

***Gentrack***

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Gentrack Group Limited

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Interim Report

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For the Six Months Ended 31 March 2014

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# **GENTRACK GROUP INTERIM REPORT\_**



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## CHAIRMAN'S COMMENTARY

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On behalf of Gentrack Group I am pleased to release our Interim Report for the six month period ending 31 March 2014. These results reflect a solid start to the year, as we continue to deliver our specialist software to energy utilities, water companies and airports globally.

I welcome to the Gentrack community our newest customers who have joined in this period; Bristol Airport and LoCO2 Energy in the UK, and Cairns Airport in Australia.



**\$17.9m**

REVENUE  
> 2013 \$16.9m

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**\$5.5m**

EBITDA<sup>1</sup>  
> 2013 \$5.2m

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**\$2.4m**

NPAT<sup>2</sup> FOR PERIOD  
> 2013 \$2.0m

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**44%**

OF FULL YEAR  
REVENUE FORECAST  
> 2013 42%

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**30.6%**

EBITDA<sup>1</sup> MARGIN  
> 2013 30.5%

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<sup>1</sup> Underlying EBITDA, being earnings before net finance expense, income tax, depreciation, amortisation and non-operating costs.

<sup>2</sup> NPAT includes non-operating costs of \$300K relating to the IPO.

## COMMENTARY

Gentrack marked a steady start to the 2014 financial year, with first half revenues of \$17.9m, 5% up on the prior year (2013 \$16.9m). Gentrack has historically experienced a stronger second half trading in line with the timing of most utility and airports projects and this is forecast to continue in 2014. Revenue from Australia and the UK was impacted by the strengthening NZ dollar with the average NZD/AUD rate rising by 6.8% from 0.88 to 0.94 for the 6 month periods.

### A View of Revenue and Profitability

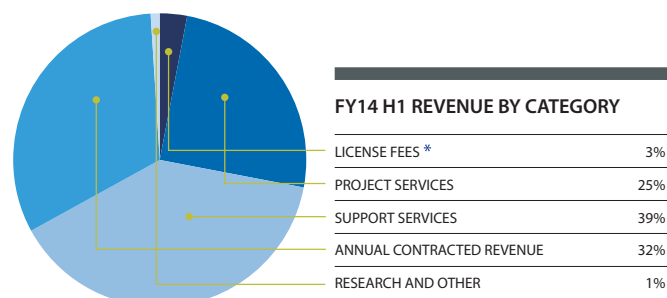
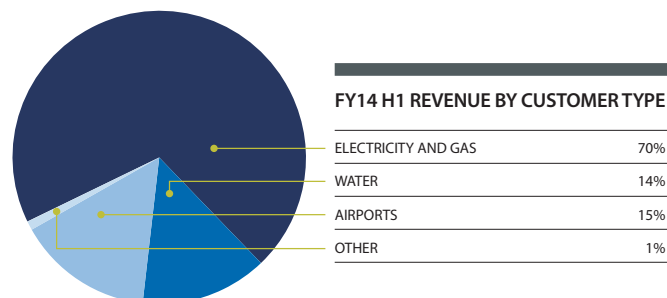
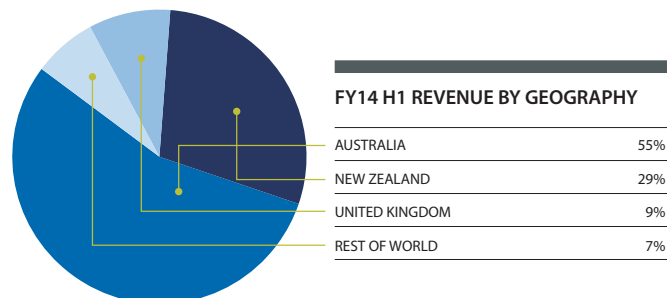
NZ\$000	6 mths to 31/3/2014 (unaudited)	6 mths to 31/3/2013 (unaudited)	12 mths to 30/9/2013 (audited)
Revenue	\$17,852	\$16,945	\$40,126
Progress %	44%	42%	
EBITDA <sup>1</sup>	\$5,468	\$5,166	\$14,248
NPAT	\$2,365	\$1,959	\$6,636

The airports segment made a strong start to the year reporting revenue growth for the 6 months of 44% to \$2.8m, while the utilities segment was flat on 2013 at \$15.1m. The utilities result reflects growth in the UK and Australia offsetting a decline in New Zealand due mainly to reduced services revenue from two New Zealand customers which underwent IPO's in the period.

