Hansen Technologies Limited

ABN 90 090 996 455

Interim Financial Report

for the half-year ended 31 December 2019

Hansen Technologies Limited

Interim Financial Report for the half-year ended 31 December 2019

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Directors' Report

The Directors present their report together with the half-year financial report of the consolidated entity ("the Group") consisting of Hansen Technologies Limited ("the Company") and its controlled entities for the six months ended 31 December 2019, and the Independent Auditor's Review Report thereon. This half-year financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

Principal activities

The principal activities of the Group were the development, integration and support of billing systems software for the utilities, energy, pay-TV and telecommunications sectors. Other activities undertaken by the Group include IT outsourcing services and the development of other specific software applications.

Directors

The names of the Directors in office at any time during the whole of the half-year and up to the date of this report are:

Mr David Trude (Chairperson)
Mr Andrew Hansen (CEO and Managing Director)
Mr Bruce Adams
Ms Jennifer Douglas
Mr David Howell
Ms Sarah Morgan (Resigned on 19 December 2019)
Mr David Osborne
Mr Don Rankin (Appointed on 21 November 2019)

Review of Operations

The Group's operating result for the half year to 31 December 2019 comprised of the following:

	6 months ended 31 Dec		
	31 Dec 2019 A$ millions	**31 Dec 2018 A$ millions**	**Movement %**
Operating revenue	144.3	112.4	▲ 28.4%
Underlying EBITDA excluding AASB 16 impact[1, 2, 4, 5]	34.1	28.5	▲ 19.6%
Underlying NPAT[4, 5]	9.3	12.9	▼ 27.9%
Underlying NPATA[1,3, 5]	18.2	17.7	▲ 2.8%
Basic earnings per share (EPS) (cents)	3.8 cents	6.6 cents	▼ 42.4%
Basic EPS based on underlying NPATA (EPSa) (cents)[1]	9.2 cents	9.0 cents	▲ 2.2%

1. The Directors believe the information additional to IFRS measures included in the report is relevant and useful in measuring the financial performance of the Group. These include: EBITDA, NPATA and EPSa.

2. EBITDA is a non-IFRS term, defined as earnings before interest, tax, depreciation and amortisation, and excluding net foreign exchange gains (losses).

3. NPATA is a non-IFRS term, defined as net profit after tax, excluding tax-effected amortisation of acquired intangibles and impact of the adoption of AASB 16 *Leases* (AASB 16).

4. Underlying EBITDA, underlying NPAT and underlying NPATA exclude separately disclosed items, which represent the restructuring and one-off costs associated with the Sigma acquisition. Further details of the separately disclosed items are outlined in Note 4 to the Financial Report.

5. On 1 July 2019, the Group adopted AASB 16 for the first time. Prior half-year numbers have not been restated. Further details on the adoption of AASB 16 are described in Note 2 to Financial Report on page 10.

The Group's revenue for the first half of the financial year was higher than the previous corresponding period as a result of the acquisition of Sigma Systems business (Sigma) on 1 June 2019.

Continued investment in Sales and Marketing has increased Hansen's profile in target markets and further reinforced the Group's long-term customer relationships.

Investment in our global infrastructure and products has continued throughout the period ensuring our business remains scalable and appropriately poised for growth.

The Group has generated operating cash flows of $18.2 million, which has been used to retire net external debt of $8.0 million, fund capital expenditure of $10.0 million, reduce lease liabilities of $3.4 million and pay dividends of $4.9 million (net of dividend reinvestments). With the Group's cash generation capabilities, Hansen is well placed to service and retire its debts over the coming years.

The Directors of Hansen have declared a consistent 3 cents per share interim dividend, partially franked to 1.59 cents.

Significant Changes in the State of Affairs

There have been no significant changes in the Group's state of affairs during the half-year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year is provided with this report.

