# ASX PRELIMINARY FINAL REPORT

# Computershare Limited

# ABN 71 005 485 825

# 30 JUNE 2016

Lodged with the ASX under Listing Rule 4.3A

## Contents



This report covers the consolidated entity consisting of Computershare Limited and its controlled entities. The financial statements are presented in United States dollars (unless otherwise stated).

**COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES**
**YEAR ENDED 30 JUNE 2016**
**(Previous corresponding period year ended 30 June 2015)**
**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

| | | | | **$000** |
|---|---|---|---|---|
| **Revenue** from continuing operations *(Appendix 4E item 2.1)* | down | 0.5% | to | 1,961,125 |
| **Profit/(loss)** after tax attributable to members *(Appendix 4E item 2.2)* | up | 2.4% | to | 157,334 |
| **Net profit/(loss)** for the period attributable to members *(Appendix 4E item 2.3)* | up | 2.4% | to | 157,334 |

| **Dividends** *(Appendix 4E item 2.4)* | Amount per security | Franked amount per security |
|---|---|---|
| Final dividend | AU 17 cents | 20% |
| Interim dividend | AU 16 cents | 100% |

**Record date** for determining entitlements to the final dividend *(Appendix 4E item 2.5)* 17 August 2016

**Explanation of revenue** *(Appendix 4E item 2.6)*
Total revenue from continuing operations for the year ended 30 June 2016 is $1,961.1 million, down 0.5% against the last corresponding period. Revenue was significantly impacted by the stronger US dollar relative to the prior corresponding period, substantially reducing the translated contribution from non-US businesses. In constant currency terms, total revenue from continuing operations would have been up by 4.6%. Revenue grew materially in US loan servicing. Revenue growth was also recorded in communication services in Australia and the US, Indian mutual funds administration, US corporate actions, bankruptcy administration and class actions. A weaker revenue outcome was recorded across employee plans in both the US and the UK, corporate actions in Canada and Australia, US registry, voucher services and Deposit Protection Scheme businesses in the UK. Overall, revenue benefited modestly from the net impact of prior and current period acquisitions and disposals.

**Explanation of profit/(loss) from ordinary activities after tax** *(Appendix 4E item 2.6)*
Net statutory profit after tax attributable to members is $157.3 million, an increase of 2.4% over the last corresponding period. This outcome was the net result of a number of factors, including significant non-recurring items, impacting the current and prior reporting period. There was earnings growth in the Australian, Hong Kong, UK and Irish registry businesses, Indian mutual fund administration, Australian and US communication services as well as bankruptcy administration, mortgage servicing and corporate actions in the US. In contrast, the translation effect of the strengthening US dollar along with weaker earnings in the UK, US and European employee plan businesses, Australian and Canadian corporate actions, the Australian Serviceworks and UK Deposit Protection Scheme businesses negatively impacted net profit after tax. A range of businesses also had earnings impacted by lower yields on client balances. Interest expense was higher primarily due to increased mortgage servicing advance facilities and debt funding mix. Amortisation expense increased mainly due to the acquisition of mortgage servicing rights during the past two years in the US mortgage servicing business.

The Group's effective tax rate has decreased from 35.3% for the year ended 30 June 2015 to 34.0% in the current financial year.

**Explanation of net profit/(loss)** *(Appendix 4E item 2.6)*
Please refer above.

**Explanation of dividends** *(Appendix 4E item 2.6)*
The following dividends have been paid, declared or recommended since the end of the preceding financial year:

**Ordinary shares**
A final dividend in respect of the year ended 30 June 2015 was declared on 12 August 2015 and paid on 15 September 2015. This was an ordinary dividend of AU 16 cents per share franked to 25% amounting to AUD 88,991,746 ($64,725,977).

An interim dividend in respect of the year ended 30 June 2016 was declared on 10 February 2016 and paid on 16 March 2016. This was an ordinary dividend of AU 16 cents per share franked to 100% amounting to AUD 87,751,688 ($63,824,051).

