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18 December 2020

Gentrack Annual Report 2020

The full 2020 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/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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Contact:
Jon Kershaw, Company Secretary
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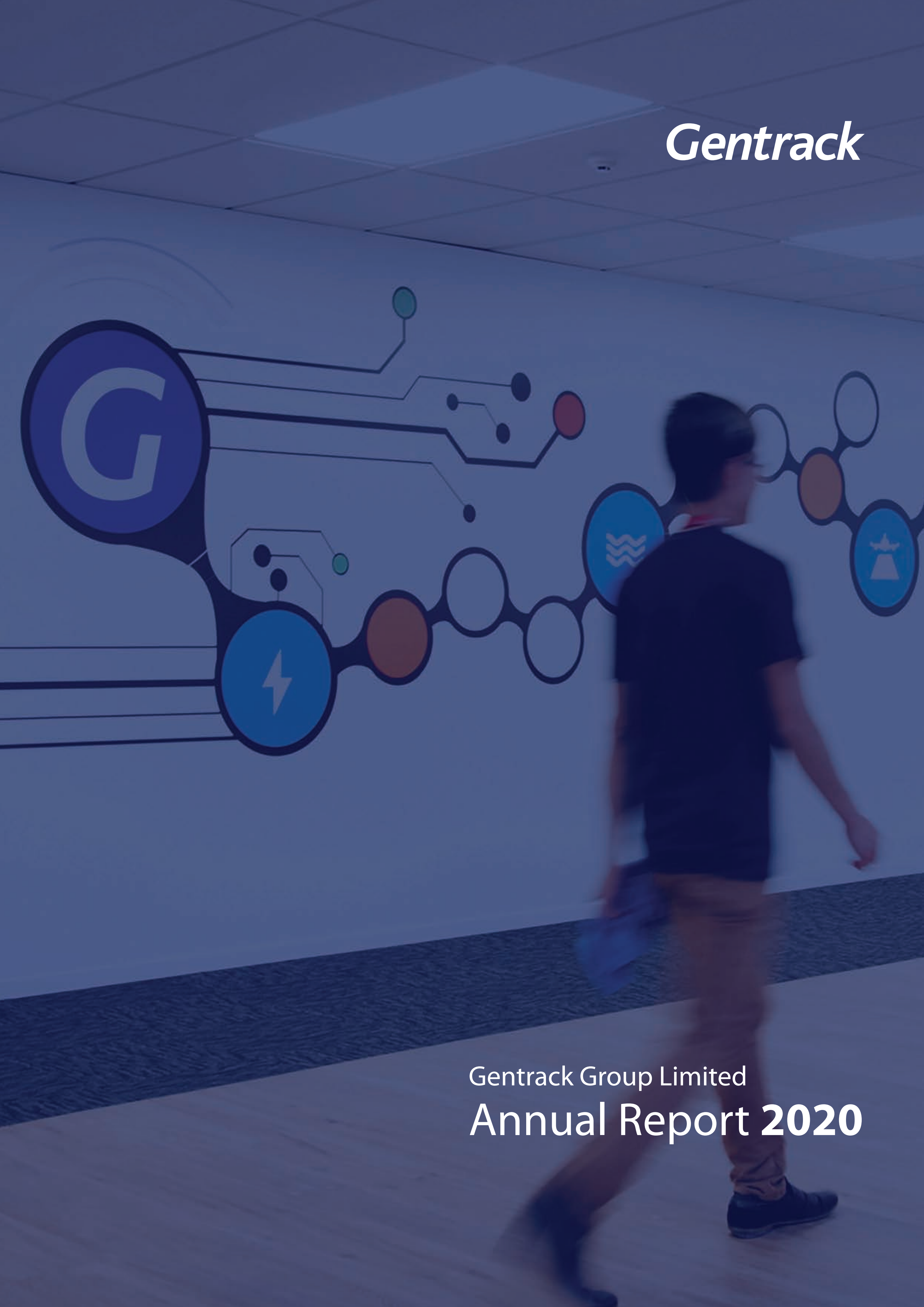
About Gentrack

Gentrack designs, builds and delivers the high-performing, cloud-first revenue and customer experience solutions found at the heart of leading utilities and airports around the world. Our customers lead in some of the most deregulated and innovative markets in the world; pioneering innovation, driving effective transformation in the management and delivery of two of our planet's most precious resources; energy and water.

More information: www.gentrack.com

Gentrack



Gentrack Group Limited
Annual Report **2020**

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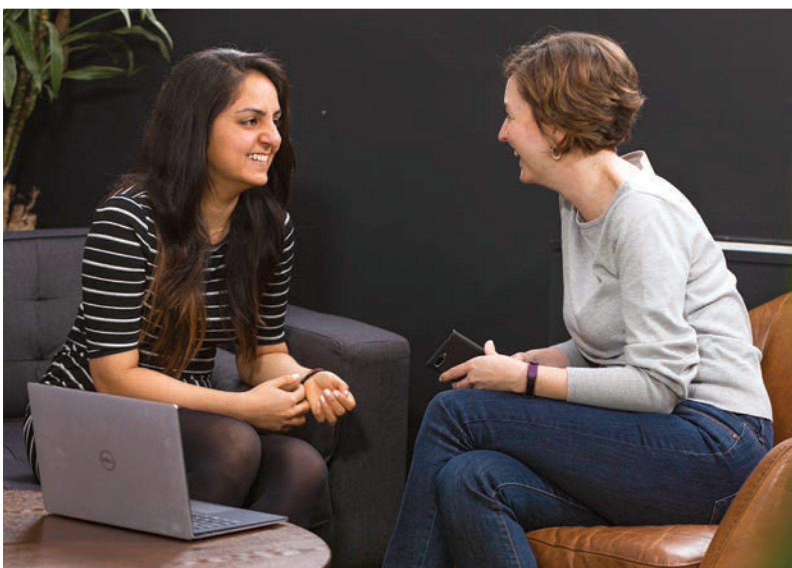


FINANCIAL SUMMARY

REVENUE
$100.5m
down 10% on FY19

ARR
$81.3m
up 4.9% on FY19

EBITDA[1]
$12.1m
down 51% on FY19

ADJUSTED NPAT[2]
$2.4m
down 75% on FY19

NET CASH
$16.8m
up 263% on FY19

STAT NPAT
-$31.7m
down from $3.3m in FY19

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

[2] Adjusted NPAT—Underlying NPAT before non-cash charges related to impairment.

CHAIR'S COMMENTARY

DEAR SHAREHOLDERS

I was delighted to be appointed Chair of Gentrack on 2nd November 2020. I look forward to supporting the world class leadership team that we have recruited to create sustainable value for shareholders. Gentrack is well positioned to support our customers in delivering the cleantech revolution. Our aspiration is to lead the transformation of the energy, water and airport markets.

As we look back, our financial year to 30 September 2020 presented the business with many challenges, not least the global uncertainty that has affected our customers and the market opportunities in both the utilities and airports sectors.

Our people have proven their resilience and ability to adapt quickly, ensuring that we continued to service customers and support them with our mission critical technologies. I'd like to thank them for all their efforts and dedication over the year.

As we look forward we see significant opportunities available to the business and are evaluating the strategies needed to return Gentrack to its position as a global technology leader.

The results for the year show an underlying EBITDA of $12.1m, down 51% on FY19, off the back of lower FY20 revenues coming in at $100.5m, a 10% decrease on FY19. Despite the decline, our Annual Recurring and Committed Monthly Recurring Revenues for the year have increased by 4.9% and 18% respectively reflecting new utilities business in Australia and the UK, and net growth in the meter points for existing customers in these regions. It also reflects new airports business won in the year in Australia, North America and Europe.

We are pleased to report a $12.2m increase in Net Cash at 30 September 2020 over the same period last year, marking a strong year in cash generation. Costs were down by $3.2m in the second half over H1'20, reflecting the impact of the cost-out programme in March 2020, COVID-19 cost reductions across the business and other savings measures.

The Group recorded a Statutory NPAT loss of $31.7m for the full year including an impairment charge of $34.5m primarily related to goodwill impairments in both the Blip and Utilities businesses, reflecting uncertainty in the outlook.

In light of the NPAT loss, the Board took the decision not to pay a final dividend.

As stated at the half year, COVID-19 had no operational impact on the business in H1. The full year results however have been impacted by global economic events with some delays in utilities projects and more significant delays in airports programmes. We are continuing to work closely with our customers to understand their challenges and to support initiatives to assist the COVID recovery and ongoing hardship programmes.

The Utilities business achieved a 4.3% increase in Annual Recurring Revenue in FY20, with overall revenue of $81.8m for the year, declining by 7.3% due to the completion of prior projects and customer losses driven by supplier insolvencies, consolidations and competitive activity in the UK. In Australia, we have seen key billing and customer management projects started in the year and successfully put live, contributing to our increased Annual Recurring Revenues and a subsequent decline in non-recurring revenues.

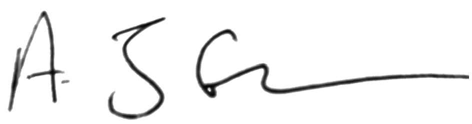
Veovo recorded revenues of $18.8m, down 20% on FY19, capping off a tough year for the airports industry globally with revenue for many airports being reduced by over 80% as COVID-19 travel restrictions were implemented. Airport operation systems remain an essential service to the aviation industry which has enabled Veovo to remain profitable in the year. Pleasingly, our Veovo team completed numerous projects throughout the year in Europe, North America and Australia.

OUTLOOK

As per our outlook in September, we continue to see market opportunities and we are exploring plans for ongoing investment in new cloud technology and the skills required to compete. It is expected that the full year EBITDA run rate for FY21 will be well below that of the H2’20 run rate; however, this may reduce FY21 profitability closer to break-even depending on the levels of future product investment and other factors.

A further update will be provided at the Annual Meeting in February 2021.

We would like to thank all our customers, shareholders and employees for their ongoing support and continued commitment to the Gentrack business. Your support and passion for Gentrack and the future of the sectors we serve will enable us to return the business growth.



Andy Green, CBE
Chair

FY19 COMPARATIVES

	FY20
UTILITIES Total Revenue	↓7.3%
UTILITIES Committed Monthly Recurring Revenue	↑17.5%
UTILITIES Annual Recurring Revenue	↑4.3%
AIRPORTS Total Revenue	↓20%
AIRPORTS Committed Monthly Recurring Revenue	↑22%
AIRPORTS Annual Recurring Revenue	↑8.8%

> I am excited with the opportunity ahead for Gentrack. Cash for the Group is up on last year, as are our annual recurring revenues. This is a good basis for further investment in our leading cloud-native software products and beginning the journey back to growth. In the first quarter of this fiscal year, we onboarded a strong leadership team with experience in high performing technology companies. I'm confident that with this team we can build sustainable value for shareholders.

Andy Green, CBE

MEET THE CEO

On 1 October 2020 we welcomed Gary Miles as CEO for the Gentrack Group. With over 25 years' experience in leading and running B2B software and services companies, he brings added focus to the business on Gentrack's role with its technologies and expertise in transforming energy and water markets.

Gary joins us from Amdocs, a four-billion-dollar revenue NASDAQ listed business—and a market leader in the provision of customer information systems to many of the largest telecommunications companies around the world. Much like utilities and airports rely on Gentrack for mission critical operational systems, telcos depend on Amdocs to modernise their systems and provide their essential customer information systems. Gary was on the executive team at Amdocs for 12 years holding many roles including CMO, driving product, strategy and innovation programmes, the cloud and company diversification to bring new solutions to customers.

I'm excited to join Gentrack. The company has great customers from challengers to large market leaders. The fact that Gentrack services retailers across both energy and water for consumers, SME and major enterprises is a testament to Gentrack's software and services capabilities. The company has more than a 30 year pedigree of securing the revenues and customer experiences of its diverse customer base which operates in three of the most dynamic energy markets on the planet. With this base, Gentrack represents an amazing platform to lead the cleantech revolution in these markets and beyond.

Some aspects of the business have turn-around fundamentals. I have already taken steps to rectify these characteristics and move the company back to growth. The main progress to date has been assembling a highly functional and experienced management team in the form of James Spence, a strong public markets CFO from the energy sector, Zeev Berkowitz, our COO who has led many successful enterprise billing modernisations programs, and Loukas Tzitzis, our CTO who understands cloud development for enterprise grade systems and the

> Energy and water are precious commodities and must be cherished and respected. This creates tensions that I believe technology will fix. There are some great companies tackling these problems, moving us into the new era of cleantech, and I am sure Gentrack will be one of those.

support of full CI/CD capabilities. This team also includes our General Managers who lead the business as outlined in the sections below. As a separate standalone business, James Williamson is a seasoned airport technology executive, who is leading our airports division which is bringing essential services to the airports industry.

One of the many exciting things about Gentrack is that unlike startups, Gentrack has the muscle to develop its own software, deploy it and operate it. Moreover, this scale will allow us to help our customers modernise and move to a new cloud agility and practices. I believe that with the combination of constant innovation with our customers and delivery excellence, we can lead this industry into the new generation of energy, water and airport operations.

The energy industry is experiencing an amazing pace of change. Electric vehicle uptake is growing, as are solar panels and battery storage, and more customers and industries are exporting energy.

With prepaid plays, frictionless switching between suppliers and demand for new customer experiences, it's an inspiring market to be in. With such a pace of change, there is a strong drive to modernise.

It is clear that our world and environment are fragile. Energy and water are precious commodities and must be cherished. This problem will be to a large extent, rectified by great technology companies. Gentrack will be one of those.

