FINANCIAL STATEMENTS 2018

CONTENTS

Independent Auditor's Report

To the shareholders of Gentrack Group Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Gentrack Group Limited (the company) and its subsidiaries (the group) on pages 8 to 36:

i. present fairly in all material respects the Group's financial position as at 30 September 2018 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 September 2018;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to taxation compliance and taxation advisory 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.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $1.2m determined with reference to a benchmark of group profit before tax. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	**How the matter was addressed in our audit**
1. Revenue from implementation services	
Refer to note 3 of the consolidated financial statements. The Group has reported revenues of \$104.5m (2017: \$75.2m) which includes implementation services revenue of \$26.5m. We focussed on the revenue from implementation services as a key audit matter due to inherent complexities of software implementation projects and the estimates involved. Revenue from implementation services is recognised based on the stage of completion calculated using either the proportion of actual hours at the reporting date compared to managements estimates for total forecast hours or with reference to milestones. Accurate recording of revenue is highly dependent on: — Detailed knowledge of individual characteristics of a contract, including unique terms, knowledge of software and length of time to complete contractual milestones; — Ongoing adjustments to estimated hours to complete implementation taking into consideration changes in scope, estimated timing and project delays; and — Changes to total project revenue for contract variations or additional billing for changes in scope or additional hours incurred.	We focused our procedures on the implementation service projects that were in progress at balance date, based on the significance of implementation service revenue to the total revenue of the Group. For the projects selected for testing we checked that revenue recognised is consistent with contractual terms, including considering how the initial licence fee, design and implementation, and maintenance phases of the contract are arranged. We recalculated the stage of completion based on hours to date as a proportion of total forecast hours or with reference to milestones. We assessed the forecast hours through discussion with project managers and senior management and challenged key assumptions, including consideration of alternative scenarios and how management addressed risks in the contract. We compared significant changes in total forecast hours to correspondence with customers, legal documentation or contract variations. We evaluated potential exposure to liquidated damages by reviewing legal correspondence and correspondence with customers. We also inspected a sample of milestone billings and compared those to invoice and cash receipts. In addition we considered the historical accuracy of managements' estimates of forecast hours by analysing previous forecasts to actual hours.

The key audit matter	How the matter was addressed in our audit
2. Business acquisition	
During the year the Group acquired Evolve Parent Limited and Evolve Analytics Limited ('Evolve'). The details of the acquisition are outlined in note 33. Accounting for the Evolve acquisition required management to make judgments in order to: — Identify and measure the fair value of intangible assets acquired and liabilities assumed as part of the acquisition; — Determine appropriate valuation methodology and assumptions underlying forecast revenues, margin, growth and discount rates; and — Allocate the acquisition price to identifiable assets and liabilities and goodwill. The calculations underlying the fair value assessments are both subjective and complex and the fair values are sensitive to the assumptions adopted. In light of this, there can be a wide range of acceptable outcomes with respect to fair value assessments.	We performed procedures in relation to the business acquisition, which included the following: — We inspected the sale and purchase agreement ("SPA") for the acquisition, along with the due diligence report, to assess whether the acquisition price and the identifiable assets and liabilities acquired were complete and appropriate; — We compared the underlying accounting treatment to the accounting standards and considered whether the disclosures properly reflected the judgements and estimates made; — With the assistance of our corporate finance specialists, we challenged management's assessment of the fair values of the intangible assets acquired; — In addition, our corporate finance specialists assessed the appropriateness of the valuation methodology used by management, testing the assumptions used against other external market data. They also subjected the key assumptions to sensitivity analyses to assess whether the valuations fell within an acceptable range.
3. Impairment assessment of CA Plus Limited	
The group undertakes an annual impairment test of goodwill. In the current year we focused on the impairment of goodwill arising from the acquisition of CA Plus Limited ('CA Plus'). This is considered a key audit matter due to a deterioration in the expected financial performance of CA Plus and the significant judgements and estimates the Group uses to determine the value of the business. This requires management to make assumptions in relation to forecast cash flows, the terminal growth rate and discount rate used in a discounted cash flow model.	We performed procedures to evaluate management's assessment of the value of the CA Plus business. Our procedures included the following: — We evaluated the significant future cash flow assumptions by comparing actual results to forecasts at date of acquisition, business plans and budgets; — Our corporate finance specialists assessed whether the methodology adopted in the discounted cash flow model was consistent with accepted valuation approaches within the software industry; — In addition, our corporate finance specialists checked the mathematical accuracy of the model, and considered whether the discount and terminal growth rate assumptions applied to the estimated future cash flows were within an acceptable range for the industry and lifecycle of the business;

The key audit matter	How the matter was addressed in our audit
	— We also challenged the assumptions and judgements used by management by performing sensitivity analysis, considering a range of likely outcomes based on various scenarios.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman and Chief Executive's report and disclosures relating to corporate governance. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears materially misstated. If so, we are required to report such matters to the Directors.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's 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 audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of 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 audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor’s report.

The engagement partner on the audit resulting in this independent auditor's report is Jason Doherty.

For and on behalf of

KPMG

Jason Doherty
KPMG Auckland

29 November 2018

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required to prepare financial statements for each financial year that present fairly the financial position of the Group and its operations and cash flows for that period.

The Directors consider these financial statements have been prepared using accounting policies suitable to the Group's circumstances, which have been consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1993. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors of the Company authorised these financial statements for issue on 29 November 2018.

For and on behalf of the Board of Directors:

John Clifford

Chairman
Date: 29 November 2018

Graham Shaw

Director
Date: 29 November 2018

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

($000)	NOTES	2018	2017
Revenue	3	104,477	75,181
Expenditure	4	(73,521)	(51,277)
Profit before depreciation, amortisation, acquisition related costs, revaluation of financial liabilities, impairment of goodwill, financing and tax		**30,956**	**23,904**
Depreciation and amortisation	5	(6,987)	(3,991)
Acquisition related costs	6	(1,268)	(1,325)
Revaluation of acquisition related financial liability	7	3,835	-
Impairment of goodwill	8	(3,984)	-
Profit before financing and tax		**22,552**	**18,588**
Finance income		26	78
Finance expense		(1,846)	(1,230)
Net finance expense	9	**(1,820)**	**(1,152)**
Profit before tax		**20,732**	**17,436**
Income tax expense	10	(6,863)	(5,611)
Profit attributable to the shareholders of the company		**13,869**	**11,825**
OTHER COMPREHENSIVE INCOME			
Translation of international subsidiaries		5,519	3,580
Total comprehensive income for the year		**19,388**	**15,405**
Earnings per share from profit attributable to ordinary equity holders of the parent (expressed in dollars per share)			
Basic and diluted earnings per share	12	$0.16	$0.15

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

($000)	NOTES	2018	2017
CURRENT ASSETS			
Cash and cash equivalents	16	11,400	9,727
Trade and other receivables	17	24,055	21,713
Inventory		376	336
Total current assets		**35,831**	**31,776**
NON-CURRENT ASSETS			
Property, plant and equipment	18	3,836	2,524
Goodwill	19	146,189	122,212
Intangibles	20	68,187	41,958
Deferred tax asset	11	3,626	2,888
Total non-current assets		**221,838**	**169,582**
Total assets		**257,669**	**201,358**
CURRENT LIABILITIES			
Trade payables and accruals	21	6,907	4,979
Deferred revenues		7,749	9,488
GST payable		1,300	1,434
Financial liabilities	25	-	527
Employee entitlements	23	3,851	4,737
Income tax payable		4,030	2,583
Total current liabilities		**23,837**	**23,748**
NON-CURRENT LIABILITIES			
Bank loans	24	-	44,989
Lease incentives	22	3,612	693
Financial liabilities	25	2,808	5,964
Employee entitlements	23	339	361
Deferred tax liabilities	11	10,648	7,076
Total non-current liabilities		**17,407**	**59,083**
Total liabilities		**41,244**	**82,831**
Net assets		**216,425**	**118,527**
EQUITY			
Share capital	13	190,968	101,490
Share based payment reserve	14	570	239
Foreign currency translation reserve		9,339	3,820
Retained earnings		15,548	12,978
Total shareholders' equity		**216,425**	**118,527**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

($000)	NOTES	SHARE CAPITAL	SHARE BASED PAYMENT RESERVE	RETAINED EARNINGS	TRANSLATION RESERVE	TOTAL EQUITY
Balance as at 1 October 2016		**60,396**	**61**	**10,266**	**240**	**70,963**
Profit attributable to the shareholders of the company		-	-	11,825	-	11,825
Other comprehensive income		-	-	-	3,580	3,580
Total comprehensive income for the year, net of tax		**-**	**-**	**11,825**	**3,580**	**15,405**
TRANSACTIONS WITH OWNERS:						
Issue of capital	13	41,094	-	-	-	41,094
Share based payments	14	-	178	-	-	178
Dividends paid	15	-	-	(9,113)	-	(9,113)
Balance at 30 September 2017		**101,490**	**239**	**12,978**	**3,820**	**118,527**
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 year, net of tax		**-**	**-**	**13,869**	**5,519**	**19,388**
TRANSACTIONS WITH OWNERS:						
Issue of capital	13	89,478	-	-	-	89,478
Share based payments	14	-	331	-	-	331
Dividends paid	15	-	-	(11,299)	-	(11,299)
Balance at 30 September 2018		**190,968**	**570**	**15,548**	**9,339**	**216,425**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

($000)	NOTES	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		103,343	69,169
Payments to suppliers and employees		(73,173)	(50,302)
Income tax paid		(7,918)	(4,808)
Net cash inflow from operating activities	32	**22,252**	**14,059**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,287)	(1,268)
Purchase of intangibles		(3,916)	(920)
Acquisition of a business, net of cash	33	(42,796)	(77,636)
Repayment of acquisition related costs		(362)	-
Proceeds from sale of PPE		272	-
Net cash outflow from investing activities		**(49,089)**	**(79,824)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares		90,084	35,512
Costs in relation to issue of ordinary shares		(2,559)	(110)
Drawdown of borrowings		-	42,481
Repayment of borrowings		(46,826)	(11,852)
Interest paid		(1,095)	(493)
Dividends paid	15	(11,299)	(9,113)
Net cash inflow from financing activities		**28,305**	**56,425**
Net increase/(decrease) in cash held		**1,468**	**(9,340)**
Foreign currency translation adjustment		**205**	**249**
Cash at beginning of the financial year		**9,727**	**18,818**
Closing cash and cash equivalents		**11,400**	**9,727**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gentrack Group Limited is a limited liability company, domiciled and incorporated in New Zealand and registered under the New Zealand Companies Act 1993. The registered office of the Company is 17 Hargreaves Street, Auckland 1011, New Zealand.

