Gentrack Pty Ltd

ACN 003 738 449

Annual financial report

for the year ended 30 September 2012

Gentrack Pty Ltd

Contents

Gentrack Pty Ltd
Directors' report

For the year ended 30 September 2012

The directors present their report together with the financial report of Gentrack Pty Limited ("the Company") for the financial year ended 30 September 2012 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Name	***Appointment***
RD Grant	Director since 30 April 2004
JE Docking	Director since 04 December 2007
JP Clifford	Director since 04 December 2007

2. Principal activities

The principal activities of the Company during the course of the financial year were the provision of utility billing and customer management software solutions.

There were no significant changes in the nature of the activity of the Company during the year.

The Company has its registered office at Level 9, 390 St Kilda Road, St Kilda, Melbourne, VIC 3004.

3. Operating and financial review

Overview of the Company

The Company's profit after income tax for the year ended 30 September 2012 was $705,865 (2011: $913,081).

The Company provides software solutions predominantly to customers operating in the utility market.

4. Dividends

There were no dividends declared or paid during the year.

5. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

6. Likely developments

Information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

7. Significant changes in the state of affairs

In the opinion of the directors of the Company, there were no significant changes in the state of affairs of the Company, which occurred during the financial year under review, other than a change in the Company's ultimate ownership, whereby Gentrack Group Ltd became the Company's ultimate parent entity on 15 May 2012.

8. Indemnification and Insurance of officers and auditors

Indemnification

Since the end of the financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

8. Indemnification and insurance of officers and auditors (continued)

Insurance premiums

During the financial year, a related entity has paid premiums on behalf of the Company in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 September 2012 and since the financial year, the parent entity has paid or agreed to pay on behalf of the Company, premiums in respect of such insurance contracts for the year ending 30 September 2013. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or officers of the Company.

The insurance policies prohibit disclosure of the premiums paid in respect of those policies and the nature of the liabilities insured by the policies.

9. Environmental regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

10. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 26 and forms part of the directors' report for the financial year ended 30 September 2012.

This report is made with a resolution of the directors:

RD Grant
Director

Dated at Melbourne this 12th day of September 2013

Gentrack Pty Ltd

Statement of comprehensive income

For the year ended 30 September 2012

	Note	**2012** **$**	**2011** **$**
Revenue	*5*	13,819,503	11,620,028
Cost of sales – rendering of services		(7,260,800)	(6,491,562)
– product licencing		(2,856,953)	(2,048,377)
		(10,117,753)	(8,539,939)
Gross profit		3,701,750	3,080,089
Administrative expenses		(1,644,427)	(1,261,952)
Sales and marketing expenses		(1,060,291)	(848,838)
Results from operating activities		997,032	969,299
Finance income	*6*	966,757	946,696
Finance costs	*6*	(639,774)	(565,544)
Net finance income		326,983	381,152
Profit before income tax		1,324,015	1,350, 451
Income tax expense	*7*	(618,150)	(437,370)
Profit for the year		705,865	913,081
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		705,865	913,081

The notes on pages 9 to 22 are an integral part of these financial statements.

Gentrack Pty Ltd

Statement of changes in equity

For the year ended 30 September 2012

	Share capital $	Retained earnings $	Total equity $
Balance at 1 October 2010	300,000	3,543,361	3,843,361
Total comprehensive income for the year			
Profit	-	913,081	913,081
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	913,081	913,081
Transactions with owners of the Company, recognised directly in equity			
Dividends to owners of the Company	-	-	-
Total transactions with owners	-	-	-
Balance at 30 September 2011	300,000	4,456,442	4,756,442
Balance at 1 October 2011	300,000	4,456,442	4,756,442
Total comprehensive income for the year			
Profit	-	705,865	705,865
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	705,865	705,865
Transactions with owners of the Company, recognised directly in equity			
Dividends to owners of the Company	-	-	-
Total transactions with owners	-	-	-
Balance at 30 September 2012	300,000	5,162,307	5,462,307

The amounts are stated net of tax.

The notes on page 9 to 22 are an integral part of these financial statements.