Rounding of Amounts to Nearest Thousand Dollars

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Signed in accordance with a resolution of the Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*:

David Trude	**Andrew Hansen**
Director	**Director**

Dated: 28 February 2020

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Hansen Technologies Ltd and Controlled Entities for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 28 February 2020
Melbourne, Victoria

Consolidated Statement of Comprehensive Income

For the Half-Year Ended 31 December 2019

	Note	Dec-19 $'000	Dec-18 $'000
Operating revenue from contracts with customers	3, 5	144,331	112,436
Other income		1,200	1,492
Total revenue from contracts with customers and other income		**145,531**	**113,928**
Employee benefit expenses		(78,694)	(61,602)
Amortisation expense	6	(15,292)	(9,179)
Depreciation expense		(5,486)	(1,924)
Property and operating rental expenses		(2,218)	(4,741)
Contractor and consultant expenses		(4,860)	(2,770)
Software licence expenses		(1,121)	(1,090)
Hardware and software expenses		(7,484)	(5,232)
Travel expenses		(4,783)	(2,620)
Communication expenses		(1,730)	(1,880)
Professional expenses		(3,050)	(971)
Finance costs on borrowings		(4,363)	(645)
Finance costs on lease liabilities		(617)	-
Foreign exchange (losses)/gains		(684)	265
Other expenses		(6,060)	(4,522)
Total expenses		**(136,442)**	**(96,911)**
Profit before income tax expense		**9,089**	**17,017**
Income tax expense		(1,480)	(4,068)
Net profit after income tax expense for the half-year		**7,609**	**12,949**
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		(7,640)	1,862
Other comprehensive income/(expense) for the half-year, net of tax		(7,640)	1,862
Total comprehensive income/(expense) for the half-year		**(31)**	**14,811**
Basic earnings (cents) per share attributable to ordinary equity holders of the Company		**3.8**	6.6
Diluted earnings (cents) per share attributable to ordinary equity holders of the Company		**3.8**	6.5

The accompanying notes on pages 10 to 19 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	Dec-19 $'000	Jun-19 $'000
Current assets			
Cash and cash equivalents		29,926	38,288
Receivables		62,437	49,475
Accrued revenue	5(b)	26,383	27,817
Current tax asset		199	-
Other current assets		12,245	7,920
Total current assets		131,190	123,500
Non-current assets			
Plant, equipment & leasehold improvements		12,085	10,986
Intangible assets	6	389,250	402,782
Right-of-use assets	2	24,092	-
Deferred tax assets		3,538	4,601
Other non-current assets		2,873	3,123
Total non-current assets		431,838	421,492
Total assets		**563,028**	**544,992**
Current liabilities			
Payables		23,140	21,195
Borrowings		-	134
Lease liabilities	2	5,732	92
Current tax payable		-	1,756
Provisions		14,109	15,070
Unearned revenue	5(b)	34,026	27,069
Total current liabilities		77,007	65,316
Non-current liabilities			
Deferred tax liabilities		41,291	44,290
Borrowings	8	180,399	186,327
Lease liabilities	2	19,058	-
Provisions		234	189
Total non-current liabilities		240,982	230,806
Total liabilities		**317,989**	**296,122**
Net assets		**245,039**	**248,870**
Equity			
Share capital	10	140,117	138,746
Foreign currency translation reserve		15,700	23,340
Share-based payment reserve	7	4,690	3,931
Retained earnings		84,532	82,853
Total equity		**245,039**	**248,870**

The accompanying notes on pages 10 to 19 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2019

For the half-year ended 31 December 2019	Note	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance as at 1 July 2019		**138,746**	**27,271**	**82,853**	**248,870**
Net profit after income tax expense for the half-year		-	-	7,609	7,609
Movement in carrying amount of foreign entities due to currency translation		-	(7,640)	-	(7,640)
Total comprehensive income for the half-year		**-**	**(7,640)**	**7,609**	**(31)**
Transactions with owners in their capacity as owners:					
Employee share options exercised	10	345	-	-	345
Share-based payment expense – performance rights	7	-	759	-	759
Equity issued under dividend reinvestment plan	9, 10	1,026	-	-	1,026
Dividends declared	9	-	-	(5,930)	(5,930)
Total transactions with owners in their capacity as owners		**1,371**	**759**	**(5,930)**	**(3,800)**
Balance as at 31 December 2019		**140,117**	**20,390**	**84,532**	**245,039**