The financial statements presented are for Gentrack Group Limited and its subsidiaries (together 'the Group') for the year ended 30 September 2018. Last year comparatives are for the year ended 30 September 2017.

The consolidated financial statements of the Group for the year ended 30 September 2018 were authorised for issue in accordance with a resolution of the directors on 29 November 2018.

The Group's principal activity is the development, integration, and support of enterprise billing and customer management software solutions for the utility (energy and water) and airport industries.

(a) CHANGES IN ACCOUNTING POLICY

The accounting policies adopted are consistent with those of the previous year.

Certain comparatives have been updated to ensure consistency with current year presentation.

(b) BASIS OF PREPARATION

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards as appropriate to profit-oriented entities. The financial statements comply with International Financial Reporting Standards ('IFRS').

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).

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, Financial Markets Conduct Act 2013 and the Companies Act 1993.

Presentation currency

The financial statements are presented in New Zealand dollars unless otherwise stated and all values are rounded to the nearest $1,000 (where rounding is applicable). The functional currency is New Zealand dollars ('NZD').

Use of estimate and judgements

In preparing the financial statements, management has to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The actual outcome may differ from these judgements, estimates and assumptions. Judgements, estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors, including expectations about future events, which are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

(i) Impairment of goodwill and other assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(f). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 19 for details of these assumptions and the potential impact of changes to the assumptions. All other assets are reviewed for indicators or object evidence of impairment. If indicators or objective evidence exists, the recoverable amount is reviewed.

(ii) Revenue recognition

Revenue recognition involves certain revenue streams being recognised based on the stage of completion. This is discussed in more detail in note 3.

(c) BASIS OF CONSOLIDATION

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the exposure or right to variable returns from involvement with the entity and the ability to affect those returns through power over the entity.

The Group recognises the fair value of all identifiable assets, liabilities and contingent liabilities of the acquired business. Goodwill is measured as the excess cost of the acquisition over the recognised assets and liabilities. When the excess is negative (negative goodwill), the amount is recognised immediately in the Statement of Comprehensive Income.

The Group applies the anticipated acquisition method where it has the right and the obligation to purchase any remaining non-controlling interest (so-called put/call arrangements). Under the anticipated acquisition method the interests of the non-controlling shareholder are derecognised when the Group's liability relating to the purchase of its shares is recognised. The recognition of the financial liability implies that the interests subject to the purchase are deemed to have been acquired already. Therefore, the corresponding interests are presented as already owned by the Group even though legally they are still non-controlling interests. The initial measurement of the fair value of the financial liability recognised by the Group forms part of the consideration for the acquisition.

This is discussed in more detail in note 33.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued...

Transactions eliminated on consolidation

Intra-group balances and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(d) SALES TAX

The Statement of Comprehensive Income and the Statement of Cash Flows have been prepared so that all components are stated exclusive of sales tax, except where sales tax is not recoverable. All items in the Statement of Financial Position are stated net of sales tax with the exception of receivables and payables, which include sales tax invoiced.

Commitments and contingencies are disclosed net of the amount of sales tax recoverable from, or payable to, the taxation authority.

Sales tax includes Goods and Services Tax (GST) and Value Added Tax (VAT) where applicable.

(e) FOREIGN CURRENCY TRANSLATIONS

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars ($) (the 'presentation currency'), which is the Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Foreign exchange gains and losses are presented in the Statement of Comprehensive Income within net finance expense.

The Group translates the results of its foreign operations from their functional currencies to the presentation currency of the Group using the closing exchange rate at balance date for assets and liabilities and the average monthly exchange rates for income and expenses. The difference arising from the translation of the Statement of Financial Position at the closing rates and the Statement of Comprehensive Income at the average rates is recorded within the foreign currency translation reserve.

(f) IMPAIRMENT

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the 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.

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.

(g) LOANS AND RECEIVABLES

The Group classifies its financial assets as loans and receivables. Management determines the classifications of its financial assets at initial recognition. The Group's loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Statement of Financial Position. Loans and receivables are carried at amortised cost using the effective interest method. The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 17.

(h) INVENTORY

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using a weighted average method and includes expenditure incurred to purchase the inventory and transport it to its current location. Net realisable value is the estimated selling price of the inventory in the ordinary course of business less costs necessary to make the sale. The cost of inventories consumed during the year are recognised as an expense and included in expenditure in the Statement of Comprehensive Income.

(i) PROVISIONS

The Group recognises a provision when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance expense in the Statement of Comprehensive Income.

(j) STANDARDS OR INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE AND RELEVANT TO THE GROUP

The International Accounting Standards Board has issued a number of standards, amendments and interpretations which are not yet effective and which may have an impact on the Group's financial statements. These are detailed below. The Group has not applied these in preparing these financial statements and will apply each standard in the period in which it becomes mandatory:

(a) NZ IFRS 9 – Financial Instruments – Classification and Measurement

This standard addresses the classification, measurement and de-recognition of financial assets, financial liabilities, impairment

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued...

of financial assets and hedge accounting, and will be effective for the year ended 30 September 2019. The Group does not actively use hedging instruments and does not apply hedge accounting which will continue after the transition to NZ IFRS 9.

NZ IFRS 9 also prescribes an 'expected credit loss' model instead of the previous 'incurred loss' model for classification and measurement of financial instruments. This will require the Group to consider the expected credit losses on forward looking information in addition to current and historic information. The Group has not yet completed its assessment of the opening position but does not anticipate any significant impact.

(b) NZ IFRS 15 – Revenue from Contracts with Customers

The new NZ IFRS 15 revenue reporting standard will be effective for the year ended 30 September 2019. The Group is required to assess the implications and transitional considerations for the year ended 30 September 2018.

NZ IFRS 15 replaces NZ IAS 18 Revenue and defines the principles for revenue recognition based on the satisfaction of distinct contractual performance obligations by the vendor which determine the timing and classification of revenue recognition. The Group has been undertaking an assessment of the potential impacts on its reported results and does not expect the recognition and quantification of revenue to materially change.

The new standard requires a five-part framework to be applied which guide the allocation of a transaction price to the identified contractual performance obligations and the determination of the correct timing of revenue recognition.

The Group operates a common range of revenue models across its operating units and subsidiaries. These are generally classified as either recurring or non-recurring in nature depending on whether there is a continuing provision and consumption of defined contractual service obligations over a defined or open contract term, or time-bound and limited service obligations defined in specific contracts.

The Group has reviewed IFRS 15 in detail and held workshops for a range of functions in the business that are involved with commercial, contracting, pre-sales, operations and finance activities that support customers. The initial assessments conclude that the Group's commercial model and standard forms of contract, pricing and service description meets the requirements of IFRS 15. However, as the Group has many long-standing customer contractual relationships, it has initiated a project workstream to review existing contracts to identify whether any aspect of current revenue recognition does not comply with the new standard. This process is on-going and has not identified any significant discrepancies to date.

(c) NZ IFRS 16 – Leases

This standard requires a lessee to recognise a lease liability reflecting the future lease payments and a 'right-of-use asset' for substantively all lease contracts, and will be effective for the year ended 30 September 2020. The Group is currently assessing the impact of the implementation of this standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

2 OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Operating segments, are aggregated for disclosure purposes where they have similar products and services, production processes, customers, distribution methods and regulatory environments.

The Group currently operates in two business segments, utility billing software and airport management software, as at 30 September 2018. 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 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.

($000)	UTILITY	AIRPORT	TOTAL
GROUP – FOR THE YEAR ENDED 30 SEPTEMBER 2018			
External revenue	85,121	19,356	104,477
Total expenditure	(59,156)	(14,365)	(73,521)
Segment contribution before depreciation, amortisation, acquisition related costs, revaluation of financial liabilities, impairment of goodwill, financing and tax	**25,965**	**4,991**	**30,956**
Depreciation and amortisation			(6,987)
Acquisition related costs			(1,268)
Revaluation of acquisition related financial liabilities			3,835
Impairment of goodwill			(3,984)
Finance income			26
Finance expense			(1,846)
Income tax expense			(6,863)
Profit attributable to the shareholders of the company			**13,869**
GROUP – FOR THE YEAR ENDED 30 SEPTEMBER 2017			
External revenue	63,523	11,658	75,181
Total expenditure	(42,833)	(8,444)	(51,277)
Segment contribution before depreciation, amortisation, acquisition related costs, financing and tax	**20,690**	**3,214**	**23,904**
Depreciation and amortisation			(3,991)
Acquisition related costs			(1,325)
Finance income			78
Finance expense			(1,230)
Income tax expense			(5,611)
Profit attributable to the shareholders of the company			**11,825**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

2 OPERATING SEGMENTS (CONTINUED)

($000)	2018	2017
REVENUE BY DOMICILE OF ENTITY		
Australia	29,062	30,274
New Zealand	18,791	18,397
United Kingdom	56,193	23,126
Rest of World	431	3,384
	104,477	**75,181**
REVENUE BY DOMICILE OF CUSTOMER		
Australia	31,903	33,258
New Zealand	11,762	12,283
United Kingdom	52,931	23,092
Rest of World	7,881	6,548
	104,477	**75,181**

In 2018, no single customers and their subsidiaries accounted for 10% or more of the Group's revenue (2017: $10,361,000). In 2017, these revenues were attributable to the utility business segment.