GENTRACK BOARD OF DIRECTORS

Andy Green, CBE
CHAIR

Andy has an extensive background in technology leadership including CEO of Logica, a £4bn turnover listed IT Services Company, and CEO of BT Global Services, the enterprise arm of British Telecom. In 2020 Andy was awarded Commander of the British Empire (CBE) for his contributions to the Information Technology and British Space Industries. His passion to transform the industry to support sustainable water and energy resources is further demonstrated by his roles as the Chair of WaterAid UK and as a UK National Infrastructure Commissioner. Spending time in both Australia and the UK, he contributes both a local presence and global perspective to Gentrack's customers and shareholders.

Nick Luckock
NON EXECUTIVE DIRECTOR

Nick is a Partner and a member of the Investment Committee at Hg Capital with extensive private equity experience focusing on the technology industry. He has deep experience across a number of significant organisations in the business services, financial processing and technology sectors.

He is currently a Director at Achilles Subholdings Ltd and has served as a Non Executive Director at a variety of private equity backed companies including British based JLA, Radius Worldwide, Paycorp Group (Pty) Ltd (South Africa), XP Investimentos (Brazil) and AGS Transact Technologies Ltd (India).

Nick completed an MBA with Distinction at INSEAD and a Bachelor of Commerce and Arts (Honours) from the University of Melbourne.

Fiona Oliver
NON EXECUTIVE DIRECTOR

Fiona is an experienced Director and Audit Committee Chair. Her active board roles include being a Director and Audit Committee Chair of Tilt Renewables (NZX/ASX), First Gas Group, BNZ Life Insurance and BNZ Insurance Services.

Fiona has Executive level leadership experience in asset management, funds management and private equity, including holding the roles of Chief Operating Officer of BT Funds Management (NZ), Westpac's investment arm, and General Manager, Wealth Management for AMP NZ. Fiona also managed the Risk and Operations function of AMP's Sydney and (owned at the time) London based Private Capital division, Fiona has specialist knowledge of investments and the capital markets.

Fiona holds degrees in Law and Arts from the University of Auckland and is a qualified Solicitor in New Zealand, New South Wales and England. Prior to her management career, Fiona practiced as a corporate and commercial lawyer at a senior level in Auckland, Sydney and London, specialising in mergers and acquisitions.

Stewart Sherriff
NON EXECUTIVE DIRECTOR

Stewart was appointed CEO of New Zealand mobile challenger 2degrees in August 2013, having served as the company's Chairman for the previous 4 years, and interim CEO since 1 April, a position he held until he retired in June 2019. He remains on the Board of 2degrees as a Non Executive Director.

Stewart began his 44 year career in telecommunications with British Telecom. He left the UK in 1984 to progress an international career, working in 20 countries for various Telcos. Stewart has learned mobile from the ground up, starting as a technician, progressing to a system specialist, field services manager, BSS specialist and senior engineer before entering senior management as Head of Operations for Hong Kong Operator Smartone.

He became CTO at mobile pioneer Western Wireless International in 1997, with responsibility for IT, Engineering, Marketing, Customer Care and Technical Operations. Six years later, Stewart was seconded as CEO of Meteor, Ireland's third entrant mobile operator. Under his leadership, Meteor became a successful third player challenging Vodafone and O2.

In 2006 he rejoined Western Wireless founders John Stanton and Brad Horwitz at Trilogy International Partners. As CTO he oversaw Trilogy's operations in Bolivia, Haiti, Dominican Republic and New Zealand.

Prior to chairing 2degrees, Stewart Chaired Vega Slovenia and was Vice Chairman of Telering Austria and served on the boards of Vipnet Croatia, Voila Haiti, Neuvatel Bolivia and jNetx USA.

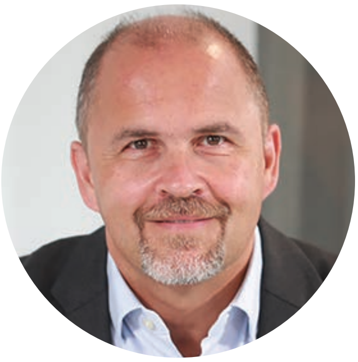
Darc Rasmussen
NON EXECUTIVE DIRECTOR

Darc is a seasoned enterprise software professional with over 25 years' experience successfully building and growing Software as a Service (SaaS) and Cloud-based businesses across global markets. He has spent his career working and living in Europe, the USA and Asia/Pacific, growing public and private companies including Infor, SAP, IntraPower (Trusted Cloud) and Integrated Research.

He lead the SAP (NYSE:SAP) global CRM Line of Business, building it from start-up to total annual revenues of US$1.5 billion in 2007. He was also CEO at Integrated Research (ASX:IRI) where he lead the company through a whole of business transformation strategy that delivered 70%+ revenue and profit growth along with a tripling of the company's market capitalisation. Darc lead the development and execution of a product and go to market strategy that won Integrated Research and the distinction of Gartner "Cool Vendor" and established the company as the global market leader in Unified Communications Performance Management.

Darc is also currently a Non Executive Director at Objective Corporation (ASX:OCL).

BUSINESS UPDATE



Paul Muscat, Region Vice President & General Manager UK & Europe

Mark Humphreys, Country Manager Australia

Alan Sampson, Country Manager New Zealand

UTILITY UPDATE

Investment in renewables is increasing and system modernisation is shaping the global trend for more flexible markets, able to cope with different energy sources and technologies. Service providers face additional pressures as they adapt, and new solution providers are emerging to meet those changing needs. This creates both increased competition and opportunities for Gentrack.

On top of regulatory impacts, utilities markets remain dynamic and competitive with ongoing regulatory reform across our territories. From price caps, 5-minute settlement (5MS) in Australia and a new Switching Programme in the UK, the pace of change remains rapid, with significant impacts on our customers. These businesses continue to demand innovation from Gentrack to support them in this changing environment.

Our energy retail customers are seeking to differentiate themselves, while also working hard to invest in cleantech and sustainable communities. Our aspiration to be technology-first, driven by constant co-innovation, will better position us to anticipate customers' needs, responding with propositions to meet them. These will include insight and analytics, data management, demand forecasting and generation (export) services solutions. We will also bring to market new services to help strengthen our customers' businesses, including agile scrum teams, managed operations and testing practices.

In water, while the industry remains primarily regulated and with many legacy systems in place, the introduction of new technologies in metered services, demand for improved customer experience, efficiency and cost reduction pressures are driving change.

APAC MARKET FOCUS

In New Zealand and Australia, we are seeing new tenders to support system modernisation for energy retailers. In Australia, beyond serving new entrant activity, our strategy is to help customers innovate and bring new energy offerings to market. Their need to differentiate, reduce cost to serve and provide market-leading levels of customer service mean competing with digital engagement. We are well positioned to support this need with high-performing, proprietary technology and cloud-first integration to third party engagement platforms and portals.

We have delivered quarterly regulatory updates for our customers across APAC, helping to retain their essential compliance. In New Zealand specifically, our teams delivered new regulatory reporting for energy traders and distributors and supported a customer with their LPG (Liquified Petroleum Gas) business, enabling them to transition their customers on to our proven multi-play solution.

Notable successes for the Australian business include winning the contract to supply billing solutions for a new significant energy provider. We were also delighted to complete the delivery of our solutions to the Ion Group energy retail brands. Looking forward, several trials are expected to evolve into smart water meter projects. Assuming their successful fruition, we are well positioned to take advantage of these with our 5MS work and cloud-based solution.

UK MARKET

Our established customers have performed well this year across all market segments, experiencing a pleasing level of organic growth. Our new customers in the region have also continued to attract new residential and business customers with new and innovative product offerings. As in previous years, fierce competition and regulatory burden have resulted in the failure of some suppliers and further consolidation. This context continues to put pressure on all retailers to manage cost to serve and customer satisfaction.

All our segments are increasingly focused on customer experience improvements to offset complexity and churn, and our ongoing enhancements in APIs and Events are driving innovation in customer service and automation. Data and analytics support are providing insight to customer profitability and business performance and our Assurance products continue to support customers' profitability and cash flow.

Looking to the future in our energy market, we see more momentum in beyond supply propositions, not least in response to the UK government's Green Industrial Revolution. More rapid innovation is being driven by legislation for decarbonising transport and domestic energy, increasing investment support for electric vehicle charging infrastructure, and a target for 600,000 heat pump installations per year by 2028. For customers, this increasingly demands a transition from energy supply to energy management cleantech, and we are well positioned to benefit from the focus on innovative and complex tariffs this brings.

Lockdown saw a slowdown in demand for cleantech innovation, but the resurgence is now growing, and we have a backlog of requests from customers to support their cleantech programs. We have launched enhancements to smart meter data processing with a small number of early adopters and the energy policy decisions mentioned above have accelerated interest in these Gentrack capabilities.

In our water market, while the domestic supply segment is not yet competitive, the contested water for business market is transforming rapidly. We have seen growth with our existing clients and also grown our base to achieve significant market share gain this year. Great opportunities remain and we continue to invest in supporting the competitive transformation and to add market share in this supply segment in the UK through innovation.

In addition to mobilisations, upgrades, consulting studies and on-going support 24x7, we have started one of our largest billing system implementations and completed many others this last year.

CUSTOMER HIGHLIGHT

An important highlight this year was the successful go live at one of the UK's leading water suppliers competing for B2B customers in the Open Water market. This supplier is now using Gentrack Cloud for Water to bill and manage water and wastewater services to over 400,000 customers. The latest project milestone represents a significant step in the business' transformation. Gentrack Cloud was delivered to the cloud, via AWS, entirely remotely, proving that even under extreme COVID-19 lock down circumstances, Gentrack was able to maintain business continuity and deliver to customer expectations.

Gentrack Cloud

BUSINESS UPDATE: VEOVO

James Williamson, CEO Veovo

MISSION CRITICAL SOFTWARE FOR AIRPORTS

LAYING THE FOUNDATIONS FOR A NEW TRAVEL FUTURE

FY20 has been a tale of two halves for our Veovo business. In the first half, we saw the industry continue to experience growth as airports focused on addressing capacity constraints, smooth passenger journeys and boost revenue.

As we entered the second half of the year, travel and leisure industries were suddenly profoundly impacted by COVID-19, with a virtual cessation of flights. By September, passenger numbers remained down 88% year-on-year, decimating our customer's revenues, leading to unprecedented levels of cost reductions.

While the crisis remains difficult, it has also become a catalyst for change in preparation for a very different travel future. Conversations indicate that there will be a prioritisation for transformation projects that can deliver passenger wellbeing and high levels of automation and efficiency. Airports will urgently need to win back passenger trust, recover costs and compete for the business of airlines. Veovo is well placed to help them do this.

GROWING LEADERSHIP IN CORE MARKETS

We have continued to work closely with all customers throughout the pandemic, ensuring business continuity for mission critical teams and systems at airports while building a foundation for the future.

We have delivered major IT transformation projects in North America and Australia, utilising Veovo's Airport Operations software and Revenue Management capabilities.

Delivering such complex and mission critical transformation projects during the pandemic is a tribute to both our customer and delivery teams and the collaborative relationship we have built. A large transformation in Mexico City continues well and will be further enhanced with our Airport Collaborative Decision Making (A-CDM) solution during 2021.

The year also saw us expand our presence in the UK and Nordic regions, securing significant wins at Luton Airport and in Sweden for our Revenue Management system.

Our Passenger Predictability solution has gone live in the first of three airports in Buenos Aires; we have deployed

The question is not if passengers will return. It's when they do, and whether the operational foundations are in place to help airports take off again quickly, with the agility to thrive in the new travel future. Veovo is uniquely positioned to help build those foundations through intelligent technology built on real data insight.

our first operational forecasting solution in Iceland and extended our "Kerb to Gate" passenger flow solution in Amsterdam.

EXPANDING OUR PRODUCT PORTFOLIO

In FY20 we continued investing in our product portfolio with several key developments that will accelerate our growth strategy.

Early in the financial year, we released a new generation Guest Engagement system to put the right digital information and offers in front of travellers, at the right time.

In April, we released our "NextGen" engine for our Passenger Predictability solution which ingests and analyses data from hundreds of sensors and systems to generate predictive insight to smooth passenger flow. This investment will allow us to quickly scale as we increase our footprint in large airports and across metro rail networks in a cloud native, linearly scalable SaaS solution.

In May, we announced our new Virtual Queuing and Passenger Density Management solutions to support social distancing—an urgent new priority for transport operators. More recently we launched a ground breaking, AI-powered passenger forecasting solution as part of our innovation partnership with Keflavik Airport.

DELIVERING MORE CERTAINTY FOR CUSTOMERS

The challenges of this year have exposed many new variables for our customers to contend with, such as reduced staff, volatile traffic levels and new health and safety measures. Plans based on old data and intuition will no longer work. Our strategy of empowering airports and rail operators to make smart decisions based on real, up-to-the-minute data, AI driven forecasting and simulation, and decision support tools is more relevant than ever before.

It's why in the year ahead, we remain focused on continuing to invest in the product and service delivery innovation to accelerate our customer's recovery—by bringing certainty and efficiency to their operations and rebuilding passenger confidence.

CORPORATE AND SOCIAL RESPONSIBILITY

DIVERSITY & INCLUSION

As a global business, we are naturally diverse. This year we've taken steps to ensure that D&I remains a key part of our culture and values. It has shaped how we recruit our people globally, how we celebrate our diversity and ensured that our people know the real value of diverse thinking across our business.

IN THE COMMUNITY

Our teams globally have supported various community initiatives, fundraising for community causes including Gumboot Day to raise awareness of mental illness and suicide, Pink T-shirt day to make a stand against bullying and Movember for men's mental health, and much, much more! Our people are taking the time to DO GOOD in our community.