NPAT for the period was \$2.4m, up 21% on 2013. A more consistent measure of performance, underlying EBITDA<sup>1</sup> was \$5.5m in the half year, also up 5.8% on prior year (2013 \$5.2m). This improvement came despite investment in expanding our UK office and team during the period.

<sup>1</sup> Underlying EBITDA, being earnings before net finance expense, income tax, depreciation, amortisation and non-operating costs.

## REVENUE BREAKDOWN



\* Licence fees are typically earned in the second half of the financial year.



## DIVIDENDS

Gentrack paid a pre-IPO dividend of \$6.2m on 12 March 2014, and expects to make a first dividend post IPO in December 2014.

## A PUBLIC LISTING FOR THE FUTURE

On 25 June 2014, Gentrack Group Limited listed on the mainboards of the NZX and ASX, further to a prospectus registered on 26 May 2014 (amended 4 June 2014). The prospectus contains prospective financial information for the full year to 30 September 2014, which is based on these interim results to 31 March 2014, with a forecast for the second half.

The public listing will provide a new level of transparency on ownership and financial strength that will reassure the larger utilities and airports around the world that now use or are considering using, Gentrack's software solutions.

## OUTLOOK

Gentrack has exciting growth opportunities to pursue in its core utilities and airports markets in Australia, New Zealand and the United Kingdom. The market opportunity for Gentrack Velocity and Airport 20/20 solutions is large and our continued growth is underpinned by attractive industry fundamentals, including on-going electricity, gas and water industry regulatory reform and innovations such as smart metering. Gentrack expects continued demand for its proven software as it provides delivery confidence and price certainty.

Gentrack has experienced several recent successes in the implementation of its growth strategy, particularly in Australia and the United Kingdom where we have

announced projects with Sydney International Airport, Cairns Airport, Sembcorp Bournemouth Water, Alinta Energy and LoCO2 Energy. These projects are currently being delivered from our offices in Auckland, Melbourne, Brisbane and London, and they are instrumental in enabling Gentrack to achieve its full year revenue targets from services, new licences and annual fees.

Gentrack has also identified and established relationships with a long list of prospective utilities and airport customers in core markets who we consider likely to be contemplating the replacement of their enterprise systems over the next three years. We continue to fund the development of these opportunities, through a strong R&D programme, and ongoing optimisation of specialist technical business resources to meet our objectives and vision for the business.

## ACKNOWLEDGEMENTS

I would like to take this opportunity to acknowledge the hard work, passion and commitment of the Gentrack team and thank them for the great work being done to develop and deliver our world class suite of enterprise solutions for utility and airport customers.

The Board and management are excited about the future for Gentrack and we extend our thanks to our Shareholders for their continued support.



John Clifford  
Chairman

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# INTERIM REPORT\_

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## STATEMENT OF COMPREHENSIVE INCOME\_

For the six months ended 31 March 2014

	Notes	6 months Unaudited Group 31 March 2014 \$000	6 months Unaudited Group 31 March 2013 \$000	12 months Audited Group 30 September 2013 \$000
Revenue	3	17,852	16,945	40,126
Expenditure	4	(12,384)	(11,779)	(25,878)
<b>Profit before depreciation, amortisation, non-operating costs, financing and tax</b>		<b>5,468</b>	<b>5,166</b>	<b>14,248</b>
Depreciation and amortisation		(1,125)	(1,015)	(2,207)
Non-operating costs	5	(312)	-	(170)
<b>Profit before financing and tax</b>		<b>4,031</b>	<b>4,151</b>	<b>11,871</b>
Finance income		9	4	94
Finance expense		(598)	(1,403)	(2,644)
<b>Net finance cost</b>		<b>(589)</b>	<b>(1,399)</b>	<b>(2,550)</b>
<b>Profit before tax</b>		<b>3,442</b>	<b>2,752</b>	<b>9,321</b>
Income tax expense		(1,077)	(793)	(2,685)
<b>Profit attributable to the shareholders of the company</b>		<b>2,365</b>	<b>1,959</b>	<b>6,636</b>
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations		(381)	56	229
<b>Total comprehensive income for the period</b>		<b>1,984</b>	<b>2,015</b>	<b>6,865</b>
<b>Earnings per share from total comprehensive income (expressed in dollars per share)</b>				
Basic and diluted earnings per share from total comprehensive income		\$0.12	\$0.10	\$0.35

