

**HANSEN TECHNOLOGIES LTD
ABN 90 090 996 455
AND CONTROLLED ENTITIES**



**HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3**

**This half-year financial report is to be read in conjunction with the
financial report for the year ended 30 June 2016.**

Appendix 4D

Half Year Report for the six months to 31 December 2016

| |
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| Hansen Technologies Ltd and its Controlled Entities |
|--|

| |
|---------------------|
| ABN: 90 090 996 455 |
|---------------------|

1. Reporting period

| | |
|---------------------------------|---|
| Report for the half year ended: | 31 December 2016 |
| Previous corresponding periods: | Financial year ended 30 June 2016 Half-year ended 31 December 2015 |

2. Results for announcement to the market

| | | \$A'000 | |
|---|----|----------------------------|------------------------------------|
| Revenues from ordinary activities | Up | 17.5% | to 86,901 |
| Profit from ordinary activities after tax attributable to members | Up | 6.8% | to 13,486 |
| Net profit after tax attributable to members | Up | 6.8% | to 13,486 |
| | | Amount per security | Franked amount per security |
| Interim Dividend Declared | | | |
| Interim dividend for the 2017 fiscal year | | 3.0¢ | 3.0¢ |
| Interim dividend for previous corresponding period | | 3.0¢ | 2.5¢ |
| Record date for determining entitlements to the dividend | | 9 March 2017 | |
| Previous Final Dividend Paid | | | |
| Final dividend for the year ended 30 June 2016 ¹ | | 4.0¢ | 4.0¢ |
| Final dividend for previous corresponding period | | 3.0¢ | 3.0¢ |

¹The 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.

The Group operating result for the half year to 31 December 2016 was:

- Operating revenue of \$86.9 million
- EBITDA of \$23.8 million
- Net Profit after tax of \$13.5 million
- Earnings per share of 7.5 cents, up 0.4 cents per share or 5.6% from the 7.1 cents per share in the previous corresponding period

The Directors of Hansen have declared a consistent 3 cents per share interim dividend with:

- 3.0 cents per share fully franked
- a record date of 9 March 2017
- payment on 31 March 2017
- the conduit foreign income component of this interim dividend is Nil
- the application price for shares issued in accordance with the Company's Dividend Reinvestment Plan will be the full undiscounted value

NOTE: Shareholders wishing to participate in the Dividend Reinvestment Plan need to have lodged the required DRP Notice with the Company's Share Registry by no later than 5.00pm on the business day immediately following the record date. Accordingly the last date for DRP election in respect to this interim dividend is 10 March 2017.

Results from Operations for the half-year ended 31 December

| | Half-year to Dec 2016 \$A million | Half-year to Dec 2015 \$A million | Variance |
|--------------------------|--|--|-----------------|
| Operating revenue | 86.9 | 74.0 | up 17.5% |
| EBITDA | 23.8 | 22.3 | up 6.6% |
| Profit before tax | 18.0 | 17.8 | up 1.5% |
| Income tax expense | (4.5) | (5.1) | down 11.4% |
| Net profit after tax | 13.5 | 12.6 | up 6.8% |
| Basic earnings per share | 7.5 cents | 7.1 cents | up 5.6% |

The first half of 2017 has benefited from the Company's continuing acquisition strategy with 2 acquisitions making a first time contribution to the Group's results.

- PPL Solutions LLC acquired on 1 July 2016 has made a valuable contribution to the results while transitioning from its traditional PPL roots into the Hansen family.
- DST Billing Solutions Limited ("HiAffinity") acquired on 1 November 2016 has also made a small contribution to the results as the business continued to be integrated into Hansen UK operations.

Both these acquisitions have delivered to expectations and the business integration process is continuing.

The revenue of the business has also grown organically after allowing for the impact of foreign exchange over the same period last year at a rate of 4.5%.