3 REVENUE

Revenues are recognised at the fair value of the consideration received or receivable.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on the historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

SOFTWARE LICENCE FEE REVENUE (NON-RECURRING)

Revenue from licence fees due to software sales is recognised on the transferring of significant risks and rewards of control of the licensed software under agreement between the Company and the customer.

IMPLEMENTATION SERVICES REVENUE FOR LICENSED SOFTWARE (PROFESSIONAL SERVICES)

Revenue from implementation services attributable to licensed software is recognised based on the stage of completion, typically in accordance with the achievement of contract milestones and/or hours expended, and forecast.

POST SALES CUSTOMER SUPPORT REVENUE FOR LICENSED SOFTWARE (RECURRING)

Post sales customer support ('PSCS') revenue for licensed software comprises fees for ongoing upgrades, minor software revisions and helpline support. PSCS revenue is allocated between annual fees for helpline support and fees for rights of access to ongoing upgrades and minor software patches. At each reporting date, the unearned portion of the revenue is assessed and deferred to be recognised over the period of service.

CONSULTING SERVICES REVENUE (PROFESSIONAL SERVICES)

Revenue from project services agreements is based on the stage of completion, typically in accordance with the achievement of contract milestones and/or hours expended, and forecast.

DEFERRED REVENUES

Consideration received prior to the goods or service being rendered is recognised in the Statement of Financial Position as deferred revenues.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

3 REVENUE (CONTINUED)

ACCRUED INCOME

Revenue for which goods or services have been rendered but invoices have not been issued is recognised within the Statement of Financial Position as accrued income and included within trade and other receivables.

GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. When a grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

($000)	2018	2017
OPERATING REVENUE:		
Recurring	38,294	21,097
Non-recurring	10,545	6,292
Professional services	54,783	47,153
	103,622	**74,542**
OTHER INCOME:		
Government grants	855	639
Total revenue	**104,477**	**75,181**

Government grants includes revenue relating to a 3 year agreement for 'Technology Development Grant Funding' with Callaghan Innovations. This 3 year agreement is effective from 1 January 2017 to 31 December 2019.

4 EXPENDITURE

($000)	2018	2017
Employee entitlements	49,961	36,629
Administrative costs	9,451	5,960
Third party customer related costs	5,500	3,079
Advertising and marketing	1,543	1,223
Consulting and subcontracting*	5,147	3,309
Other operating expenses	1,919	1,077
Total expenditure	**73,521**	**51,277**
RESEARCH AND DEVELOPMENT EXPENSES		
Expenditure on research and development (expensed)	7,483	4,209

Research and development expenses include payroll overhead, employee benefits and other employee-related costs associated with product development. Technological feasibility for software products is generally reached shortly before products are released for commercial sale to customers. Generally costs incurred after technological feasibility is established are not material, and accordingly, these research and development costs are expensed when incurred. Where costs are material they are capitalised if they meet the criteria in note 20.

Research and development expenses include a portion of employee costs shown above, directly attributable to research and development activities. This excludes expenses relating to customer paid development.

*Directors' fees for the year amounted to $423,000 (2017: $371,247). The increase reflects an additional director joining the Board in May 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

4 EXPENDITURE (CONTINUED)

($000)	2018	2017
AUDITOR'S REMUNERATION		
KPMG – audit fees	325	216
KPMG – review fees	41	31
KPMG – taxation services	168	80
KPMG - accounting advice	-	6
KPMG - financial and tax due diligence	-	181
Total fees paid to auditor	**534**	**514**

5 DEPRECIATION AND AMORTISATION

($000)	2018	2017
Depreciation	900	581
Amortisation	6,087	3,410
	6,987	**3,991**

6 ACQUISITION RELATED COSTS

($000)	2018	2017
Acquisition costs	**(1,268)**	**(1,325)**

Acquisition related costs of $1,268,000 (2017: $1,325,000) related to legal, due diligence, facility fees, tax and accounting expenses incurred in relation to the acquisitions made in the year.

7 REVALUATION OF ACQUISITION RELATED FINANCIAL LIABILITY

($000)	2018	2017
Revaluation of acquisition related financial liability	**3,835**	**-**

In May 2017 the Group acquired 75% of the shares of CA PLUS Limited ("CA") for cash consideration of $6,000. The non-cash consideration represented the present value of the liability associated with the vendor put option over the remaining 25% of the shares in CA (2017: fair value $3.8m). The put option valuation is based on the cumulative EBITDA target for the earn out period for the three years ending 31 December 2019 with an exercise date of May 2020. Assuming the target is achieved a minimum payable under the option is $0.9m and the maximum $2.9m. However, if the cumulative EBITDA target is not achieved a nominal 1 Euro is payable. The Group has accounted for the option using the anticipated acquisition method. In the year ended 30 September 2017 the value of deferred consideration was recorded as a liability of the group statement of financial position.

Gentrack Group Limited subscribed to 7,496,400 non-profit participating Redeemable Preference Shares("RPS") issued by CA with a nominal value of €1.00 each, fully paid up. The RPS do not entitle the Group to receive notice of and to attend and vote at general meetings of the Company or to receive dividends. The RPS may be redeemed at any time between April 2020 and April 2055, and shall only be redeemed out of the distributable profits of CA or out of the proceeds of a fresh issue of shares made for the purpose of redemption. The RPS have been classified in the CA accounts as a term liability, as the instrument does not have the characteristics of equity, and is eliminated on consolidation having no overall effect on the Group position. This did not form part of consideration as the RPS are not subscribed for in exchange for control of CA.

On the date of acquisition the Group repaid $11.8 million of CA's borrowings. The repayment was treated as a separate transaction.

CA is an early stage business which is expected to scale and grow rapidly. Its performance to date has been affected by delays in completing the core product and delayed sales execution as a result. Actions are in place to address these issues and at 30 September 2018 performance was estimated to be approximately 12 months behind the acquisition business plan. Management have reviewed the forecasts for the remainder of the earn-out period to 31 December 2019, which includes the budget approved for the financial year to 30 September 2019 and has assessed that the minimum cumulative EBITDA target will not be achieved.

The value of the liability for deferred consideration has therefore been revalued to 1 Euro resulting in a credit to the group statement of comprehensive income of $3.8m recognised at 30 September 2018.

8 IMPAIRMENT OF GOODWILL

($000)	2018	2017
Impairment of Goodwill	**(3,984)**	**-**

This relates to the impairment of goodwill relating to CA PLUS Limited. This is discussed in more detail in Note 19.

9 NET FINANCE EXPENSE

Finance income comprises interest income, changes in the fair value of financial assets at fair value through the Statement of Comprehensive Income, foreign currency gains, and gains on hedging instruments that are recognised in the Statement of Comprehensive Income. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings, foreign currency losses, changes in the fair value of the financial assets at fair value through the Statement of Comprehensive Income, impairment losses recognised on the financial assets (except for trade receivables), and losses on hedging instruments that are recognised in the Statement of Comprehensive Income. All borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method.

($000)	2018	2017
FINANCE INCOME		
Interest income	26	78
	26	**78**
FINANCE EXPENSES		
Interest expense	(1,121)	(572)
Interest paid - unwinding of discount of financial liability	(127)	(51)
Foreign exchange losses – realised	(370)	(521)
Foreign exchange losses – unrealised[1]	(228)	(86)
	(1,846)	**(1,230)**
Net finance expense	**(1,820)**	**(1,152)**

[1]Foreign exchange losses included an unrealised loss of $350,000 (2017: $144,000) on intercompany loans.

10 INCOME TAX EXPENSE

In the Statement of Comprehensive Income the income tax expense comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefits will be realised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different entities where there is an intention to settle the balance on a net basis.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

10 INCOME TAX EXPENSE (CONTINUED)

($000)	2018	2017
(a) RECONCILIATION OF EFFECTIVE TAX RATE		
Profit before tax for the year	20,732	17,436
Income tax using the Company's domestic tax rate of 28%	5,805	4,882
Non-deductible expense	724	343
Difference in tax rates of overseas subsidiaries	(372)	(187)
Under provided in prior periods	706	573
Income tax expense	**6,863**	**5,611**

($000)	2018	2017
(b) INCOME TAX CHARGE IS REPRESENTED AS FOLLOWS:		
Tax payable in respect of current year	8,577	5,846
Deferred tax benefit	(2,420)	(808)
Under provided in prior periods	706	573
	6,863	**5,611**

11 DEFERRED TAX ASSET/(LIABILITY)

($000)	2018	2017
RECOGNISED DEFERRED TAX ASSETS		
Deferred tax assets are attributable to the following:		
Trade and other receivables	-	10
Deferred revenue	701	815
Provisions including employee entitlements and doubtful trade debtors	2,312	1,421
Trade losses carried forward	613	640
Fixed assets and foreign exchange	-	2
Total deferred tax asset	**3,626**	**2,888**
RECOGNISED DEFERRED TAX LIABILITIES		
Deferred tax liabilities are attributable to the following:		
Intangible assets	(10,308)	(7,076)
Trade and other receivables	(197)	-
Other	(143)	-
Total deferred tax liabilities	**(10,648)**	**(7,076)**

The movement in temporary differences has been recognised in the Statement of Comprehensive Income. Deferred tax has been recognised at a rate at which they are expected to be realised: 28% for New Zealand entities, 30% for Australian entities, 19% for UK entities, 22% for Denmark entities and 35% for Malta entities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

