

14 December 2018

Gentrack Annual Report 2018

The full 2018 Annual Report for Gentrack Group Limited (NZX/ASX: GTK) is attached to this notice and is also available to view and download from the Investor Centre at:

<https://www.gentrack.com/investors/reports-and-presentations/>

For the purposes of ASX Listing Rule 1.15.3, Gentrack confirms that it continues to comply with the NZX Listing Rules.

ENDS

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About Gentrack

Gentrack provides essential software for essential services, pairing powerful platforms with deep market knowledge to help utilities and airports lower service costs, foster innovation and confidently navigate market reform. It employs over 530 people in offices across New Zealand, Australia, the UK, Singapore, USA and Europe and services over 220 utility and airport sites in 30+ countries with its leading solutions.

Gentrack Cloud is a subscription-based billing, customer information, market interaction and portfolio analytics solution for energy and water utilities in markets where flexibility, uniqueness and compliance are essential. Its meter-to-cash capabilities and managed services offering are designed to enable utilities to differentiate their businesses in competitive markets, to deliver great customer service experiences, achieve lower service costs, launch innovative products and stay compliant with market regulations.

More information: www.gentrack.com

Veovo is Gentrack's world-class solution for airports, enabling them to unlock operational, revenue, concession and passenger insights across the airport ecosystem. Over 115 airports globally are using Veovo to operate more efficiently, uncover new growth opportunities and deliver outstanding guest experiences.

More information: www.veovo.com



Gentrack Group Limited
Annual Report **2018**





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GENTRACK HIGHLIGHTS

ADDITIONAL CUSTOMERS



25 utilities



3 airports

GROWTH IN TOTAL RECURRING REVENUE ¹



Full Year Recurring Revenue:
\$64m – Up 50% year on year

ACQUISITION



evolve
analytics

£23.0m (NZ\$44.9m)
Revenue and Cost Assurance
Portfolio Data Management

SAAS REVENUES

15 of 16
new utility customers
signed on subscription basis

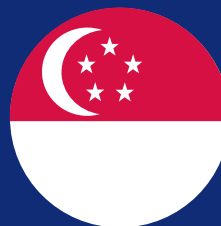
Annualised Committed Recurring Revenue
\$51.8m – Up 103% year on year

RIGHTS ISSUE

\$90m

Zero debt
\$50m undrawn facility

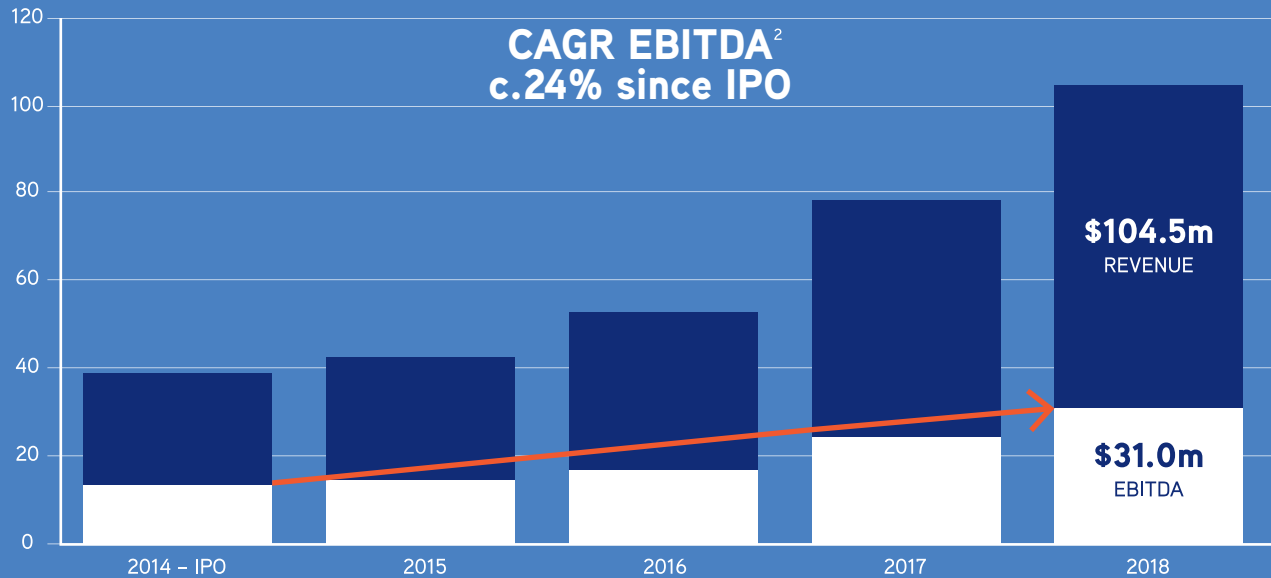
SUCCESSFUL MARKET ENTRY



3
new systems
deployed to
customers

All figures in NZD.

¹ Recurring Revenue includes recurring software revenues and recurring professional services.



REVENUE

\$104.5m
Up 39%

Up 37%
Excluding acquisition³

EBITDA²

\$31.0m
Up 30%

Up 26%
Excluding acquisition³

NPAT

\$13.9m
Up 17%

FREE CASHFLOW

85%
Pre-tax as a %
of EBITDA

DIVIDEND

13.7cps
Full year⁴

**TOTAL
SHAREHOLDER RETURNS**

192%
since IPO⁵

² Throughout this report EBITDA refers to profit before depreciation, amortisation, acquisition related costs, revaluation of financial liabilities, impairment of goodwill, financing and tax.

³ Evolve Analytics acquired in June 2018.

⁴ Final dividend is 8.7cps.

⁵ Based on the closing share price on 23 November 2018 of NZ\$6.48 and including the FY18 final dividend.





CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

DEAR SHAREHOLDERS

The year to 30 September 2018 (FY18) was another exciting period for Gentrack as we continued to deliver strong organic growth, raise our profile in the global airport sector with the launch of the Veovo brand and expand our utility solutions offering with the acquisition of Evolve Analytics and the introduction of Gentrack Cloud.

We welcomed 25 new utilities and 3 new airports to our growing customer community, which helped to drive our FY18 subscription and software licence revenues up 78% on last year. FY18 also saw Gentrack retain its leading market share of the UK's independent energy suppliers and advance the delivery of our strategy with a number of the UK's large utilities signing up for our solutions.

Our new utilities customers continue to adopt our productised solutions in the cloud, and over 90% of our new contracts have been signed on a SaaS basis, driving the Group's Annualised Committed Recurring Revenue (ACRR) up by 103% year-on-year to \$51.8m. Full year recurring revenue for the Group, which includes non-contractually recurring services to our customer base now accounts for 61% of total revenue.