For the half-year ended 31 December 2018	Note	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance as at 1 July 2018		**136,896**	**19,841**	**73,186**	**229,923**
Effect of adoption of new accounting standards		-	-	1,984	1,984
Balance as at 1 July 2018 (restated)		**136,896**	**19,841**	**75,170**	**231,907**
Net profit after income tax expense for the half-year		-	-	12,949	12,949
Movement in carrying amount of foreign entities due to currency translation		-	1,862	-	1,862
Total comprehensive income for the half-year		**-**	**1,862**	**12,949**	**14,811**
Transactions with owners in their capacity as owners:					
Employee share options exercised	10	399	-	-	399
Share-based payment expense – performance rights	7	-	484	-	484
Share-based payment expense – share options	7	-	263	-	263
Equity issued under dividend reinvestment plan	9, 10	551	-	-	551
Dividends declared	9	-	-	(7,870)	(7,870)
Total transactions with owners in their capacity as owners		**950**	**747**	**(7,870)**	**(6,173)**
Balance as at 31 December 2018		**137,846**	**22,450**	**80,249**	**240,545**

The accompanying notes on pages 10 to 19 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2019

	Note	Dec-19 $'000	Dec-18 $'000
Cash flows from operating activities			
Receipts from customers		143,805	121,445
Payments to suppliers and employees		(115,836)	(100,997)
Interest received		69	49
Finance costs on borrowings		(3,811)	(645)
Finance costs on lease liabilities		(617)	-
Income tax paid		(5,372)	(3,536)
Net cash from operating activities		**18,238**	**16,316**
Cash flows from investing activities			
Proceeds from sale of plant, equipment and leasehold improvements		-	2
Payments for plant, equipment and leasehold improvements		(2,807)	(897)
Payment for capitalised development costs	6	(7,159)	(5,272)
Net cash used in investing activities		**(9,966)**	**(6,167)**
Cash flows from financing activities			
Proceeds from options exercised	10	345	399
Dividends paid, net of dividend re-investment	9	(4,904)	(7,319)
Proceeds from borrowings		4,900	-
Repayment of borrowings		(12,889)	(4,659)
Repayment of lease liabilities		(3,433)	(52)
Net cash used in financing activities		**(15,981)**	**(11,631)**
Net decrease in cash and cash equivalents		**(7,709)**	**(1,482)**
Cash and cash equivalents at beginning of the half-year		38,288	23,245
Effects of exchange rate changes on cash and cash equivalents		(653)	407
Cash and cash equivalents at end of the half-year		**29,926**	**22,170**

The accompanying notes on pages 10 to 19 form part of these consolidated financial statements.

Notes to the Financial Statements
Half-Year Ended 31 December 2019

1. Basis of preparation

The consolidated interim financial statements as at, and for, the half-year ended 31 December 2019 ("the half-year financial report") comprise of the financial statements of the Group, being Hansen Technologies Limited ("the Company") and its controlled entities. The Company is a company limited by shares, incorporated and domiciled in Australia.

The half-year financial report was authorised for issue by the Directors as at the date of the Directors' Report.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

(a) Basis of preparation of the half-year financial report

The half-year financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. It does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial report for the year ended 30 June 2019 and any public announcements made by the Company during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted in the Group's annual financial report for the year ended 30 June 2019, except for the impact of the adoption of AASB 16 *Leases* (AASB 16), effective as of 1 July 2019.

Note 2 to the half-year financial report discloses and describes the impact from the adoption of AASB 16.

Other Standards and amendments that are effective for the first time from 1 July 2019 and could be applicable to the Group are:

- AASB Interpretation 23 *Uncertainty over Income Tax Treatments*
- AASB 9 *Prepayment Features with Negative Compensation* (Amendments to AASB 9)
- AASB 128 *Long-term Interests in Associates and Joint Ventures* (Amendments to AASB 128)
- Annual Improvements to AASB 2015-2017 Cycle
- Plan Amendment, Curtailment or Settlement (Amendments to AASB 119)

These Standards and amendments do not have a significant impact on the half-year financial report and therefore the disclosures have not been made.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(b) Rounding amounts

The Group has applied the relief available under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and, accordingly the amounts in the half-year financial report and in the Directors' Report have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar.