11 DEFERRED TAX ASSET/(LIABILITY) (CONTINUED)

Movement in temporary timing differences during the year:

($000)	BALANCE 1 OCT 2017	BUSINESS COMBINATIONS	TEMPORARY MOVEMENTS RECOGNISED	CURRENCY TRANSLATION	BALANCE 30 SEP 2018
Trade and other receivables	10	-	(207)	-	(197)
Intangible assets	(7,076)	(4,924)	2,091	(399)	(10,308)
Deferred revenue	815	-	(118)	4	701
Provisions including employee entitlements and doubtful trade debtors	1,421	-	856	35	2,312
Trade losses carried forward	640	-	(76)	49	613
Other	2	-	(126)	(19)	(143)
Total	**(4,188)**	**(4,924)**	**2,420**	**(330)**	**(7,022)**

($000)	BALANCE 1 OCT 2016	BUSINESS COMBINATIONS	TEMPORARY MOVEMENTS RECOGNISED	CURRENCY TRANSLATION	BALANCE 30 SEP 2017
Trade and other receivables	(99)	9	114	(14)	10
Intangible assets	(2,071)	(5,525)	741	(221)	(7,076)
Deferred revenue	988	-	(173)	-	815
Provisions including employee entitlements and doubtful trade debtors	1,024	165	167	65	1,421
Trade losses carried forward	-	620	(24)	44	640
Other	-	31	(19)	(10)	2
Total	**(158)**	**(4,700)**	**806**	**(136)**	**(4,188)**

IMPUTATION CREDITS

($000)	2018	2017
NZ Imputation credits available for use in subsequent reporting periods	4,950	2,099

12 EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares on issue during the year, excluding shares purchased and held as treasury shares.

Diluted EPS is determined by adjusting the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares on issue for the effects of the dilutive impact of potential ordinary shares, which comprise performance share rights granted to employees. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease EPS or increase the profit per share.

($000)		2018	2017
Profit attributable to the shareholders of the company	($000)	13,869	11,825
Basic weighted average number of ordinary shares issued	**(000)**	**86,622**	**78,258**
Basic and diluted earnings per share (dollars)	**($)**	**0.16**	**0.15**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

13 CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid is deducted from equity attributable to the Company's equity holders until the shares are cancelled or transferred outside the Group.

	SHARES ISSUED		SHARE CAPITAL	
(000)	2018	2017	2018	2017
Ordinary Shares	**98,525**	**83,697**	**190,968**	**101,490**

Ordinary shares are fully paid and have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, and rank equally with regard to the Company's residual assets.

On 2 July 2018, Gentrack Group Limited received gross proceeds of $1.9m from the issue and allotment of 274,754 new ordinary shares at an issue price of $6.93 per share, as discussed in note 33.

In July 2018, Gentrack Group Limited launched an accelerated entitlement offer under which Eligible Shareholders were entitled to acquire 1 New Share for every 5.77 Existing Shares held on Friday 6 July at an Application Price of $6.19 per New Share. This was successfully completed by early August 2018. As a result of this Offer, Gentrack Group Limited received gross proceeds of $90.1m from the allotment of 14,553,208 New Ordinary Shares.

On 30 March 2017, Gentrack Group Limited received gross proceeds of $35,511k from the allotment of 9,538,373 new ordinary shares at an issue price of $3.72 per share.

On 3 April 2017, Gentrack Group Limited received gross proceeds of $5,326k from the allotment of 1,459,371 new ordinary shares at an issue price of $3.65 per share, fair valued at $3.90 per share resulting in an increase in capital of $367k, as discussed in note 33.

Transaction costs directly related to the issue of new shares of $2,558,903 (2017: $109,725), being stock exchange fees, legal fees and underwriting fees, were incurred in these transactions and reduce the share proceeds received.

14 EMPLOYEE SHARE PLAN

The Group operates an equity based share rights scheme for selected senior employees. If the unlisted performance share rights vest, ordinary shares will be issued to the employees at or around the vesting date. The issue price of the shares was determined by reference to the 10 trading day volume weighted average price of shares traded on the NZX immediately following the announcement of the annual financial results to which the commencement date of the share rights performance period relates.

Vesting is conditional on the completion of the necessary years' service to the vesting date and performance goals over the vesting period.

The share rights scheme is an equity settled scheme and is measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share based payments is expensed over the vesting period, based on the Group's estimate that the shares will vest. These options were valued using the Black Scholes valuation model and the option cost for the year ending 30 September 2018 of $331,000 has been recognised in the Group's Statement of Comprehensive Income for that period (2017: $178,000).

Details of the unlisted performance share rights scheme are:

Commencement date	1 October 2017	1 October 2016	2 May 2016
Issue price	5.76	3.25	2.24
Vesting date	30 November 2020	30 November 2019	31 January 2019
Granted	78,040	75,859	152,400
% of shares vested	0%	0%	0%

15 DIVIDENDS PAID

	DIVIDEND PER SHARE		DIVIDEND PAID	
($000)	2018	2017	2018	2017
Final dividend paid	0.085	0.077	7,114	5,598
Interim dividend paid	0.050	0.042	4,185	3,515
	0.135	**0.119**	**11,299**	**9,113**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

16 CASH AND CASH EQUIVALENTS

Comprise cash in hand, deposits held at call with banks, other short-term and highly liquid investments with original maturities of three months or less.

($000)	2018	2017
Bank balances	11,398	9,723
Cash on hand	2	4
	11,400	**9,727**

17 TRADE AND OTHER RECEIVABLES

The Group recognises trade and other receivables initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of an asset is reduced through the use of a provision account, and the amount of the loss is recognised in the Statement of Comprehensive Income. When a receivable is uncollectible, it is written off against the provision account for receivables. Subsequent recoveries of amounts previously written off are credited against the Statement of Comprehensive Income.

($000)	2018	2017
Trade debtors	17,583	15,909
Provision for doubtful debts	(504)	(167)
Provision for warranty claims	(15)	(15)
Work in progress/accrued debtors	4,093	4,182
Sundry receivables and prepayments	2,898	1,804
	24,055	**21,713**

(a) CREDIT RISK

The aging of the Group's trade debtors at the reporting date was as follows:

($000)	GROSS		ALLOWANCE FOR DOUBTFUL DEBTS	
	2018	2017	2018	2017
Not past due	8,904	11,773	-	-
Past due 1-30 days	2,996	2,116	-	-
Past due 31-60 days	1,389	1,008	-	-
Past due 61-90 days	1,316	368	-	-
Past due over 90 days	2,978	644	504	167
	17,583	**15,909**	**504**	**167**

The movement in the provision for doubtful debts during the year was as follows:

($000)	2018	2017
Opening balance	167	115
Acquired through business combinations	-	83
Increase in provision	419	-
Write back of provision	(75)	(36)
Effect of movement in foreign exchange	(7)	5
Bad debt written off	-	-
Balance at 30 September	**504**	**167**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

18 PROPERTY, PLANT AND EQUIPMENT

In the Statement of Financial Position property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated using the straight-line method to allocate the difference between their original costs and their residual values over their estimated useful lives, as follows:

- Office equipment, fixtures and fittings 7 years
- Computer equipment 3 to 7 years
- Leasehold improvements Terms of leases

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the Statement of Comprehensive Income.

($000)	NOTE	FURNITURE & EQUIPMENT	COMPUTER EQUIPMENT	LEASEHOLD IMPROVEMENTS	2018 TOTAL
YEAR ENDED 30 SEPTEMBER 2018					
Opening balance		536	773	1,215	2,524
Acquired through business combinations	33	16	54	-	70
Additions		786	719	859	2,364
Disposals		(74)	(57)	(173)	(304)
Depreciation charge		(176)	(576)	(148)	(900)
Effect of movement in foreign exchange		34	17	31	82
Closing net book amount		**1,122**	**930**	**1,784**	**3,836**
Cost		2,084	3,272	2,050	7,406
Accumulated depreciation		(962)	(2,342)	(266)	(3,570)
Net book amount		**1,122**	**930**	**1,784**	**3,836**

($000)	NOTE	FURNITURE & EQUIPMENT	COMPUTER EQUIPMENT	LEASEHOLD IMPROVEMENTS	2017 TOTAL
YEAR ENDED 30 SEPTEMBER 2017					
Opening balance		260	489	275	1,024
Acquired through business combinations	33	257	188	350	795
Additions		96	467	705	1,268
Disposals		-	-	(33)	(33)
Depreciation charge		(93)	(385)	(103)	(581)
Effect of movement in foreign exchange		16	14	21	51
Closing net book amount		**536**	**773**	**1,215**	**2,524**
Cost		1,232	2,290	1,665	5,187
Accumulated depreciation		(696)	(1,517)	(450)	(2,663)
Net book amount		**536**	**773**	**1,215**	**2,524**

19 GOODWILL

Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

($000)	NOTE	2018	2017
Opening balance		122,212	40,277
Goodwill arising on acquisition	33	22,408	78,643
Goodwill impairment		(3,984)	-
Exchange rate differences		5,553	3,292
Closing net book amount		**146,189**	**122,212**
Goodwill allocated to Gentrack Velocity		43,895	37,377
Goodwill allocated to Airport 20/20		2,900	2,900
Goodwill allocated to Junifer		63,775	60,144
Goodwill allocated to Blip		8,376	7,833
Goodwill allocated to CA Plus		11,005	13,958
Goodwill allocated to Evolve Analytics		16,238	-
Net book amount		**146,189**	**122,212**

Goodwill has been allocated to the cash generating units (CGUs) as summarised in the previous table. The balances against Gentrack Velocity and Airport 20/20 operating units relate to acquisitions in 2012. The balances against Junifer, Blip and CA Plus arise from the acquisitions completed in the year ended 30 September 2017.