Gentrack Pty Ltd
Statement of financial position
As at 30 September 2012

	Note	2012 $	2011 $
Assets			
Cash and cash equivalents	9	327,176	1,085,593
Trade and other receivables	10	3,102,834	5,445,186
Unbilled revenues	11	1,990,834	1,459,411
Total current assets		5,420,844	7,990,190
Related party receivables	10	4,697,389	11,352,376
Deferred tax assets	12	-	215,068
Plant and equipment	13	69,474	72,636
Total non-current assets		4,766,863	11,640,080
Total assets		10,187,707	19,630,270
Liabilities			
Trade, related parties and other payables	14	4,392,603	6,298,898
Employee benefits	16	204,513	166,003
Total current liabilities		4,597,116	6,464,901
Loans and borrowings	15	63,664	8,378,819
Employee benefits	16	44,562	30,108
Deferred tax liabilities	12	20,058	-
Total non-current liabilities		128,284	8,408,927
Total liabilities		4,725,400	14,873,828
Net assets		5,462,307	4,756,442
Equity			
Share capital	17	300,000	300,000
Retained earnings		5,162,307	4,456,442
Total equity		5,462,307	4,756,442

The notes on pages 9 to 22 are an integral part of these financial statements.

Gentrack Pty Ltd
Statement of cash flows
For the year ended 30 September 2012

	Note	2012	2011
		$	$
Cash flows from operating activities			
Cash received from customers		14,410,209	11,687,231
Cash paid to suppliers and employees		(13,900,082)	(12,278,341)
Cash generated from operations		510,127	(591,110)
Interest received from related parties		925,545	-
Interest received	6	12,211	21,151
Interest paid		(386,588)	(157,688)
Income tax paid- including tax related payments		(127,078)	(295,318)
Net cash (used in)/ from operating activities	19	934,217	(1,022,965)
Cash flows from investing activities			
Loans to related parties		-	(6,023,138)
Repayment of loans provided to related parties		6,654,986	-
Acquisition of plant and equipment	13	(32,465)	(42,511)
Net cash from/(used in) investing activities		6,622,521	(6,065,649)
Cash flows from financing activities			
Loans from related parties		-	6,501,156
Repayment of loans from related parties		(8,315,155)	-
Net cash (used in)/ from financing activities		(8,315,155)	6,501,156
Net (decrease)/increase in cash and cash equivalents		(758,417)	(587,458)
Cash and cash equivalents at 1 October		1,085,593	1,673,051
Cash and cash equivalents at 30 September	9	327,176	1,085,593

The notes on pages 9 to 22 are an integral part of these financial statements.

1. Reporting entity

Gentrack Pty Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 9, 390 St Kilda Road, St Kilda, Melbourne, VIC 3004. The Company is a for-profit entity and primarily involved in the provision of utility billing and customer management software solutions. The ultimate parent entity is Gentrack Group Ltd, a company incorporated in New Zealand.

In the opinion of the directors, the Company is not a reporting entity. The financial report of the Company has been drawn up as a special purpose financial report for distribution to the members and for the purpose of fulfilling the requirements of the Corporations Act 2001.

2. Basis of preparation

(a) Statement of compliance

The special purpose financial report has been prepared in accordance with the requirements of the Corporations Act 2001 and the recognition, measurement and classification aspects of all applicable Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB").

The financial report does not include the disclosure requirements of the following pronouncements having a material effect:

- AASB 7 Financial Instruments: Disclosures
- AASB 112 Income Taxes
- AASB 118 Revenue
- AASB 124 Related Party Disclosures
- AASB 136 Impairment of Assets

The financial statements were approved by the Board of Directors on 12 September 2013.

(b) Basis of measurement

The financial report is prepared on the historical cost basis. The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3. Significant accounting policies (continued)

(a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised on profit or loss.

(b) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: cash and cash equivalents, trade and other receivables and loans and borrowings.

Loans and receivables

Loans and receivables are financial assets with a fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables and loans and borrowings.

Cash and cash equivalents comprise bank balances with original maturities of 3 months or less and cash on hand. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as components of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following non-derivative financial liabilities: trade and other payables and loans and borrowings.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any related tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- cost of materials and direct labour
- any other costs directly attributable to bringing the assets to a working condition for their intended use
- the costs of dismantling and removing the items and restoring the site on which they are located
- capitalised borrowing costs

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by end of the lease term.