HEALTH & SAFETY

The health and safety of our people is paramount. They have after all adapted and provided the platform in what has been an exceptional year, to ensure we can support our customers throughout COVID-19. This year we've remained focused on their wellbeing and mindfulness through our global Wellness Programme and remain committed to keeping them safe so they can continue to innovate and deliver their best.

SUSTAIN-ABILITY

Just as our customers live and breathe sustainability, we too are doing our part for the environment through our global sustainability programme—*Project Gaia*. Gaia, translated as 'Mother Earth', frames the various initiatives in the business targeting our environmental footprint and how we can play a greater role in the energy and water revolution.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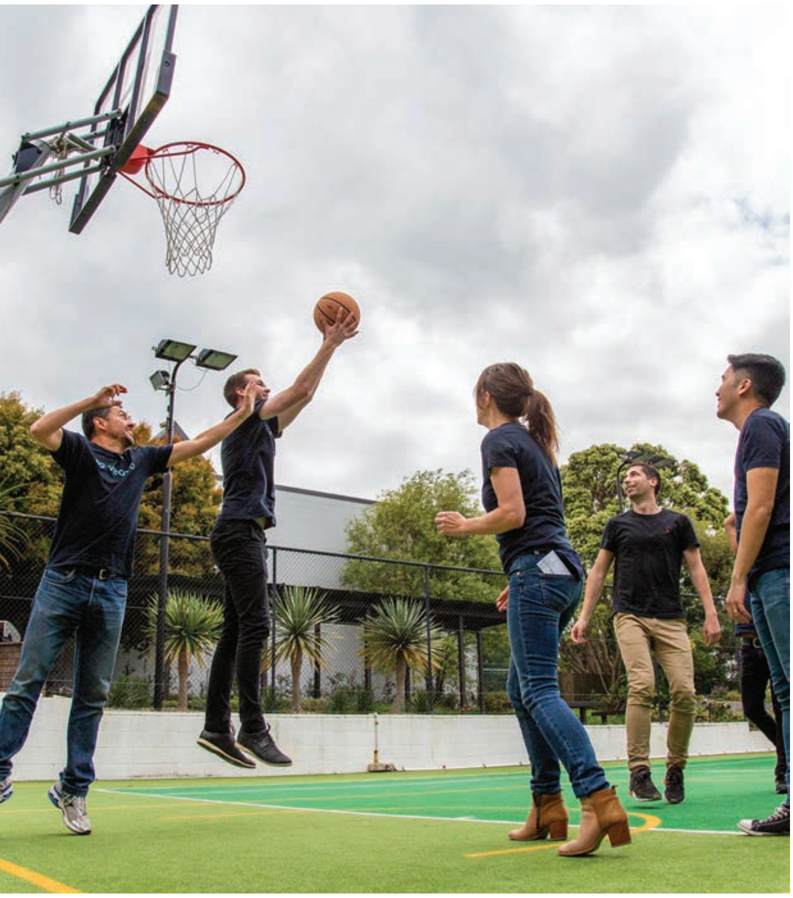
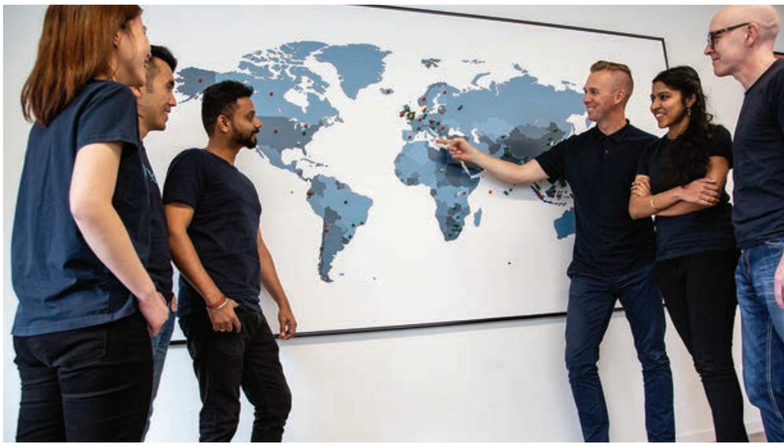
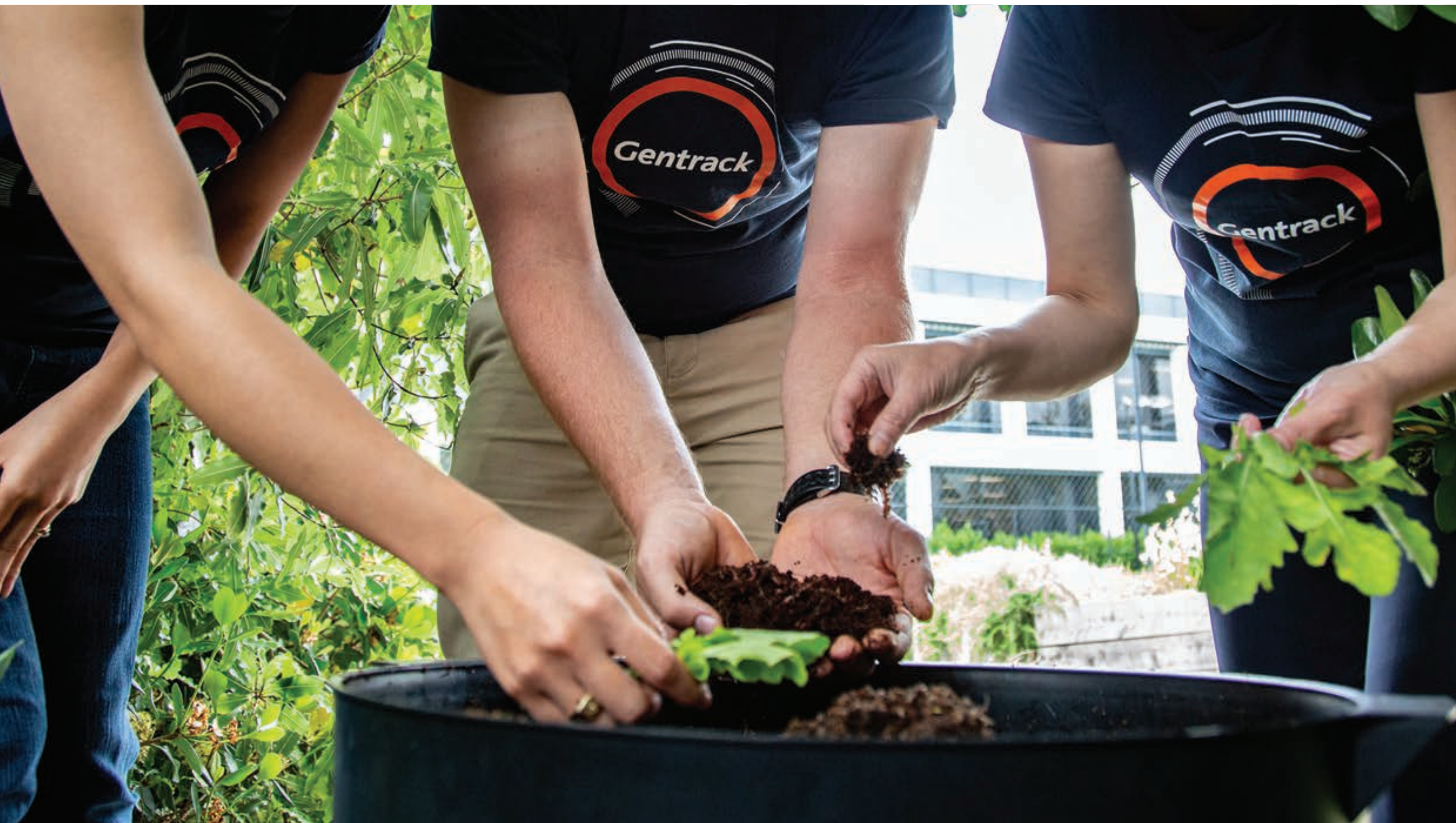
PINK SHIRT DAY



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FINANCIAL STATEMENTS 2020

Independent Auditor's Report

To the shareholders of Gentrack Group Limited

Report on the audit of 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 29 to 65:

i. present fairly in all material respects the Group's financial position as at 30 September 2020 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 2020;

— 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 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('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 tax compliance, tax advisory and other assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

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 $1m determined with reference to a benchmark of group Revenue. We chose the benchmark because, in our view, this is a key measure of the group's performance.

KPMG

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 3.2 of the consolidated financial statements. The Group has reported revenues of \$101m (2019: \$112m) which includes implementation services revenue of \$15m. We focused 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 also inspected a sample of milestone billings and compared those to invoice and cash receipts and considered the reasonableness of the related balance sheet positions. 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 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. Impairment assessment	
Refer to notes 5.3 and 5.4 of the consolidated financial statements. Impairment assessment is considered a key audit matter due to the subjective nature of impairment models and the significant judgements and estimates management uses to determine the expected financial performance and value in use of the Group's cash generating units. This requires management to make assumptions in relation to forecasted cash flows, the terminal growth rate and discount rates used in a discounted cash flow model. As a result of management's impairment assessment, goodwill, intangibles and capitalised development amounting to $34m has been impaired during the financial year.	To evaluate management's assessment of the carrying value of the respective cash generating units: — We considered management's conclusion on separately identifiable cash generating units. — We assessed the significant future cash flow assumptions by comparing actual results to business plans, strategies and budgets. We examined the documentation supporting the budgeting process and inspected the forecasted pipeline for FY 2021. — Our corporate finance specialists examined whether the methodology adopted in the discounted cash flow value in use models are consistent with accepted valuation approaches within the software industry. In addition, our specialists assessed the mathematical accuracy of the models, and considered whether the discount and terminal growth rate assumptions applied to the estimated future cash flows are within an acceptable range for the industry and lifecycle of the businesses. — We challenged the assumptions and judgements used by management by performing sensitivity analysis, considering a range of likely outcomes based on various scenarios. — Where management concluded impairment is necessary (Blip Systems A/S and Utilities), we considered the extent of impairment with reference to historic performance, future business plans and pipelines, and degree of uncertainty in relation to future financial performance. — We also assessed the reasonableness of the incurred impairment expense by comparing the carrying value of cash generating units to the market capitalisation value as of 30 September 2020. To evaluate management's assessment of the carrying value of capitalised development we assessed the probability of future economic benefits arising from capitalised development by considering future revenue pipelines attributed to each type of capitalised development recognised on the balance sheet.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information may include 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 appear misstated. If so, we are required to report such matters to the Directors.

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

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

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

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

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

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

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

For and on behalf of

KPMG

KPMG
Auckland

26 November 2020

DIRECTORS' RESPONSIBILITY STATEMENT

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

The Directors consider these financial statements have been prepared using accounting policies suitable to Gentrack 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 Gentrack 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 Gentrack Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors of the Gentrack Group authorised these financial statements for issue on 26 November 2020.

For and on behalf of the Board of Directors:

Andy Green

Chairman
Date: 26 November 2020

Fiona Oliver

Director
Date: 26 November 2020

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	NOTES	2020 NZ$000	2019 NZ$000
Revenue	3.2, 3.3	100,533	111,682
Expenditure	3.4	(88,440)	(86,869)
Profit before depreciation, amortisation, revaluation of financial liabilities, impairment of goodwill and intangible assets, financing and tax		**12,093**	**24,813**
Depreciation and amortisation	3.5	(12,354)	(9,440)
Revaluation of acquisition related financial liability	5.8	891	384
Impairment of goodwill and intangible assets	5.2, 5.3, 5.4	(34,511)	(14,551)
(Loss)/Profit before financing and tax		**(33,881)**	**1,206**
Net finance expense	3.6	(386)	(763)
(Loss)/Profit before tax		**(34,267)**	**443**
Income tax benefit/(expense)	7.1	2,561	(3,758)
Loss attributable to the shareholders of the company		**(31,706)**	**(3,315)**
OTHER COMPREHENSIVE INCOME			
Translation of international subsidiaries		(882)	(1,675)
Total comprehensive loss for the period		**(32,588)**	**(4,990)**
EARNINGS PER SHARE FOR LOSS ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY (EXPRESSED IN DOLLARS PER SHARE)			
Basic earnings per share	6.4	($0.32)	($0.03)
Diluted earnings per share	6.4	($0.32)	($0.03)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES ISSUED			
Basic	6.4	98,645	98,605
Diluted	6.4	100,053	98,872

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	SECTION	2020 NZ$000	2019 NZ$000
CURRENT ASSETS			
Cash and cash equivalents	4.3	19,321	8,626
Trade and other receivables	5.1	18,951	31,279
Inventory	5.9	464	572
Total current assets		**38,736**	**40,477**
NON-CURRENT ASSETS			
Property, plant and equipment	5.5	2,763	3,453
Lease assets	2.5, 9.1	10,338	-
Goodwill	5.2	106,599	134,434
Intangibles	5.4	45,428	60,482
Deferred tax assets	7.2	4,649	2,793
Total non-current assets		**169,777**	**201,162**
Total assets		**208,513**	**241,639**
CURRENT LIABILITIES			
Bank loans	4.2	2,536	4,000
Trade payables and accruals	5.6	3,905	5,487
Lease liabilities	2.5, 9.1	2,692	-
Contract liabilities		12,419	12,173
GST payable		3,206	2,030
Financial liabilities	5.8	-	2,451
Employee entitlements	5.7	5,552	4,588
Income tax payable		(150)	2,051
Total current liabilities		**30,160**	**32,780**
NON-CURRENT LIABILITIES			
Related party loan	4.2	-	450
Lease liabilities	2.5, 9.1	12,435	-
Lease incentives	2.5	-	3,028
Employee entitlements	5.7	428	411
Deferred tax liabilities	7.2	4,997	7,361
Total non-current liabilities		**17,860**	**11,250**
Total liabilities		**48,019**	**44,030**
Net assets		**160,494**	**197,609**
EQUITY			
Share capital	6.1	191,229	191,229
Share based payment reserve		699	389
Foreign currency translation reserve		6,782	7,664
Retained earnings		(38,216)	(1,673)
Total equity		**160,494**	**197,609**

For and on behalf of the Board who authorised these financial statements for issue on 26 November 2020.