3. Net tangible assets per security

| | Current period 31 Dec 2016 | Previous corresponding period 31 Dec 2015 |
|--|-------------------------------|---|
| Net tangible asset backing per ordinary security | 11.0 cents | 11.2 cents |

4. Details of entities over which control has been gained during the period

Hansen Technologies Limited gained control of PPL Solutions LLC on 1 July 2016 and DST Billing Solutions Limited on 1 November 2016 during the period. Further details of the acquisitions are disclosed in the attached half year condensed financial report.

5. Dividends

| | Date of payment | Total amount of dividend |
|---|-------------------|--------------------------|
| Three cent interim dividend - year ended 30 June 2016 | 31 March 2016 | \$5,352,923 |
| Four cent final dividend - year ended 30 June 2016 ¹ | 30 September 2016 | \$7,251,614 |

¹The 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.

Amount per security

| | Amount per security | Franked amount per security at 30% tax | Amount per security of foreign sourced dividend |
|---|---------------------|--|---|
| Total dividend: Current year (interim) | 3.0¢ | 100% | 0¢ |
| Previous year (final) | 4.0¢ | 100% | 0¢ |
| Previous year (interim) | 3.0¢ | 83% | 0¢ |

Total dividend on all securities paid during the half-year

| | December 2016 \$A'000 | December 2015 \$A'000 |
|---------------------|--------------------------|--------------------------|
| Ordinary securities | 7,252 | 5,307 |
| Total | 7,252 | 5,307 |

6. Details of dividend or distribution reinvestment plans in operation are described below:

A Dividend Reinvestment Plan has been established to provide shareholders with the opportunity to reinvest dividends in new shares rather than receiving cash. Detail of Hansen's Dividend Reinvestment Plan including the share pricing methodology is available on line at: www.hsntech.com/investors/shareholder-information

The price for shares to be applied for in accordance with the DRP for this dividend shall be the full undiscounted value as prescribed by the plan.

The conduit foreign income component of this final dividend is nil.

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

10 March 2017

7. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached).

8. Independent review of the financial report

The financial report has been independently reviewed. The financial report is not subject to a modified independent auditors review statement.

Hansen Technologies Ltd and Controlled Entities
ABN 90 090 996 455

Financial Report for the Half-Year Ended
31 December 2016

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2016.

Hansen Technologies Ltd and Controlled Entities

Financial Report for the Half-Year Ended 31 December 2016

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Directors' Report

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Hansen Technologies Ltd and its controlled entities for the half-year ended 31 December 2016 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

Directors Names

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

| Name | Period of Directorship |
|------------------|------------------------------|
| Mr David Trude | Chairman since 2011 |
| Mr Andrew Hansen | Managing Director since 2000 |
| Mr Bruce Adams | Director since 2000 |
| Ms Sarah Morgan | Director since 2014 |
| Mr David Osborne | Director since 2006 |

Mr Peter Berry was a director from the beginning of the financial period until his resignation on 6 December 2016.

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

The consolidated profit of the Group for the half-year after providing for income tax amounted to \$13.5 million representing a 6.8% increase on the \$12.6 million in the previous corresponding period.

The group operating result for the half year to 31 December 2016 comprised:

- Operating revenue of \$86.9 million, a 17.5% increase over the previous corresponding period; and
- EBITDA of \$23.8 million, up 6.6% on the previous corresponding period.

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

We are pleased to be reporting another strong period of performance for the company, with the first half results ahead of the previous corresponding period and the prior six months ended 30 June 2016.

The first half of 2017 has benefited from the Company's continuing acquisition strategy with 2 acquisitions making a first time contribution to the Group's results.

- PPL Solutions LLC, acquired on 1 July 2016, has made a valuable contribution to the results while transitioning from its traditional PPL roots into the Hansen family.
- DST Billing Solutions Limited ("HiAffinity"), acquired on 1 November 2016, has also made a small contribution to the results as the business continues to be integrated into the Hansen UK operations.

Both these acquisitions have delivered to expectations and the business integration process is continuing.

The revenue of the business has also grown organically after allowing for the impact of foreign exchange over the same period last year at a rate of 4.5%.