We have been rewarded for our investment in the Veovo brand with revenues up 66% and new business signed with key airports in the USA, including Orlando International Airport and the Port Authority of New York and New Jersey which operates JFK, LaGuardia and Newark International airports. Hot on the heels of this success, we opened our first sales and support office in the region and are now seeing a growing pipeline of US opportunities.

In June 2018 we completed the acquisition of Evolve Analytics which offers a highly complementary SaaS-based portfolio data analytics, and revenue and cost assurance solution to our existing utility billing and customer information solutions. Evolve Analytics is performing well, and we are seeing the expected cross-sell opportunities in our UK customer base.



Continued expansion in the UK means that over 50% of the Group's revenues now come from the UK and Europe and half of our staff are based in the region. We continue to see growth opportunities in South East Asia following the opening of our new office in Singapore and our third contract win in that newly competitive market.

Our new product strategy is also paying dividends with the release of our first cloud-native integration platform for utilities. We remain positioned as a key supplier of full meter-to-cash solutions with integrated revenue and data assurance, and analytics capabilities in the cloud. We will continue to invest in our highly productised solutions to enable faster solution delivery and a smooth transition to our SaaS model, which will extend the lifetime value of our customers.

In July 2018 we undertook a successful Accelerated Renounceable Equity Offer to raise NZ\$90m to de-gear the balance sheet, leaving us with NZ\$50m of undrawn debt facilities to pursue acquisition opportunities that may arise. The offer was well received by the market with strong demand in both the institutional and retail book builds.

We have declared a final dividend of 8.7cps, taking the full year dividend to 13.7cps, up 7.9% on last year. This is in line with our dividend policy to pay out 70-80% of NPATA, representing a total payout of NZ\$12.8m and 70% of NPATA.

Looking forward, in our key markets in the UK and Australia, there is currently significant investment uncertainty amongst our utility customers following Government reviews and intervention in the energy retail markets. In the UK the introduction of electricity price caps on default tariffs in January 2019 will significantly impact utility margins and business models, and will compound

“The transition to SaaS has been a major focus as we look to deliver more value and extend the lifetime value of our customers.”

Brexit uncertainty. Gentrack continues to target 15% p.a. organic EBITDA growth in the long term, but we remain exposed to contract and project timing risk and are seeing customers adopt a cautious approach to new projects. Our transition to productised solutions and increased focus on growing committed recurring revenues and expanding our addressable market will enable us to build resilience during the uncertain market conditions.

It's been another strong year of growth and transformation for Gentrack, and we would like to thank our customers, teams and shareholders for their ongoing support as we position the business for further global success.

John Clifford
Chairman

Ian Black
Chief Executive Officer

UP 103%

Annualised
Committed Recurring
Revenue (ACRR)

UP 68%

Licence Revenue

UP 82%

Annual Fees

UP 107%

UK Revenue

UP 66%

Airport Revenue

UP 34%

Utilities Revenue



pulse
energy





CUSTOMERS: GROWING OUR COMMUNITY OF LEADING UTILITIES AND AIRPORTS

For 30 years we have focussed on designing, building, delivering and supporting software solutions to two core markets — utilities and airports. Over this time, our IP has continued to evolve at pace along with our customers, the markets they operate in and the end-customers they serve on a daily basis. Our software solutions are considered mission critical, and once deployed, they become deeply embedded within our customers' organisations and sit at the heart of operational efficiency and customer service enablement.



ENERGY

Our customer base comprises energy suppliers in competitive and reforming markets, from new entrant and specialist suppliers to independent and large suppliers serving residential, business and commercial customers in Australia, New Zealand, the UK and Singapore.



WATER

We serve water suppliers across all states and territories of Australia and the competitive non-household water market in the UK.



AIRPORTS

Our customer base is made up of large airports and aviation authorities in the USA, Europe, APAC and EMEA regions, typically with over 2 million PAX p.a.



WE REMAIN FOCUSED ON UTILITIES AND AIRPORTS

Leveraging our IP within utilities and airports markets provides a focus for our business as we look to take advantage of growth opportunities and to extend the value we deliver to our customers around the world. These markets present significant opportunities, not least the potential for delivering highly valued subscription-based enterprise software that will further transform Gentrack's revenue model and be truly reflective of what we enable utilities and airports to achieve.

Remaining focussed on these markets is a core tenet of our business strategy. Our expertise and ability to build credibility is essential to winning new business and delivering larger high-value projects in our core markets. Our success is predicated on staying focussed on the continued industry, technology and customer revolution driving energy and water utilities and airports to find new ways to work, new ways to engage customers and new ways to manage their investment in technology and partner ecosystems.

GENTRACK EXTENDS ITS UTILITIES FOOTPRINT

This year has seen the addition of 25 new utilities to our customer base, including a range of new entrant, growing independent and large energy suppliers in the UK, Australia, New Zealand and Singapore. We have retained our market position in the UK, working with over half of the independent energy suppliers in the market and, more recently, delivering our solutions to four of the largest energy brands in the sector – npower, SSE, EON, and EDF.

In New Zealand, we have welcomed the highly successful Energy Online retail business as a customer, and in Singapore we successfully deployed three energy retail solutions to the new open electricity market.

Our success with the Junifer billing and customer information solution, an acquisition in 2017, has been strong in the UK, and recently we have celebrated the successful introduction of the product into Australia



winning our first Junifer contract in the region with Mojo Power. Further commercialisation of the solution in Australia will continue through 2019 with a healthy pipeline of opportunities to deliver against our original strategy to leverage our acquisitions into existing markets.

The acquisition of Evolve Analytics in June 2018 has contributed nine new names to our customer community, including EDF Energy, Utility Warehouse and Ecotricity. Since 2010, the portfolio data management and revenue and cost assurance solution has saved energy suppliers in the UK in excess of £300m in market settlement overcharges proving its value to utilities who need specialist expertise and data intelligence to improve their operational and revenue performance.

VEOVO LANDS NEW AIRPORTS DEALS

Veovo added three new airports as customers in FY18, signifying the growing value of our revenue, operations and customer platform for airports. Orlando International Airport is deploying Veovo's Resource Management and Airport Operational Database solutions throughout FY19, and the Port Authority of New York and New Jersey has extended its investment in our solutions with the deployment of Veovo's passenger tracking solution, BlipTrack.

Having been awarded contracts by Belfast International Airport, and Jersey Airport in the Channel Islands, further development of the Veovo business in the UK is also a highlight of FY18. New signings and ongoing projects have resulted in Veovo achieving year-on-year revenue growth of 66%, with licence revenue and annual fees up 80% and 64% respectively.

Veovo customers include **24 of the World's Top 100 Airports of 2018** (Skytrax)

“We continue to engage with larger utilities and airports looking to disrupt themselves. Our cloud-ready solutions and expertise position Gentrack as a partner of choice where success is predicated on being agile and delivering rapid results.”