Andy Green
Chairman
Date: 26 November 2020

Fiona Oliver
Director
Date: 26 November 2020

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

2020 NZ$000	SECTION	SHARE CAPITAL	SHARE BASED PAYMENT RESERVE	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL EQUITY
Balance as at 1 October		**191,229**	**389**	**(1,673)**	**7,664**	**197,609**
Change in accounting policy	2.5	-	-	(1,833)	-	(1,833)
Restated total equity at 1 October		**191,229**	**389**	**(3,506)**	**7,664**	**195,776**
Loss attributable to the shareholders of the company		-	-	(31,706)	-	(31,706)
Other comprehensive loss		-	-	-	(882)	(882)
Total comprehensive loss for the period, net of tax		**-**	**-**	**(31,706)**	**(882)**	**(32,588)**
TRANSACTION WITH OWNERS						
Dividend paid	6.3	-	-	(3,004)	-	(3,004)
Share based payments	6.2	-	310	-	-	310
Balance at 30 September		**191,229**	**699**	**(38,216)**	**6,782**	**160,494**

2019 NZ$000	SHARE CAPITAL	SHARE BASED PAYMENT RESERVE	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL EQUITY
Balance as at 1 October	**190,968**	**570**	**15,548**	**9,339**	**216,425**
Change in accounting policy	-	-	(443)	-	(443)
	190,968	**570**	**15,105**	**9,339**	**215,982**
Profit attributable to the shareholders of the company	-	-	(3,315)	-	(3,315)
Other comprehensive income	-	-	-	(1,675)	(1,675)
Total comprehensive income for the period, net of tax	**-**	**-**	**(3,315)**	**(1,675)**	**(4,990)**
TRANSACTION WITH OWNERS:					
Issue of capital	-	-	-	-	-
Dividend paid	-	-	(13,463)	-	(13,463)
Share based payments	261	(181)	-	-	80
Balance at 30 September	**191,229**	**389**	**(1,673)**	**7,664**	**197,609**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	SECTION	2020 NZ$000	2019 NZ$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		110,731	108,083
Payments to suppliers and employees		(83,547)	(87,154)
Lease liability finance charge	9.1	(931)	-
Income tax paid		(4,287)	(8,138)
Net cash inflow from operating activities		**21,966**	**12,791**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5.5	(324)	(640)
Purchase of intangible assets	5.4	(331)	(5,653)
Payment of acquisition related option	5.8	(2,419)	-
Net cash outflow from investing activities		**(3,074)**	**(6,293)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for lease liabilities		(2,497)	-
Drawdown of borrowings		5,007	8,439
Repayment of borrowings		(6,871)	(4,000)
Interest (paid)		(375)	(679)
Dividends paid	6.3	(3,004)	(13,463)
Net cash (outflow) from financing activities		**(7,740)**	**(9,703)**
Net increase/(decrease) in cash held		**11,152**	**(3,205)**
Foreign currency translation adjustment		(457)	431
Cash at beginning of the financial period		8,626	11,400
Closing cash and cash equivalents		**19,321**	**8,626**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

General information | Accounting policies | Critical judgements

General information

The notes are consolidated into nine sections. Each section contains an introduction and general information which is indicated by the symbol above. The layout of these financial statements has been streamlined to present them in a way that is more intuitive for readers to follow. This is achieved by laying out the accounting policies and critical judgements alongside the notes and focusing information in a way which provides increased clarity and ease of understanding.

The first section details general information about Gentrack Group and guidance on how to navigate through the financial statements.

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out throughout the document where they are applicable. These policies have been consistently applied to all the years presented, unless otherwise stated. Certain comparatives have been updated to ensure consistency with current year presentation.

Accounting policies are identified by this symbol above.

Critical judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on various other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values for assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these critical judgements and estimates may be found throughout the financial statements as they are applicable and are identified by this symbol.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. GENERAL INFORMATION

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, St Marys Bay, Auckland 1011, New Zealand.

The financial statements presented are for Gentrack Group Limited and its subsidiaries for the year ended 30 September 2020. Prior year comparatives are for the year ended 30 September 2019.

The financial statements of Gentrack Group for the year ended 30 September 2020 were authorised for issue in accordance with a resolution of the directors on 26 November 2020.

Gentrack 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.

COVID-19 PANDEMIC

On 11 March 2020, the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Gentrack Group, like most other organisations is impacted by COVID-19 in a variety of ways, both financially and operationally. During the period from 11 March 2020 onwards due to restrictions imposed to contain the spread of COVID-19 many businesses were forced to close or move to remote ways of working. Gentrack Group had the necessary infrastructure in place and had thoroughly tested its ability to support remote working and during this period Gentrack Group has been able to largely operate as normal. In these challenging times Gentrack Group has been able to keep its people safe and follow all directions from the Governments where it operates with minimal operational disruption.

The financial impact of COVID-19 on Gentrack Group has been felt through a reduction in expected revenue, as our customers have delayed projects. Pleasingly our Utilities customers in the second half of FY2020 have displayed resilience to the impacts of COVID-19 and continue to interact with Gentrack Group on largely normal terms. However, the longer-term implications of COVID-19 are still somewhat uncertain particularly for the Airport business where our customers have been severely impacted.

Gentrack Group continues to closely monitor the longer-term financial and economic implications of COVID-19 on its operations.

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

ACCOUNTING ESTIMATE AND JUDGEMENT AREA	REFERENCE
Recoverability of trade receivables	Section 5.1
Impairment testing – Five year cashflow forecasts	Section 5.3
Blip Systems – full impairment of goodwill and intangibles	Section 5.3
Impairment testing – Capitalised Development	Section 5.4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This section outlines the legislation and accounting standards which have been followed in the preparation of the financial statements along with explaining how the information has been consolidated and presented.

2.1 KEY LEGISLATION AND ACCOUNTING STANDARDS

The financial statements of Gentrack Group 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).

Gentrack Group 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.

2.2 BASIS OF CONSOLIDATION

Subsidiaries are entities over which Gentrack Group has control. Gentrack Group controls an entity when it 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. Subsidiaries are fully consolidated from the date that control is transferred to Gentrack Group. They are deconsolidated from the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by Gentrack Group.

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

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of Gentrack Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in New Zealand dollars (NZD) which is Gentrack Group's presentation currency. All financial information has been presented rounded to the nearest thousand dollars ($000) in the financial statements.

TRANSACTIONS AND BALANCES

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.

FOREIGN CURRENCY TRANSLATION RESERVE (FCTR)

Gentrack Group translates the results of its foreign operations from their functional currencies to the presentation currency 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 within the statement of changes in equity.

2.3 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 Gentrack 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.

Gentrack 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.

2.3 BUSINESS COMBINATIONS (CONTINUED)

Gentrack 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 Gentrack 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 Gentrack Group even though legally they are still non-controlling interests. The initial measurement of the fair value of the financial liability recognised by Gentrack Group forms part of the consideration for the acquisition.

Gentrack Group has not made any acquisitions during the year ended 30 September 2020 or 2019. For details of acquisitions made in prior years refer to the 2018 Annual Report.

2.4 GROUP INFORMATION

The financial statements include the following subsidiaries:

ENTITY	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	SHAREHOLDING 2020	SHAREHOLDING 2019
Gentrack Group Australia Pty Limited	Holding company	Australia	100%	100%
Gentrack Pty Limited	Software sales and support	Australia	100%	100%
Veovo Holdings (Denmark) ApS	Holding company	Denmark	100%	100%
Veovo A/S (formerly Blip Systems A/S)	Software development sales and support	Denmark	100%	79.81%
CA Plus Limited	Software development sales and support	Malta	100%	75%
Veovo Group Limited	Holding company	New Zealand	100%	100%
Gentrack Limited	Software development sales and support	New Zealand	100%	100%
Gentrack Holdings (UK) Limited	Holding company	United Kingdom	100%	100%
Gentrack UK Limited	Software development sales and support	United Kingdom	100%	100%
Junifer Systems Limited	Dormant	United Kingdom	100%	100%
Evolve Parent Limited	Holding company	United Kingdom	100%	100%
Evolve Analytics Limited	Dormant	United Kingdom	100%	100%
Gentrack (Singapore) Pte Limited	Software sales and support	Singapore	100%	100%
Veovo Inc	Software sales and support	USA	100%	100%
Veovo NZ Limited	Dormant	New Zealand	100%	100%
Veovo UK Limited	Dormant	United Kingdom	100%	100%
Veovo IP Limited	Dormant	New Zealand	100%	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

2.5 ADOPTION OF NEW ACCOUNTING STANDARDS

During the current reporting period Gentrack Group has adopted NZ IFRS 16 Leases (NZ IFRS 16) and has had to change its accounting policies as a result of adopting this new standard. The impact of adopting NZ IFRS 16 is disclosed below and in further details in section 9.1.

NZ IFRS 16 LEASES – IMPACT OF ADOPTION

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

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

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

PRACTICAL EXPEDIENTS APPLIED

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

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

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

	2020 NZ$000
Operating lease commitments at 30 September	29,395
The effect of discounting	(5,062)
Adjustments related to options and lease term	(6,713)
Lease liabilities at 1 October 2019	**17,620**
Less than one year	2,530
One to five years	6,568
More than five years	8,522
Lease liabilities at 1 October 2019	**17,620**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

PRACTICAL EXPEDIENTS APPLIED (CONTINUED)

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

	2020 NZ$000
Lease incentives	3,739
Prepaid lease payments	(388)
Lease asset	12,671
Lease liability	(17,620)
Foreign currency differences	149
Deferred tax	(384)
Adjustment to retained earnings from applying NZ IFRS 16	**(1,833)**

2.6 IMPACT OF STANDARDS ISSUED BUT NOT YET ADOPTED

The International Accounting Standards Board has issued IFRS 17 *Insurance Contracts*, as well as amendments to existing international accounting standards. IFRS 17 is mandatory for reporting periods on, or after 1 January 2021. Gentrack Group does not intend to adopt this standard before its mandatory date.

Gentrack Group financial reporting will be presented in accordance with these new and amended standards when they become mandatory, however none are expected to have a material impact on Gentrack Group's consolidated results.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

3. GROUP PERFORMANCE

This section outlines further details of Gentrack Group's financial performance by building on the information presented in the statement of comprehensive income.

3.1 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.

Gentrack Group currently operates in two business segments, utility billing software and airport management software, as at 30 September 2020. These segments have been determined based on the reports reviewed by the Board (Chief Operating Decision Maker) to make strategic decisions.

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

2020	UTILITY NZ$000	AIRPORT NZ$000	TOTAL NZ$000
TIMING OF REVENUE RECOGNITION			
Point in time	7,379	2,018	9,397
Over time	74,397	16,739	91,136
Total revenue	**81,776**	**18,757**	**100,533**
Expenditure	(71,565)	(16,875)	(88,440)
Segment contribution (1)	**10,211**	**1,882**	**12,093**

2019	UTILITY NZ$000	AIRPORT NZ$000	TOTAL NZ$000
TIMING OF REVENUE RECOGNITION			
Point in time	6,326	5,440	11,766
Over time	81,853	18,063	99,916
Total revenue	**88,179**	**23,503**	**111,682**
Expenditure	(68,174)	(18,695)	(86,869)
Segment contribution (1)	**20,005**	**4,808**	**24,813**

A reconciliation of segment contribution to loss attributable to the shareholders of the company is provided below:

	2020 NZ$000	2019 NZ$000
Segment contribution (1)	**12,093**	**24,813**
Depreciation and amortisation	(12,354)	(9,440)
Revaluation of acquisition related financial liabilities	891	384
Impairment of goodwill and intangible assets	(34,511)	(14,551)
Net finance expense	(386)	(763)
Income tax benefit/(expense)	2,561	(3,758)
Loss attributable to the shareholders of the company	**(31,706)**	**(3,315)**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

3.1 OPERATING SEGMENTS (CONTINUED)

	2020 NZ$000	2019 NZ$000
REVENUE BY DOMICILE OF ENTITY		
Australia	22,659	22,724
New Zealand	16,447	18,142
United Kingdom	55,458	60,469
Rest of World	5,969	10,347
Total revenue	**100,533**	**111,682**
REVENUE BY DOMICILE OF CUSTOMER		
Australia	25,755	24,947
New Zealand	8,456	12,244
United Kingdom	52,746	58,913
Rest of World	13,576	15,578
Total revenue	**100,533**	**111,682**

In 2020 and 2019, no single customer including their subsidiaries accounted for 10% or more of Gentrack Group's revenue.

3.2 OPERATING REVENUE

Gentrack Group recognises revenue from customers when the performance obligation has been accomplished. A performance obligation is accomplished when the customer has received all of the benefits promised under the performance obligation. The following sections detail the type of revenue recognised within each category. Effective from 1 October 2018 Gentrack Group adopted NZ IFRS 15 Revenue from Contracts with Customers, this did not result in significant changes in accounting policies related to revenue recognition. Refer to the 2019 Annual Report for details on the method and timing of revenue recognition.