Directors' Report

Significant Changes in the State of Affairs

There have been no significant changes in the company'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 *Corporation 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:



David Trude
Director



Andrew Hansen
Director

Dated this 15th day of February 2017

Auditor's Independence Declaration

To the Directors of Hansen Technologies Ltd

In relation to the independent auditor's review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of *APES 110 Code of Ethics for Professional Accountants*.

This declaration is in respect of Hansen Technologies Ltd and the entities it controlled during the period.



S D WHITCHURCH
Partner



PITCHER PARTNERS
Melbourne

15 February 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2016

| | Note | Consolidated Entity Dec-16 \$'000 | Dec-15 \$'000 |
|---|------|---|------------------|
| Continuing Operations | | | |
| Revenue from continuing operations | | 86,901 | 73,988 |
| Net foreign currency gains | | - | 50 |
| Interest income | | 74 | - |
| Other income | | 158 | 105 |
| Total revenue and other income | | 87,133 | 74,143 |
| Less: Expenses | | | |
| Employee benefit expenses | | (42,674) | (37,126) |
| Amortisation expense | | (4,427) | (3,253) |
| Depreciation expense | | (1,400) | (1,289) |
| Property and operating rental expenses | | (3,552) | (2,909) |
| Contractor and consultant expenses | | (4,430) | (1,917) |
| Software licence expenses | | (2,639) | (484) |
| Hardware and software expenses | | (3,328) | (3,179) |
| Travel expenses | | (2,194) | (2,634) |
| Communication expenses | | (1,425) | (1,043) |
| Professional expenses | | (1,123) | (751) |
| Net foreign currency losses | | (134) | - |
| Other expenses | | (1,773) | (1,794) |
| Total expenses | | (69,099) | (56,379) |
| Profit before income tax expense | | 18,034 | 17,764 |
| Income tax expense | | (4,548) | (5,136) |
| Net profit after income tax from continuing operations | | 13,486 | 12,628 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit and loss</i> | | | |
| Exchange differences on translation of foreign operations | | 1,573 | 2,795 |
| Other comprehensive income for the half-year | | 1,573 | 2,795 |
| Total comprehensive income attributable to members of the parent | | 15,059 | 15,423 |
| Earnings per share for profit from continuing operations attributable to equity holders of the parent entity: | | | |
| Basic earnings (cents) per share | | 7.5 | 7.1 |
| Diluted earnings (cents) per share | | 7.3 | 6.9 |

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 December 2016

| | Note | Consolidated Entity Dec-16 \$'000 | Jun-16 \$'000 |
|---|------|---|------------------|
| Current assets | | | |
| Cash and cash equivalents | | 17,768 | 30,203 |
| Receivables | | 21,697 | 21,507 |
| Other current assets | | 9,288 | 6,923 |
| Total current assets | | 48,753 | 58,633 |
| Non-current assets | | | |
| Plant, equipment & leasehold improvements | 4 | 7,894 | 6,743 |
| Intangible assets | 5 | 130,318 | 106,059 |
| Deferred tax assets | | 4,926 | 4,030 |
| Total non-current assets | | 143,138 | 116,832 |
| Total assets | | 191,891 | 175,465 |
| Current liabilities | | | |
| Payables | | 11,101 | 12,229 |
| Borrowings | 6 | 2,098 | 95 |
| Current tax payable | | 192 | 2,187 |
| Provisions | | 10,510 | 9,497 |
| Unearned income | | 11,776 | 11,171 |
| Total current liabilities | | 35,677 | 35,179 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 6,209 | 4,810 |
| Borrowings | 6 | 236 | 291 |
| Provisions | | 820 | 205 |
| Total non-current liabilities | | 7,265 | 5,306 |
| Total liabilities | | 42,942 | 40,485 |
| Net assets | | 148,949 | 134,980 |
| Equity | | | |
| Share capital | | 84,532 | 78,650 |
| Foreign currency translation reserve | | 11,740 | 10,167 |
| Options granted reserve | | 1,531 | 1,251 |
| Retained earnings | | 51,146 | 44,912 |
| Total equity | | 148,949 | 134,980 |