Ian Black, CEO



UTILITIES: ENABLING THE ENERGY AND WATER REVOLUTION

**NEW TECHNOLOGIES. NEW CUSTOMERS.
NEW EXPECTATIONS.**

Energy and water sectors globally are continuing to evolve at speed with a combination of competitive reforms, new technologies and changing customer service innovation driving the next wave of the energy and water revolution.

MARKET COMPETITION

NEW TECHNOLOGIES

CUSTOMER SERVICE
INNOVATION



Gentrack

DELIVERY ENTRANCE



Energy and water suppliers are now under more pressure than ever to ensure that they have efficient and market compliant operations, as well as a differentiated offering to attract and retain customers. Customer choice is essential, and this can be best achieved through crafting a unique product and service offering that not only drives down cost to serve but also rewards digital customer engagement and loyalty, truly setting the supplier apart from competitors.

New technologies are also playing a significant role in shaping the next iteration of energy and water sectors. Electric vehicles, solar PV, energy storage and new customer engagement technologies provide opportunities for new entrant and established energy suppliers to create unique offerings while customers themselves are becoming prosumers overnight. The falling costs and availability of these technologies mean that community-based energy is quickly becoming a reality, placing more control of energy generation and usage in the hands of consumers.

And with the age of customer experience innovation upon us, energy and water suppliers can no longer retain traditional approaches to service delivery and customer engagement. Customers want more, with their expectations being shaped by other digital retail experiences. Utilities are finding new ways to balance cost to serve with customer service experiences that deliver a longer lifetime value of each customer. While digital experiences are essential, they also need to be personalised and enable engagement across multiple platforms and channels to ensure the customer journey is an exceptional one.

LEADING ENTERPRISE SOFTWARE AND SERVICES TO ENABLE THE ENERGY AND WATER REVOLUTION

Gentrack's customers live at the heart of this revolution, and therefore, our software, and services are playing an essential role in enabling the continued proliferation of the energy and water revolution. We design, build and deliver our solutions with this revolution front of mind, and it forms the very core for why we do what we do. Our productised software solutions for energy and water utilities offer the flexibility needed to bill any number of products and services, and to manage information for all types of customers, including household, business and commercial.

WE'VE BUILT OUR FIRST CLOUD-NATIVE SOLUTION

We've built our first ever cloud-native product to enable our utilities customers to leverage their investment in core billing and customer data, predominantly to enhance the customer service experience. The revolution has seen a myriad of new technologies brought to market, including apps and tools that empower customers to use their energy and water more cost-effectively and responsibly. Our Integration Services platform opens utility businesses to a new world of possibilities with a growing ecosystem of partners building solutions around our Gentrack Cloud offering. Pre-built connectors remain in our R&D pipeline to support ease of connectivity to best-in-class solutions that enhance a utility's customer service experience and operational performance.



Integration Services

“Our IP has enabled us to build highly productised solutions for our core markets that can be delivered faster than ever before. In order to optimise the value of these solutions and to fulfil our role as an enabler of innovation, an open cloud-based platform is essential to our ongoing success.”

Colin Bower, Head of Product



ACQUISITION UPDATE: EVOLVE ANALYTICS

UNLEASHING PERFORMANCE THROUGH ENERGY PORTFOLIO INTELLIGENCE

In June this year, we welcomed Evolve Analytics to Gentrack, extending our offering for UK energy suppliers in the areas of revenue and cost assurance, and portfolio data management. The Evolve solution is highly complementary to the Gentrack product and service offering and presents potential opportunities for cross-selling our solutions and exploring the introduction of the Evolve solutions and services into other markets where Gentrack has an ecosystem of utilities customers.

In an era of smart technologies, when volumes of data across the utilities sector are set to grow exponentially, data accuracy is critical. And building intelligent portfolio insights to enable effective segmentation and prioritisation of revenue optimisation activities is just as important.

With Gentrack's unique combination of software and expertise, utilities can:



Optimise
revenues



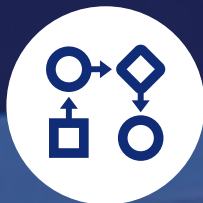
Boost portfolio
performance



Rapidly identify and
address data errors



Identify and rectify
multiple issues per
meter point



Automate corrective
workflows



Ensure compliance
targets are met





“Over 10 years, we’ve recovered in excess of £300 million in settlement overcharges for our clients.”

Alan Duggan, MD, Evolve





AIRPORTS: GO BRILLIANTLY— GO VEOVO

VEOVO BRAND LAUNCHED GLOBALLY

In February 2018 Gentrack launched Veovo, its new brand combining its 20/20 operations solution with the BlipTrack guest predictability and CA+ revenue maximisation solutions. By fusing these powerful solutions into one airport-wide collaboration platform, we now enable airports and their partners to plan, predict and perfect their operations and passenger experiences.

AIRPORTS MAKE BETTER DECISIONS WITH VEOVO- ENABLED PREDICTIVE INSIGHTS

Airports around the world are embracing digital transformation to overcome capacity challenges, manage soaring passenger numbers and boost their incomes. However, many lack access to the right data to make the best decisions as it resides in different, unconnected systems around the airport.

Veovo's unique value proposition is that it helps airports to harness the most significant operations, revenue and guest behaviour data from across the airport business. We then use our expertise and predictive analytics to help airports plan the best path forward, quickly react to emerging situations and learn from the actions taken to ensure better outcomes in the future. With Veovo, airports can now answer questions such as what impact will long queues have on retail spend, or what changes do we need to make to bus scheduling and gate allocations to handle flight delays?

INVESTING IN THE VEOVO BRAND

Following the Veovo launch, we have invested significantly in building brand awareness in key airport growth markets such as Europe and North America. Exhibitions and industry engagements at major industry trade shows, including the Passenger Terminal Expo in Europe and the Airport Council International conference in North America, have enabled further propagation of the Veovo platform proposition and advancement of opportunities in the sales pipeline.

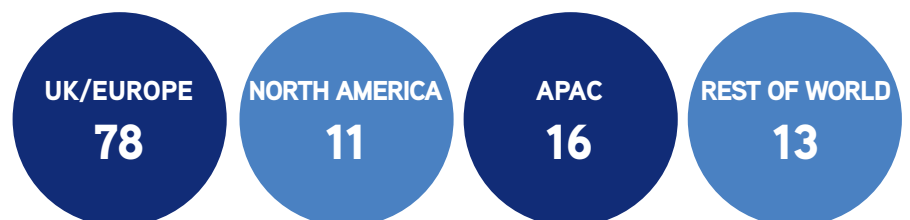


North America continues to present attractive opportunities for Veovo with 130 airports in our target segment and a \$3.2b government-funded infrastructure plan. We are already reaping the rewards of our sales and marketing investments. Orlando International Airport, one of the largest in the country, has selected the Veovo platform to optimise the use of its resources, simplify long-term planning and help it to respond quicker to unplanned events and passenger needs. And by aligning sales teams across the Veovo offering, we are benefitting from cross-sell opportunities, including the Port Authority of New York and New Jersey, which extended its relationship with Veovo to include our BlipTrack guest predictability solution. In September 2018 we established a US office to service our customers in the region and support our growth ambitions.