A final dividend in respect of the year ended 30 June 2016 was declared by the directors of the Company on 10 August 2016, to be paid on 13 September 2016. This is an ordinary dividend of AU 17 cents per share, franked to 20%. As the dividend was not declared until 10 August 2016, a provision has not been recognised as at 30 June 2016.

# COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES
# PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
# FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 $000 | 2015 $000 |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Sales revenue | | **1,957,860** | 1,966,193 |
| Other revenue | | **3,265** | 5,059 |
| **Total revenue from continuing operations** | | **1,961,125** | 1,971,252 |
| Other income | | **27,740** | 12,777 |
| **Expenses** | | | |
| Direct services | | **1,405,410** | 1,410,524 |
| Technology costs | | **260,570** | 260,915 |
| Corporate services | | **22,047** | 15,146 |
| Finance costs | | **54,480** | 51,957 |
| **Total expenses** | | **1,742,507** | 1,738,542 |
| Share of net profit/(loss) of associates and joint ventures accounted for using the equity method | 11 | **(1,349)** | (2,316) |
| **Profit before related income tax expense** | | **245,009** | 243,171 |
| Income tax expense/(credit) | 5 | **83,211** | 85,893 |
| **Profit for the year** | | **161,798** | 157,278 |
| **Other comprehensive income that may be reclassified to profit or loss** | | | |
| Available-for-sale financial assets | | **(62)** | 9 |
| Cash flow hedges | | **(497)** | (53) |
| Exchange differences on translation of foreign operations | | **(17,005)** | (106,480) |
| Income tax relating to components of other comprehensive income | | **(6,841)** | 14,963 |
| **Total other comprehensive income for the year, net of tax** | | **(24,405)** | (91,561) |
| **Total comprehensive income for the year** | | **137,393** | 65,717 |
| **Profit for the year attributable to:** | | | |
| Members of Computershare Limited | | **157,334** | 153,576 |
| Non-controlling interests | | **4,464** | 3,702 |
| | | **161,798** | 157,278 |
| **Total comprehensive income for the year attributable to:** | | | |
| Members of Computershare Limited | | **133,912** | 63,239 |
| Non-controlling interests | | **3,481** | 2,478 |
| | | **137,393** | 65,717 |
| **Basic earnings per share (cents per share)** | 3 | **28.55 cents** | 27.61 cents |
| **Diluted earnings per share (cents per share)** | 3 | **28.51 cents** | 27.56 cents |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES
# PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

| | Note | 2016 $000 | 2015 $000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | **526,575** | 555,278 |
| Bank deposits | | **20,174** | - |
| Receivables | | **425,343** | 361,185 |
| Loan servicing advances | | **255,139** | 187,002 |
| Available-for-sale financial assets | | **591** | 620 |
| Other financial assets | | **18,655** | 22,655 |
| Inventories | | **4,512** | 4,853 |
| Current tax assets | | **6,423** | 10,574 |
| Derivative financial instruments | | **1,952** | 750 |
| Other current assets | | **29,694** | 33,362 |
| Assets classified as held for sale | 10 | **26,128** | 51,558 |
| **Total current assets** | | **1,315,186** | 1,227,837 |
| **NON-CURRENT ASSETS** | | | |
| Bank deposits | | **-** | 19,664 |
| Receivables | | **876** | 972 |
| Investments accounted for using the equity method | 11 | **27,357** | 31,596 |
| Available-for-sale financial assets | | **17,487** | 7,394 |
| Property, plant and equipment | | **116,535** | 161,107 |
| Deferred tax assets | | **178,644** | 189,348 |
| Derivative financial instruments | | **48,035** | 31,239 |
| Intangibles | | **2,273,628** | 2,132,298 |
| **Total non-current assets** | | **2,662,562** | 2,573,618 |
| **Total assets** | | **3,977,748** | 3,801,455 |
| **CURRENT LIABILITIES** | | | |
| Payables | | **382,921** | 392,448 |
| Interest bearing liabilities | | **260,088** | 172,805 |
| Current tax liabilities | | **29,131** | 29,435 |
| Provisions | | **40,688** | 44,231 |
| Derivative financial instruments | | **1,238** | 20,838 |
| Deferred consideration | | **12,402** | 6,585 |
| Liabilities directly associated with assets classified as held for sale | | **-** | 12,816 |
| Other liabilities | | **69,869** | 44,537 |
| **Total current liabilities** | | **796,337** | 723,695 |
| **NON-CURRENT LIABILITIES** | | | |
| Payables | | **9,740** | 1,374 |
| Interest bearing liabilities | | **1,603,217** | 1,596,299 |
| Deferred tax liabilities | | **232,100** | 214,512 |
| Provisions | | **29,129** | 31,548 |
| Deferred consideration | | **65,969** | 4,869 |
| Derivative financial instruments | | **5,500** | 9,732 |
| Other liabilities | | **127,023** | 41,785 |
| **Total non-current liabilities** | | **2,072,678** | 1,900,119 |
| **Total liabilities** | | **2,869,015** | 2,623,814 |
| **Net assets** | | **1,108,733** | 1,177,641 |
| **EQUITY** | | | |
| Contributed equity | 8 | **-** | 35,703 |
| Reserves | | **(81,472)** | (19,362) |
| Retained earnings | 15 | **1,176,690** | 1,147,906 |
| Total parent entity interest | | **1,095,218** | 1,164,247 |
| Non-controlling interests | | **13,515** | 13,394 |
| **Total equity** | | **1,108,733** | 1,177,641 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