Revenue recognition involves certain revenue streams being recognised based on the stage of completion. This process uses estimations of time required to complete the project and is based on detailed information on hours worked to date, prior experience and project scheduling tools. Gentrack Group employs project managers to provide regular information to management on the progress of all projects. All estimates are reviewed by management prior to revenue recognition.

ANNUAL FEES

Annual fees include software support and maintenance charged on software licenses, software subscriptions and managed services. Revenue from annual fees is generally recognised over the period as the benefits are consumed by the customer.

SUPPORT SERVICES

Support services are post implementation value-add professional services related to ongoing upgrades, minor software revisions and extended support. Support services revenue is recognised when the service is complete or on a stage of completion basis.

LICENSES

Revenue from license fees is recognised when the customer is able to benefit from the licensed software. License fees that are highly interrelated with project services are recognised based on a stage of completion of the project.

PROJECT SERVICES

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

OTHER

Other revenue is primarily revenue from hardware and the recharge of ad-hoc costs that are recharged to customers. Revenue from hardware sales is recognised when the hardware has been delivered to the customer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

3.2 OPERATING REVENUE (CONTINUED)

	SECTION	2020 NZ$000	2019 NZ$000
OPERATING REVENUE:			
Annual fees		60,394	54,904
Support services		20,636	23,335
Project services		13,286	21,377
Licenses		2,177	5,708
Other		2,070	5,006
Total operating revenue		**98,563**	**110,330**
OTHER INCOME:			
Government grants	3.3	1,970	1,352
Total revenue		**100,533**	**111,682**

3.3 OTHER INCOME

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received, and Gentrack 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.

During 2020, Gentrack Group recognised a total of $2.0m (2019: $1.0m) of grants from Callaghan Innovation in New Zealand and Research and Development Expenditure Credits (RDEC) from the UK Government. These government grants provide a percentage return for eligible Research and Development conducted by Gentrack Group. At balance date, the Callaghan grant has a 10% retention of $0.1m which is yet to be paid and is subject to an independent auditor review. The RDEC grant is a tax incentive and at balance date $0.6m was outstanding, the benefit will be applied to Gentrack Group's tax payable when the income tax return for 30 September 2020 is filed.

3.4 EXPENDITURE

The table below provides a detailed breakdown of the total expenditure presented in the statement of comprehensive income.

	2020 NZ$000	2019 NZ$000
PROFIT/(LOSS) BEFORE TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:		
Employee entitlements	65,780	58,914
Administrative costs	6,721	11,691
Third party customer-related costs	6,450	6,967
Advertising and marketing	898	1,565
Consulting and subcontracting	5,754	5,346
Other operating expenses	2,837	2,386
Total expenditure	**88,440**	**86,869**

Included in the total expenditure shown above, Gentrack Group has expensed $15.7m of research and development expenditure in 2020 (2019: $8.4m) related to software research and development in the statement of comprehensive income. This research and development expenditure includes payroll overheads, employee benefits and other employee-related expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

3.5 DEPRECIATION AND AMORTISATION

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.

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.

	2020 NZ$000	2019 NZ$000
Depreciation	3,289	1,001
Amortisation	9,065	8,439
Total depreciation and amortisation	**12,354**	**9,440**

3.6 NET FINANCE EXPENSE

Finance income comprises interest income and foreign currency gains 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, lease liability finance charges, foreign currency losses and impairment losses recognised on the financial assets (except for trade receivables) 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.

	SECTION	2020 NZ$000	2019 NZ$000
FINANCE INCOME			
Interest income		7	11
		7	**11**
FINANCE EXPENSE			
Interest expense		(383)	(690)
Lease liability finance charges	9.1	(931)	-
Interest paid – NPV discount		(7)	(54)
Foreign exchange losses		928	(30)
		(393)	**(774)**
Net finance expense		**(386)**	**(763)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

4. CASH, BORROWINGS AND CASH FLOWS

This section outlines further from the statement of cash flows and provides details on the cash and cash equivalents held in the statement of financial position.

Cash comprises cash at bank and on hand.

4.1 RECONCILIATION OF NET SURPLUS TO CASH FLOWS

	SECTION	2020 NZ$000	2019 NZ$000
RECONCILIATION OF OPERATING CASH FLOWS WITH NET PROFIT AFTER TAX			
Loss after tax		**(31,706)**	**(3,315)**
ADJUSTMENTS FOR NON-CASH ITEMS			
Deferred tax	7.2	(4,237)	(2,386)
Impairment provision – Trade receivables		1,939	1,866
Loss on foreign exchange transactions		(928)	28
Share based payments	6.2	310	80
Net interest expense	3.6	375	679
Revaluation and interest on financial liability		(884)	(330)
Other non-cash items		(3)	6
Depreciation and amortisation	3.5	12,354	9,440
Impairment of goodwill and other intangibles	5.2, 5.3, 5.4	34,511	14,551
Non-cash items		**11,731**	**20,619**
ADD/(DEDUCT) MOVEMENTS IN OTHER WORKING CAPITAL ITEMS			
(Increase)/Decrease in trade and other receivables		10,850	(9,717)
(Decrease)/Increase in tax payable		(2,611)	(1,995)
Increase/(Decrease) in GST payable		1,215	728
Increase/(Decrease) in contract liabilities		196	4,409
Increase/(Decrease) in employee entitlements		965	825
(Decrease)/Increase in trade payables and accruals		(380)	(2,078)
Net working capital movements		**10,235**	**(7,828)**
Net cash inflow from operating activities		**21,966**	**12,791**

4.2 BANK FACILITIES AND BORROWINGS

Gentrack Group has a NZ$20m multi-currency facility with ASB Bank Limited to provide additional funding as required for acquisitions and general corporate purposes. This facility expires on 28 March 2022 and at 30 September 2020, $2.5m was drawn down (2019: $4.0m).

The facility is secured by a general security agreement under which ASB has a security interest in Gentrack Group assets. Covenants are in place and compliance is reported quarterly. At all times during the year Gentrack Group has met the covenant requirements.

Interest is payable at a rate calculated as a base rate plus a pre-determined margin. During the year, the average rates for the NZD denominated borrowings were 1.83%.

During the year the Related party borrowings from Shireburn Company Limited, the minority shareholder of CA Plus was repaid in full.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

4.3 CASH AND CASH EQUIVALENTS

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.

	2020 NZ$000	2019 NZ$000
Bank balances	19,320	8,625
Cash on hand	1	1
Total cash and cash equivalents	**19,321**	**8,626**

5. ASSETS AND LIABILITIES

This section outlines further details of Gentrack Group's financial position by building on information presented in the statement of financial position.

5.1 TRADE AND OTHER RECEIVABLES

Gentrack 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. An impairment provision for trade receivables consists of the expected credit loss in accordance with NZ IFRS 9 and a specific provision.

A specific provision is established when there is objective evidence that Gentrack 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 provision accounts, 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 specific impairment provision account. Subsequent recoveries of amounts previously written off are credited against the statement of comprehensive income.

	2020 NZ$000	2019 NZ$000
Trade receivables	15,084	22,254
Impairment provision – Expected credit loss	(390)	(460)
Impairment provision – Specific provision	(3,460)	(2,408)
Provision for credits	(131)	(150)
Contract assets	5,683	9,593
Sundry receivables and prepayments	2,165	2,450
Total trade and other receivables	**18,951**	**31,279**

MOVEMENT IN TRADE RECEIVABLES IMPAIRMENT PROVISION

	2020 NZ$000	2019 NZ$000
Opening balance	2,868	504
Increase in impairment provision	2,618	2,794
Write back in impairment provision	(566)	(177)
Effect of movement in foreign exchange	13	(210)
Bad debt written off	(1,083)	(43)
Total trade receivables impairment provision	**3,850**	**2,868**

During the year a specific provision of $0.2m was raised related to the Airports business. This provision was raised as a result of the pressure that COVID-19 has had on our Airport customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

5.1 TRADE AND OTHER RECEIVABLES (CONTINUED)

The expected credit loss provision for trade receivables has been measured using the same techniques as the prior year, determined as follows.

2020	CURRENT NZ$000	1-60 DAYS PAST DUE NZ$000	61-120 DAYS PAST DUE NZ$000	121-180 DAYS PAST DUE NZ$000	OVER 180 DAYS PAST DUE NZ$000	TOTAL NZ$000
Gross carrying amount	8,513	3,214	356	806	2,195	15,084
Baseline	21	21	5	20	106	173
Aging and Customer duration	1	6	3	39	112	161
Country, Customer and Market	16	8	2	6	24	56
Total expected credit loss rate	0.45%	1.09%	2.84%	8.08%	11.03%	2.59%
Expected credit loss allowance	**38**	**35**	**10**	**65**	**242**	**390**

2019	CURRENT NZ$000	1-60 DAYS PAST DUE NZ$000	61-120 DAYS PAST DUE NZ$000	121-180 DAYS PAST DUE NZ$000	OVER 180 DAYS PAST DUE NZ$000	TOTAL NZ$000
Gross carrying amount	12,848	3,248	2,842	746	2,570	22,254
Baseline	39	23	7	11	123	202
Aging and Customer duration	9	14	7	13	138	181
Country, Customer and Market	37	7	2	3	27	76
Total expected credit loss rate	0.67%	1.37%	0.57%	3.57%	11.17%	2.07%
Expected credit loss allowance	**85**	**45**	**16**	**27**	**287**	**460**

5.2 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 (CGU) and is not amortised but is tested annually for impairment.

	2020 NZ$000	2019 NZ$000
Opening balance	134,434	146,189
Goodwill impairment	(28,040)	(10,380)
Exchange rate differences	205	(1,375)
Closing net book value	**106,599**	**134,434**
Goodwill allocated to Utilities	103,699	106,758
Goodwill allocated to Airport 20/20	2,900	2,900
Goodwill allocated to Blip Systems	-	8,292
Goodwill allocated to Evolve Analytics	-	16,484
Net book value	**106,599**	**134,434**

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

During the year goodwill was impaired for Utilities ($19.3m) and Blip Systems ($8.7m), refer to section 5.3 for further details.

5.3 IMPAIRMENT TESTING

IMPAIRMENT OF GOODWILL AND OTHER ASSETS

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments and the time value of money and the risks specific to the asset. Value in use is determined by discounting the future cash flows generated by each CGU. Cash flows were projected based on five-year business plans. The Weighted Average Cost of Capital (WACC) is based on CAPM methodology using market specific inputs. The WACC for each CGU is reviewed at least annually. The key assumptions are detailed in the table below.

Gentrack Group tests annually whether goodwill has suffered any impairment or more often as required, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value in use calculations. Preparing five-year forecasts in a COVID-19 environment has been a challenging task due to the uncertainty of the future. In preparing the five-year forecasts, management has reviewed the assumptions and weighed up the information available at the time to ensure the forecasts are appropriate given the CGU's position and the prevailing market conditions.

These calculations require the use of assumptions, the details of these assumptions and the potential impact of changes to the assumptions are presented below.

CASH GENERATING UNIT	2020 REVENUE GROWTH 2021 – 2025	WACC 2020	2019 REVENUE GROWTH 2020 – 2024	WACC 2019
Utilities	4% CAGR	9.8%	8% CAGR	8.7%
Airport 20/20	5% CAGR	10.1%	10% CAGR	8.8%

The terminal revenue growth rate for all CGU's is calculated based on the 2025 year and assumes a continuous growth of a minimum of projected inflation estimates of 1.75% (2019: 1.25%). These values assigned to the key assumptions represent management's assessments of future trends and are based on both external and internal sources.

IMPAIRMENT TESTING RESULTS

AIRPORT 2020

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

UTILITIES

In the Utilities CGU impairment test the carrying value exceeded the value in use by $19.3m, as such the Utilities CGU goodwill has been impaired by $19.3m and the carrying value following impairment is $137.8m. The Utilities CGU is being impaired because the expected revenue growth has not been delivered. The reduction in revenue growth is a result of a number of factors including; unpredictable market conditions (Brexit and COVID-19) and emergence of stronger competition with new market offerings in the UK energy market.

The business plan is under review by Gentrack Group's new CEO (Gary Miles) who joined Gentrack Group on 1 October 2020.

The carrying value, after the impairment of, $137.8m (value in use) remains sensitive to the future performance of the CGU. Management considers that based on the current customer revenue profile, sales opportunity pipeline and quality of prospects it is not appropriate to recognise any further impairment at this stage. However, if the expected future performance does not eventuate, there may be need for further impairment. Sensitivities are summarised below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

IMPAIRMENT TESTING RESULTS (CONTINUED)

UTILITIES (CONTINUED)

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

CASH GENERATING UNIT	RECOVERABLE AMOUNT	EBITDA +5%	EBITDA -5%	WACC +1%	WACC -1%
Utilities	137,848	7,192	(7,192)	(17,163)	22,129
Airport 20/20	4,857	463	(463)	(813)	1,046

Following the $19.3m impairment the Utilities CGU remains sensitive to WACC discount rate, EBITDA and terminal growth rate.

BLIP SYSTEMS – FULL IMPAIRMENT

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

In view of the recent performance and the uncertainties around future performance of Blip Systems in a COVID-19 environment, management considered a full impairment of the $10.7m carrying value of these acquired assets was appropriate to recognise at 31 March 2020. The $10.7m impairment includes $8.7m in goodwill and $2.0m of intangible assets.

Details of the impairment related amounts are included in section 5.2 and section 5.4.

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

5.4 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.

5.4 INTANGIBLE ASSETS (CONTINUED)

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.