UNDERPINNING EXCELLENCE FOR THE WORLD'S TOP AIRPORTS

Today Veovo technology supports brilliant airport operations for 118 airports in 25 countries, including 24 of the Skytrax 'Top 100 airports' in the world. Our CA+ revenue maximisation software also took out the prestigious International Airport Review award in FY18 for best revenue generation solution.

When airports must go brilliantly: Go Veovo.



(Airports by region)

VEOVO SUPPORTS PASSENGER INFLUX FOR THE 2018 COMMONWEALTH GAMES

CUSTOMER STORY

Gold Coast Airport raised the bar for customer experience and operational efficiency during the 2018 Commonwealth Games with help from Veovo. New Veovo operations and flight information display systems enabled the airport to smoothly handle a 30% increase in the number of flights for Commonwealth Games athletes and visitors, improving both on-time performance and passenger communications.

“Gold Coast Airport places a strong emphasis on providing an exceptional customer experience for our passengers, and Veovo is helping us deliver on that.”

Marion Charlton, COO, Gold Coast Airport



“Businesses globally are impacted by the growing risks of cybersecurity threats. Maintaining robust security practices and awareness across the business is an essential component of our journey to SaaS. Complacency is not an option.”

Robert Shelwell, GM ICT and Information Security



GENTRACK OPERATIONAL UPDATE

CUSTOMER SUCCESS THROUGH REGIONAL AUTONOMY

Throughout FY18 we continued to invest in the transformation of our customer support operations, in particular shifting the focus to Customer Success as the core principle underlying how we deliver projects and engage with our customers. We've moved to empower the regional offices and enable regional autonomy, which is expected to pay dividends with ongoing customer engagements and the delivery of more value to our customers. Our journey to SaaS progressed strongly in FY18 with over 90% of our new contracts signed on a subscription basis, supporting our strategy for productised solutions that can be deployed quickly and easily maintained and updated regularly by our DevOps teams.

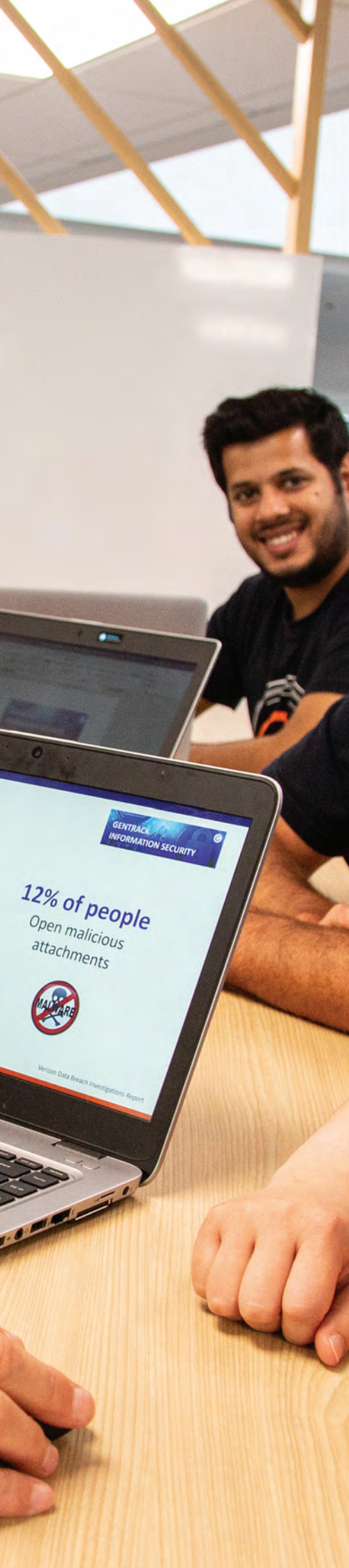
WORKING IN NEW WAYS WITH AGILE

Agile practices have continued to proliferate across the global business with investment in agile training dominating our learning and development programme. The business now has dedicated agile coaches and team facilitators as well as over 100 ICAgile Professionals. We continue to apply agile principles and thinking across our customer success teams to ensure the delivery of exceptional service and support.

EMBEDDING SECURITY IN OUR BUSINESS

Ongoing cybersecurity threats are impacting individuals and businesses globally. Over the past year, we have invested in bolstering our infosecurity team and awareness across the business, reinforcing the importance of remaining vigilant to potential security threats. As well as training our people and implementing best practice security processes and policies, we have attained our ISO/IEC 27001:2013 accreditation and progressed our SOC2 compliance — one of the few tech companies in New Zealand to do so. These certifications provide support for our sales engagement in core markets giving customers added confidence in our Cloud solutions and services.

We remain committed to protecting customer data and credentials as well as the key systems we use to deliver and support our software for airports and utilities. We will continue to invest in security practices to minimise the risk of cybersecurity threats to our business and that of our customers.





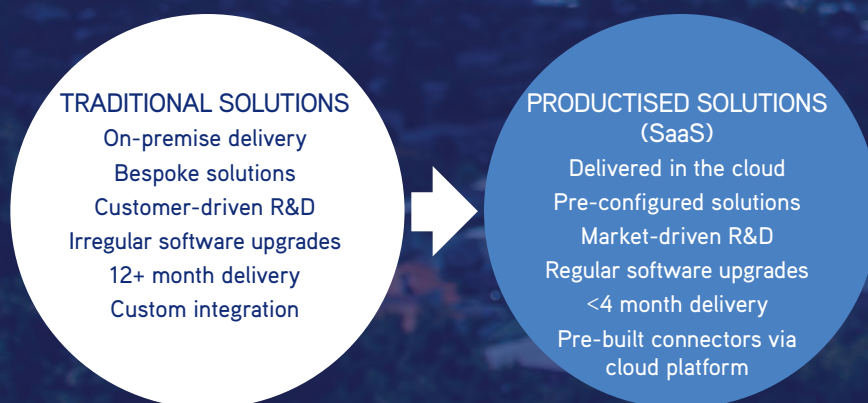
TECHNOLOGY UPDATE

CHANGING MARKETS REQUIRE NEW THINKING

The markets in which we operate are evolving at pace. Disruptive technologies, consumer trends, new business models and increasing competition are all leading to a foundational changes in our markets. We refer to this change as the ‘energy and water revolution’.