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



## STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	6 months Unaudited Group 31 March 2014 \$000	6 months Unaudited Group 31 March 2013 \$000	12 months Audited Group 30 September 2013 \$000
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		3,221	1,688	143
Trade and other receivables	6	7,843	8,460	11,196
<b>Total Current Assets</b>		<b>11,064</b>	<b>10,148</b>	<b>11,339</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		620	511	700
Goodwill		40,277	40,277	40,277
Intangibles		21,239	23,174	22,275
<b>Total Non-Current Assets</b>		<b>62,136</b>	<b>63,962</b>	<b>63,252</b>
<b>TOTAL ASSETS</b>		<b>73,200</b>	<b>74,110</b>	<b>74,591</b>
<b>CURRENT LIABILITIES</b>				
Trade payables and accruals	7	(2,332)	(2,061)	(1,972)
Deferred revenues		(2,172)	(2,300)	(2,944)
GST payable		(280)	(340)	(351)
Employee entitlements		(1,106)	(948)	(1,164)
Income tax payable		(622)	(7)	(1,923)
Derivative financial liabilities		(127)	(162)	(111)
Borrowings		(5,038)	(4,585)	(4,585)
<b>Total Current Liabilities</b>		<b>(11,677)</b>	<b>(10,403)</b>	<b>(13,050)</b>
<b>NON-CURRENT LIABILITIES</b>				
Employee entitlements		(154)	(196)	(242)
Borrowings		(28,562)	(30,610)	(24,030)
Deferred tax liabilities		(3,160)	(3,934)	(3,452)
<b>Total Non-Current Liabilities</b>		<b>(31,876)</b>	<b>(34,740)</b>	<b>(27,724)</b>
<b>TOTAL LIABILITIES</b>		<b>(43,553)</b>	<b>(45,143)</b>	<b>(40,774)</b>
<b>NET ASSETS</b>		<b>29,647</b>	<b>28,967</b>	<b>33,817</b>
<b>EQUITY</b>				
Share capital		25,398	25,398	25,398
Retained earnings		4,162	3,274	7,951
Reserves		87	295	468
<b>TOTAL EQUITY</b>		<b>29,647</b>	<b>28,967</b>	<b>33,817</b>

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

## STATEMENT OF CHANGES IN EQUITY\_

For the six months ended 31 March 2014

Group (unaudited to 31 March 2014)	Notes	Share Capital \$000	Retained Earnings \$000	Translation Reserve \$000	Total Equity \$000
<b>Balance as at 1 October 2013</b>		25,398	7,951	468	33,817
Profit after tax for the period		-	2,365	-	2,365
Other comprehensive income		-	-	(381)	(381)
<b>Total comprehensive Income/(loss) for the period, net of tax</b>		-	<b>2,365</b>	<b>(381)</b>	<b>1,984</b>
Transactions with owners:					
Dividend paid		-	(6,154)	-	(6,154)
<b>Balance at 31 March 2014</b>		<b>25,398</b>	<b>4,162</b>	<b>87</b>	<b>29,647</b>

Group (unaudited to 31 March 2013)	Notes	Share Capital \$000	Retained Earnings \$000	Translation Reserve \$000	Total Equity \$000
<b>Balance as at 1 October 2012</b>		25,398	1,315	239	26,952
Profit after tax for the period		-	1,959	-	1,959
Other comprehensive income		-	-	56	56
<b>Total comprehensive Income for the period, net of tax</b>		-	<b>1,959</b>	<b>56</b>	<b>2,015</b>
Transactions with owners:					
Issue of capital		-	-	-	-
<b>Balance at 31 March 2013</b>		<b>25,398</b>	<b>3,274</b>	<b>295</b>	<b>28,967</b>