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2016

| Consolidated | Notes | Contributed Equity \$'000 | Consolidated Entity Reserves \$'000 | Retained Earnings \$'000 | Total Equity \$'000 |
|---|-------|---------------------------------|---|--------------------------------|---------------------------|
| Balance as at 1 July 2016 | | 78,650 | 11,418 | 44,912 | 134,980 |
| Profit for the half-year | | - | - | 13,486 | 13,486 |
| Exchange differences on translation of foreign operations | | - | 1,573 | - | 1,573 |
| Total comprehensive income for the half-year | | - | 1,573 | 13,486 | 15,059 |
| Transactions with owners in their capacity as owners: | | | | | |
| Options exercised | | 1,745 | - | - | 1,745 |
| Employee share options | | - | 280 | - | 280 |
| Equity issued under dividend reinvestment plan | | 727 | - | - | 727 |
| Shares issued on contingent liability settlement | 3 | 3,410 | - | - | 3,410 |
| Dividends paid | 2 | - | - | (7,252) | (7,252) |
| Total transactions with owners in their capacity as owners | | 5,882 | 280 | (7,252) | (1,090) |
| Balance as at 31 December 2016 | | 84,532 | 13,271 | 51,146 | 148,949 |

| Consolidated | | Contributed Equity \$'000 | Consolidated Entity Reserves \$'000 | Retained Earnings \$'000 | Total Equity \$'000 |
|---|---|---------------------------------|---|--------------------------------|---------------------------|
| Balance as at 1 July 2015 | | 75,127 | 8,913 | 29,489 | 113,529 |
| Profit for the half-year | | - | - | 12,628 | 12,628 |
| Exchange differences on translation of foreign operations | | - | 2,795 | - | 2,795 |
| Total comprehensive income for the half-year | | - | 2,795 | 12,628 | 15,423 |
| Transactions with owners in their capacity as owners: | | | | | |
| Options exercised | | 797 | - | - | 797 |
| Employee share options | | - | 143 | - | 143 |
| Equity issued under dividend reinvestment plan | | 563 | - | - | 563 |
| Share purchase plan costs | | (31) | - | - | (31) |
| Dividends paid | 2 | - | - | (5,307) | (5,307) |
| Total transactions with owners in their capacity as owners | | 1,329 | 143 | (5,307) | (3,835) |
| Balance as at 31 December 2015 | | 76,456 | 11,851 | 36,810 | 125,117 |

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2016

| | Note | Consolidated Entity Dec-16 \$'000 | Dec-15 \$'000 |
|---|------|---|------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 93,858 | 83,311 |
| Payments to suppliers and employees | | (67,751) | (57,714) |
| Interest | | 74 | (1) |
| Transaction costs relating to acquisition of subsidiary | 9 | (228) | - |
| Income tax paid | | (6,386) | (6,759) |
| Net cash provided by operating activities | | 19,567 | 18,837 |
| Cash flows from investing activities | | | |
| Payment for plant and equipment | 4 | (2,530) | (843) |
| Payments for business acquisitions | 9 | (20,678) | - |
| Payments for acquisition of customer contract | 5, 9 | (2,165) | - |
| Payment for capitalised development costs | 5 | (3,851) | (2,240) |
| Net cash used in investing activities | | (29,224) | (3,083) |
| Cash flows from financing activities | | | |
| Proceeds from options exercised | | 1,745 | 797 |
| Dividends paid net of dividend re-investment | | (6,523) | (4,744) |
| Proceeds from borrowings | | 4,000 | - |
| Repayment of borrowings | | (2,000) | (10,000) |
| Net cash used in financing activities | | (2,778) | (13,947) |
| Net (decrease)/increase in cash and cash equivalents | | (12,435) | 1,807 |
| Cash and cash equivalents at beginning of half-year | | 30,203 | 21,985 |
| Cash and cash equivalents at end of the half-year | | 17,768 | 23,792 |

The accompanying notes form part of these condensed consolidated financial statements.