Enabling utilities to stay relevant and successful throughout this revolution requires new approaches and thinking. Utilities want to experiment rapidly and at an acceptable cost, whilst digitising back-office processes to achieve operational excellence and lower cost to serve. A feature rich and compliant solution for critical back-office processes is still required but no longer enough on its own for success in competitive markets. We have seen a resulting trend towards productised billing and customer information solutions, and therefore, we have aligned our corresponding R&D investment in pre-packaged solutions for our target markets.

In conjunction with our cloud-native platforms for integrating new technologies and essential market interactions, productisation of our core solutions is the foundation for shaping our future as a leading provider of SaaS solutions to enable the energy and water revolution.



“Gentrack Cloud Integration Services enables utilities to differentiate at speed, extending their core meter-to-cash processes into the rest of the digital enterprise.”

Colin Bowern, Head of Product







BUILDING PRODUCTISED SAAS SOLUTIONS

We have accelerated our productisation programme as a key enabler of our transition to SaaS and transformed our approach to building software products for energy and water utilities. To meet the evolving requirements of utilities looking to SaaS to support their IT and business strategies, we are leveraging the cloud. This ensures that our products can be delivered faster than ever before and that new capabilities can be deployed effortlessly to extend the lifetime value of our customers and boost our annual recurring revenues.

Our R&D programme in FY18 has led to the successful delivery of our productised energy retail solutions in the UK and Singapore. We also completed our fastest ever software deployment project for a new entrant energy supplier, taking just four weeks for delivery in the Singapore electricity market.

We continue to focus on building out our water retail solution and making available the essential cloud-native platforms for enabling our customers to connect new digital technologies and third-party apps designed to enhance the customer experience and lower cost to serve.

GENTRACK PARTNERS WITH AMAZON WEB SERVICES

To support our move to SaaS, with a full service offering covering support, maintenance and regular product updates, Gentrack has further cemented its partnership with Amazon Web Services (AWS) over the past 12 months.

AWS is a leading provider of on-demand cloud computing platforms and delivers a world-class environment and services ecosystem that underpins rapid delivery of our Gentrack Cloud solutions, ensuring the security, scalability and resilience our customers expect from a SaaS provider.

INCREASING THE LIFETIME VALUE OF OUR CUSTOMERS

Gentrack builds its software to support the most business-critical functions within energy and water utilities, and traditionally, new functionality has been added to existing products deployed on-premise. Our journey to SaaS signifies a move towards delivering added value to customers, removing barriers for taking product updates and making it easier to do business with Gentrack through a subscription-based pricing model. This presents opportunities to increase the lifetime value of our customers and to grow contracted recurring revenues and margins.



In FY18 90% of our new contracts were on a SaaS basis, driving our full year recurring revenues up by 50% to \$64m and annualised committed recurring revenues, a key measure of our growth, up 103% year on year to \$51.8m.

ENABLING UTILITIES TO DIFFERENTIATE AT PACE

In FY18 we celebrated our first ever cloud-native product for utilities customers with the official launch of the Gentrack Cloud Integration Services platform. It was developed in response to growing demand to connect digital technologies and services that enhance the customer experience and deliver greater operational performance.

Utilities globally are reimagining their digital enterprise and reshaping their teams, operating models and systems to gain competitive advantage and drive down cost to serve. This can only happen with flexibility, speed and the drive to innovate rapidly. In conjunction with a growing ecosystem of global and local technology partners, Gentrack Cloud Integration Services enables utilities to adapt quickly to the energy and water revolution.

“We’re excited by the future presented by a transition to SaaS. We have an opportunity to deliver more value to customers through our subscription model including the ability to adapt at pace to the energy and water revolution.”

Jan Behrens, CTO



PEOPLE SUCCESS

EXPERTISE TO SUPPORT OUR GROWTH AND TRANSITION

Our people and their expertise in changing utilities and airports markets remain highly sought after in the industry and are essential to our transition to SaaS and continued growth. Throughout FY18 we have grown our number of people by 26%, adding 26 staff with the acquisition of Evolve Analytics. A further 84 staff were added globally to support projects and new office openings in the USA and Singapore. 50% of new hires were in the UK.

A FOCUS ON PEOPLE SUCCESS

FY18 saw the implementation of several new initiatives to elevate Gentrack's focus on People Success, including a streamlined onboarding process for accelerating the knowledge and time-to-value of our people in technical roles. Learning and development continues to be a focus for the business, with Agile training across all offices dominating our investment throughout the year.

We recognise the importance of not only recruiting top talent but also continually investing in our people, empowering them through Agile and enabling them to deliver more value to our customers, faster. To compliment Agile training, we have introduced a new mentoring initiative to foster an environment in which our people at all levels within the business can learn from the experiences of other Gentrackers and develop stronger expertise in areas of their choice.

We continue to give our people opportunities to build an exciting and successful life at Gentrack, and in doing so, we ensure that we are able to retain and grow the unique IP which is key to successfully delivering on our strategy.

INNOVATING THROUGH OUR INTERN PROGRAMME

Now in its third year, our summer internship programme offers tertiary students in New Zealand, undertaking relevant software or IT programmes of study, the opportunity to apply their academic learnings in a commercial setting and to deepen their knowledge as they work alongside our experienced development teams.







In FY18, we actively promoted our internship opportunities at The University of Auckland through a partnership with its Faculty of Engineering. Bringing a high level of enthusiasm and fresh ideas to the table, our interns were given the chance to carve out the next stage of their careers while helping us to shape the Gentrack of tomorrow.

GROWTH THROUGH DIVERSITY AND INCLUSION

Gentrack embraces diversity and fosters an inclusive environment where each and every Gentracker is valued and respected. We recognise that nurturing an inclusive and diverse culture within the organisation will ultimately lead to enhanced People Success, stronger relationships with stakeholders, better customer service and improved financial performance. At Gentrack, we value the fresh thinking that diversity brings to our business and enjoy regularly celebrating our diversity as part of our authenticity and global brand.

“We will win by empowering our people and creating opportunities for growth and success.”

Melina Lemalie, HR Director

INDUSTRY RECOGNITION

FY18 saw Gentrack receive a number of accolades in recognition of its financial success in New Zealand and offshore markets. We are delighted with these achievements, which are testament to the expertise and passion of our people and our innovative solutions which are in demand in markets around the globe.

AIR NEW ZEALAND CARGO EXPORTNZ AWARDS — WINNER, BEST LARGE BUSINESS

Gentrack won the regional accolade of Best Large Business (Services Exports) at 2018's Air New Zealand Cargo ExportNZ Awards in recognition of its success by net return to New Zealand's economy as a result of operating in offshore markets. The aim of the ExportNZ awards programme is to inspire New Zealand firms to expand their business horizons, engage in exporting and grow internationally.