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
- Capitalised development 5 years

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

2020	SOFTWARE NZ$000	CUSTOMER RELATIONSHIPS NZ$000	BRAND NAMES $000	TRADEMARKS NZ$000	CAPITALISED DEVELOPMENT NZ$000	TOTAL NZ$000
Opening balance	**31,413**	**15,718**	**5,024**	**621**	**7,706**	**60,482**
Additions	-	-	-	-	331	331
Amortisation	(4,861)	(2,473)	-	(169)	(1,562)	(9,065)
Impairment	(1,616)	(390)	-	-	(4,464)	(6,470)
Movement in foreign exchange	110	33	-	2	5	150
Closing net book value	**25,046**	**12,888**	**5,024**	**454**	**2,016**	**45,428**
Cost	44,945	24,129	5,024	839	2,726	77,663
Accumulated amortisation	(19,899)	(11,240)	-	(385)	(710)	(32,235)
Net book value	**25,046**	**12,888**	**5,024**	**454**	**2,016**	**45,428**

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

During the year capitalised development products have been impaired by $4.5m. These impairments related to the following products:

- GBERS (Great Britain Energy Retail System) $1.5m
- SGERS (Singapore Energy Retail System) $0.8m
- NZERS (New Zealand Energy Retail System) $0.1m
- AUWRS (Australia Water Retail System) $2.0m

These impairments have been made because of product rationalisation and delays in capturing additional customers and market share to support the full carrying value of the products. Apart from GBERS, all the products listed above continue to be used by active customers and there are either known future opportunities or the potential to market these products to customers in the future.

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

5.5 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	Term of lease

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.

2020	FURNITURE & EQUIPMENT NZ$000	COMPUTER EQUIPMENT NZ$000	LEASEHOLD IMPROVEMENTS NZ$000	TOTAL NZ$000
Opening balance	**969**	**849**	**1,635**	**3,453**
Additions	22	300	2	324
Depreciation	(197)	(556)	(185)	(938)
Disposals	-	(16)	-	(16)
Movement in foreign exchange	(6)	(55)	1	(60)
Net book value	**788**	**522**	**1,453**	**2,763**
Cost	2,097	3,918	2,087	8,103
Accumulated depreciation	(1,309)	(3,396)	(635)	(5,340)
Net book value	**788**	**522**	**1,453**	**2,763**

2019	FURNITURE & EQUIPMENT NZ$000	COMPUTER EQUIPMENT NZ$000	LEASEHOLD IMPROVEMENTS NZ$000	TOTAL NZ$000
Opening balance	**1,122**	**930**	**1,784**	**3,836**
Additions	66	547	44	657
Depreciation	(209)	(608)	(184)	(1,001)
Disposals	(2)	(21)	-	(23)
Movement in foreign exchange	(8)	1	(9)	(16)
Net book value	**969**	**849**	**1,635**	**3,453**
Cost	2,133	3,783	2,086	8,002
Accumulated depreciation	(1,164)	(2,934)	(451)	(4,549)
Net book value	**969**	**849**	**1,635**	**3,453**

5.6 TRADE PAYABLES AND ACCRUALS

Gentrack 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 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.

	2020 NZ$000	2019 NZ$000
Trade creditors	1,803	3,742
Sundry accruals	2,102	1,745
Total trade payables and accruals	**3,905**	**5,487**

5.7 EMPLOYEE ENTITLEMENTS

Liabilities for salaries and wages, 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.

	2020 NZ$000	2019 NZ$000
CURRENT		
Long service leave	611	635
Other short-term employee benefits	4,941	3,953
	5,552	**4,588**
NON-CURRENT		
Long service leave	428	411
Total employee entitlements	**5,980**	**4,999**

5.8 FINANCIAL LIABILITIES

The potential cash payments related to put options issued by Gentrack Group for the equity of acquired companies is accounted for as a financial liability. The amount that may become payable under the option on exercise is initially recognised at fair value. 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.

	2020 NZ$000	2019 NZ$000
CURRENT		
Put/Call option – Blip Systems	-	2,451
NON-CURRENT		
Put/Call option – Blip Systems	-	-
Total financial liabilities	**-**	**2,451**

In December 2019 Gentrack Group settled the call/put option related to the acquisition of Blip Systems with a payment of $2.5m. For more information on the Blip Systems acquisition and the option please refer to the 2018 Annual Report.

In May 2020, deferred consideration of €1 was paid in relation to acquiring the final 25% in CA Plus Limited. The acquisition of CA Plus Limited included $0.9m of trade payables which could be written off if the deferred consideration fell below a certain level. These trade payables were written off during the year resulting in a $0.9m credit in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

5.9 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.

5.10 PROVISIONS

Gentrack 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

6. CAPITAL STRUCTURE

This section outlines Gentrack Group's capital structure and details of share-based employee incentives which have an impact on Gentrack Group's equity.

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 Gentrack 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 Gentrack Group.

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.

6.1 CAPITAL MANAGEMENT

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

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

	SHARES ISSUED		SHARE CAPITAL	
	2020 000	2019 000	2020 NZ$000	2019 NZ$000
Ordinary shares	98,645	98,525	191,229	190,968
Issue of new ordinary shares	-	120	-	261
	98,645	**98,645**	**191,229**	**191,229**

6.2 SHARE-BASED PAYMENTS

Gentrack Group operates equity settled, share-based payments schemes under which it receives services from employees, as consideration for equity instruments of Gentrack Group. A valuation has been completed for each scheme at the grant date to estimate the fair value of the performance rights allocated. Management also make estimates about the number of performance rights that are expected to vest which determines the expense recorded in the statement of comprehensive income.

EQUITY SETTLED LONG TERM INCENTIVE SCHEME – EARNINGS PER SHARE CUMULATIVE AVERAGE GROWTH RATE (EPS CAGR)

During the year the Gentrack Group Board approved the fifth annual issue and two one-off issues of the equity settled long term incentive scheme first implemented in 2016 for selected key personnel. The scheme is intended to attract and reward key personnel to focus on long-term performance. The number of performance rights are allocated based on a percentage of salary or other such percentage and are calculated with reference to the 10-trading day volume weighted average price (VWAP) of shares traded on the NZX based on dates indicated in the issue documentation.

The two one-off issues during the year under this scheme include tenure only components which will vest based on the timelines included in the issue documentation.

The fair value of the performance rights is determined at the grant date using the Black Scholes valuation method. The fair value of the performance rights is recorded as an expense in the statement of comprehensive income over the vesting period, based on Gentrack Group's estimate of the number of performance rights that will vest, with a corresponding entry to the share-based payment reserve within equity. During the year ended 30 September 2020, $0.3m has been recognised in the statement of comprehensive income for that period (2019: $0.1m).

The number of performance rights subject to the EPS hurdle that will vest and be exercisable after three years depends on achievement of the EPS performance hurdle. The performance hurdle is that 50% of the EPS Performance Rights will vest if EPS CAGR of Gentrack Group over the three financial years is 7%, with the number of performance rights that vest increasing on a linear basis to 100% if EPS CAGR of 12% is achieved.

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

6.2 SHARE-BASED PAYMENTS (CONTINUED)

Details of the outstanding performance rights are detailed below:

2020 GRANT DATE	EXPIRY DATE	TOTAL VALUE OF GRANTED PERFORMANCE RIGHTS NZ$000	PERFORMANCE RIGHTS GRANTED 000
EPS SCHEMES 2017-2020			
1 October 2017	30 November 2020	318	55
1 October 2018	30 November 2021	411	86
1 October 2019	30 November 2022	1,055	217
1 April 2020	1 April 2023	1,364	1,026
1 August 2020	1 August 2021	28	24
Total EPS Schemes		**3,176**	**1,408**

2019 GRANT DATE	EXPIRY DATE	TOTAL VALUE OF GRANTED PERFORMANCE RIGHTS NZ$000	PERFORMANCE RIGHTS GRANTED 000
EPS SCHEMES 2016-2018			
1 October 2016	30 November 2019	214	76
1 October 2017	30 November 2020	449	78
1 October 2018	30 November 2021	542	114
Total EPS Schemes		**1,205**	**268**

Below is a summary of the performance rights, granted, exercised and forfeited during 2020 for the EPS schemes:

	2020		2019	
GRANT DATE	AVERAGE EXERCISE PRICE PER PERFORMANCE RIGHT	NUMBER OF PERFORMANCE RIGHTS 000	AVERAGE EXERCISE PRICE PER PERFORMANCE RIGHT	NUMBER OF PERFORMANCE RIGHTS 000
As at 1 October	$4.49	268	$3.25	306
Granted during the year	$1.93	1,267	$4.75	114
Exercised during the year	-	-	$2.18	(120)
Forfeited during the year	$3.78	(127)	$2.18	(32)
As at 30 September	**$2.25**	**1,408**	**$4.49**	**268**

6.3 DIVIDENDS

Details of the dividends paid during the year ended 30 September 2020 are provided below:

	CENTS PER SHARE		DIVIDENDS PAID	
	2020	**2019**	**2020 NZ$000**	**2019 NZ$000**
Final dividend paid	3.0c	8.7c	3,004	8,572
Interim dividend paid	-	5.0c	-	4,891
	3.0c	**13.5c**	**3,004**	**13,463**

6.4 EARNINGS PER SHARE

Gentrack 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.

	2020	**2019**
(Loss)/Profit attributable to the shareholders of the company	(31,706)	(3,315)
(Loss)/Profit attributable to the shareholders of the company adjusted for the effect of dilution	(31,706)	(3,315)
Basic weighted average number of ordinary shares issued	98,645	98,605
Shares deemed to be issued for no consideration in respect of share-based payments	1,408	267
Weighted average number of shares used in diluted earnings per share	100,053	98,872
Basic earnings per share	($0.32)	($0.03)
Diluted earnings per share	($0.32)	($0.03)

7. TAX

7.1 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.

	2020 NZ$000	2019 NZ$000
INCOME TAX EXPENSE COMPRISES		
Current tax expense	1,676	6,144
Deferred tax expense	(4,237)	(2,386)
Tax (benefit)/expense	**(2,561)**	**3,758**

RECONCILIATION OF INCOME TAX EXPENSE

The relationship between the expected income tax expense based on the domestic effective tax rate of Gentrack Group at 28% (2019: 28%) and the reported tax expense in the statement of comprehensive income can be reconciled as follows:

	2020 NZ$000	2019 NZ$000
(Loss)/Profit before tax	(34,267)	443
Taxable income	(34,267)	443
Domestic tax rate for Gentrack Group	28%	28%
Expected tax (benefit)/expense	**(9,595)**	**124**
Non-deductible expense	8,350	3,922
Foreign subsidiary company tax	1,009	(543)
Prior period adjustments	(2,325)	255
Actual tax (benefit)/expense	**(2,561)**	**3,758**

As at 30 September 2020 Gentrack Group has $8.7m (2019: $6.3m) of imputation credits available for use in subsequent reporting periods.

7.2 DEFERRED TAX ASSETS AND LIABILITIES

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 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.

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 Gentrack 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. Gentrack Group does not distribute non-cash assets as dividends to its shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

7.2 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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.

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. Management applies judgement when reviewing current business plans and forecasts to ascertain the likelihood of future taxable profits.

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, 17% for UK entities, 22% for Denmark entities and 35% for Malta entities.

Movement in temporary timing differences during the year:

2020	OPENING BALANCE NZ$000	TEMPORARY MOVEMENT RECOGNISED NZ$000	CURRENCY TRANSLATION NZ$000	CLOSING BALANCE NZ$000
Trade and other receivables	(68)	(15)	(1)	(84)
Intangible assets	(7,196)	2,303	(20)	(4,913)
Contract liabilities	661	202	8	871
Provisions	1,056	673	9	1,738
Losses carried forward	1,076	944	(4)	2,016
Other	(97)	130	(9)	24
Net deferred tax	**(4,568)**	**4,237**	**(17)**	**(348)**

2019	OPENING BALANCE NZ$000	TEMPORARY MOVEMENT RECOGNISED NZ$000	CURRENCY TRANSLATION NZ$000	CLOSING BALANCE NZ$000
Trade and other receivables	(197)	123	6	(68)
Intangible assets	(10,308)	2,948	164	(7,196)
Contract liabilities	701	(28)	(12)	661
Provisions	2,312	(1,216)	(40)	1,056
Losses carried forward	613	511	(48)	1,076
Other	(143)	48	(2)	(97)
Net deferred tax	**(7,022)**	**2,386**	**68**	**(4,568)**

8. FINANCIAL RISK MANAGEMENT

Gentrack Group is exposed to credit risk, liquidity risk and market risks which include foreign currency risk, commodity price risk and interest risk. This section details of each of these financial risks and how they are managed by Gentrack Group.

The Board of Directors has overall responsibility for the establishment and oversight of Gentrack Group's risk management framework. Gentrack Group's risk management policies are established to identify and analyse (amongst other risks) the financial risks faced by Gentrack 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 Gentrack Group's activities.

8.1 CREDIT RISK

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

Gentrack 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 Gentrack 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 Gentrack Group's trade receivables is represented by regular turnover of product and billing of customers based on the contractual payment terms.

Gentrack Group has an impairment provision that represents its estimate of future incurred losses in respect of trade and other receivables. The impairment provision consists of the expected credit loss provision in accordance with NZ IFRS 9 and a specific doubtful debt provision used where there is objective evidence that indicates a trade receivable is impaired.