Group (audited to 30 September 2013)	Notes	Share Capital \$000	Retained Earnings \$000	Translation Reserve \$000	Total Equity \$000
<b>Balance as at 1 October 2012</b>		25,398	1,315	239	26,952
Profit after tax for the period		-	6,636	-	6,636
Other comprehensive income		-	-	229	229
<b>Total comprehensive Income for the period, net of tax</b>		-	<b>6,636</b>	<b>229</b>	<b>6,865</b>
<b>Balance at 30 September 2013</b>		<b>25,398</b>	<b>7,951</b>	<b>468</b>	<b>33,817</b>

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

## STATEMENT OF CASH FLOWS

For the six months ended 31 March 2014

	Notes	6 months Unaudited Group 31 March 2014 \$000	6 months Unaudited Group 31 March 2013 \$000	12 months Audited Group 30 September 2013 \$000
<b>Cash flows from operating activities</b>				
Receipts from customers		20,433	19,012	40,101
Payments to suppliers and employees		(12,554)	(12,032)	(26,119)
Income tax paid		(2,671)	(1,946)	(2,404)
<b>Net cash inflow from operating activities</b>	<b>11</b>	<b>5,208</b>	<b>5,034</b>	<b>11,578</b>
<b>Cash flows from investing activities</b>				
Property, plant and equipment		(7)	22	(460)
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(7)</b>	<b>22</b>	<b>(460)</b>
<b>Cash flows from financing activities</b>				
Net interest paid		(953)	(1,259)	(2,287)
Increase in/(repayment of) borrowings		4,984	(2,501)	(9,080)
Dividends paid		(6,154)	-	-
<b>Net cash outflow from financing activities</b>		<b>(2,123)</b>	<b>(3,760)</b>	<b>(11,367)</b>
<b>Net increase/(decrease) in cash held</b>		<b>3,078</b>	<b>1,296</b>	<b>(249)</b>
<b>Cash at beginning of the financial period</b>		<b>143</b>	<b>392</b>	<b>392</b>
<b>Closing cash and cash equivalents</b>		<b>3,221</b>	<b>1,688</b>	<b>143</b>

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

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS\_

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For the six months ended 31 March 2014

### NOTE 1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed interim financial statements of Gentrack Group Limited (the Company) and its subsidiaries (together “the Group”) have been prepared in accordance with the New Zealand equivalent of IAS34: Interim Financial Reporting and New Zealand Generally Accepted Accounting Practice (“NZ GAAP”).

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

These unaudited consolidated condensed interim financial statements of the Group for the six months ended 31 March 2014 have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group’s Annual Report for the year ended 30 September 2013.

The same significant judgements, estimates and assumptions included in the notes to the financial statements in the Group’s Annual Report for the year ended 30 September 2013 have been applied to these consolidated condensed interim financial statements.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 March 2014

### NOTE 2 OPERATING SEGMENTS

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

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

	Utility \$000	Airport \$000	Total \$000
<b>Group – For the six months ended 31 March 2014 (unaudited)</b>			
External Revenue	15,103	2,749	17,852
Total external expenditure	(10,480)	(1,904)	(12,384)
<b>Segment contribution</b>	<b>4,623</b>	<b>845</b>	<b>5,468</b>
Depreciation and amortisation	-	-	(1,125)
Non-operating costs	-	-	(312)
Finance income	-	-	9
Finance expense	-	-	(598)
Income tax expense	-	-	(1,077)
<b>Profit attributable to the shareholders of the company</b>	<b>-</b>	<b>-</b>	<b>2,365</b>
<b>Group – For the six months ended 31 March 2013 (unaudited)</b>			
External Revenue	15,037	1,908	16,945
Total external expenditure	(10,025)	(1,754)	(11,779)
<b>Segment contribution</b>	<b>5,012</b>	<b>154</b>	<b>5,166</b>
Depreciation and amortisation	-	-	(1,015)
Non-operating costs	-	-	-
Finance income	-	-	4
Finance expense	-	-	(1,403)
Income tax expense	-	-	(793)
<b>Profit attributable to the shareholders of the company</b>	<b>-</b>	<b>-</b>	<b>1,959</b>
<b>Group – For the year ended 30 September 2013 (audited)</b>			
External Revenue	36,005	4,121	40,126
Total external expenditure	(22,430)	(3,448)	(25,878)
<b>Segment contribution</b>	<b>13,575</b>	<b>673</b>	<b>14,248</b>
Depreciation and amortisation	-	-	(2,207)
Non-operating costs	-	-	(170)
Finance income	-	-	94
Finance expense	-	-	(2,644)
Income tax expense	-	-	(2,685)
<b>Profit attributable to the shareholders of the company</b>	<b>-</b>	<b>-</b>	<b>6,636</b>
	Unaudited 31 March 2014 \$000	Unaudited 31 March 2013 \$000	Audited 30 September 2013 \$000
<b>Revenue by domicile of entity</b>			
Australia	8,905	8,692	20,643
New Zealand	8,947	8,253	19,483
	<b>17,852</b>	<b>16,945</b>	<b>40,126</b>
<b>Revenue by domicile of customer</b>			
Australia	9,837	8,772	21,274
New Zealand	5,134	5,599	12,987
United Kingdom	1,666	1,453	2,946
Rest of world	1,215	1,121	2,919
	<b>17,852</b>	<b>16,945</b>	<b>40,126</b>