Notes to the Half-Year Financial Statements

31 December 2016

1. Basis of Preparation of the Half-Year Financial Report

This condensed consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Hansen Technologies Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

Hansen Technologies Ltd is a for-profit entity for the purpose of preparing the financial statements.

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

(a) Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2016 and the corresponding half-year.

(b) Rounding amounts

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).

(c) Accounting standards issued but not yet effective

The following standards and interpretations have been issued at the reporting date but are not yet effective. The Directors' assessment of the impact of these standards and interpretations is set out below.

(i) AASB 15 Revenue from contracts with customers

AASB 15 introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations;

- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price; and
- Step 5: Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2018.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact if any of AASB 15 has not yet been quantified.

(ii) AASB 9 Financial Instruments

AASB 9 makes significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

AASB 9 amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

The effective date is annual reporting periods beginning on or after 1 January 2018. While the group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

(iii) AASB 16 Leases

AASB 16 will replace AASB 117 Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition, right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or

- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

Other standards and interpretations have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations are likely to impact on the financial information presented, however the assessment of impact has not yet been completed.

2. Dividends

| | Half-year to Dec | |
|--|------------------|--------------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Dividends paid during the half-year: | | |
| - 4 cent final dividend paid 30 September 2016 ¹ | 7,252 | |
| - 3 cent final dividend paid 30 September 2015 | | 5,307 |
| | <u>7,252</u> | <u>5,307</u> |
| Dividends declared after the half year and not recognised: | | |
| - 3 cent interim dividend (3 cents fully franked) | 5,450 | |
| - 3 cent interim dividend (2.5 cents fully franked, 0.5 cents unfranked) | | 5,318 |

¹The 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. Fair Value Measurements

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the condensed consolidated statement of financial position and notes to the condensed consolidated financial statements.

At 30 June 2016, included in 'Other Payables' was a liability for deferred consideration measured at fair value on a recurring basis in relation to a business combination dated 1 May 2015. This amount was settled on 1 July 2016 by the Group issuing 921,290 shares to the value of \$3,410,217. At 31 December 2016, there are no assets or liabilities carried at fair value on a recurring basis.

(i) Fair value hierarchy

Asset and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

At 30 June 2016, deferred consideration liabilities totalling \$3,410,217 were measured and recognised at fair value and determined to be a recurring Level 2 financial liability. This was subsequently settled in full on 1 July 2016.

(ii) Valuation techniques and significant unobservable inputs

The deferred consideration (referred to above) was based on management's best and most probable estimate of the business performance targets. In determining the fair value of the deferred consideration, management considered the probability of business targets being met by comparison to budget. A fair value was placed on the option that the seller has to receive, either cash or shares in Hansen Technologies Ltd at a pre-determined price using the Black-Scholes model.

The entire deferred consideration payment was dependent on performance criteria being met. Under the arrangement the minimum deferred consideration amount was \$nil and the maximum was dependent on the movement in the Hansen share price from the pre-determined price per share (which was included in the contract) and the value as at the date the amount became payable.

4. Plant, equipment and leasehold improvements

| | Dec-16 \$'000 | Jun-16 \$'000 |
|--|------------------|------------------|
| Plant, equipment and leasehold improvements at cost | 35,867 | 33,504 |
| Accumulated depreciation | (27,973) | (26,761) |
| | 7,894 | 6,743 |
| Reconciliation | | |
| Carrying amount at the beginning of the period | 6,743 | |
| Additions | 2,530 | |
| Acquisitions | 74 | |
| Disposals | (40) | |
| Depreciation expense | (1,400) | |
| Net foreign currency movements arising from foreign operations | (13) | |
| Carrying amount at the end of the period | 7,894 | |

5. Intangible assets

The intangible assets held by the group increased primarily as a result of the acquisition of PPL Solutions LLC and DST Billing Solutions Limited. See note 9 for further information.