The carrying amount of Gentrack Group's financial assets represents the maximum credit exposure as summarised in the table below:

	2020		2019	
	GROSS NZ$000	IMPAIRMENT PROVISION NZ$000	GROSS NZ$000	IMPAIRMENT PROVISION NZ$000
Current	8,513	(38)	12,848	(115)
Past due 1-60 days	3,214	(918)	3,248	(326)
Past due 61-120 days	356	(178)	2,842	(594)
Past due 121-180 days	806	(600)	746	(248)
Past due over 180 days	2,195	(2,116)	2,570	(1,585)
	15,084	**(3,850)**	**22,254**	**(2,868)**

Gentrack Group's trade receivables are not exposed to any significant credit exposure to any single counterparty or group of counterparties having similar characteristics. Trade receivables consist of a number of customers in various geographical areas. Based on historic information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

As at 30 September 2020 there are no significant concentrations of credit risk for financial assets designated as at amortised cost or at fair value. The carrying amount reflects Gentrack Group's maximum exposure to credit risk for these financial assets.

Judgement has been applied to the recovery of all trade receivables, with management confirming that all carrying amounts are deemed to be recoverable and not impaired.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are highly reputable financial intuitions with high quality external credit ratings.

8.2 MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect Gentrack 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

Gentrack Group is exposed to currency risk on transactions that are denominated in a currency other than the functional currency of Gentrack Group (NZD), primarily the following currencies Australian Dollar (AUD), Pound Sterling (GBP), EURO (EUR) and US Dollar (USD), and Danish Kroner (DKK).

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

2020	AUD NZ$000	GBP NZ$000	EUR NZ$000	USD NZ$000	DKK NZ$000
Cash and cash equivalents	5,634	10,675	70	1,029	96
Trade and other receivables	4,790	8,874	1,056	1,369	1,521
Trade and other payables	(218)	(1,479)	(507)	(1,768)	(103)
Bank loans	-	(2,536)	-	-	-
Net exposure	**10,206**	**15,534**	**619**	**630**	**1,514**

2019					
Cash and cash equivalents	1,309	3,903	112	425	208
Trade and other receivables	4,834	14,469	2,271	5,829	2,950
Trade and other payables	(397)	(1,384)	(1,874)	(1,539)	(402)
Financial liabilities	-	-	-	-	(2,451)
Net exposure	**5,746**	**16,988**	**509**	**4,715**	**305**

The following table summarises the sensitivity of profit or loss and equity with regards to Gentrack Group's financial assets and financial liabilities affected by AUD/NZD exchange rate, the GBP/NZD exchange rate, the EUR/NZD exchange rate, the USD/NZD exchange rate and the DKK/NZD exchange rate with all other aspects being equal. It assumes a +/-10% change in the NZD to the currency exchange rate for the year ended 30 September 2020 (2019: 10%). These +/-10% sensitivities have been determined based on the average market volatility in exchange rates in the preceding 12 months.

	PROFIT/EQUITY				
2020	**AUD NZ$000**	**GBP NZ$000**	**EUR NZ$000**	**USD NZ$000**	**DKK NZ$000**
10% strengthening in NZD	(928)	(1,412)	(56)	(57)	(138)
10% weakening in NZD	1,134	1,726	69	70	168

2019	PROFIT/EQUITY				
10% strengthening in NZD	(522)	(1,544)	(46)	(429)	(28)
10% weakening in NZD	638	1,888	57	524	34

Gentrack Group's exposure to foreign exchange rates varies during the year depending on the volume of foreign currency transactions. Even so, the analysis above is representative of Gentrack Group's exposure to market risk.

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

8.3 LIQUIDITY RISK

Liquidity risk is the risk that Gentrack Group will not be able to meet its financial obligations as and when they become due and payable. Gentrack 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 Gentrack Group's reputation.

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

The following table details Gentrack Group's contractual maturities of financial liabilities, as at the reporting date:

	ON DEMAND NZ$000	LESS THAN 3 MONTHS NZ$000	3 TO 12 MONTHS NZ$000	1 TO 5 YEARS NZ$000	>5 YEARS NZ$000	TOTAL NZ$000
2020						
Bank loan	-	-	2,536	-	-	2,536
Related party loan	-	-	-	-	-	-
Trade payables	-	1,803	-	-	-	1,803
Financial liabilities	-	-	-	-	-	-
	-	**1,803**	**2,536**	**-**	**-**	**4,339**
2019						
Bank loan	-	4,000	-	-	-	4,000
Related party loan	-	-	-	450	-	450
Trade payables	-	3,742	-	-	-	3,742
Financial liabilities	-	-	2,451	-	-	2,451
	-	**7,742**	**2,451**	**450**	**-**	**10,643**

8.4 INTEREST RATE RISK

Gentrack Group's interest rate risk primarily arises from short term bank borrowing, cash and advances from related parties. Borrowings and deposits at variable interest rates expose Gentrack Group to cash flow interest rate risk. Borrowings and deposits at fixed rates expose Gentrack Group to fair value interest rate risk.

The following tables detail the interest rate repricing profile and current interest rate of the interest-bearing financial assets and liabilities.

	EFFECTIVE INTEREST RATE NZ$000	FLOATING NZ$000	FIXED UP TO 3 MONTHS NZ$000	FIXED UP TO 6 MONTHS NZ$000	FIXED UP TO 5 YEARS NZ$000	TOTAL NZ$000
ASSETS						
Bank balances	-	19,320	-	-	-	19,320
LIABILITIES						
Bank loans	1.83%	(2,536)	-	-	-	(2,536)
Total exposure		**16,784**	**-**	**-**	**-**	**16,784**

	EFFECTIVE INTEREST RATE +1% NZ$000	EFFECTIVE INTEREST RATE -1% NZ$000
Bank balances	195	(195)
Bank loans	(74)	(21)
Total exposure	**121**	**(216)**

8.5 FINANCIAL INSTRUMENTS

Gentrack Group's financial assets are measured at amortised cost. Gentrack Group's financial assets are held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows and the financial asset gives rise to contractual cash flows on specified dates that are payments of principal and interest on the principal outstanding.

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

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

CASH AND CASH EQUIVALENTS

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

TRADE RECEIVABLES

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

TRADE PAYABLES

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

LOANS AND BORROWINGS

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

FAIR VALUES

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

- Level 1 – fair value measurements derived from quoted prices in active markets for identical assets.
- Level 2 – fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – fair value measurements derived from valuation techniques that include inputs for the asset or liability which are not based on observable market data.

There have been no transfers between levels or changes in the valuation methods used to determine the fair value of Gentrack Group's financial instruments during the period. As at 30 September 2020 Gentrack Group has nil of level 3 financial instruments. In 2019 Gentrack Group had $2.5m in level 3 financial instruments relating to a call/put option for the acquisition of Blip Systems, this financial instrument was contingent consideration and was settled in December (2019: $2.5m). Please Refer to note 33 of the 2018 Annual Report for further information on the Blip Systems acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

8.5 FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL INSTRUMENTS BY CATEGORY

	2020 NZ$000	2019 NZ$000
FINANCIAL ASSETS MEASURED AT AMORTISED COST		
Cash and cash equivalents	19,321	8,626
Trade and other receivables	18,951	31,279
	38,272	**39,905**
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Loans and borrowings	(2,536)	(4,450)
Trade payables	(1,803)	(3,742)
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE		
Financial liabilities	-	(2,451)
	(4,339)	**(10,643)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

9. OTHER INFORMATION

9.1 LEASE ASSETS AND LEASE LIABILITIES

RECOGNITION AND MEASUREMENT OF GENTRACK GROUP'S LEASING ACTIVITIES

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

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

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

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

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

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

Lease assets are measured at cost comprising the following:

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

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

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

LEASE ASSETS

	2020 NZ$000
Balance at 1 October 2019, due to first time adoption of NZ IFRS 16	12,671
Additions during the year	-
Depreciation charges	(2,350)
Exchange differences	17
Lease assets at 30 September	**10,338**
Property	10,302
Office equipment	36
Lease assets at 30 September	**10,338**

Office equipment includes Coffee Machines and Printer/Copiers.

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9.1 LEASE ASSETS AND LEASE LIABILITIES (CONTINUED)

LEASE LIABILITIES

	2020 NZ$000
Balance at 1 October 2019, due to first time adoption of NZ IFRS 16	17,620
Leases entered into during the period	-
Principal repayments	(2,457)
Exchange differences	(36)
Lease liabilities at 30 September	**15,127**
Less than one year	2,692
One to five years	5,229
More than five years	7,206
Lease liabilities at 30 September	**15,127**

LEASE EXPENSES

	2020 NZ$000
Depreciation charges	2,351
Finance charges	931
Lease expenses	**3,282**

9.2 AUDITORS REMUNERATION

	2020 NZ$000	2019 NZ$000
KPMG – audit fees	517	537
KPMG – review fees	116	43
KPMG – taxation services	221	177
Entrust – audit fees	6	7
Total fees paid to auditor(s)	**860**	**764**

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

9.3 KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

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

	2020 NZ$000	2019 NZ$000
Salaries, bonus and other benefits	4,157	3,466
Share based payments	-	261
Directors' fees	386	422
	4,543	**4,149**

Gentrack Group's Directors are also directors of other companies. During the year ended 30 September 2020 no transactions have occurred between Gentrack Group and any of these companies.

Some of the Directors and key management personnel are shareholders in Gentrack Group Limited. Gentrack Group does not transact with the Directors or key management personnel, and their related parties, other than in their capacity as Directors, consultants, and employees. Refer to note 2.4 for more information on other related parties.

9.4 OTHER DISCLOSURES

CAPITAL COMMITMENTS

There are no capital commitments at 30 September 2020 (2019: $Nil).

CONTINGENCIES

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

EVENTS AFTER BALANCE DATE

There were no material events after balance date.

On 25 November 2020, the Gentrack Group Board determined that no final dividend will be paid out for the 2020 financial year (2019: $3.0m).

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).

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 16 December 2020 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 and for managing any breaches of these standards. 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 & 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.

CORPORATE GOVERNANCE

COMPOSITION OF BOARD

As at 30 September 2020 the Board comprised five Directors, as follows:

- Fiona Oliver (Non-executive Acting Chair) – appointed February 2019
- Darc Rasmussen (Non-executive Director) – appointed December 2019
- Nick Luckock (Non-executive Director) – appointed February 2018
- Andy Coupe (Non-executive Director) – appointed April 2014
- Leigh Warren (Non-executive Director) – appointed May 2012

James Docking resigned as a Non-executive Director in December 2019, with Darc Rasmussen appointed in the same month by the Board. John Clifford resigned as Chairman in June 2020.

Gary Miles was appointed by the Board as Managing Director and Chief Executive Officer from 1 October 2020.

In addition, since 30 September 2020:

- Leigh Warren resigned as a Non-executive Director on 5 October 2020 and was replaced by Stewart Sherriff; and
- Andy Coupe resigned as a Non-executive Director on 2 November 2020 and was replaced by Andy Green.

Both Stewart and Andy were appointed by the Board.

Profiles of each current 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 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 Stewart Sherriff, Darc Rasmussen, Fiona Oliver and Andy Green are Independent Directors. Nick Luckock is not classed as an Independent Director because HgCapital (of which he is a Partner) controls Devaron (NZ) Limited, which is a substantial shareholder of the Company. Gary Miles is Managing Director and therefore is not classed as an Independent Director.

SELECTION AND ROLE OF CHAIR

The Chair of the Board is elected by the non-executive Directors. The Board supports the separation of the role of Chair and Chief Executive Officer. The Chair’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 held the role of Chairman from the start of the financial year until 15 June 2020, following which Fiona Oliver took over as Acting Chair. The Board has determined that John Clifford was not an Independent Director because he is a substantial shareholder in the Company. However, given the nature of the Company, John Clifford was 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. As noted above, the Board has determined that Fiona Oliver is an Independent Director.

Andy Green was appointed by the Board as Chair on 2 November 2020, taking over from Fiona Oliver who relinquished the Acting Chair role. As noted above, the Board has determined that Andy Green is an Independent Director. Andy brings transformation and technology leadership to the role of the Company Chair. In 2020 he was awarded Commander of the British Empire (CBE) for his contributions to the Information Technology and British Space Industries. His passion to transform the industry to support sustainable water and energy resources is further demonstrated by his roles as the Chair of WaterAid UK and as a UK National Infrastructure Commissioner. Andy spends his time in both Australia and the UK which contributes both a local presence and global perspective to the Company’s customers and shareholders.

CORPORATE GOVERNANCE

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.

Diversity and Inclusion Committees have been established in the Company and Committee members in New Zealand underwent Diversity and Inclusion training during FY20.

Flexible working and work from home arrangements have also been introduced and a number of initiatives have been held during the year to support diversity and inclusion, including a Diversity Week to celebrate diversity.

At 30 September 2020, the gender breakdown for the Company (and its wholly owned subsidiaries) was as follows:

	BOARD	SENIOR EXECUTIVES	ALL EMPLOYEES
FY20			
Female	1	1	123
Male	4	8	348
% Female	20%	11%	26%
FY19			
Female	1	1	137
Male	5	11	407
% Female	17%	8%	25%

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 eleven times per annum, in addition other board meetings are held as needed to deal with specific matters such as acquisition related activity. In the year ended 30 September 2020 there were thirteen Board meetings in total. 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 Chair of the relevant Committee.

CORPORATE GOVERNANCE

DIRECTOR	BOARD		AUDIT AND RISK COMMITTEE		NOMINATIONS AND REMUNERATION COMMITTEE	
	NO. OF MEETINGS	NO. ATTENDED	NO. OF MEETINGS	NO. ATTENDED	NO. OF MEETINGS	NO. ATTENDED
John Clifford[1]	13	7	7	5	2	1
James Docking[2]	13	1				
Darc Rasmussen[3]	13	11	7	2		
Andy Coupe	13	13	7	7		
Fiona Oliver	13	13	7	7	2	2
Leigh Warren	13	13			2	2
Nick Luckock	13	13				

[1] John Clifford resigned from the Board in June 2020.

[2] James Docking resigned from the Board in December 2019.