**Attributable to members of Computershare Limited**

| | **Note** | **Contributed Equity $000** | **Reserves $000** | **Retained Earnings $000** | **Total $000** | **Non-controlling Interests $000** | **Total Equity $000** |
|---|---|---|---|---|---|---|---|
| **Total equity at 1 July 2015** | | **35,703** | **(19,362)** | **1,147,906** | **1,164,247** | **13,394** | **1,177,641** |
| **Profit for the year** | | **-** | **-** | **157,334** | **157,334** | **4,464** | **161,798** |
| Available-for-sale financial assets | | **-** | **(62)** | **-** | **(62)** | **-** | **(62)** |
| Cash flow hedges | | **-** | **(497)** | **-** | **(497)** | **-** | **(497)** |
| Exchange differences on translation of foreign operations | | **-** | **(16,022)** | **-** | **(16,022)** | **(983)** | **(17,005)** |
| Income tax (expense)/credits | | **-** | **(6,841)** | **-** | **(6,841)** | **-** | **(6,841)** |
| **Total comprehensive income for the year** | | **-** | **(23,422)** | **157,334** | **133,912** | **3,481** | **137,393** |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Dividends provided for or paid | | **-** | **-** | **(128,550)** | **(128,550)** | **(2,799)** | **(131,349)** |
| Share buy-back | 8 | **(35,703)** | **(37,469)** | **-** | **(73,172)** | **-** | **(73,172)** |
| Transactions with non-controlling interests | | **-** | **-** | **-** | **-** | **(561)** | **(561)** |
| Cash purchase of shares on market | | **-** | **(12,177)** | **-** | **(12,177)** | **-** | **(12,177)** |
| Share based remuneration | | **-** | **10,958** | **-** | **10,958** | **-** | **10,958** |
| **Balance at 30 June 2016** | | **-** | **(81,472)** | **1,176,690** | **1,095,218** | **13,515** | **1,108,733** |