2. Leases

AASB 16 supersedes all previous lease accounting requirements under Australian Accounting Standards. The main impact on the Group is that AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for most leases.

(a) Impact on adoption

The Group adopted AASB 16 using the modified retrospective method of adoption, where the cumulative effect of initially applying the standard is recognised as an adjustment to opening balances on 1 July 2019 (the transition date). Therefore, comparative figures for prior reporting periods are not restated.

In adopting AASB 16, the Group has also taken advantage of the following practical expedients:

- For each class of Right-of-use (ROU) asset, the Group uses a single discount rate to a portfolio of leases that have the same lease term, same currency and located in the same jurisdiction.

2. Leases continued

(a) Impact on adoption continued

- The Group will rely on its assessments under the previous accounting standards to determine whether a ROU asset is impaired. Accordingly, the Group has adjusted the ROU asset at transition date by the previously recognised provision for onerous leases, amounting to $350,255.
- The Group has excluded initial direct costs from the measurement of the ROU asset on transition date.
- The Group has used hindsight and assumed all previous options to extend the lease have been exercised in determining the lease term on transition date.

The Group has chosen not to apply the practical expedients for short-term leases and leases for which the assets are of low value.

The weighted average incremental borrowing rate applied to lease liabilities recognised at transition date was 4.7%.

The effect of adopting AASB 16 is as follows:

	1 July 2019 transition adjustment $'000
Assets	
Non-current assets	
Right-of-use lease assets	26,278
Total assets impact	**26,278**
Liabilities	
Current liabilities	
Lease liabilities	5,731
Provisions	(350)
Non-current liabilities	
Lease liabilities	20,897
Total liabilities impact	**26,278**
Net assets impact	**-**
Total equity impact	**-**

Had AASB 16 not been adopted and the half-year financial report produced under previous guidance and accounting standards, the financial report for the 6-month period ended 31 December 2019 would have recorded a higher profit before tax of $303,000 and a higher net assets and equity of $348,000.

	$'000
Consolidated statement of comprehensive income	
Property and operating rental expenses	(3,669)
Depreciation expense	3,357
Finance costs	615
Impact on statement of comprehensive income for the 6-month period ended 31 Dec 2019	**303**
Consolidated statement of financial position	
Right-of-use lease assets	(24,092)
Lease liabilities – current	5,732
Lease liabilities – non-current	19,058
Provisions	(350)
Impact on net assets in the statement of financial position as at 31 Dec 2019	**348**
Consolidated statement of changes in equity	
Reserves	45
Retained earnings	303
Impact on equity in the statement of financial position as at 31 Dec 2019	**348**

2. Leases continued

Adjustments were identified during the Group's transition assessment exercise to account for the revised definition of a lease under AASB 16 including, amongst other considerations, whether there is a reasonable probability that the Group will exercise renewal or early termination options in its lease contracts.

Reconciliation with prior period operating lease commitments disclosure

	$'000
Total future minimum rentals payable at the end of the prior period 30 June 2019	29,888
Transition assessment adjustments	1,640
Effect of discounting to present value	(4,900)
Total lease liabilities at the date of initial application	**26,628**

(b) Lease accounting policies

The determination of whether an arrangement is (or contains) a lease depends on whether the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of an identified asset exists when the arrangement involves the use of an identified asset, when the Group obtains substantially all the economic benefits from the use of the asset, and when the Group has the right to direct the use of the asset.

On adoption of AASB 16, there is an increased focus on what is defined as the identified asset in the arrangement and which party has control over the use of, and the economic benefits derived from the use of, the underlying asset. Although the revised definition of a lease has not changed the assessment for many of the Group's existing lease arrangements, for some of the Group's IT service contracts, this resulted in additional embedded leases being identified for the first time.