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 March 2014

### NOTE 3 REVENUE

	Unaudited 31 March 2014 \$000	Unaudited 31 March 2013 \$000	Audited 30 September 2013 \$000
<b>Operating Revenue:</b>			
Recurring	5,765	5,684	11,062
Non-recurring	564	578	3,790
Professional services	11,383	10,523	24,834
	<b>17,712</b>	<b>16,785</b>	<b>39,686</b>
<b>Other Income:</b>			
Government grants	140	160	440
	<b>17,852</b>	<b>16,945</b>	<b>40,126</b>

### NOTE 4 EXPENDITURE

	Unaudited 31 March 2014 \$000	Unaudited 31 March 2013 \$000	Audited 30 September 2013 \$000
Profit before income tax includes the following specific expenses:			
<b>Employee Costs</b>			
Wages and salaries	8,565	7,916	16,088
Defined contribution plan contributions	283	228	512
<b>Auditors' Remuneration</b>			
KPMG – audit fees	58	57	115
KPMG – tax services	7	7	15
<b>Other expenses</b>			
Rental and operating lease costs	752	684	1,279
Loss on disposal of fixed assets	-	-	2
Doubtful debts	57	-	(98)
Advertising and marketing	230	242	563
Communication costs	201	176	169
Consultancy	131	132	619
Contractors	455	445	1,326
Staff recruitment	58	91	291
Travel related	444	548	1,319
Other operating expenses	1,143	1,253	3,678
<b>Total expenditure</b>	<b>12,384</b>	<b>11,779</b>	<b>25,878</b>

#### Research and development expenses

Total expenditure on research and development	1,151	816	2,528
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Research and development expense includes a portion of employee costs shown above, directly attributable to research and development activities.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS\_

For the six months ended 31 March 2014

### NOTE 5 NON OPERATING COSTS

	Unaudited 31 March 2014 \$000	Unaudited 31 March 2013 \$000	Audited 30 September 2013 \$000
Subsidiary ownership change costs	12	-	170
IPO costs	300	-	-
	<b>312</b>	-	<b>170</b>

Advisor costs of \$12k (30 September 2013: \$170k) were incurred in the transfer of ownership of the subsidiary company Talgentra New Zealand Holdings Limited from its Australian Parent to Gentrack Group Limited. In connection with the IPO, costs of \$300k had been incurred by 31 March 2014 in respect of advisers fees.

### NOTE 6 TRADE AND OTHER RECEIVABLES

	Unaudited 31 March 2014 \$000	Unaudited 31 March 2013 \$000	Audited 30 September 2013 \$000
Trade debtors	5,996	5,180	7,323
Provision for doubtful debts	(57)	-	-
Provision for warranty claims	(15)	(15)	(29)
Work in progress/accrued revenue	1,021	2,062	2,761
Sundry receivables and prepayments	898	1,233	1,141
	<b>7,843</b>	<b>8,460</b>	<b>11,196</b>

### NOTE 7 TRADE PAYABLES AND ACCRUALS

	Unaudited 31 March 2014 \$000	Unaudited 31 March 2013 \$000	Audited 30 September 2013 \$000
Trade creditors	447	654	328
Sundry accruals	1,885	1,407	1,644
	<b>2,322</b>	<b>2,061</b>	<b>1,972</b>

### NOTE 8 RELATED PARTIES

#### Identity of related parties

The group has related party relationships with its subsidiaries. The related party transactions primarily consist of the purchase and sale of software products, provision of technical support, loan advances and repayments, consultancy services and management charges on commercial terms.