The estimated useful life for the current and comparative periods is as follows:

- Plant and equipment 3 - 7 years

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

(d) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases. The leased assets are not recognised on the Company's statement of financial position.

3. Significant accounting policies (continued)

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more event that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Financial assets carried at amortised cost

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of the impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash in flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). The goodwill acquired in a business combination, for the purpose of the impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

3. Significant accounting policies (continued)
(f) Impairment (continued)
(ii) Non-financial assets (continued)
Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits
(i) Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long term employee benefits
The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations.

(iii) Short-term benefits
Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax. These are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Termination benefits
Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(h) Revenue
Revenues are recognised at the fair value of the consideration received, net of goods and services tax (GST). Sales revenue comprises revenue earned from the provision of goods and services to entities outside of the Company.

Sale of goods
Revenue from the sale of goods is measured at the fair value of consideration received or receivable, (net of returns, discounts and allowances) when control of the goods passes to the customer.

3. Significant accounting policies (continued)

(h) Revenue (continued)

Licence fee revenue

Initial licence fees for new customers are recognised in full on installation of the software provided the customer is committed to pay on installation. Initial licence fees for existing customers are recognised in full on signing of the contract where there are minimal or no services required. Annual licence fees are recognised evenly over the licence period.

Rendering of services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Unbilled income earned is recognised as "unbilled revenues".

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of that specified asset or assets; and
- the arrangement contains a right to use the asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

(j) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis, and are recorded as either finance income (net foreign currency gains) or finance expense (net foreign currency losses).

(k) Tax

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit and loss except to the extent that it relates to a business combination, or items recognised directly in equity, or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

3. Significant accounting policies (continued)

(k) Tax (continued)

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(i) Tax consolidation

The Company is a subsidiary in a tax – consolidated group with effect from 4 December 2007. The head entity within the tax-consolidated group was Talgentra Pacific Group Pty Ltd. With effect from 15 May 2012, the head entity within the tax-consolidated group is Gentrack Group Australia Pty Ltd.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax – consolidated group are recognised in the separate financial statements of the members of the tax – consolidated group using the "group allocation" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the Company is assumed by the head entity in the tax – consolidated group and are recognised as amounts payable (receivable) to/(from) other entities in the tax – consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax – consolidated group to the extent that it is probable that future taxable profits of the tax – consolidated group will be available against which the asset can be utilised.

The Company assesses the recovery of its unused tax losses and tax credits only in the period in which they arise, and before assumption by the head entity in accordance with AASB 112 applied in the context of the tax-consolidated group.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

3. Significant accounting policies (continued)

(k) Tax (continued)

(ii) Nature of tax funding arrangement and tax sharing arrangements

The Company, in conjunction with other members of the tax – consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax – consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax – loss deferred tax asset assumed by the head entity, resulting in the Company recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

(l) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Authority (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

(m) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(n) New standard and interpretation not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 September 2011, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except for AASB 9 Financial Instruments, which becomes mandatory for the Company's 2016 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair trade value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Revenue

	2012 $	2011 $
Revenue- rendering of services	9,687,843	8,915,800
Revenue- product licensing	4,131,660	2,704,228
	13,819,503	11,620,028

6. Finance income and expense

	2012 $	2011 $
Recognised in profit or loss		
Interest income – related parties	954,546	925,545
Interest income – other	12,211	21,151
Finance income	966,757	946,696
Interest expense – related parties	(609,166)	(380,449)
Net foreign exchange loss	(30,608)	(185,095)
Finance costs	(639,774)	(565,544)
Net finance income	326,983	381,152

7. Income tax expense

	2012 $	2011 $
Current tax expense		
Current year	377,756	517,707
Adjustments for prior years	5,269	(9,801)
	383,025	507,906
Deferred tax expense		
Origination and reversal of temporary differences	235,125	(70,536)
Income tax expense	618,150	437,370