The lease term is first determined with reference to the non-cancellable period of the lease contract, adjusted for any periods covered by options to extend the lease and/or to early terminate the lease if the Group is reasonably certain to exercise the options. Judgement is applied by the Group in determining whether the Group is reasonably certain to exercise the options. Prior to the adoption of AASB 16, the impact of renewal and early termination options to the lease term was not considered. This has resulted in changes to the lease term for some of our long-term property lease arrangements.

Lease liabilities are initially recognised and measured based on the total value of fixed and variable contractual lease payments over the lease term, including payments to extend or terminate the lease if the Group is reasonably certain to exercise the option to extend or terminate the lease respectively. The lease payments are discounted to present value based on the incremental borrowing rate implicit in the lease.

Lease payments on properties exclude service fees for maintenance, cleaning and other costs as these costs are separated as non-lease components. However, the Group has elected not to separate lease and non-lease components for leases of vehicles, office and IT equipment.

ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering the lease, less any lease incentives received.

ROU assets are depreciated on a straight-line basis over their earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment. The right-of-use asset is also periodically assessed for impairment losses and adjusted for certain remeasurements of the lease liability.

Prior to the adoption of AASB 16, the Group distinguished between operating and finance leases based on the economic substance of the agreement to reflect the risks and benefits incidental to ownership. Operating leases were recognised as an expense on a straight-line basis over the term of the lease. Most of the Group's lease arrangements were operating leases. However, as AASB 16 makes no distinction between leases previously classified as either operating or finance leases, this results in the treatment of the Group's operating leases being similar to finance leases and recognised on balance sheet for the first time.

(i) Presentation and disclosure

Depreciation on right-of-use assets is included as part of 'Depreciation expense' in the Consolidated Statement of Comprehensive Income, and interest expense on lease liabilities is presented separately as "Finance costs" on lease liabilities in the Statement of Comprehensive Income. Prior to the adoption of AASB 16, the Group's operating lease expenses were presented in 'Property and operating rental expenses' in the Consolidated Statement of Comprehensive Income. The change to an interest and depreciation model has resulted in changes to the Group's EBITDA and net profit after tax, the details of which are disclosed in Note 2(a).

2. Leases continued

(i) Presentation and disclosure

Right of use are disclosed separately on the Statement of Financial Position. Lease liabilities are presented in the Consolidated Statement of Financial Position as current or non-current depending on the timing of the settlement of contractual cash outflows. Prior to the adoption of AASB 16, the Group's operating leases were off-balance sheet and disclosed separately as commitments.

As at 31 December 2019, ROU assets, Lease liabilities – current and non-current amounted to $24.1 million, $5.7 million and $19.1 million, respectively.

The repayment of the principal portion of lease payments is presented as part of financing activities in the Consolidated Statement of Cash Flows, and the interest portion is presented as part of operating activities. Prior to the adoption of AASB 16, all lease payments related to operating leases were presented as part of operating activities. Despite the presentation differences in the Consolidated Statement of Cash Flows, the adoption of AASB 16 does not change the Group's net cash flows.

3. Segment information

(a) Description of segments

Management has determined the Group's operating segments based on the reports reviewed by the CEO (the Chief Operating Decision Maker).

The operating segments are identified based on the types of services provided to the Group's customers. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

Where operating segments meet the aggregation criteria, these are aggregated into reported segments. Operating segments are aggregated based on similar products and services provided to the same type of customers using the same distribution method.

Segment profits, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis and are eliminated on consolidation. There are no significant transactions between segments.

The Group has identified only one reportable segment as described in the table below. The "Other" category includes business units that do not qualify as an operating segment, as well as the operating segments which do not meet the disclosure requirements of a reportable segment, including IT Outsourcing and Customer Care services.

Reportable segment	Description of segment
Billing	Sale of billing applications and the provision of consulting services related to billing systems.

During the six months period ended 31 December 2019, Management has determined that certain costs, borrowings and their related finance costs are directly attributable to the Billing segment. Prior period segment information has been restated to reflect this.