| | Goodwill \$'000 | Technology, trademarks and customer contracts at cost \$'000 | Software development at cost \$'000 | Total \$'000 |
|--|--------------------|--|--|-----------------|
| At 30 June 2016 | | | | |
| Cost | 84,196 | 22,496 | 35,141 | 141,833 |
| Accumulated amortisation and impairment | (1,575) | (11,119) | (23,080) | (35,774) |
| Net book amount | 82,621 | 11,377 | 12,061 | 106,059 |
| Opening net book amount | 82,621 | 11,377 | 12,061 | 106,059 |
| Additions | - | 2,165 | 3,851 | 6,016 |
| Increase due to acquisition | 6,193 | 14,421 | - | 20,614 |
| Net foreign currency movements arising from foreign operations | 1,096 | 705 | 255 | 2,056 |
| Amortisation charge | - | (2,584) | (1,843) | (4,427) |
| Closing net book amount | 89,910 | 26,084 | 14,324 | 130,318 |
| At 31 December 2016 | | | | |
| Cost | 91,485 | 39,787 | 39,247 | 170,519 |
| Accumulated amortisation and impairment | (1,575) | (13,703) | (24,923) | (40,201) |
| Net book amount | 89,910 | 26,084 | 14,324 | 130,318 |

6. Borrowings

The Company has a secured \$A30 million multicurrency 3 year term facility with its external bankers to provide additional funding as required for acquisitions and general corporate purposes. This facility expires on 9 May 2018 and will be subject to renewal upon negotiation with its external bankers.

The facility is secured by 90% of Group assets. As at 31 December 2016 the remaining unutilised portion of the facility is \$A28 Million.

| | Dec-16 \$'000 | Jun-16 \$'000 |
|-----------------|------------------|------------------|
| Current | | |
| Secured | | |
| Term facility | 2,000 | - |
| Lease liability | 98 | 95 |
| | 2,098 | 95 |
| Non-current | | |
| Secured | | |
| Lease liability | 236 | 291 |
| | 236 | 291 |

7. Segment Information

(a) Description of segments

Inter-segment pricing is determined on an arm's length basis. Segment revenue and results derive from items directly attributable to a segment or those that can be allocated on a reasonable basis.

Business Segments

The consolidated entity has 3 distinct reportable segments as described below:

Billing: Represents the sale of billing applications and the provision of consulting services in regard to billing systems.

Outsourcing: Represents the provision of various IT outsourced services covering facilities management, systems and operations support, network services and business continuity support.

Other: Represents software and service provision in superannuation administration.

(b) Segment information

| Half-year 2016 | Half-year to Dec 2016 | | | |
|--------------------------------------|-----------------------|-----------------------|-----------------|-----------------|
| | Billing \$'000 | Outsourcing \$'000 | Other \$'000 | Total \$'000 |
| Segment revenue | | | | |
| Total segment revenue | 83,853 | 2,974 | 74 | 86,901 |
| Segment revenue from external source | 83,853 | 2,974 | 74 | 86,901 |
| Segment result | | | | |
| Total segment result | 17,187 | 1,371 | 65 | 18,623 |
| Segment result from external source | 17,187 | 1,371 | 65 | 18,623 |
| Half-year 2015 | Half-year to Dec 2015 | | | |
| | Billing \$'000 | Outsourcing \$'000 | Other \$'000 | Total \$'000 |
| Segment revenue | | | | |
| Total segment revenue | 69,296 | 3,309 | 1,383 | 73,988 |
| Segment revenue from external source | 69,296 | 3,309 | 1,383 | 73,988 |
| Segment result | | | | |
| Total segment result | 16,698 | 1,421 | 475 | 18,594 |
| Segment result from external source | 16,698 | 1,421 | 475 | 18,594 |

The total assets and liabilities of the consolidated entity are not disaggregated on a business segment basis within the management reporting system.