[3] Darc Rasmussen joined the Board in December 2019.

Membership of the Board Committees is set out below.

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 Chair, to seek independent professional advice at the Company's expense to assist them to carry 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 2020.

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 2020 was:

1. Audit and Risk Committee – Fiona Oliver, Andy Coupe (Acting Chair), Darc Rasmussen
2. Nominations and Remuneration Committee – Leigh Warren and Fiona Oliver (Chair).

All of the members of the above committees are independent directors. Management and other employees attend committee meetings at the invitation of the respective committee. Fiona Oliver chaired the Audit and Risk Committee up to John Clifford's resignation as Chairman in June 2020 when she became Acting Chair of the Board. Andy Coupe became Acting Chair of the Audit and Risk Committee at that point.

After the Director changes since 30 September 2020 that were referred to above, the members of the Audit and Risk Committee as at the date of this statement are:

- Fiona Oliver (Chair), Andy Green, Darc Rasmussen

CORPORATE GOVERNANCE

The members of the Nominations and Remuneration Committee as at the date of this statement are:

- Fiona Oliver (Chair), Stewart Sherriff and Nick Luckock.

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".

The Board finalised a Takeover Response Protocol in 2018. The Protocol outlines the procedures in the event the Company is subject to a takeover offer.

PRINCIPLE 4 – REPORTING & 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 additional non-financial reporting on environmental, social and governance factors other than as set out in this statement. The Company's UK business underwent a sustainability assessment via the EcoVadis platform in FY20. Key areas identified for improvement as a result of this exercise will be reviewed during FY21.

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 $386,000.

CEO REMUNERATION

Ian Black's salary was structured as follows:

Fixed base salary of $700,000 per annum, inclusive of Kiwisaver and reviewable at the Board's discretion each year.

Annual short term incentive payments of up to 30% of the fixed base salary. The actual short term incentive awarded (if any) was 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. No short term incentive paymenets were made during FY20.

The CEO participates in the Company's Long Term Incentive Scheme (LTI Scheme). During FY20 an additional 56,604 performance rights were issued to Ian Black under the LTI Scheme. 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. No performance rights vested durng FY20.

In addition, James Spence performed the role of Interim CEO from 15 June 2020 until 30 September 2020. In recognition of James' additional responsibilities during the interim period, he received 24,105 performance rights which vest in 12 months' time conditional on him not resigning prior to the vesting date.

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.

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.

CORPORATE GOVERNANCE

To support its commitment to Information Security Management, the Company is an ISO/EC 27001:2013 certified organisation for Cloud services it provides via Amazon Web Services. This certification will be extended to cover all of the Company's services and the process is expected to be completed in the first quarter of 2021. 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. In addition to the above, the Company maintains a SOC2 Type I Report for applicable Gentrack Cloud services. This report demonstrates how the Company achieves key compliance controls and objectives relevant to the Trust Services Categories (security and availability) as set forth by the American Institute of Certified Public Accountants. This is assessed by an independent third-party examination body as it relates to Gentrack Cloud services, as of 31 October 2020.

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 quarter.

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.

The Company does not have an internal audit function. The Audit and Risk Committee meets regularly to identify risks and determine how to mitigate these. The Company uses external contractors as required for specific audit reviews.

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. The external auditors also provided non-audit related services to the Company relating to local and international tax advisory and compliance. The Company does not have an internal audit function. Where required, such audit activity is conducted by third parties, not by the Company's external auditors.

PRINCIPLE 8 – SHAREHOLDER RIGHTS & 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 half-year update;
- 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 Chair, 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 Chair will provide an opportunity for shareholders to raise questions for their Board. The Chair 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. The following entries were made in the Interests Register for the period 1 October 2019 to 30 September 2020 and require disclosure:

- John Clifford advised that he had acquired a minor equity interest (indirect) in Ion Holdings Pty Limited via First Stirling Investments Pty Ltd. Ion Holdings Pty Limited is a Gentrack customer in Australia. The Board considered that this investment was not significant and noted that any potential conflict of interest would be managed using governance procedures in accordance with the Board Charter;
- Fiona Oliver advised that she had been appointed as a director of Augusta Capital Limited and subsidiary companies. Fiona resigned from those positions later in the period;
- Fiona Oliver advised that she had been appointed as a director of First Gas Limited and other First Gas group companies. First Gas is not a Gentrack customer; and
- Fiona Oliver advised that her term with the Inland Revenue Risk and Assurance Committee had ended.

SHARE DEALINGS OF DIRECTORS

There were no acquisitions or disposals of relevant interests in Gentrack shares by Directors during the year ended 30 September 2020.

SHAREHOLDINGS OF DIRECTORS AT 30 SEPTEMBER 2020

	TYPE OF HOLDING	**2020** RELEVANT INTEREST IN SHARES HELD	**2019** RELEVANT INTEREST IN SHARES HELD
Andy Coupe	Direct	24,444	24,444
Nick Luckock[1]	Beneficial Interest	11,191,471	11,191,471
Leigh Warren	Beneficial Interest	298,853	298,853

[1] Nick Luckock is a Partner of HgCapital. HgCapital controls Devaron (NZ) Limited, which is a substantial shareholder of the Company.

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 2020 are as follows:

	2020 FEES	**2019** FEES
John Clifford[1]	87,800	103,000
Andy Coupe	64,900	62,000
James Docking[2]	12,300	62,000
Nick Luckock[3]	20,700	62,000
Graham Shaw[4]	-	30,000
Leigh Warren	62,000	62,000
Fiona Oliver[5]	88,300	41,000
Darc Rasmussen[6]	49,800	-
	385,800	**422,000**

[1] John Clifford resigned as Executive Chair effective 15 June 2020.

[2] James Docking resigned as a non-executive Director effective 12 December 2019.

[3] Hg Capital agreed to suspend director fees in relation to Nick Luckock from February 2020 to February 2021.

[4] Graham Shaw resigned as a non-executive Director and Chair of the Audit and Risk Committee on 27 February 2019.

[5] Fiona Oliver was elected as a non-executive Director and Chair of the Audit and Risk Committee on 27 February 2019 and was Acting Chair of the Board from 15 June 2020 to 1 November 2020.

No directors received salaried remuneration in either 2019 or 2020.

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 2020 are set out in the table below:

DISCLOSURES

REMUNERATION	NUMBER OF EMPLOYEES
$100,001 – $110,000	35
$110,001 – $120,000	27
$120,001 – $130,000	29
$130,001 – $140,000	20
$140,001 – $150,000	13
$150,001 – $160,000	15
$160,001 – $170,000	10
$170,001 – $180,000	10
$180,001 – $190,000	8
$190,001 – $200,000	7
$200,001 – $210,000	5
$210,001 – $220,000	3
$220,001 – $230,000	6
$230,001 – $240,000	4
$240,001 – $250,000	2
$250,001 – $260,000	1
$260,001 – $270,000	3
$280,001 – $290,000	1
$290,001 – $300,000	3
$320,001 – $330,000	1
$350,001 – $360,000	1
$390,001 – $400,000	1
$530,001 – $540,000	1
$710,001 – $720,000	1

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

SIZE OF HOLDING	NUMBER OF HOLDERS	FULLY PAID ORDINARY SHARES NUMBER OF SHARES	% OF ISSUED CAPITAL
1 – 1,000	1,620	815,094	0.83
1,001 – 5,000	1,627	4,252,357	4.31
5,001 – 10,000	460	3,431,276	3.48
10,001 – 50,000	300	6,088,882	6.17
50,001 – 100,000	37	2,722,746	2.76
Greater than 100,000	38	81,334,474	82.45
TOTAL	**4,082**	**98,644,829**	**100**

DISCLOSURES

TWENTY LARGEST SHAREHOLDERS

The twenty largest shareholders of fully paid ordinary shares as at 2 December 2020 were:

NAME	NUMBER OF ORDINARY SHARES HELD	% OF ISSUED SHARE CAPITAL
National Nominees New Zealand Limited[1]	14,486,114	14.69
Devaron (NZ) Limited	11,191,471	11.35
Bnp Paribas Nominees NZ Limited[1]	10,286,262	10.43
Uplands Group Pty Limited	8,424,256	8.54
Jametti Limited	4,555,642	4.62
J P Morgan Nominees Australia Pty Limited	4,498,045	4.56
Nigel Peter Farley and Richard John Burrell	2,890,000	2.93
Custodial Services Limited	2,491,692	2.53
National Nominees Limited	2,356,734	2.39
Anacacia Pty Limited	2,178,420	2.21
Custodial Services Limited	2,356,734	1.75
Roy Desmond Grant and Nina Catherine Maria Grant and Adrienne Alexandra Wigmore	1,400,000	1.42
Terence De Montalt Maude and Wendy Fay Wood	1,333,000	1.35
New Zealand Depository Nominee	1,298,187	1.32
JPMORGAN Chase Bank[1]	1,190,022	1.21
Custodial Services Limited	1,147,054	1.16
Jcvc Pty Ltd	1,130,995	1.15
HSBC Nominees (New Zealand) Limited[1]	825,151	0.84
Custodial Services Limited	615,006	0.62
HSBC Custody Nominees (Australia) Limited	587,136	0.60
TOTAL	**74,611,461**	**75.67**

[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 75.67%.

DISCLOSURES

SUBSTANTIAL SHAREHOLDERS AS AT 30 SEPTEMBER 2020

According to notices given under the Financial Markets Conduct Act 2013 the following persons were Substantial Shareholders in Gentrack Group Limited at 30 September 2020 in respect of the number of voting securities set opposite their names.

NAME	NUMBER OF ORDINARY SHARES HELD	% OF ISSUED SHARE CAPITAL
National Nominees Ltd ACF Australian Ethical Investment Limited	11,720,054	11.88
Devaron (NZ) Limited	11,191,471	11.35
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	9.69
Swann Hill BV	9,533,201	9.66
Jametti Limited as trustees of the Fraxinus Aurea Trust	5,358,196	5.43
TOTAL	**47,358,173**	**48.01**

The total number of issued voting shares of Gentrack Group Limited at 30 September 2020 was 98,644,829. Voting at a meeting of the shareholders is via a poll. At the meeting, every shareholder present in person, or by representative has one vote for each fully paid ordinary share in the Company.

At 30 September 2020, there were 726 shareholders holding marketable parcels of less than $500.

SUBSIDIARY COMPANY DIRECTORS

The following people held office as Directors of subsidiary companies at 30 September 2020:

Gentrack Limited	Alastair James Spence, Jonathan Kershaw
Veovo Group Limited	Alastair James Spence, James Williamson
Gentrack Group Australia Pty Limited	Alastair James Spence, Mark Humphreys
Gentrack UK Limited	Alastair James Spence, Paul Muscat, Rosalynn Bartlett
Gentrack Holdings UK Limited	Alastair James Spence, Paul Muscat, Rosalynn Bartlett
Junifer Systems Limited (not trading)	Kenton Judson, Saul Nurtman
Gentrack (Singapore) Pte Ltd	Alastair James Spence, Jonathan Kershaw, K Kalaai Araasi Pillai
Veovo Holdings Denmark	Alastair James Spence, James Williamson
Veovo AS	Alastair James Spence, James Williamson
CA Plus Limited	James Williamson, Alastair James Spence
Evolve Analytics Limited (not trading)	Alastair James Spence, Rosalynn Bartlett
Evolve Parent Limited (not trading)	Alastair James Spence, Rosalynn Bartlett
Veovo Inc	Alastair James Spence, James Williamson
Veovo NZ Limited (trading from 1 October 2020)	Alastair James Spence, James Williamson
Veovo UK Limited (trading from 1 October 2020)	Alastair James Spence, Rosalynn Bartlett, James Williamson
Veovo IP Limited (trading from 1 October 2020)	Alastair James Spence, James Williamson

The following former Directors of the Company's subsidiaries ceased to hold office during the year:

John Clifford, Ian Black, Tim Bluett, Lars Tørholm, John de Giorgio, Alan Duggan.

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

DISCLOSURES

DONATIONS

The Company made donations of $2,270 during the year ended 30 September 2020.

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 2020. 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 virtually on 24 February 2021. A notice of Annual Meeting and Proxy Form will be circulated to shareholders in January 2021.

CORPORATE DIRECTORY

REGISTERED OFFICE

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Australia

NEW ZEALAND INCORPORATION NUMBER

3768390

AUSTRALIAN REGISTERED BODY NUMBER (ARBN)

169 195 751

DIRECTORS

Andy Green, Chair[1]
Andy Coupe[1]
John Clifford[2]
Fiona Oliver
Nick Luckock
Stewart Sherriff[3]
Leigh Warren[3]
Darc Rasmussen[4]
Gary Miles[5]

[1] Andy Coupe resigned as non-executive director on 2 November 2020. The Board appointed Andy Green as a non-executive Director and Chair on the same date.

[2] John Clifford resigned as Executive Chairman on 15 June 2020.

[3] Leigh Warren resigned as non-executive Director on 5 October 2020. The Board appointed Stewart Sherriff as non-executive Director effective from the same date.

[4] James Docking resigned as a non-executive Director on 12 December 2019 and was replaced by Darc Rasmussen on the same date. Darc was elected by shareholders at the Annual Meeting on 26 February 2019.

[5] Gary Miles was appointed by the Board as Managing Director and Chief Executive Officer from 1 October 2020.

COMPANY SECRETARY

Jon Kershaw

AUDITOR

KPMG

18 Viaduct Harbour Avenue, Auckland, 1140
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LEGAL ADVISERS

BELL GULLY

BANKERS

ASB BANK LIMITED

ANZ LIMITED

HSBC PLC

SHARE REGISTRAR

NEW ZEALAND

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