(b) Segment information

6-months ended 31 Dec 2019	Note	Billing $'000	Other $'000	Total $'000
Segment revenue				
Total segment revenue	5	139,459	4,872	144,331
Revenue from external customers		**139,459**	**4,872**	**144,331**
Segment result				
Total segment result		12,138	213	12,351
Segment profit from core operations		**12,138**	**213**	**12,351**

6-months ended 31 Dec 2018	Note	Billing $'000	Other $'000	Total $'000
Segment revenue				
Total segment revenue	5	106,075	6,361	112,436
Revenue from external customers		**106,075**	**6,361**	**112,436**
Segment result				
Total segment result		18,370	497	18,867
Segment profit from core operations		**18,370**	**497**	**18,867**

3. Segment information continued

(ii) Reconciliation of segment profit from core operations to the consolidated statement of comprehensive income

	Note	Dec-19 $'000	Dec-18 $'000
Segment profit from core operations		12,351	18,867
Interest revenue		69	49
Interest expense		(112)	(26)
Unallocated depreciation and amortisation		(590)	(397)
Other expense		(2,629)	(1,476)
Profit before income tax expense		**9,089**	17,017
Income tax expense		(1,480)	(4,068)
Profit after income tax expense for the half-year		**7,609**	12,949

(iii) Segment assets and liabilities

Total segment assets	Billing $'000	Other $'000	Total $'000
31 December 2019	498,314	21,027	519,341
30 June 2019	484,922	18,785	503,707
Total segment liabilities			
31 December 2019	309,047	8,332	317,379
30 June 2019	290,907	4,846	295,753

4. Separately disclosed items

The Group has disclosed underlying EBITDA[1] and underlying profit after tax, referring to the Group's trading results adjusted for certain transactions during the year that are not representative of the Group's regular business activities. The Group considers that these transactions are of such significance to understanding the ongoing results of the Group that the Group has elected to separately identify these transactions to determine an ongoing result to enable a 'like-for-like' comparison. These items are described as 'separately disclosed items' throughout this Financial Report.

6-months ended 31 Dec	2019 $'000	2018 $'000
Decrease to profit before tax		
Restructuring and one-off costs incurred in Sigma Systems	(2,264)	-
	(2,264)	-

Included in the Group's results for the six-months ended 31 December 2019 are $2,264,000 of restructuring and one-off costs related to redundancy, retention payments and associated post-acquisition costs. These costs are included within 'Employee benefit expenses' and 'Other expenses' in the Group's consolidated statement of comprehensive income.

Reconciliation with Group statutory measures

6-months ended 31 Dec	2019 $'000	2018 $'000
Underlying EBITDA excluding AASB 16 impact	34,055	28,451
Less separately disclosed items	(2,264)	-
Add impact of adoption of AASB 16	3,669	-
EBITDA[1]	**35,460**	**28,451**
Underlying profit after tax	9,273	12,949
Less separately disclosed items	(2,264)	-
Tax effect of separately disclosed items	600	-
Net profit after tax	**7,609**	**12,949**

[1.] EBITDA is a non-IFRS term, defined as earnings before interest, tax, depreciation and amortisation, and excluding net foreign exchange gains (losses).

5. Revenue

(a) Disaggregation of revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

6-months ended 31 Dec 2019	Billing $'000	Other $'000	Total $'000
Types of goods and services			
Licence, support and maintenance	83,104	2,423	85,527
Services	55,587	2,379	57,966
Hardware and software sales	305	-	305
Other revenue	463	70	533
Total revenue from contracts with customers	**139,459**	**4,872**	**144,331**
Revenue by market vertical			
Utilities	70,331	2,364	72,695
Communications	69,128	-	69,128
Other	-	2,508	2,508
Total revenue from contracts with customers	**139,459**	**4,872**	**144,331**
Revenue by geographic segment			
APAC	26,010	2,508	28,518
Americas	40,631	2,364	42,995
EMEA	72,818	-	72,818
Total revenue from contracts with customers	**139,459**	**4,872**	**144,331**
Timing of revenue recognition			
Goods and services transferred at a point in time	22,220	71	22,291
Services transferred over time	117,239	4,801	122,040
Total revenue from contracts with customers	**139,459**	**4,872**	**144,331**