| (i) Reconciliation of segment results to the consolidated result | Half-year to Dec | |
|--|------------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| Segment result from external source | 18,623 | 18,594 |
| Interest | 74 | (1) |
| Depreciation & amortisation | (182) | (351) |
| Other | (481) | (478) |
| Total profit before income tax | 18,034 | 17,764 |

8. Contributed capital

| | Dec-16 No. | Jun-16 No. |
|--|---------------|---------------|
| Number of ordinary shares on issue | 181,674,764 | 178,914,061 |
| Movement in ordinary shares on issue | | |
| Beginning of the half-year | 178,914,061 | |
| Dividend re-investment plan | 159,413 | |
| Contingent liability settlement (note 3) | 921,290 | |
| Options exercised | 1,680,000 | |
| End of the half-year | 181,674,764 | |

9. Business Combinations

(1) Acquisition of PPL Solutions LLC

The Company's subsidiary, Hansen Technologies North America, Inc. acquired 100% of the share capital of PPL Solutions LLC with effect from 1 July 2016. PPL Solutions is a strategically attractive business that is strongly aligned with the Company's key acquisition criteria. It sits within our core billing & customer care business, owns the intellectual property in its billing software and extends the Company's footprint into a new market segment in the US.

Details of the purchase consideration:

| | \$'000 |
|-------------------------------------|---------------|
| Cash paid | 14,298 |
| Total purchase consideration | 14,298 |

Assets and liabilities acquired as a result of the business combination were:

| | Fair value \$'000 |
|---|----------------------|
| <i>Assets acquired:</i> | |
| Receivables | 2,674 |
| Other current assets | 2,149 |
| Plant and equipment | 74 |
| Deferred tax asset | 497 |
| Total assets acquired | 5,394 |
| <i>Liabilities acquired:</i> | |
| Payables | 2,124 |
| Accruals | 519 |
| Provisions | 1,346 |
| Current tax liability | 31 |
| Total liabilities acquired | 4,020 |
| Net identifiable assets acquired | 1,374 |
| <i>Add:</i> | |
| Technology | 5,518 |
| Customer contracts | 4,372 |
| Goodwill | 3,034 |
| Total purchase consideration | 14,298 |

Goodwill arose on the acquisition of PPL Solutions LLC due to the combination of the consideration paid for the business and the net assets acquired, less values attributed to other intangibles in the form of customer contracts and technology. The value of goodwill represents the future benefit arising from the expected future earnings, synergies and personnel assumed via the acquisition. The goodwill is expected to be deductible for tax purposes in the US.

(a) Initial accounting

Both the net asset value and the allocation of the purchase price to acquired assets are still preliminary. In particular, the working capital adjustments are still being finalised and may be subject to change. The acquisition accounting will be finalised in the financial report for the year ending 30 June 2017 which is 12 months from the acquisition date.

(b) Transaction costs

Transaction costs of \$87,922 were incurred in relation to the acquisition. These costs are included with "Professional Expenses" in the condensed consolidated statement of comprehensive income.

(c) Contribution since acquisition

Since the acquisition date of 1 July 2016 which is the beginning of the reporting period, PPL Solutions has contributed revenue of \$14.694 million and a profit after tax of \$0.431 million which is included within the consolidated results. The profit after tax contribution included integration costs incurred to enable the entity to operate as part of the Hansen consolidated group.

(2) Acquisition of DST Billing Solutions Limited

The Company's subsidiary, Hansen Holdings Europe Ltd, acquired 100% of the share capital of DST Billing Solutions Limited, which owns the HiAffinity customer care and billing system ("HiAffinity"). The transaction is effective from 1 November 2016.

DST Billing Solutions Limited is focused on the water billing industry with clients in the United Kingdom, Australia, Africa and the Americas and is headquartered in Surbiton in London with around 31 billing subject matter experts employed in the business. The acquisition will further enhance the Company's reputation as a global billing system specialist.