In June 2018 the acquisition of Evolve Analytics was completed which gave rise to goodwill of $22.408m being recognised. Of this $16.238m was allocated to the Evolve Analytics CGU, and the balance of $6.518m was allocated to the Gentrack Velocity CGU based on Gentrack's assessment of the strategic synergistic value component within the enterprise valuation for the purchase consideration. Evolve Analytics is included in the Utility segment of the Group.

Except for Evolve Analytics, tests have been conducted for impairment on the CGUs based on value in use calculations as described in the following paragraphs. Evolve Analytics was acquired three months before the balance date and the acquisition price approximated fair value less cost to sell.

GENTRACK VELOCITY, JUNIFER AND AIRPORT 20/20

The impairment analysis was based on the Group's five-year forecast that was included in the Group 2023 Strategy dated May 2018. The forecast reflected management's consideration of past performance and its assessment of future expectations. Growth assumptions applied up to the terminal year were aligned with the Group's long term 15% CAGR (compound average growth rate) EBITDA growth objectives.

A post tax weighted average cost of capital (WACC) of 10.8% (2017: 10.4%) was applied. The WACC reflects specific risks associated with the CGU operations and markets in which it operates. The growth rate used to extrapolate cash flows beyond the 5-year forecast is 2.5% (2017: 2.5%) which is consistent with forecasts conducted in similar industry reports.

No impairment to the carrying value of goodwill was identified for these CGUs.

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

BLIP

The impairment analysis was based on the Group's five-year forecast that was used to support the valuation and acquisition of BLIP in 2017, adjusting for actual performance in the FY17 and FY18 financial years and the approved budget for FY19. Growth assumptions applied up to the terminal year represented an EBITDA growth CAGR of 21%. BLIP is included in the Airports segment of the Group.

A post tax weighted average cost of capital (WACC) of 11.1% was applied. The WACC reflects specific risks associated with the CGU operations, stage of growth and markets in which it operates. The growth rate used to extrapolate cash flows beyond the 5-year forecast is 2.5% which is consistent with forecasts conducted in similar industry reports.

No impairment to the carrying value of goodwill was identified for the BLIP CGU.

Changes in key assumptions were considered as sensitivities. Management considers that no reasonably possible changes to any of the key assumptions would result in the carrying value exceeding the recoverable value in use.

19 GOODWILL (CONTINUED)

CA PLUS

The impairment analysis was based on the CGU's five-year forecast that was refreshed in August 2018 which reflected actual performance in the FY17 and FY18 financial years and the approved budget for FY19.

A post tax weighted average cost of capital (WACC) of 12.0% was applied. The WACC reflects specific risks associated with the CGU operations, stage of growth and markets in which it operates. The growth rate used to extrapolate cash flows beyond the 5-year forecast is 2.5% which is consistent with forecasts conducted in similar industry reports. CA PLUS is included in the Airports segment of the Group.

CA Plus is an early stage business which is expected to scale and grow rapidly. Its performance to date has been affected by delays in completing the core product offering and delayed sales execution as a result. Actions are in place to address these issues, however at 30 September 2018 performance was estimated to be approximately 12 months behind the acquisition business plan. As described in note 7 Gentrack has assessed that the earn out targets associated with the valuation of the deferred portion of consideration for the remaining 25% of the business not held by Gentrack which is based on a cumulative EBITDA target for the three years to 31 December 2019 will not be achieved. As a result, the deferred consideration liability in respect of Gentrack's put option has been revalued to 1 Euro. Similarly, the impact of the delayed growth profile of the business in the forecast period for the impairment testing gives rise to an impairment to goodwill amounting to $3.984m.

The carrying value after the impairment of $13.1m (value in use) remains sensitive to the future growth and performance of the CA Plus business. Management considers that based on the sales opportunity pipeline and quality of prospects including opportunities to cross sell to customers in the Gentrack Airports portfolio it is not appropriate to recognise any further impairment at this stage. However, if the expected growth and performance does not eventuate, there may be need for further impairment. Sensitivities are summarised below.

($000)	30 SEPTEMBER 2018 RECOVERABLE AMOUNT	SENSITIVITIES EBITDA +5%	EBITDA 5%	WACC +1%	WACC -1%
Gentrack Velocity	300,566	15,028	(15,028)	(33,232)	42,394
Airport 20/20	66,547	3,327	(3,327)	(7,686)	9,819
Junifer	183,580	9,179	(9,179)	(21,063)	26,900
BLIP	21,005	1,086	(1,086)	(2,097)	2,648
CA PLUS	13,054	780	(780)	(1,366)	1,693

20 INTANGIBLE ASSETS

CAPITALISED DEVELOPMENT

Costs that are directly associated with the development of software are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Software development costs that meet the above criteria are capitalised. Other development expenditure that does not meet the above criteria is recognised as an expense as incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period. Software development costs recognised as assets are amortised over their estimated useful lives.

BRANDS

Brands are considered to have an indefinite useful life and are held at cost and are not amortised, but are subject to an annual impairment test consistent with the methodology outlined for goodwill above.

OTHER INTANGIBLE ASSETS

Other intangible assets consist of internal use software, acquired source code, trade-marks and customer relationships. They have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

AMORTISATION

Except for goodwill and brands, intangible assets are amortised on a straight-line basis in the Statement of Comprehensive Income over their estimated useful lives, from the date that they are available for use.

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20 INTANGIBLE ASSETS (CONTINUED)

The estimated useful lives for the current and comparative periods are as follows:

- Acquired source code 10 years
- Customer relationships 10 years
- Trademarks 4 years
- Internal use software 3 years
- Capitalised development 5-10 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

($000)	NOTE	SOFTWARE	CUSTOMER RELATIONSHIPS	BRAND NAMES	TRADE-MARKS	CAPITALISED DEVELOPMENT	2018 TOTAL
YEAR ENDED 30 SEPTEMBER 2018							
Opening balance		24,783	11,250	5,024	11	890	41,958
Additions		186	-	-	-	3,730	3,916
Acquisition through business combinations	33	16,559	8,994	-	812	-	26,365
Amortisation charge		(3,792)	(1,855)	-	(43)	(397)	(6,087)
Effect of movement in foreign exchange		1,390	613	-	13	19	2,035
Closing net book amount		**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 amount		**39,126**	**19,002**	**5,024**	**793**	**4,242**	**68,187**

($000)	NOTE	SOFTWARE	CUSTOMER RELATIONSHIPS	BRAND NAMES	TRADE-MARKS	CAPITALISED DEVELOPMENT	2017 TOTAL
YEAR ENDED 30 SEPTEMBER 2017							
Opening balance		6,870	4,458	5,024	14	-	16,366
Additions		28	-	-	-	892	920
Acquisition through business combinations	33	19,296	7,686	-	-	-	26,982
Amortisation charge		(2,219)	(1,177)	-	(3)	(11)	(3,410)
Effect of movement in foreign exchange		808	283	-	-	9	1,100
Closing net book amount		**24,783**	**11,250**	**5,024**	**11**	**890**	**41,958**
Cost		32,400	15,964	5,024	22	901	54,311
Accumulated amortisation		(7,617)	(4,714)	-	(11)	(11)	(12,353)
Net book amount		**24,783**	**11,250**	**5,024**	**11**	**890**	**41,958**

21 TRADE PAYABLES AND ACCRUALS

The Group recognises trade and other payables initially at fair value and subsequently measured at amortised cost using the effective interest method. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured, non-interest bearing and are usually paid within 45 days of recognition.

($000)	2018	2017
CURRENT		
Trade creditors	5,102	3,188
Sundry accruals	1,805	1,791
	6,907	**4,979**

22 LEASE INCENTIVES

($000)	2018	2017
Lease incentives	3,612	693

Lease incentives relate to new premises in London and Auckland, which were for terms of 5 years and 12 years respectively.

23 EMPLOYEE ENTITLEMENTS

Liabilities for wages and salaries, including non-monetary benefits, long service leave and annual leave are recognised in employee benefits in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Cost for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

($000)	2018	2017
CURRENT		
Liability for long service leave	492	433
Short term employee benefits	3,359	4,304
	3,851	**4,737**
NON-CURRENT		
Liability for long service leave	339	361
	339	**361**

24 INTEREST BEARING LOANS AND BORROWINGS

FUNDING ACTIVITIES

The Group currently maintains a revolving five year credit facility and a working capital facility with ASB on the terms outlined below.

The revolving credit facility aggregated is NZD$42.5 million, and the working capital facility is NZD$8 million, totalling NZD$50.5 million. The purpose of the revolving credit facility is to part fund acquisitions and other capital projects. The purpose of the working capital facility is to assist with funding the working capital requirements of the Group. During the year all drawn down debt was repaid, following the rights issue (see note 13) and as a result, at 30 September 2018, NZD$nil (2017: NZD$44,989k) was drawn down. Interest on both is payable at a rate calculated as a base rate plus a pre-determined margin. During the year, the average rates for the borrowings were GBP1.8249%, NZD3.2800% and EUR1.200%. There are covenants in place relating to gearing and interest cover and the Group was in compliance with them during the year. The maturity date for each drawdown is the end of the next interest reset date. Gentrack has the right to roll over the drawdowns up to the maturity of the facility, 28 March 2022.

The Group has provided a General Security Deed over all the present and after acquired property of all entities in the consolidated Group.

25 FINANCIAL LIABILITIES

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities.

The amount that may become payable under the option on exercise is initially recognised at fair value within borrowings. Options are subsequently reassessed to fair value, using the effective interest rate method, and any change arising is reflected as an adjustment to the financial liability and a corresponding entry is recognised in the Statement of Comprehensive Income.

See note 7 Revaluation of acquisition related to deferred consideration liability for more details.

($000)	2018	2017
Earn-out (current)	-	527
Put/call options (non-current)	2,808	5,964
Balance at 30 September 2018	**2,808**	**6,491**

The reduction for the put/call options relates to the revaluation of the vendor put option for CA PLUS Limited of $3,835k which is described in note 7, with additional movement from net present value adjustment of $121k and the remainder foreign exchange.