Attributable to members of Computershare Limited

| | Contributed Equity $000 | Reserves $000 | Retained Earnings $000 | Total $000 | Non-controlling Interests $000 | Total Equity $000 |
|---|---|---|---|---|---|---|
| Total equity at 1 July 2014 | 35,703 | 84,240 | 1,134,305 | 1,254,248 | 12,964 | 1,267,212 |
| Profit for the year | - | - | 153,576 | 153,576 | 3,702 | 157,278 |
| Available-for-sale financial assets | - | 9 | - | 9 | - | 9 |
| Cash flow hedges | - | (53) | - | (53) | - | (53) |
| Exchange differences on translation of foreign operations | - | (105,256) | - | (105,256) | (1,224) | (106,480) |
| Income tax (expense)/credits | - | 14,963 | - | 14,963 | - | 14,963 |
| Total comprehensive income for the year | - | (90,337) | 153,576 | 63,239 | 2,478 | 65,717 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Dividends provided for or paid | - | - | (139,975) | (139,975) | (2,048) | (142,023) |
| Transactions with non-controlling interests | - | (293) | - | (293) | - | (293) |
| Cash purchase of shares on market | - | (27,971) | - | (27,971) | - | (27,971) |
| Share based remuneration | - | 14,999 | - | 14,999 | - | 14,999 |
| Balance at 30 June 2015 | 35,703 | (19,362) | 1,147,906 | 1,164,247 | 13,394 | 1,177,641 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES
# PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
# FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 $000 | 2015 $000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | **2,001,817** | 2,064,771 |
| Payments to suppliers and employees | | **(1,521,470)** | (1,540,924) |
| Loan servicing advances (net) | | **(68,137)** | (44,522) |
| Dividends received from equity securities | | **701** | 917 |
| Interest paid and other finance costs | | **(53,786)** | (52,723) |
| Interest received | | **2,564** | 4,142 |
| Income taxes paid | | **(57,042)** | (59,529) |
| **Net operating cash flows** | 6 | **304,647** | 372,132 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for purchase of controlled entities and businesses (net of cash acquired) and intangible assets | | **(167,848)** | (186,021) |
| Proceeds from sale of a joint venture | | **1,532** | - |
| Dividends received from associates and joint ventures | | **445** | 339 |
| Proceeds from/(payments for) investments | | **(19,984)** | (15,495) |
| Payments for property, plant and equipment | | **(25,317)** | (28,384) |
| Proceeds from sale of subsidiaries and businesses, net of cash disposed | | **(6,511)** | 23,849 |
| **Net investing cash flows** | | **(217,683)** | (205,712) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payment for purchase of ordinary shares - share based awards | | **(12,177)** | (27,971) |
| Proceeds from borrowings | | **494,918** | 1,242,784 |
| Repayment of borrowings | | **(439,840)** | (1,161,005) |
| Loan servicing borrowings (net) | | **41,381** | 76,283 |
| Dividends paid - ordinary shares (net of dividend reinvestment plan) | | **(123,057)** | (133,601) |
| Purchase of ordinary shares - dividend reinvestment plan | | **(5,493)** | (6,374) |
| Dividends paid to non-controlling interests in controlled entities | | **(2,799)** | (2,048) |
| Payments for on-market share buy-back | | **(71,830)** | - |
| Repayment of finance leases | | **(6,684)** | (7,759) |
| **Net financing cash flows** | | **(125,581)** | (19,691) |
| Net increase/(decrease) in cash and cash equivalents held | | **(38,617)** | 146,729 |
| Cash and cash equivalents at the beginning of the financial year | | **604,092** | 509,151 |
| Exchange rate variations on foreign cash balances | | **(38,900)** | (51,788) |
| **Cash and cash equivalents at the end of the year*** | | **526,575** | 604,092 |

* Cash and cash equivalents at 30 June 2016 include nil cash presented in the assets classified as held for sale line item (2015: $48.8 million) in the consolidated statement of financial position.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES
# SUPPLEMENTARY APPENDIX 4E INFORMATION

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is to be read in conjunction with any public announcements made by Computershare Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Australian Securities Exchange Listing Rules.

The financial report, comprising the financial statements and notes of Computershare Limited and its controlled entities, complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Where necessary, comparative figures have been adjusted to comply with the changes in presentation in the current period.

The principal accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year.

## 2. MATERIAL FACTORS AFFECTING THE ECONOMIC ENTITY FOR THE CURRENT PERIOD

Refer to the Market Announcement and Management Presentation dated 10 August 2016 for discussion of the nature and amount of material items affecting revenue, expenses, assets, liabilities, equity or cash flows, where their disclosure is relevant in explaining the financial performance or position of the entity for the period.