Details of the purchase consideration:

| | \$'000 |
|-------------------------------------|--------------|
| Cash paid | 7,427 |
| Total purchase consideration | 7,427 |

The provisionally determined fair values of the assets and liabilities of DST Billing Solutions Limited as at the date of acquisition are as follows:

| | Fair value \$'000 |
|---|----------------------|
| <i>Assets acquired:</i> | |
| Cash | 1,047 |
| Receivables | 1,068 |
| Other current assets | 354 |
| Deferred tax asset | 94 |
| Total assets acquired | 2,563 |
| <i>Liabilities acquired:</i> | |
| Deferred income | 1,610 |
| Accruals | 75 |
| Provisions | 235 |
| Total liabilities acquired | 1,920 |
| Net identifiable assets acquired | 643 |

| | |
|-------------------------------------|--------------|
| Add: | \$'000 |
| Technology | 1,358 |
| Customer contracts | 3,173 |
| Deferred tax liability | (906) |
| Goodwill | 3,159 |
| Total purchase consideration | 7,427 |

Goodwill arose on the acquisition of DST Billing Solutions Limited due to the combination of the consideration paid for the business and the net assets acquired, less values attributed to other intangibles in the form of customer contracts and technology. The value of goodwill represents the future benefit arising from the expected future earnings, synergies and personnel assumed via the acquisition. None of the goodwill is expected to be deductible for tax purposes.

(a) Initial accounting

Both the net asset value and the allocation of the purchase price to acquired assets are still preliminary. In particular, the working capital adjustments are still being finalised and may be subject to change. The acquisition accounting will be finalised within 12 months of the acquisition date.

(b) Acquisition related costs

Transaction costs of \$140,484 were incurred in relation to the acquisition. These costs are included with "Professional Expenses" in the condensed consolidated statement of comprehensive income.

(c) Contribution since acquisition

Since the acquisition date of 1 November 2016, DST Billing Solutions Limited has contributed revenue of \$1.089 million and a profit after tax of \$0.089 million which is included within the consolidated results. It is impracticable to disclose the results of DST Billing Solutions as though the acquisition date had occurred at 1 July 2016 as the historical financial information for the four months prior to acquisition of the standalone business is not available.

Purchase consideration – cash outflow:

| | |
|---|---------|
| | \$'000 |
| Outflow of cash to acquire subsidiary, net of cash acquired | |
| Cash consideration | 7,427 |
| Less: Cash balance acquired | (1,047) |
| Net outflow of cash – investing activities | 6,380 |

(d) Transaction recognised separately from business combination

Shortly after the acquisition date, DST Billing Solutions Limited entered into an arrangement with a related party of the seller, DST Process Solutions Limited to acquire the rights to specific Australian and South African customer contracts for a consideration of \$2.165 million. This transaction is recognised separately from business combination and a customer contract intangible asset of \$2.165 million has been recognised (refer to Note 5).

10. Subsequent Events

The Directors of Hansen have declared a 3 cents per share interim dividend, fully franked, payable to shareholders as of the record date of 9 March 2017, with payment to follow on 31 March 2017.

Immediately after signing of this half year financial report for the period ended 31 December 2016, Jennifer Douglas is appointed a director with effect from 15 February 2017 at 5.30pm.

There were no other material events subsequent to the period ending 31 December 2016 that have significantly affected or may significantly affect the consolidated entity.

Directors' Declaration

Hansen Technologies Ltd

The Directors declare that the financial statements and notes set out on pages 7 to 21 in accordance with the Corporations Act 2001:

- (a) Comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2016 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 Ltd 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.



David Trude
Director

Melbourne
15 February 2017



Andrew Hansen
Director

Independent Auditor's Review Report to the Members of Hansen Technologies Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of Hansen Technologies Ltd and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed 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 consolidated entity comprising the company and the entities it controlled at the period's 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 control as the Directors determine is necessary to enable the preparation of the half year 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 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 financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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.

Independent Auditor's Review Report to the Members of Hansen Technologies Ltd

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 consolidated entity's financial position as at 31 December 2016 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.



S D WHITCHURCH
Partner

15 February 2017



PITCHER PARTNERS
Melbourne