26 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments include trade receivables and payables, cash and short term deposits, borrowings and loans.

As a result of the Group's operations and sources of finance, it is exposed to credit risk, liquidity risk and market risks which include foreign currency risk, commodity price risk and interest risk. These risks are described below.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis upon which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies and notes to the financial statements.

The Group holds the following financial instruments:

($000)	2018			2017		
	FAIR VALUE THROUGH PROFIT & LOSS	LOANS AND RECEIVABLES	OTHER AMORTISED COST	FAIR VALUE THROUGH PROFIT & LOSS	LOANS AND RECEIVABLES	OTHER AMORTISED COST
FINANCIAL ASSETS						
Cash and cash equivalents	11,400	-	-	9,727	-	-
Trade debtors	-	17,079	-	-	15,742	-
	11,400	**17,079**	**-**	**9,727**	**15,742**	**-**
FINANCIAL LIABILITIES						
Bank loans	-	-	-	-	-	44,989
Trade creditors	-	-	5,102	-	-	3,188
Financial liabilities	2,808	-	-	6,491	-	-
	2,808	**-**	**5,102**	**6,491**	**-**	**48,177**

(a) CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and it arises principally from the Group's trade receivables from customers in the normal course of business.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The credit worthiness of a customer or counter party is determined by a number of qualitative and quantitative factors. Qualitative factors include external credit ratings (where available), payment history and strategic importance of customer or counter party. Quantitative factors include transaction size, net assets of customer or counter party, and ratio analysis on liquidity, cash flow and profitability.

In relation to trade receivables, it is the Group's policy that all customers who wish to trade on terms are subject to credit verification on an ongoing basis with the intention of minimising bad debts. The nature of the Group's trade receivables is represented by regular turnover of product and billing of customers based on the Group's contractual payment terms.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The carrying amount of the Group's financial assets represents the maximum credit exposure as summarised above.

Refer to Note 17 for an aging profile for the Group's trade receivables at reporting date.

(b) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they become due and payable. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they become due and payable, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has sufficient cash to meet its requirements in the foreseeable future.

Maturities of financial liabilities

The following table details the Group's contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, as at the reporting date:

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

2018 ($000)	1 YEAR OR LESS	OVER 1 TO 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT LIABILITIES
NON-DERIVATIVE FINANCIAL LIABILITIES					
Financial liabilities	-	2,808	-	2,808	2,808
Trade and other payables	5,102	-	-	5,102	5,102
	5,102	**2,808**	**-**	**7,910**	**7,910**

2017 ($000)	1 YEAR OR LESS	OVER 1 TO 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT LIABILITIES
NON-DERIVATIVE FINANCIAL LIABILITIES					
Bank loans	2,836	45,441	-	48,277	44,989
Financial liabilities	527	5,964	-	6,491	6,491
Trade and other payables	3,188	-	-	3,188	3,188
	6,551	**51,405**	**-**	**57,956**	**54,668**

(c) MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Group is exposed to currency risk on sales transactions that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian Dollar (AUD), Hong Kong Dollar (HKD), Pound Sterling (GBP), EURO (EUR) and US Dollar (USD), and Singapore Dollar (SGD).

The Group's exposure to foreign currency risk at the reporting date was as follows (all amounts are denominated in New Zealand Dollars):

2018 ($000)	AUD	GBP	EUR	USD	HKD	SGD	DKK
Cash and cash equivalents	3,007	1,023	18	366	-	145	-
Trade and other receivables	426	-	1,030	1,519	180	276	-
Trade and other payables	(168)	-	(4)	(261)	(9)	-	-
Financial liabilities	-	-	-	-	-	-	(2,808)
	3,265	**1,023**	**1,044**	**1,624**	**171**	**421**	**(2,808)**

2017 ($000)	AUD	GBP	EUR	USD	HKD	SGD	DKK
Cash and cash equivalents	914	3	-	762	-	-	-
Trade and other receivables	528	66	1,282	398	-	364	-
Bank loans	-	(2,228)	(9,021)	-	-	-	-
Trade and other payables	(14)	(598)	(8)	(3)	(4)	(74)	-
Financial liabilities	-	-	-	-	-	-	(3,101)
	1,428	**(2,757)**	**(7,747)**	**1,157**	**(4)**	**290**	**(3,101)**

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FOR THE YEAR ENDED 30 SEPTEMBER 2018

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to foreign currency risk.

2018 ($000)	FOREIGN CURRENCY RISK [1] PROFIT IMPACT	
	-10%	+10%
Cash and cash equivalents	507	(415)
Trade and other receivables	383	(314)
Trade and other payables	(51)	55
Financial liabilities	(312)	255
Total increase/(decrease)	**527**	**(419)**

2017 ($000)	FOREIGN CURRENCY RISK [1] PROFIT IMPACT	
	-10%	+10%
Cash and cash equivalents	186	(153)
Trade and other receivables	293	(240)
Bank loans	(1,250)	1,023
Trade and other payables	(78)	64
Financial liabilities	(345)	282
Total (decrease)/increase	**(1,194)**	**976**

[1] The foreign currency sensitivity above represents a 10% decrease and increase in spot foreign exchange rates.

Interest rate risk

The Group's interest rate risk arises from its bank loans. The repricing of these exposes the Group to cash flow interest rate risk. The Group does not enter into interest rate hedges.

The interest rate repricing profiles of the Group's financial assets and liabilities subject to interest rate risk are:

If interest rates had been 1.0% higher/lower during the period with all other variables held constant, the impact on the interest expense of the Group would have been $402,000 higher/$402,000 lower (2017: $217,000 higher/$99,000 lower) respectively.

(d) CAPITAL MANAGEMENT

The capital structure of the Group consists of equity raised by the issue of ordinary shares in the parent company.

The Group manages its capital to ensure that companies in the Group are able to continue as going concerns. The Group is not subject to any externally imposed capital requirements.

(e) FAIR VALUE MEASUREMENT

The carrying amounts of the Group's financial assets and liabilities approximate their fair value due to their short interest maturity periods.

27 RELATED PARTIES

IDENTITY OF RELATED PARTIES

The Group has related party relationships with its subsidiaries. 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. Related parties to the Group are as follows:

Entity	*Principal Activity*
Gentrack Group Australia Pty Limited	Australian holding company
Gentrack Pty Limited	Australian operating company – software development, sales and support
Veovo Holdings (Denmark) ApS	Danish holding company
Blip Systems A/S	Danish operating company – software development, sales and support
CA Plus Limited	Maltese operating company – software development, sales and support
Veovo Limited (formerly Total Terminal Technologies Limited)	New Zealand holding company
Gentrack Limited	New Zealand operating company – software development, sales and support
Gentrack Holdings (UK) Limited	United Kingdom holding company
Gentrack UK Limited	United Kingdom operating company – software development, sales and support
Junifer Systems Limited	United Kingdom dormant company
Evolve Analytics Limited	United Kingdom operating company – software development sales and support
Evolve Parent Limited	United Kingdom holding company
Gentrack (Singapore) Pte Limited	Singapore operating company – software sales and support
Veovo Inc	USA operating company – software sales and support

Management fees of $3,382,836 (2017: $2,010,200) were charged by Gentrack Limited, the New Zealand operating company, to related parties during the year to cover management type activities.

A number of the Company's directors are also directors of other companies. No transactions have occurred between Gentrack and any of these companies during the year. There have been no transactions between Gentrack and the directors during the year.

28 OPERATING LEASE COMMITMENTS

($000)	2018	2017
NON-CANCELLABLE OPERATING LEASE COMMITMENTS DUE:		
Not later than one year	2,637	2,264
Later than one year, not later than five years	8,031	8,171
Later than five years	6,724	8,497
	17,392	**18,932**

The Group leases premises, plant and equipment. Operating leases held over properties give the Group the right to renew the lease subject to redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of plant and equipment held under operating leases.

29 KEY MANAGEMENT PERSONNEL

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and include the Directors, the Chief Executive, their direct reports. The following table summarises remuneration paid to key management personnel.

($000)	2018	2017
Salaries, bonuses and other benefits	3,760	3,316
Share based payments	331	178
Post employment benefits	-	-
Directors' fees	423	371
Total salaries and benefits	**4,514**	**3,865**

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

There were no other transactions with key management personnel during the year.

30 CAPITAL COMMITMENTS

The capital expenditure commitments as at 30 September 2018 are $nil (2017: $843k).

31 CONTINGENCIES

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

NZD$134,013 (AUD$122,850) to ASB Bank. This guarantee is open ended.

NZD$191,990 (HKD$994,528) to ASB Bank. This guarantee expires on 8 September 2019.

NZD$75,000 to NZX Limited. This guarantee has no expiry date.

NZD$114,574 (AUD$105,030) to ASB Bank. This guarantee is open ended.

NZD$608,747 (AUD$558,038) to ASB Bank. This guarantee expires on 30 April 2020.

NZD$70,018 (SGD$63,441) to ASB Bank. This guarantee expires on 31 December 2018.

Gentrack Group Limited had utilised $986,751 of their $3,750,000 bond from ASB Bank at 30 September 2018.