TIN100 — EY TOP 10 COMPANIES TO WATCH

Gentrack ranked #7 in the EY Ten Companies to Watch list in the 2018 Technology Investment Network (TIN) Report. Sponsored by organisations including New Zealand Trade and Enterprise and EY, the report monitors the performance of New Zealand's 200 (TIN100 and Next100) largest technology exporters in various sectors. The ranking recognises Gentrack's significant contribution to New Zealand's economy during FY18.



NZ INTERNATIONAL BUSINESS AWARDS — FINALIST IN BEST LARGE BUSINESS

Gentrack was shortlisted as a finalist in the ANZ Best Large Business category of the 2018 New Zealand International Business Awards (NZIBA), run by New Zealand Trade and Enterprise. The category recognises success by net return to the NZ economy of businesses with an annual revenue totalling over \$40m.



INTERNATIONAL AIRPORT REVIEW AWARDS — REVENUE GENERATION AWARD (VEOVO)

Concessionaire Analyzer+ (CA+) scooped the International Airport Review Revenue Generation Award in FY18. The Revenue Generation category awards those businesses that think outside the box when it comes to generating the income to sustain modern day airports.





BUILDING A SUSTAINABLE FUTURE AT GENTRACK

Gentrack is committed to doing business in ways that are good for our communities and the planet. In FY18 we implemented our Gaia Programme to drive sustainability education, activities and practices across our offices. We are also building and delivering solutions to our customers that enable them to implement their own sustainability strategies.

SUPPORTING SUSTAINABILITY IN OUR CUSTOMERS' BUSINESSES

By developing innovative software solutions that enable the energy and water revolution, we are making it easier for our customers to offer green products and services, and we therefore support them in realising their vision for a sustainable future. Furthermore, we track and aim to minimise the environmental footprint of our airport customers by developing smart, eco-friendly solutions that enable them to lower their carbon emissions.

REDUCING OUR ENVIRONMENTAL FOOTPRINT

Gentrack's purchasing practices take into account both environmental and ethical considerations to guide our decisions. We seek to minimise our plastic waste, choose locally produced goods and focus on ethical sourcing.

Smart transport plays a key role in reducing fuel usage, and we remain committed to encouraging the use of green modes of transport. Our people are given the opportunity to work from home and encouraged to carpool, use public transport and utilise online collaboration tools to minimise our carbon footprint.

Gentrack's waste management strategy aims to achieve a reduction in waste transferred to landfill through the efficient coordination of waste and recycling disposal. We have elevated awareness of smart waste management and participate in national recycling initiatives, providing facilities to dispose of organic waste, recyclables, soft plastics and batteries. We have also established a worm farm at our Auckland HQ to encourage composting.





“We have established policies to minimise our carbon footprint and encourage our people to do the same at home. The team is driving sound sustainable behaviours throughout the business, and we will continue to focus on doing so in the future.”

Joanne McNish, Head of Sustainability





FINANCIAL
STATEMENTS 2018



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 44 to 72:

- 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

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:



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
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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.

Genetec 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 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)

¹Foreign 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		
<i>Deferred tax assets are attributable to the following:</i>		
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		
<i>Deferred tax liabilities are attributable to the following:</i>		
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.

(000)	SHARES ISSUED		SHARE CAPITAL	
	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

(\$000)	DIVIDEND PER SHARE		DIVIDEND PAID	
	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
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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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		SENSITIVITIES		
	RECOVERABLE AMOUNT	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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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. Genetec 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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:



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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)



NOTES TO THE FINANCIAL STATEMENTS

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

(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:

<i>Entity</i>	<i>Principal Activity</i>
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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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.



CORPORATE GOVERNANCE

The Board recognises the importance of good corporate governance, particularly its role in delivering improved corporate performance and protecting the interests of all stakeholders.

The Board is responsible for establishing and implementing the Company's corporate governance frameworks, and is committed to fulfilling this role in accordance with best practice while observing applicable laws, and NZX Corporate Governance guidance.

This section sets out the Company's commitment to good corporate governance and addresses the Company's compliance with the eight fundamental principles of the NZX Corporate Governance Code (NZX Code) published in May 2017.

The Company's Constitution, the Charters and most of the policies referred to in this Corporate Governance Statement are available on the Company's website www.gentrack.com ("Company Website") in the Leadership and Governance section of the Investor Centre.

This corporate governance statement is current as at 28 November 2018 and has been approved by the Board.

PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

The Board maintains high standards of ethical conduct and the Chief Executive Officer is responsible for ensuring that high standards of conduct are maintained by all staff. The Board has adopted a "Code of Ethics", a copy of which is available in the Investor Centre section of the Company's website.

The Board is the overall and final body responsible for all decision making within the Company, with the core objective of representing and promoting the interests of shareholders by adding long-term value to the Company.

The Company has a Share Trading Policy for the approval of all share purchases and sales by staff, including directors. A copy of this policy is available in the Investor Centre section of the Company's website.

The Company undertakes appropriate checks of prospective Directors prior to putting forward a candidate for election and provides material information in its possession relevant to such a decision to security holders.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

BOARD CHARTER

This describes the Board's role and responsibilities and regulates internal Board procedures; a copy of this document is available in the Investor Centre section on the Company's website.

The Board directs, and supervises the management of, the business affairs of the Company including, in particular:

- ensuring that the Company's goals are clearly established, and that strategies and resources are in place for achieving them;
- ensuring that there is an ongoing review of performance against the Company's strategic objectives;

- approving transactions relating to acquisitions and divestments and capital expenditure above delegated authority limits;
- ensuring that there is an ongoing assessment of business risks and that there are appropriate control and accountability systems in place to manage them;
- monitoring the performance of management and overseeing company-wide remuneration, employment and health and safety practices;
- appointing the Chief Executive Officer, setting the terms of their employment and, where necessary, terminating their employment;
- approving and monitoring the Company's financial and other reporting and ensuring the Company's financial statements represent a true and fair view; and
- setting the dividend policy.

NOMINATION AND APPOINTMENT

The procedures for the appointment and removal of Directors are ultimately governed by the Company's Constitution. The Board has established a Nominations and Remuneration Committee whose role is to identify and recommend to the Board individuals for nomination as members of the Board and its Committees, taking into account such factors as it deems appropriate, including experience, qualifications, judgement and the ability to work with other Directors.

COMPOSITION OF BOARD

As at 30 September 2018 the Board comprised six Directors, as follows:

- John Clifford (Non-executive Chair) – appointed May 2012
- James Docking (Non-executive Director) – appointed May 2012
- Andy Coupe (Non-executive Director) – appointed April 2014
- Graham Shaw (Non-executive Director) – appointed March 2014
- Leigh Warren (Non-executive Director) – appointed May 2012
- Nick Luckcock (Non-executive Director) – appointed February 2018

Profiles of each Director are available in the Investor Centre section on the Company's website.