## 3. EARNINGS PER SHARE *(Appendix 4E item 14.1)*

| **Year ended 30 June 2016** | **Basic EPS** | **Diluted EPS** | **Management Basic EPS** | **Management Diluted EPS** |
|---|---|---|---|---|
| **Earnings per share (cents per share)** | **28.55 cents** | **28.51 cents** | **55.09 cents** | **55.00 cents** |
| | | | | |
| **Reconciliation of earnings** | **$000** | **$000** | **$000** | **$000** |
| Profit for the year | **161,798** | **161,798** | **161,798** | **161,798** |
| Non-controlling interest (profit)/loss | **(4,464)** | **(4,464)** | **(4,464)** | **(4,464)** |
| Add back management adjustment items (see below) | **-** | **-** | **146,206** | **146,206** |
| **Net profit attributable to the members of Computershare Limited** | **157,334** | **157,334** | **303,540** | **303,540** |
| | | | | |
| **Weighted average number of ordinary shares used as denominator in calculating earnings per share** | **550,992,891** | **551,917,891** | **550,992,891** | **551,917,891** |

| Year ended 30 June 2015 | Basic EPS | Diluted EPS | Management Basic EPS | Management Diluted EPS |
|---|---|---|---|---|
| Earnings per share (cents per share) | 27.61 cents | 27.56 cents | 59.82 cents | 59.72 cents |
| Reconciliation of earnings | $000 | $000 | $000 | $000 |
| Profit for the year | 157,278 | 157,278 | 157,278 | 157,278 |
| Non-controlling interest (profit)/loss | (3,702) | (3,702) | (3,702) | (3,702) |
| Add back management adjustment items (see below) | - | - | 179,158 | 179,158 |
| Net profit attributable to the members of Computershare Limited | 153,576 | 153,576 | 332,734 | 332,734 |
| Weighted average number of ordinary shares used as denominator in calculating earnings per share | 556,203,079 | 557,178,079 | 556,203,079 | 557,178,079 |

**Reconciliation of weighted average number of shares used as the denominator:**

| | **2016 Number** | 2015 Number |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **550,992,891** | 556,203,079 |
| Adjustments for calculation of diluted earnings per share: | | |
| Performance rights | **925,000** | 975,000 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | **551,917,891** | 557,178,079 |

No employee performance rights have been issued since year end.

For the year ended 30 June 2016 management adjustment items were as follows:

| | **Gross $000** | **Tax effect $000** | **Net of tax $000** |
|---|---|---|---|
| **Amortisation** | | | |
| Intangible assets amortisation | **(96,134)** | **32,091** | **(64,043)** |
| **Acquisitions and disposals** | | | |
| Acquisition related accounting adjustments | **(45,642)** | **(699)** | **(46,341)** |
| Foreign currency translation reserve write-off on disposals | **(25,904)** | **-** | **(25,904)** |
| Gain on acquisition | **11,113** | **(2,222)** | **8,891** |
| Acquisition and disposal related expenses | **(3,480)** | **1,072** | **(2,408)** |
| Acquisition related restructuring costs | **(2,002)** | **698** | **(1,304)** |
| Asset write-down | **(1,687)** | **-** | **(1,687)** |
| Gain on disposal | **325** | **-** | **325** |
| **Other** | | | |
| Major restructuring costs | **(14,545)** | **6,080** | **(8,465)** |
| Put option liability re-measurement | **(7,526)** | **-** | **(7,526)** |
| Marked to market adjustments - derivatives | **3,244** | **(988)** | **2,256** |
| **Total management adjustment items** | **(182,238)** | **36,032** | **(146,206)** |

**Management Adjustment Items**
Management adjustment items net of tax for the year ended 30 June 2016 were as follows:

**Amortisation**

- Customer contracts and other intangible assets that are recognised on business combinations or major asset acquisitions are amortised over their useful life in the statutory results but excluded from management earnings. The amortisation of these intangibles for the year ended 30 June 2016 was $64.0 million. Amortisation of intangibles purchased outside of business combinations (eg, mortgage servicing rights) is included as a charge against management earnings.