NOTES TO THE FINANCIAL STATEMENTS

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32 CASH FLOW INFORMATION

($000)	2018	2017
(a) RECONCILIATION OF OPERATING CASH FLOWS WITH REPORTING PROFIT AFTER TAX:		
Profit after tax	13,869	11,825
Adjustments		
Deferred tax	(2,420)	(808)
Doubtful debts	337	(36)
Loss on foreign exchange transactions	598	86
Share based payments	331	178
Net interest expense	1,095	494
Revaluation and interest of financial liability	(3,888)	-
Other non-cash items	(79)	33
Depreciation and amortisation	6,987	3,991
Impairment of goodwill	3,984	-
	20,814	**15,763**
Add/(less) movements in other working capital items:		
Decrease/(increase) in trade and other receivables	278	(6,656)
Increase in tax payable	1,418	1,611
(Decrease)/increase in GST payable	(197)	933
(Decrease)/increase in deferred revenue	(1,906)	1,009
(Decrease)/increase in employee entitlements	(908)	1,465
Increase/(decrease) in trade payables and accruals	2,753	(66)
Net cash inflow from operating activities	**22,252**	**14,059**
(b) BANK FACILITIES:		
Bank facility	50,500	50,500
Unused bank facility	**50,500**	**5,511**

33 BUSINESS COMBINATIONS

The Group made the following acquisitions during the year:

On 29 June 2018 the Group acquired 100% of the shares in Evolve Parent Limited and Evolve Analytics Limited ("Evolve") for cash consideration of $43 million. The non-cash consideration in Evolve is the issue of 274,754 shares (fair value of $1.9 million) in Gentrack Group Limited, subscribed for by the sellers of Evolve Analytics Limited.

Evolve is a market leading provider of software and services to the UK energy retail sector, specialising in the identification and correction of settlement and billing errors as well as the accuracy of standing data managing data for over 10 million meter points. Customers include three of the big 6 UK energy suppliers. The combined Gentrack and Evolve businesses enhance the range of product functionality and will help position the Group as the market leader in the UK providing a strong base to expand into new markets.

Evolve's SaaS based solutions and services improve customers' revenue collection and cost control, and are highly complementary to Gentrack's core billing and customer engagement solutions. The acquisition extends Gentrack's product offering for UK utilities with valuable cross selling potential within the combined customer base. Evolve brings additional organic growth potential to Gentrack.

For the three months ended 30 September 2018, Evolve contributed revenue of $1.4 million and net profit after tax of $0.8 million to the Group's result. If the acquisition had occurred on 1 October 2017, the contribution to revenue and net profit after tax for the Group would have been $4.6 million and $1.5 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

33 BUSINESS COMBINATIONS (CONTINUED)

($000)	EVOLVE ANALYTICS LIMITED
FAIR VALUE OF NET ASSETS ACQUIRED AT ACQUISITION DATE	
Cash	239
Trade and other receivables	1,635
Property, plant and equipment	70
Intangible assets	26,365
Payables and accruals	(804)
Deferred tax	(4,924)
Net assets	**22,581**
Cash consideration	43,035
Non-cash consideration	1,954
Total consideration	**44,989**
GOODWILL RECOGNISED AS A RESULT OF THE ACQUISITION	
Total consideration	44,989
Net assets	(22,581)
Goodwill	**22,408**

The difference between fair value of assets and liabilities acquired and the purchase price has been recognised as goodwill. The goodwill recognised as a result of the acquisitions reflects the technology and technical expertise of the acquired companies and the synergies expected to be achieved from integrating the companies into the Group's existing business. Intangible assets consists of fair values assessed for software and customer relationships (refer note 20).

BUSINESS COMBINATIONS – PRIOR YEAR

In the year ended 30 September 2017, the Group completed three acquisitions:

a) On 3 April 2017 the Group acquired 100% of the shares in Junifer Systems Limited ("Junifer") for cash consideration $73.2 million. The non-cash consideration in Junifer is the issue of 1,459,371 shares (fair value of $5.7 million) in Gentrack Group Limited, subscribed for by the sellers of Junifer Systems Limited.

(b) On 23 April 2017 the Group acquired 79.81% of the shares in BLIP Systems A/S ("Blip") for cash consideration of $8.4 million. The Blip non-cash consideration is made up of two elements; the value of an earn-out provision based on total revenue achieved for the year ending December 2017 (fair value $0.5 million) and the present value of the liability associated with a vendor put option over 20.19% of the shares in Blip (fair value $2.4 million). The put option is based on the probability of achieving an average EBITDA target over financial years ending 31 December 2017, 2018 and 2019 and an exercise date of March 2020. The minimum payable under the option is $2.1 million and there is no upper limit. The undiscounted estimated payment is $2.5m. The Group have accounted for this element of the consideration using the anticipated acquisition method, and accordingly no non-controlling interest has been recognised.

(c) On 8 May 2017 the Group acquired 75% of the shares in CA PLUS Limited ("CA") for cash consideration of $6,000. The CA non-cash consideration is the present value of the liability associated with a vendor put option over 25% of the shares in CA (fair value $3.4 million). The put option is valued based on a cumulative EBITDA target for the financial years ending 31 December 2017, 2018 and 2019 and an exercise date of May 2020. The minimum payable under the option is $0.8 million and the maximum $11.9 million. The undiscounted estimated payment is $3.6m. The Group have accounted for this element of the consideration using the anticipated acquisition method, and accordingly no non-controlling interest has been recognised.

33 BUSINESS COMBINATIONS (CONTINUED)

Gentrack Group Limited subscribed to 7,496,400 non-profit participating Redeemable Preference Shares("RPS") issued by CA with a nominal value of €1.00 each, fully paid up. The RPS do not entitle the Group to receive notice of and to attend and vote at general meetings of the Company or to receive dividends. The RPS may be redeemed at any time between April 2020 and April 2055, and shall only be redeemed out of the distributable profits of CA or out of the proceeds of a fresh issue of shares made for the purpose of redemption. The RPS have been classified in the CA accounts as a term liability, as the instrument does not have the characteristics of equity, and is eliminated on consolidation having no overall effect on the Group position. This did not form part of consideration as the RPS are not subscribed for in exchange for control of CA.

On the date of acquisition the Group repaid $11.8 million of CA's borrowings. The repayment was treated as a separate transaction.

($000)	JUNIFER SYSTEMS LIMITED	BLIP SYSTEMS A/S	CA PLUS LIMITED
FAIR VALUE OF NET ASSETS ACQUIRED AT ACQUISITION DATE			
Cash consideration	73,193	8,382	6
Non-cash consideration	5,692	2,876	3,361
Total consideration	**78,885**	**11,258**	**3,367**
GOODWILL RECOGNISED AS A RESULT OF THE ACQUISITION			
Total consideration	78,885	11,258	3,367
Net assets	(21,044)	(3,945)	10,121
Goodwill	**57,841**	**7,313**	**13,488**

The values above are stated in New Zealand dollars at the applicable exchange rates at the dates of acquisition.

34 EVENTS SUBSEQUENT TO BALANCE DATE

A final dividend of $8,571,694 ($0.087 per share) was declared on 29 November 2018 for the year ended 30 September 2018, and will be paid on 21 December 2018. During the year an interim dividend of $4,184,863 ($0.05 per share) was paid on 25 June 2018.

DISCLOSURES

ENTRIES RECORDED IN THE INTERESTS REGISTER

The Company maintains an Interest Register in accordance with the Companies Act 1993 and the Securities Markets Act 1988. There were no entries made in the Interests Register for the period 1 October 2017 to 30 September 2018 that require disclosure.

SHARE DEALINGS OF DIRECTORS

Directors disclosed the following acquisitions and disposals of relevant interests in Gentrack shares during the year ended 30 September 2018.

SHARES	DATE OF ACQUISITION/DISPOSAL	CONSIDERATION PER SHARE	NUMBER OF SHARES ACQUIRED/ (DISPOSED)
Andy Coupe	3 August 2018	$6.19	3,611
Graham Shaw	3 August 2018	$6.19	8,666
Leigh Warren	3 August 2018	$6.19	19,669
Paul Fitzgerald	3 August 2018	$6.19	75,804
Kenton Judson	3 August 2018	$6.19	75,804
Saul Nurtman	3 August 2018	$6.19	78,610
Nick Luckock	3 August 2018	$6.19	1,653,098
John de Giorgio	3 August 2018	$6.19	67,145
John Clifford	13 July 2018	$6.19	403,877
Tim Bluett	13 July 2018	$6.69	11,495
John de Giorgio	12 January 2018	$6.71	4,750

Please refer to the notes on directorships at the foot of the following table.

SHAREHOLDINGS OF DIRECTORS AT 30 SEPTEMBER 2018

	TYPE OF HOLDING	2018 NUMBER OF SHARES	2017 NUMBER OF SHARES
John Clifford	Beneficial Interest	9,555,251	9,151,374
Andy Coupe	Held Personally	24,444	20,833
James Docking	Beneficial Interest	5,358,196	5,358,196
Tim Bluett[1]	Held Personally	11,495	-
Graham Shaw	Held Personally	58,666	50,000
Leigh Warren	Beneficial Interest	298,853	279,184
Paul Fitzgerald[2]	Held Personally	513,191	437,387
Kenton Judson[2]	Held Personally	513,191	437,387
Saul Nurtman[2]	Held Personally	532,188	453,578
Nick Luckock[3]	Beneficial Interest	11,191,471	9,538,373
John de Giorgio[4]	Held Personally	454,566	382,671
Alan Duggan[5]	Held Personally	241,779	-

[1] Tim Bluett is a Director of the following subsidiaries: Gentrack UK Limited, Gentrack Holdings (UK) Limited, Evolve Parent Limited, Evolve Analytics Limited.

[2] Paul Fitzgerald, Kenton Judson and Saul Nurtman are Directors of the following subsidiary company: Junifer Systems Limited.

[3] Nick Luckock is the Partner of HgCapital. HgCapital controls Baincor Nominees Pty Limited which holds shares in Gentrack Group Limited.

[4] John de Giorgio is a Director of the following subsidiary company: CA Plus Limited.

[5] Alan Duggan is a Director of the following subsidiary company: Evolve Analytics Limited.