Key management personnel comprise members of the executive team and directors. Key management personnel compensation comprised \$1,431k for the period.

### NOTE 9 CAPITAL COMMITMENTS

The capital expenditure commitments as at 31 March 2014 are \$nil (30 September 2013 and 31 March 2013: \$nil).



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 March 2014

### NOTE 10 EVENTS AFTER THE BALANCE DATE

#### Issue of Shares and listing on New Zealand Stock Exchange and Australian Stock Exchange

On 24 June 2014, Gentrack Group Limited received gross proceeds of \$36.0 million from the allotment of 15.0 million new ordinary shares at an issue price NZ\$2.40 (AUD\$2.19) per share, offered under the Investment Statement and Prospectus dated 4 June 2014 for the Initial Public Share Offering (IPO) of ordinary shares in Gentrack Group Limited.

On 25 June 2014 Gentrack Group Limited listed on the New Zealand Stock Exchange and the Australian Stock Exchange.

The company will use part of the proceeds of the listing to repay outstanding bank debt of \$33.1m.

### NOTE 11 RECONCILIATION OF OPERATING CASH FLOWS

	Unaudited 31 March 2014 \$000	Unaudited 31 March 2013 \$000	Audited 30 September 2013 \$000
Profit after tax	2,365	1,959	6,636
<b>Add/(less) non-cash items</b>			
Deferred tax	(293)	(709)	(1,191)
Other non-cash expenses/(income)	(367)	115	237
Depreciation and amortisation	1,125	1,015	2,207
	<b>2,830</b>	<b>2,380</b>	<b>7,889</b>
<b>Add/(less) movements in other working capital items:</b>			
Increase/(decrease) in tax payable	(1,301)	(444)	1,472
Decrease in trade and other receivables	3,353	3,021	284
Increase/(decrease) in GST receivable	(71)	(4)	7
Decrease in deferred revenue	(773)	(954)	(310)
Increase/(decrease) in employee entitlements	(144)	(72)	190
Increase/(decrease) in trade payables and accruals	361	(153)	(243)
	<b>4,255</b>	<b>3,774</b>	<b>9,289</b>
<b>Items classified as investing activity</b>			
Net finance income	953	1,260	2,287
Loss on disposal of property, plant and equipment	-	-	2
<b>Net cash inflow from operating activities</b>	<b>5,208</b>	<b>5,034</b>	<b>11,578</b>



## COMPANY DIRECTORY\_

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REGISTERED OFFICE	25 College Hill, Auckland, 1011 PO Box 3288, Auckland 1140 New Zealand  Level 9, 390 St Kilda Road Melbourne, VIC 3004 Australia
NEW ZEALAND COMPANY NUMBER	376 8390
AUSTRALIAN REGISTERED BODY NUMBER (ARBN)	169 195 751
DIRECTORS	John Clifford, Chairman Andy Coupe James Docking Graham Shaw Leigh Warren
AUDITOR	KPMG
LEGAL ADVISORS	Bell Gully Kensington Swan
BANKERS	ANZ Limited Barclays PLC
SHARE REGISTRAR	<b>New Zealand</b> Link Market Services Limited Level 7, Zurich House, 21 Queen Street, Auckland 1010 PO Box 91 976, Auckland 1142 Ph: +64 9 375 5998 Fax: +64 9 375 5990 Email: enquiries@linkmarketservices.com  <b>Australia</b> Link Market Services Limited Level 12, 680 George Street, Sydney, NSW 2000 Locked Bag A14, Sydney South, NSW 1235 Ph: +61 1300 554 474 Fax: +61 2 9287 0303 Email: enquiries@linkmarketservices.com



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***Gentrack***