5. Revenue continued

6-months ended 31 Dec 2018	Billing $'000	Other $'000	Total $'000
Types of goods and services			
Licence, support and maintenance	68,398	3,150	71,548
Services	36,813	3,046	39,859
Hardware and software sales	345	-	345
Other revenue	519	165	684
Total revenue from contracts with customers	**106,075**	**6,361**	**112,436**
Revenue by market vertical			
Utilities	73,369	3,133	76,502
Communications	32,706	-	32,706
Other	-	3,228	3,228
Total revenue from contracts with customers	**106,075**	**6,361**	**112,436**
Revenue by geographic segment			
APAC	21,499	3,228	24,727
Americas	23,517	3,133	26,650
EMEA	61,059	-	61,059
Total revenue from contracts with customers	**106,075**	**6,361**	**112,436**
Timing of revenue recognition			
Goods and services transferred at a point in time	17,934	166	18,100
Services transferred over time	88,141	6,195	94,336
Total revenue from contracts with customers	**106,075**	**6,361**	**112,436**

(b) Contract balances

	Dec-19 $'000	Jun-19 $'000
Accrued revenue	26,383	27,817
Unearned revenue	34,026	27,069

The accrued revenue primarily relates to the Group's rights to consideration on software licences deployed on contract inception but have yet to be billed to the customer. Accrued revenue is transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. Unearned revenue primarily relates to advance consideration received from customers representing support and maintenance services.

6. Intangible assets

	Goodwill $'000	Technology and other intangibles at cost $'000	Software development at cost $'000	Total $'000
Cost				
At 30 June 2019	223,547	196,264	65,583	485,394
Additions	-	-	7,159	7,159
Net foreign currency movements arising from foreign operations	(3,818)	(1,669)	(3)	(5,490)
At 31 December 2019	**219,729**	**194,595**	**72,739**	**487,063**
Accumulated amortisation and impairment				
At 30 June 2019	(1,595)	(41,466)	(39,551)	(82,612)
Amortisation charge	-	(11,134)	(4,158)	(15,292)
Net foreign currency movements arising from foreign operations	(7)	98	-	91
At 31 December 2019	**(1,602)**	**(52,502)**	**(43,709)**	**(97,813)**
Net book amount				
At 30 June 2019	221,952	154,798	26,032	402,782
At 31 December 2019	**218,127**	**142,093**	**29,030**	**389,250**

7. Share-based payments

On 2 September 2019, 607,247 performance rights were granted to senior executives under the Company's Employee Performance Rights Plan. This amount includes 179,954 rights issued to the CEO following approval obtained at the Company's Annual General Meeting on 21 November 2019. 119,969 rights will vest if targeted performance measures are achieved and an additional 59,985 will vest based on overachievement of targets.

Performance rights issued as part of the long-term investment plan are subject to a relative total shareholder return hurdle (TSR performance right) and earnings per share hurdle (EPS performance right). Additionally, the Group has issued performance rights as part of the short-term incentive plan which are subject to a two-year deferral period as well as financial (revenue and EBITDA) and strategic hurdles. The assessed fair value at grant date of performance rights granted was $2.55 per TSR performance right, $3.11 per EPS performance right and $3.11 per deferred equity.

The fair value of TSR performance rights at grant date is independently determined using a Monte Carlo simulation option pricing model.

The fair value of EPS performance rights and deferred equity at grant date is determined using Black-Scholes option pricing model.

The models take into account the term of the performance rights, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the performance rights and the correlations and volatilities of the peer group companies.

The model inputs for the performance rights granted during the six months ended 31 December 2019 included:

- grant date: 2 September 2019(1)
- expected vesting date: 30 June 2022
- measurement period: 1 July 2019 to 30 June 2022
- share price at grant date: $3.28
- expected price volatility of the company's shares: 35%
- expected dividend yield: 1.88%
- risk-free interest rate: 0.68%

(1) The issue of 179,954 of these rights to the CEO was approved by shareholders at the Company's Annual General Meeting on 21 November 2019. Any differences in the fair value of the performance rights between the original grant date by the Board and the date of shareholder approval is not material to remuneration awarded.