DISCLOSURES

REMUNERATION OF DIRECTORS

Details of the total remuneration of, and the value of other benefits received by, each Director of Gentrack Group Limited during the financial year ended 30 September 2018 are as follows:

	2018 FEES	2017 FEES
John Clifford	103,000	100,000
Andy Coupe	62,000	60,000
James Docking	62,000	60,000
Nick Luckock[1]	36,167	-
Nic Humphries[2]	25,833	21,247
Graham Shaw[3]	72,000	70,000
Leigh Warren	62,000	60,000
	423,000	**371,247**

[1] Nick Luckock was elected as a non-executive director on 28 February 2018. His fees cover the period from 28 February 2018 to 30 September 2018.

[2] Nic Humphries resigned as a non-executive director on 28 February 2018.

[3] Graham Shaw was paid $62,000 for his role as Director and $10,000 for his role as the chair of the Audit and Risk Committee.

No directors received salaried remuneration in either 2018 or 2017.

EMPLOYEE REMUNERATION

The number of current employees of the parent and subsidiaries receiving remuneration and benefits above $100,000 in the year ended 30 September 2018 are set out in the table below:

REMUNERATION	NUMBER OF EMPLOYEES
$100,001 – $110,000	33
$110,001 – $120,000	26
$120,001 – $130,000	7
$130,001 – $140,000	12
$140,001 – $150,000	4
$150,001 – $160,000	7
$160,001 – $170,000	8
$170,001 – $180,000	10
$180,001 – $190,000	12
$190,001 – $200,000	5
$200,001 – $210,000	3
$210,001 – $220,000	6
$220,001 – $230,000	5
$230,001 – $240,000	3
$250,001 – $260,000	2
$270,001 – $280,000	2
$290,001 – $300,000	1
$300,001 – $310,000	1
$340,001 – $350,000	2
$350,001 – $360,000	1
$370,001 – $380,000	2
$400,001 – $410,000	1
$590,001 – $600,000	1
Total	**154**

DISCLOSURES

The analysis above includes the remuneration and benefits paid to employees, in the relevant bandings, where their annual remuneration and benefits exceed $100,000.

ANALYSIS OF SHAREHOLDING AT 30 SEPTEMBER 2018

SIZE OF HOLDING	NUMBER OF HOLDERS	FULLY PAID ORDINARY SHARES NUMBER OF SHARES[1]	% OF ISSUED CAPITAL
1 – 1,000	1,593	748,396	1
1,001 – 5,000	1,734	4,243,358	4
5,001 – 10,000	422	3,022,345	3
10,001 – 100,000	315	7,603,286	8
100,001 and over	50	82,907,831	84
TOTAL	**4,114**	**98,525,216**	**100**

[1] The total number of shares on issue as at 30 September 2018 was 98,525,216.

TWENTY LARGEST SHAREHOLDERS AT 30 SEPTEMBER 2018

The twenty largest shareholders of fully paid ordinary shares as at 30 September 2018 were:

NAME	NUMBER OF ORDINARY SHARES HELD	% OF ISSUED SHARE CAPITAL
Baincor Nominees Pty Ltd	11,191,471	11.36
Uplands Group Pty Limited	8,424,256	8.55
National Nominees New Zealand Limited[1]	5,474,288	5.56
Jametti Limited	5,358,196	5.44
HSBC Nominees (New Zealand) Limited[1]	4,993,426	5.07
J P Morgan Nominees Australia Limited	3,984,881	4.04
Citibank Nominees (NZ) Ltd[1]	3,592,883	3.65
HSBC Nominees (New Zealand) Limited[1]	3,347,776	3.40
Nigel Peter Farley and Richard John Burrell	3,312,661	3.36
Custodial Services Limited	2,965,766	3.01
Custodial Services Limited	2,601,574	2.64
Tea Custodians Limited[1]	2,510,645	2.55
HSBC Custody Nominees (Australia) Limited	1,788,317	1.82
Roy Desmond Grant and Nina Cathering Maria Grant and Adrienne Alexandra Wigmore	1,466,638	1.49
Terence De Montalt Maude and Wendy Fay Wood	1,400,000	1.42
Custodial Services Limited	1,223,912	1.24
Cogent Nominees Limited[1]	1,140,756	1.16
JCVC Pty Ltd	1,130,995	1.15
Custodial Services Limited	955,643	0.97
New Zealand Superannuation Fund Nominees Limited[1]	885,001	0.90

[1] These shareholdings are held through New Zealand Central Securities Depository Limited (NZCSD) which allows electronic trading of securities to members.

The percentage shareholding of the 20 largest shareholders of Gentrack Group Limited fully paid ordinary shares was 77%.

DISCLOSURES

SUBSTANTIAL SHAREHOLDERS AS AT 30 SEPTEMBER 2018

According to notices given under the Securities Markets Act 1988, the following persons were Substantial Shareholders in Gentrack Group Limited at 30 September 2018 in respect of the number of voting securities set opposite their names.

NAME	NUMBER OF ORDINARY SHARES HELD	% OF ISSUED SHARE CAPITAL
Baincor Nominees Pty Limited[1]	11,191,471	11.4
Uplands Group Pty Limited as trustees of Uplands Group Trust, JCVC Pty Limited as trustees of JCVC Superannuation Fund, John Clifford and Valerie Clifford	9,555,251	9.7
First NZ Capital Group Limited	6,278,911	6.4
Mawer Investment Management Limited	5,825,958	5.9
Jametti Limited as trustees of the Fraxinus Aurea Trust	5,358,196	5.4

[1] On 9 July 2018, Devaron (NZ) Limited transferred its holding of 9,538,373 fully paid ordinary shares to Baincor Nominees Pty Limited. The consideration paid was nil and there was no change in beneficial ownership. Accordingly, HG Pooled Management Limited now has the power to control the exercise of the right to vote, as well as the power to control the acquisition or disposal of the shares, held by Baincor Nominees Pty Limited. Devaron (NZ) Limited is no longer the registered shareholder of any Gentrack Group Limited shares.

The total number of issued voting shares of Gentrack Group Limited at 30 September 2018 was 98,525,216. Where voting at a meeting of the shareholders is by voice or show of hands, every shareholder present in person or by representative has one vote, and on a poll, every shareholder present in person, or by representative has one vote for each fully paid ordinary share in the Company.

At 30 September 2018, there were 76 shareholders holding marketable parcels of less than $500.

SUBSIDIARY COMPANY DIRECTORS

The following people held office as Directors of subsidiary companies at 30 September 2018:

Gentrack Limited	John Clifford, Ian Black
Gentrack Pty Limited	John Clifford, Ian Black
Gentrack Group Australia Pty Limited	John Clifford, Ian Black
Gentrack UK Limited	John Clifford, Ian Black, Tim Bluett*
Junifer Systems Limited	Paul Fitzgerald, Kenton Judson, Saul Nurtman
Blip Systems	John Clifford, Ian Black, Peter Knudsen, Lars Tørholm
CA Plus Limited	John Clifford, Ian Black, John de Giorgio
Veovo Limited	John Clifford, Ian Black
Veovo (Denmark) Limited	John Clifford
Gentrack Holdings (UK) Limited	John Clifford, Ian Black, Tim Bluett*
Gentrack (Singapore) Pte Limited	John Clifford, Ian Black, K Kalaai Pillai
Evolve Parent Limited**	John Clifford, Ian Black, Tim Bluett
Evolve Analytics Limited**	John Clifford, Ian Black, Tim Bluett, Alan Duggan
Veovo Inc***	John Clifford, Ian Black

Directors of the company's subsidiaries do not receive any remuneration or other benefits in respect of their appointments.

* Tim Bluett was appointed as director on 10 May 2018.

** Tim Bluett, John Clifford and Ian Black were appointed as directors on 29 June 2018.

*** Both directors were appointed on incorporation on 22 March 2018.

DISCLOSURES

DONATIONS

The Company made donations of $2,300 during the year ended 30 September 2018.

CREDIT RATING

The Company has no credit rating.

FOREIGN EXEMPT LISTING

ASX approved a change in the Company's ASX admission category from an ASX Listing to an ASX Foreign Exempt Listing, effective from the commencement of trading on 30 March 2016.

The Company continues to have a full listing on the NZX Main Board, and the Company's shares are still listed on the ASX. The Company is primarily regulated by the NZX, complies with the NZX Listing Rules, and is exempt from complying with most of the ASX Listing Rules (based on the principle of substituted compliance).

WAIVERS

Gentrack Group Limited had no NZX waivers granted or published by NZX within or relied upon in the 12 months ending 30 September 2018. On listing in 2014, Gentrack Group Ltd was granted waivers from the ASX which are standard for a New Zealand company listed on the ASX. This includes confirmation that ASX will accept financial statements denominated in New Zealand dollars and prepared and audited in accordance with New Zealand Generally Accepted Accounting Principles and Auditing Standards. The waivers granted by the ASX have been extended to reflect the Company's ASX Foreign Exempt listing status from 30 March 2016.

ANNUAL MEETING

Gentrack Group Limited's Annual Meeting of Shareholders will be held in Auckland on 26 February 2019 at 4:00pm. A notice of Annual Meeting and Proxy Form will be circulated to shareholders in January 2019.

CORPORATE DIRECTORY

REGISTERED OFFICE

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New Zealand

NEW ZEALAND INCORPORATION NUMBER

3768390

AUSTRALIAN REGISTERED BODY NUMBER (ARBN)

169 195 751

DIRECTORS

John Clifford, Chairman
Andy Coupe
James Docking
Nick Luckock*
Graham Shaw
Leigh Warren

*Nick Luckock was elected by shareholders at the Annual Meeting on 28 February 2018 as a non-executive director.

COMPANY SECRETARY

Jon Kershaw

AUDITOR

KPMG

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LEGAL ADVISERS

BELL GULLY

BANKERS

ASB BANK LIMITED

ANZ LIMITED

HSBC PLC

SHARE REGISTRAR

NEW ZEALAND

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Gentrack

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