Reconciliation at effective tax rate

	2012 $	2011 $
Profit for the year	1,324,015	1,350,451
Income tax using the Company's domestic tax rate of 30% (2011: 30%)	397,204	405,135
Non-deductible interest expense	120,995	-
Non-deductible salary expense	51,445	-
Other non-deductible expense	722	642
Non-deductible legal fees	-	42,344
Under/(over) provided in prior years	47,784	(10,751)
	618,150	437,370

8. Personnel expenses

	2012 $	2011 $
Wages and salaries	3,002,295	2,467,574
Contributions to defined contribution plans	228,522	185,216
	3,230,817	2,652,790

9. Cash and cash equivalents

	2012 $	2011 $
Cash on hand	800	500
Bank balances	326,376	1,085,093
Cash and cash equivalents in the statement of cash flows	327,176	1,085,593

10. Trade and other receivables

	2012 $	2011 $
Current		
Trade receivables – third parties	2,020,465	3,961,677
Trade receivables – related parties	10,847	65,021
Interest receivable – related parties	954,546	925,545
Other receivables and prepayments	116,976	492,943
	3,102,834	5,445,186
Non-current		
Loans to related parties:		
Talgentra Pacific Group Pty Ltd – interest bearing	4,257,481	11,352,376
Gentrack Group Australia Pty Ltd – interest bearing	439,908	-
	4,697,389	11,352,376

11. Unbilled revenues

	2012 $	2011 $
Unbilled service revenues	1,990,834	1,459,411
	1,990,834	1,459,411

12. Deferred tax assets/liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
Employee benefits	74,722	58,833	-	-	74,722	58,833
Deferred income	199,272	264,935	-	-	199,272	264,935
Unbilled services and accrued income	-	-	(294,164)	(198,126)	(294,164)	(198,126)
Other items	112	89,426	-	-	112	89,426
Net tax assets/(liabilities)	274,106	413,194	(294,164)	(198,126)	(20,058)	215,068

13. Plant and equipment

	Computer equipment	Office equipment	Office furniture and fittings	Total
Cost	$	$	$	$
Balance at 1 October 2010	326,440	22,477	92,970	441,887
Additions	20,145	5,498	16,868	42,511
Disposals	(4,295)	(960)	-	(5,255)
Balance at 30 September 2011	342,290	27,015	109,838	479,143
Balance at 1 October 2011	342,290	27,015	109,838	479,143
Additions	25,452	1,196	5,817	32,465
Disposals	-	-	-	-
Balance at 30 September 2012	367,742	28,211	115,655	511,608
Depreciation and accumulated losses				
Balance at 1 October 2010	292,189	14,439	70,826	377,454
Depreciation for the year	17,561	3,325	13,202	34,088
Disposals	(4,295)	(740)	-	(5,035)
Balance at 30 September 2011	305,455	17,024	84,028	406,507
Balance at 1 October 2011	305,455	17,024	84,028	406,507
Depreciation for the year	18,897	3,358	13,372	35,627
Disposals	-	-	-	-
Balance at 30 September 2012	324,352	20,382	97,400	442,134
Carrying amounts				
At 1 October 2010	34,251	8,038	22,144	64,433
At 30 September 2011	36,835	9,991	25,810	72,636
At 30 September 2012	43,390	7,829	18,255	69,474

14. Trade and other payables

	2012	2011
	$	$
Current		
Trade payables – third parties	60,303	68,262
Trade payables – related parties	564,581	565,526
Other payables and accrued expenses	1,105,173	3,481,087
Income tax payable – Head Entity	2,046,310	1,790,364
Accrued interest – related parties	616,236	393,659
	4,392,603	6,298,898

The income tax payable is in respect of current and prior financial periods and is remitted on behalf of the Company by Talgentra Pacific Group Pty Ltd, the head entity of the Australian tax consolidated group. With effect from 15 May 2012, the head entity within the tax-consolidated group is Gentrack Group Australia Pty Ltd.

Other payables and accrued expenses include deferred income. This represents annual service and licence fees of $853,959 (2011: $1,154,965) which are invoiced upfront and amortised over a twelve-month period and initial license fees of $nil (2011: $1,954,201) in relation to projects that are yet to be completed.