**Acquisitions and disposals**

- A liability of $47.3 million was recognised for contingent consideration payable to the sellers of Homeloan Management Limited. An acquisition accounting adjustment related to the Registrar and Transfer Company resulted in a benefit of $1.0 million.
- The finalisation of disposal accounting for the Russian registry business, VEM (a corporate actions bank located in Germany) and the Australian ConnectNow business resulted in a loss of $25.9 million due to a write-off of the associated cumulative translation differences from the foreign currency translation reserve. The cumulative translation differences are only reclassified to profit or loss when the disposal process has been completed and control over a foreign subsidiary is lost. The Russian registry business and VEM were classified as held for sale as at 30 June 2015.
- A gain of $8.9 million was recorded on acquisition of assets under the mortgage servicing contract with UK Asset Resolution Limited.
- Acquisition and disposal related expenses of $2.4 million were incurred associated with recent acquisitions and disposals including Gilardi & Co, Capital Markets Cooperative, Homeloan Management Limited, Altavera, SyncBASE and ConnectNow.
- Restructuring costs of $1.3 million were incurred for the Gilardi & Co, Valiant Trust Company and SyncBASE acquisitions.
- A property in the UK was written down to fair value less cost of disposal on classification as ‘held for sale’ resulting in a loss of $1.7 million.
- A gain of $0.3 million was recorded on sale of the Japanese joint venture interest.

**Other**

- Costs of $8.5 million were incurred in relation to the major operations rationalisation underway in Louisville, USA.
- The put option liability re-measurement resulted in an expense of $7.5 million related to the Karvy joint venture arrangement in India.
- Derivatives that have not received hedge designation are marked to market at the reporting date and taken to profit and loss in the statutory results. The marked to market valuation resulted in a gain of $2.3 million.

For the year ended 30 June 2015 management adjustment items were as follows:

| | Gross | Tax effect | Net of tax |
|---|---|---|---|
| | $000 | $000 | $000 |
| **Amortisation** | | | |
| Intangible assets amortisation | (90,065) | 31,545 | (58,520) |
| **Acquisitions and disposals** | | | |
| Gain on disposal | 7,288 | 343 | 7,631 |
| Acquisition and disposal accounting adjustments | 11,383 | (4,800) | 6,583 |
| Acquisition and disposal related restructuring costs | (9,094) | 3,080 | (6,014) |
| Asset write-down | (5,241) | - | (5,241) |
| Acquisition and disposal related expenses | (4,540) | 988 | (3,552) |
| Gain on acquisition | 670 | - | 670 |
| **Other** | | | |
| Voucher Services impairment | (109,536) | - | (109,536) |
| Put option liability re-measurement | (7,749) | - | (7,749) |
| Marked to market adjustments - derivatives | (3,179) | 975 | (2,204) |
| Major restructuring costs | (2,050) | 824 | (1,226) |
| **Total management adjustment items** | (212,113) | 32,955 | (179,158) |

**4. SEGMENT INFORMATION** *(Appendix 4E item 14.4)*

The operating segments presented reflect the manner in which the Group has been internally managed and the financial information reported to the chief operating decision maker (CEO) in the current financial year. The Group has determined the operating segments based on the reports reviewed by the CEO that are used to make strategic decisions and assess performance.

There are seven operating segments. Six of them are geographic: Asia, Australia and New Zealand, Canada, Continental Europe, UCIA (United Kingdom, Channel Islands, Ireland & Africa) and the United States of America. In addition, Technology and Other segment comprises the provision of software specialising in share registry and financial services. It is also a research and development function, for which discrete financial information is reviewed by the CEO.