The expected price volatility is based on the historic volatility (based on the life of the performance rights), adjusted for any expected changes to future volatility due to publicly available information.

For the six months ended 31 December 2019, the Group has recognised $758,892 of share-based payment expense, presented as part of employee benefit expenses in the statement of comprehensive income (six months ended 31 December 2018: $747,194).

8. Borrowings

	Dec-19 $'000	Jun-19 $'000
Current		
Secured		
Bank overdraft	-	134
	-	**134**
Non-current		
Secured		
Term facility – gross borrowings	183,071	189,543
Term facility – prepaid borrowing costs	(2,672)	(3,216)
	180,399	**186,327**

The Group secured an A$225,000,000 syndicated multi-currency facility with its external financiers to fund the acquisition of Sigma Systems and to provide additional funding for general corporate and working capital purposes. The facility expires on 30 April 2022 and will be subject to renewal upon negotiation with its external financiers.

The facility is secured by 75% of Group assets. As at 31 December 2019 the remaining unutilised portion of the facility is A$41,929,000.

9. Dividends

A regular dividend of 3 cents per share has been declared. This interim dividend of 3 cents per share, partially franked, was announced to the market on 28 February 2020. The amount declared has not been recognised as a liability in the accounts of Hansen Technologies Limited as at 31 December 2019.

	Dec-19 $'000	Dec-18 $'000
Dividends paid during the half-year (net of dividend re-investment):		
3 cents per share final dividend paid 26 September 2019(1) – partially franked	4,904	
4 cents per share final dividend paid 27 September 2018(2) – fully franked		7,319
	4,904	7,319
Proposed dividend not recognised at the end of the half-year:		
3 cents per share interim dividend (3 cents partially franked)(3)(4)	5,939	
3 cents per share interim dividend (3 cents fully franked)(4)		5,912

(1) The final dividend paid of 3 cents per share franked to 2.6 cents, comprised of a regular dividend of 3 cents per share
(2) The final dividend paid of 4 cents per share, franked to 4 cents, comprised of a regular dividend of 3 cents per share, together with a special dividend of 1 cent per share.
(3) The proposed interim dividend of 3 cents per share franked to 1.59 cents, will comprise of a regular dividend of 3 cents per share
(4) Proposed dividends are stated before dividend reinvestment, which reduces the Group's amounts of dividends payable.

10. Contributed capital

(a) Issued and paid up capital

	Dec-19 No.	Dec-19 $'000	Jun-19 No.	Jun-19 $'000
Ordinary shares, fully paid	197,973,817	140,117	197,399,653	138,746

(b) Movements in shares on issue

Half-year ended 31 December 2019	No. of Shares	$'000
Balance at beginning of the half-year	197,399,653	138,746
Shares issued under dividend reinvestment plan	309,164	1,026
Options exercised under employee share plan	265,000	345
Balance at end of the half-year	**197,973,817**	**140,117**

11. Subsequent Events

Please refer to note 9 for the interim dividend recommended by the Directors, to be paid on 26 March 2020.

There has been no other matter or circumstance, which has arisen since 31 December 2019 that has significantly affected or may significantly affect:

(i) the operations, in financial years subsequent to 31 December 2019, of the Group;

(ii) the results of those operations; or

(iii) the state of affairs, in financial years subsequent to 31 December 2019, of the Group.

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 6 to 19 are in accordance with the *Corporations Act 2001*, including:

(a) complying with Accounting Standards, in particular AASB 134 *Interim Financial Reporting*, and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and

(b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and of its performance for the half-year ended on that date.

In the Directors' opinion, there are reasonable grounds to believe that Hansen Technologies Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors, pursuant to section 303(5)(a) of the *Corporations Act 2001*.

David Trude
Director

Andrew Hansen
Director

Melbourne
28 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of Hansen Technologies Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hansen Technologies Limited (the Company) and its Controlled Entities (the Group) which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hansen Technologies Ltd and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hansen Technologies Ltd and Controlled Entities, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hansen Technologies Ltd and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 28 February 2020
Melbourne, Victoria