15. Loans and borrowings

	2012 $	2011 $
Non-current		
Amounts owing to related parties- interest bearing	63,664	8,378,819
	63,664	8,378,819

16. Employee benefits

	2012 $	2011 $
Current		
Liability for long service leave	92,032	81,537
Liability for annual leave	112,481	84,466
Total employee benefits	204,513	166,003
Non-current		
Liability for long service leave	44,562	30,108
Total employee benefits	44,562	30,108

(a) Superannuation fund

The Company makes contributions to a defined contribution superannuation fund. The amount recognised as an expense was $228,522 for the financial year ended 30 September 2012 (2011: $185,216).

17. Capital and reserves

Share capital

	2012 $	2011 $
On issue at the beginning of the financial period:		
Ordinary shares	300,000	300,000
On issue at 30 September – fully paid	300,000	300,000

The Company does not have authorised capital or par value in respect of its issued shares. 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. In the event of the winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Dividends

In accordance with the tax consolidation legislation, the head entity Talgentra Pacific Group Pty Ltd, has assumed $383,025 (2011: $507,906) franking credits.

No dividend was declared by the Company during the year ended 30 September 2012 (2011: $nil).

18. Operating leases

Leases as lessee

	2012 $	2011 $
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	183,073	105,358
Between one and five years	172,437	277,796
	355,510	383,154

The Company leases some of its business facilities under operating leases. The lease of the property provides the Company with a right to renewal at which time all terms are renegotiable.

During the financial year ended 30 September 2012, the Company recognised $179,869 as an expense in the income statement in respect of the operating leases (2011: $160,702).

19. Reconciliation of cash flows from operating activities

Cash flows from operating activities			
Profit for the year		705,865	913,081
Adjustments for:			
Depreciation	*13*	35,627	34,088
Loss on sale of plant and equipment		-	221
Interest from related parties	*6*	(954,546)	(925,545)
Interest to related parties	*6*	609,166	380,449
Income tax expense	*7*	618,150	437,370
Operating profit before changes in working capital and provisions		1,014,262	839,664
Change in trade and other receivables		2,371,354	(2,581,212)
Change in unbilled revenues		(531,423)	(1,001,963)
Change in trade and other payables		(2,384,819)	2,147,174
Change in employee benefits		52,964	26,378
Cash generated from operating activities		522,338	(569,959)
Interest paid		(386,588)	(157,688)
Interest received from related parties		925,545	-
Income taxes paid		(127,078)	(295,318)
Net cash (used in)/from operating activities		934,217	(1,022,965)

20. Capital and other commitments

The Company did not have any material capital or other commitments at the end of the current or comparative period.

21. Auditors' remuneration

	2012	2011
Auditors of the Company	$	$
KPMG Australia:		
Audit and compilation of financial reports	63,410	50,122
Other services		
Auditors of the Company		
KPMG Australia:		
Taxation services	6,000	4,400

Tax related fees have been incurred for the Australian tax consolidated group, including Talgentra Pacific Group Pty Ltd and Sanderson Pacific Pty Ltd.

22. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

23. Capital management

The Board's policy is to maintain a strong capital base so as to monitor shareholder, customer and creditor confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividends paid to shareholders.

Gentrack Pty Ltd
Directors' declaration

In the opinion of the directors of Gentrack Pty Ltd ("the Company"):

(a) the Company is not a reporting entity;

(b) the financial statements and notes, set out on pages 5 to 22, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company as at 30 September 2012 and of its performance, as represented by the results of its operations and its cashflows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Notes 1 and 2; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Notes 1 and 2, and the Corporations Regulations 2001; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

R D Grant
Director

Dated at Melbourne this 12th day of September 2013.

Independent audit report to the members of Gentrack Pty Ltd

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Gentrack Pty Ltd (the Company), which comprises the statement of financial position as at 30 September 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Notes 1 to 4 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Notes 1 to 4 to the financial statements so as to present a true and fair view which is consistent with our understanding of the Company's financial position, and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Independent audit report to the members of Gentrack Pty Ltd (continued)

Auditor's opinion

In our opinion the financial report of Gentrack Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 September 2012 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards to the extent described in Note 2 and the Corporations Regulations 2001.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

KPMG

KPMG

Tony Batsakis
Partner

Melbourne
12 September 2013

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Gentrack Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Tony Batsakis
Partner

Melbourne
12 September 2013