considers a full impairment of the $10.7m carrying value of these acquired assets is appropriate. The $10.7m impairment includes $8.7m in goodwill and $2.0m of intangible assets.

Details of the impairment related amounts are included in section 13 and section 15.

Gentrack Group will continue to leverage the Blip Systems intellectual property and it remains an important part of the overall Veovo product offering. At present there is a strong pipeline of potential opportunities as airports globally look to technology to address crowd management and social distancing requirements essential to the COVID-19 recovery.

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

15. INTANGIBLE ASSETS

31 MARCH 2020	SOFTWARE	CUSTOMER RELATIONSHIPS	BRAND NAMES	TRADEMARKS	CAPITALISED DEVELOPMENT	TOTAL
UNAUDITED	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**
Opening balance	**31,413**	**15,718**	**5,024**	**621**	**7,706**	**60,482**
Additions	-	-	-	-	779	779
Amortisation	(2,498)	(1,256)	-	(85)	(880)	(4,719)
Impairment	(1,627)	(393)	-	-	(1,502)	(3,522)
Movement in foreign exchange	1,529	752	-	32	53	2,366
Closing net book value	**28,817**	**14,821**	**5,024**	**568**	**6,156**	**55,386**
Cost	46,814	25,072	5,024	887	7,472	85,269
Accumulated amortisation	(17,997)	(10,251)	-	(319)	(1,316)	(29,883)
Net book value	**28,817**	**14,821**	**5,024**	**568**	**6,156**	**55,386**

During the period as part of product rationalisation, the capitalised development of $2.5m related to a UK Energy Retail product was fully impaired.

31 MARCH 2019	SOFTWARE	CUSTOMER RELATIONSHIPS	BRAND NAMES	TRADEMARKS	CAPITALISED DEVELOPMENT	TOTAL
UNAUDITED	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**
Opening balance	**39,126**	**19,002**	**5,024**	**793**	**4,242**	**68,187**
Additions	520	-	-	-	3,300	3,820
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	83,776
Accumulated amortisation	(13,194)	(7,677)	-	(134)	(838)	(21,843)
Net book value	**33,220**	**16,650**	**5,024**	**690**	**6,349**	**61,933**

30 SEPTEMBER 2019	SOFTWARE	CUSTOMER RELATIONSHIPS	BRAND NAMES	TRADEMARKS	CAPITALISED DEVELOPMENT	TOTAL
UNAUDITED	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**
Opening balance	**39,126**	**19,002**	**5,024**	**793**	**4,242**	**68,187**
Additions	526	-	-	-	5,128	5,654
Amortisation	(4,890)	(2,471)	-	(163)	(915)	(8,439)
Impairment	(2,837)	(617)	-	-	(717)	(4,171)
Movement in foreign exchange	(512)	(196)	-	(9)	(32)	(749)
Closing net book value	**31,413**	**15,718**	**5,024**	**621**	**7,706**	**60,482**
Cost	47,170	24,676	5,024	840	8,810	86,520
Accumulated amortisation	(15,757)	(8,958)	-	(219)	(1,104)	(26,038)
Net book value	**31,413**	**15,718**	**5,024**	**621**	**7,706**	**60,482**

16. FINANCIAL INSTRUMENTS

Gentrack Group's financial liabilities are measured at amortised cost except for contingent consideration which is required to be measured at fair value through profit and loss.

Gentrack 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 RECEIVABLES

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

Gentrack 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 Gentrack Group's financial instruments during the period. At 31 March 2020, Gentrack Group has no level 3 financial instruments (2019: $2.8m). In December 2019 Gentrack Group settled the call / put option related to the acquisition of Blip Systems with the payment of $2.5m.

FINANCIAL INSTRUMENTS BY CATEGORY

	6 MONTHS 31 MARCH 2020 UNAUDITED	6 MONTHS 31 MARCH 2019 UNAUDITED	12 MONTHS 30 SEPTEMBER 2019 AUDITED
	NZ$000	**NZ$000**	**NZ$000**
FINANCIAL ASSETS MEASURED AT AMORTISED COST			
Cash and cash equivalents	11,120	6,404	8,626
Trade and other receivables	25,088	17,645	31,279
	36,208	**24,049**	**39,905**
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST			
Loans and borrowings	(5,168)	(4,000)	(4,450)
Trade payables	(3,535)	(7,688)	(3,742)
Lease liabilities	(16,500)	-	-
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE			
Financial Liabilities	-	(2,662)	(2,451)
	(25,203)	**(14,350)**	**(10,643)**

17. CAPITAL COMMITMENTS

There are no capital expenditure commitments at 31 March 2020 (2019: $Nil).

18. CONTINGENCIES

ASB New Zealand has provided guarantees of $0.8m (2019: $0.9m) on behalf of Gentrack Group, these guarantees are in place for implementation projects, property leases and exchange listings.

19. EVENTS AFTER BALANCE DATE

On 28 May 2020, the Gentrack Group Board determined that no interim dividend will be paid out for the first half of this financial year (2019: 4.9m).

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 23 do not:

i. present fairly in all material respects the Group's financial position as at 31 March 2020 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 2020;
- 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 2410") 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 2410 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 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 reviewer 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 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 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

KPMG
Auckland

29 May 2020

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169 195 751

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Andy Coupe
James Docking (resigned 12 Dec 2019)
Nicholas Luckock
Leigh Warren
Fiona Oliver
Darc Rasmussen (elected 12 Dec 2019)

COMPANY SECRETARY

Jon Kershaw

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