The Company has written agreements with each board member establishing the terms of their appointment.

DELEGATION

To enhance efficiency, the Board has delegated some of its powers to Board Committees and other powers to the Chief Executive Officer. The terms of the delegation by the Board to the Chief Executive Officer are documented in the Board Charter and more clearly set out in the Company's Delegated Authority Framework. This framework also establishes the authority levels for decision-making within the Company's management team.

DIRECTOR INDEPENDENCE

The Board Charter requires that at least 50% of Directors be "independent".

The Board takes into account the guidance provided under the NZX Listing Rules in determining the independence of Directors.

The Board will review any determination it makes as to a Director's independence on becoming aware of any information that may have an impact on the independence of the Director. For this purpose, Directors are required to ensure that they immediately advise the



CORPORATE GOVERNANCE

Board of any relevant new or changed relationships to enable the Board to consider and determine the materiality of the relationships.

The Board considers that Leigh Warren, Graham Shaw and Andy Coupe are Independent Directors. The Board has determined that James Docking and John Clifford are not Independent Directors because they are both substantial shareholders of the Company. Nick Luckcock is not classed as an independent director because HgCapital (of which he is a Partner) controls Baincor Nominees Pty Limited, which is a substantial shareholder of the Company.

SELECTION AND ROLE OF CHAIRMAN

The Chairman of the Board is elected by the non-executive Directors. The Board supports the separation of the role of Chairman and Chief Executive Officer. The Chairman's role is to manage the Board effectively, to provide leadership to the Board, and to facilitate the Board's interface with the Chief Executive Officer.

John Clifford has held the role of Chairman throughout the financial year. The Board has determined that John Clifford is not an Independent Director because he is a substantial shareholder in the Company (as noted above). However, given the nature of the Company, John Clifford is considered the most appropriate Director to act as Chairman given his wealth of experience in the utilities sector, having served as Chairman of several other businesses involved in utility technology.

DIVERSITY AND INCLUSION POLICY

The Company recognises the importance of diversity and inclusion and is committed to promoting these values within its workplace and culture. The Board supports this initiative and has approved a Diversity and Inclusion Policy, a copy of which is available in the Investor Centre on the Company's website.

In June 2018 the Company became a member of Diversity Works New Zealand and has rolled out a number of key initiatives to progress its diversity and inclusion philosophy. Carer's leave, in addition to sick leave, has been introduced to cover days where an employee provides care or support to a member of his or her immediate family. Flexible working has also been introduced.

One of the Company's key priorities over the next financial year will be to establish a Diversity and Inclusion Committee, the committee will work to review the Diversity and Inclusion Strategy to progress the objectives of the Diversity and Inclusion Policy.

At 30 September 2018, the gender breakdown for the Company (and its wholly owned subsidiaries) was as follows:

	BOARD	SENIOR EXECUTIVES	ALL EMPLOYEES
FY18			
Female	0	1	134
Male	6	10	400
% Female	0%	9%	25%
FY17			
Female	0	2	91
Male	6	8	297
% Female	0%	20%	23%

These figures include permanent full-time, permanent part-time and fixed-term employees, but not independent contractors or consultants.

A Senior Executive is defined as an employee who reports directly to the Chief Executive Officer. The Company recruits for predominantly technology roles.

DIRECTOR EDUCATION

All Directors are responsible for ensuring they remain current in understanding their duties as Directors. Directors are provided access to the Company's on-line knowledge hub.

RETIREMENT AND RE-ELECTION

The Board acknowledges and observes the relevant Director rotation/retirement rules under the NZX Listing Rules.

DIRECTORS' SHARE OWNERSHIP

The table of Directors' shareholdings is included in the Disclosures section of this Annual Report.

INDEMNITIES AND INSURANCE

Deeds of Indemnity have been granted by the Company in favour of the Directors in relation to potential liabilities and costs they may incur for acts or omissions in their capacity as Directors.

The Directors' and Officers' Liability insurance covers risks normally covered by such policies arising out of acts or omissions of Directors and employees in their capacity as such.

BOARD MEETINGS

The Board has a standard schedule which includes meeting ten times per annum, in addition other board meetings are held as needed to deal with specific matters such as acquisition related activity. There were also separate meetings of the Board Committees. Directors receive detailed information in Board papers to facilitate decision making. At each meeting the Board considers key financial and operational information as well as matters of strategic importance.

Executives regularly attend Board meetings and are also available to be contacted by Directors between meetings.

Directors who are not members of the Committees may attend the Committee meetings where invited to do so by the Chairman of the relevant Committee.

The Board has a broad range of IT, financial, sales, business, risk management and other skills and expertise necessary to meet its objectives.

BOARD ACCESS TO INFORMATION AND ADVICE

The Company Secretary is responsible for supporting the effectiveness of the Board by ensuring that policies and procedures are followed and co-ordinating the completion and dispatch of the Board agendas and papers.

All Directors have access to the senior management team to discuss issues or obtain information on specific areas in relation to items to be considered at Board meetings or other areas as they consider appropriate. Further, Directors have unrestricted access to Group records and information.

The Board, the Board Committees and each Director have the right, subject to the approval of the Chairman, to seek independent professional advice at the Company's expense to assist them to carry



CORPORATE GOVERNANCE

out their responsibilities. Further, the Board and Board Committees have the authority to secure the attendance at meetings of outsiders with relevant experience and expertise.

CONFLICTS OF INTEREST

The Board Charter outlines the Board's policy on conflicts of interest. Where conflicts of interest do exist, Directors excuse themselves from discussions and do not exercise their right to vote in respect of such matters.

PERFORMANCE REVIEW

The Board has a formal review of its performance on an annual basis. A review was undertaken in August 2018.

PRINCIPLE 3 – BOARD COMMITTEES

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

BOARD COMMITTEES

The Board has established two Committees: the Audit and Risk Committee, and the Nominations and Remuneration Committee. The Charters of each Committee are in the Investor Centre section of the Company's website.

The membership of each Committee at 30 September 2018 was:

1. Audit and Risk Committee – Graham Shaw (Chair), Andy Coupe, John Clifford
2. Nominations and Remuneration Committee – John Clifford (Chair), Leigh Warren and Graham Shaw.

For further details on the functions of the Audit and Risk Committee please refer to "Principle 7". For further details on the functions of the Nominations and Remuneration Committee please refer to "Principle 2" and "Principle 5".

During the year the Board finalised a Takeover Response Protocol. The Protocol outlines the procedures in the event the Company is subject to a takeover offer.

PRINCIPLE 4 – REPORTING AND DISCLOSURE

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

The Company is committed to maintaining a fully informed market through effective communication with the NZX and ASX, the Company's shareholders, analysts, media and other interested parties. The Company provides all stakeholders with equal and timely access to material information that is accurate, balanced, meaningful and consistent.

The Board has adopted a Market Disclosure Policy and a Shareholder Communications Policy, copies of which are available in the Investor Centre section on the Company's website. The Policies have been communicated internally to ensure that they are strictly adhered to by the Board and the Company's employees. The Company has been listed on the NZX Main Board and the ASX since 25 June 2014 and

has at all times complied with its continuous disclosure obligations.

Directors consider at each Board meeting whether there is any material information which should be disclosed to the market.

The "Code of Ethics", Board Committee Charters and other key governance documents are available in the Investor Centre section of the Company's website.

The Company does not currently provide non-financial reporting on environmental, social and governance factors other than as set out in this statement.

PRINCIPLE 5 – REMUNERATION

The remuneration of Directors and executives should be transparent, fair and reasonable.

The Board has a Nominations and Remuneration Committee. One of that Committee's principal functions is to oversee the remuneration strategies and policies of the Company. The Nominations and Remuneration Committee is governed by a formal charter, a copy of which is available in the Investor Centre section on the Company's website.

DIRECTOR REMUNERATION

The Company distinguishes the structure of non-executive Directors' remuneration from that of executive Directors. Total Directors' fees are currently set at a maximum of \$450,000 per annum for the non-executive Directors. The actual amount of fees paid in the past year was \$423,000.

CEO REMUNERATION

This is structured as follows:

Fixed base salary of \$500,000 per annum. This amount is reviewable at the Board's discretion each year.

Annual short term incentive payments of up to 50% of the fixed base salary. The actual short term incentive awarded (if any) is determined at the discretion of the Board after assessing the performance of the Company and the performance of the CEO against performance targets and priorities agreed annually.

The CEO participates in the Company's Long Term Incentive Scheme (LTI Scheme). In March 2018, the Company issued a total of 30,506 performance rights under the LTI Scheme to the CEO. These rights vest over three years and are subject to Gentrack Group achieving certain performance hurdles contained within the LTI Scheme that are aligned to sustained earnings per share growth.

The Remuneration Policy Statement is available in the Investor Centre section of the Company's website.

PRINCIPLE 6 – RISK MANAGEMENT

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

The Board has an Audit and Risk Committee that reports to the Board – please see "Principle 7" below for further detail in relation to the Audit and Risk Committee.



CORPORATE GOVERNANCE

The Company's senior management maintain a Risk Register, which is reviewed by the Audit and Risk Committee and forms a key part of the risk management framework. During the year the Company participated in a risk profiling workshop that was run by a third party. The output from the workshop has been taken account of in the risk management process.

To support its commitment to Information Security Management, the Company is an ISO/IEC 27001:2013 certified organisation for Cloud services it provides via Amazon Web Services. ISO/IEC 27001:2013 specifies the requirements for establishing, implementing, maintaining and continually improving an information security management system. It also includes requirements for the assessment and treatment of information security risks tailored to the needs of the organisation. The purpose of this international standard is to help organisations establish and maintain an information security management system to manage and control information, security risks as well as maintaining the integrity, protection, preservation and confidentiality of information.

The Company does not have an internal audit function, but through the steps outlined above the Board ensures the company is reviewing, evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company considers that it does not have any material exposure to economic, environmental and social sustainability risks. The Board receives a health and safety report and an information security report each month and considers these matters at each Board meeting.

PRINCIPLE 7 – AUDITORS

The Board should ensure the quality and independence of the external audit process.

The Board is committed to a transparent system for auditing and reporting of the Company's financial performance. The Board established an Audit and Risk Committee, which performs a central role in achieving this goal. The members of the Committee provide a balance of independence, sector experience and relevant professional experience and qualifications.

The Audit and Risk Committee's principal functions are:

- to assist the Board in fulfilling its responsibilities for the Company's financial statements and external financial reporting;
- to assist the Board in ensuring that the ability and independence of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired;
- to assist the Board in ensuring appropriate accounting policies and internal controls are established and maintained; and
- to assist the Board in ensuring the efficient and effective management of all business risks.

One of the main purposes of the Audit and Risk Committee is to ensure the quality and independence of the audit process. The Chairman of the Audit and Risk Committee and Chief Financial Officer work with the external auditors to plan the audit approach. All aspects of the audit are reported back to the Audit and Risk Committee and the auditors are given the opportunity at Audit and Risk Committee meetings to meet with the Board.

The Audit and Risk Committee has adopted a formal Charter, a copy of

which is available in the Investor Centre section on the Company's website.

As a New Zealand company, section 295A of the Australian Corporations Act is not applicable to the Company. This section requires the Company's Chief Executive Officer and Chief Financial Officer to make a declaration in relation to the financial records and financial statements and notes. However, the Company's Chief Executive Officer and Chief Financial Officer provide equivalent assurances to the Board as part of the annual external audit process.

The Company's external auditors will attend the annual meeting, and are available to answer questions relating to the conduct of the external audit and the preparation and content of the auditor's report.

PRINCIPLE 8 – SHAREHOLDER RIGHTS AND RELATIONS

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

The company currently keeps shareholders informed through:

- the annual report;
- the interim report;
- the annual meeting of shareholders;
- disclosure to the NZX and ASX in accordance with the Company's Shareholder Communications Policy and Market Disclosure Policy; and
- the Investor Centre section on the Company's website.

The company's Shareholder Communications Policy and Market Disclosure Policy are designed to ensure that communications with shareholders and all other stakeholders are managed efficiently. The Chairman, Chief Executive Officer and Chief Financial Officer are the points of contact for shareholders and analysts.

The Board considers the annual report to be an essential opportunity for communicating with shareholders. The company publishes its results and reports electronically on the Company Website. Investors may also request a hard copy of the annual report by contacting the company's share registrar, Link Market Services Limited. Contact details for the registrar appear at the end of this report.

The Company considers the annual meeting to be a valuable element of its communications programme. The Chairman will provide an opportunity for shareholders to raise questions for their Board. The Chairman may ask the Chief Executive Officer and any relevant manager of the Company to assist in answering questions if required. As noted earlier, the Company's external auditors will also attend the annual meeting, and are available to answer questions relating to the conduct of the external audit and the preparation and content of the auditor's report.



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

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

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

POSTAL ADDRESS

PO Box 3288, Shortland Street, Auckland 1140
New Zealand

NEW ZEALAND INCORPORATION NUMBER

3768390

AUSTRALIAN REGISTERED BODY NUMBER (ARBN)

169 195 751

DIRECTORS

John Clifford, Chairman
Andy Coupe
James Docking
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

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