In each of the six geographic segments the consolidated entity offers a combination of its core products and services: investor services, business services, plan services, communication services and stakeholder relationship management services. Investor services comprise the provision of registry maintenance and related services. Business services comprise the provision of bankruptcy class action and utilities administration services, voucher services, corporate trust services and mortgage servicing activities. Plan services comprise the provision of administration and related services for employee share and option plans. Communication services comprise laser imaging, intelligent mailing, inbound process automation, scanning and electronic delivery. Stakeholder relationship management services comprise the provision of investor analysis, investor communication and management information services to companies, including their employees, shareholders and other securities industry participants.

Corporate function includes entities whose main purpose is to hold intercompany investments and conduct financing activities. It is not considered an operating segment and includes activities that are not allocated to other operating segments.

**OPERATING SEGMENTS**

| | Asia | Australia & New Zealand | Canada | Continental Europe | Technology & Other | UCIA | United States | Total |
|---|---|---|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **June 2016** | | | | | | | | |
| **Total segment revenue and other income** | **128,029** | **266,897** | **166,080** | **80,986** | **223,491** | **359,390** | **957,850** | **2,182,723** |
| **External revenue and other income** | **124,413** | **265,932** | **164,274** | **80,772** | **15,679** | **356,615** | **953,816** | **1,961,501** |
| **Intersegment revenue** | **3,616** | **965** | **1,806** | **214** | **207,812** | **2,775** | **4,034** | **221,222** |
| **Management adjusted EBITDA** | **45,231** | **45,741** | **67,440** | **13,732** | **25,233** | **100,036** | **226,392** | **523,805** |
| June 2015 | | | | | | | | |
| Total segment revenue and other income | 124,596 | 309,635 | 186,660 | 113,299 | 226,705 | 358,562 | 870,521 | 2,189,978 |
| External revenue and other income | 122,350 | 308,928 | 184,567 | 112,979 | 17,407 | 354,368 | 867,473 | 1,968,072 |
| Intersegment revenue | 2,246 | 707 | 2,093 | 320 | 209,298 | 4,194 | 3,048 | 221,906 |
| Management adjusted EBITDA | 42,217 | 51,652 | 76,595 | 22,161 | 30,646 | 118,966 | 213,549 | 555,786 |

*Segment revenue*

The revenue reported to the CEO is measured in a manner consistent with that of the statement of comprehensive income. Sales between segments are included in the total segment revenue, whereas sales within a segment have been eliminated from segment revenue. Sales between segments are at normal commercial rates and are eliminated on consolidation.

Segment revenue reconciles to total revenue from continuing operations as follows:

| | **2016** | 2015 |
|---|---|---|
| | **$000** | $000 |
| **Total operating segment revenue and other income** | **2,182,723** | 2,189,978 |
| Intersegment eliminations | **(221,222)** | (221,906) |
| Corporate revenue and other income | **(376)** | 3,180 |
| **Total revenue from continuing operations** | **1,961,125** | 1,971,252 |

*Management adjusted EBITDA*

Management adjusted results are used, along with other measures to assess operating business performance. The Group believes that exclusion of certain items permits better analysis of the Group's performance on a comparative basis and provides a better measure of underlying operating performance.

A reconciliation of management adjusted EBITDA to operating profit before income tax is provided as follows:

| | **2016** | 2015 |
|---|---|---|
| | **$000** | $000 |
| **Management adjusted EBITDA - operating segments** | **523,805** | 555,786 |
| Management adjusted EBITDA - corporate | **8,804** | (1,694) |
| **Management adjusted EBITDA** | **532,609** | 554,092 |
| Management adjustment items (before related income tax effect): | | |
| Amortisation of intangible assets | **(96,134)** | (90,065) |
| Acquisition and disposal accounting adjustments | **(45,642)** | 11,383 |
| Foreign currency translation reserve write-off on disposals | **(25,904)** | - |
| Gain on acquisition | **11,113** | 670 |
| Acquisition and disposal related expenses | **(3,480)** | (4,540) |
| Acquisition related restructuring costs | **(2,002)** | (9,094) |
| Asset write-down | **(1,687)** | (5,241) |
| Gain on disposal | **325** | 7,288 |
| Voucher Services impairment | - | (109,536) |
| Major restructuring costs | **(14,545)** | (2,050) |
| Put option liability re-measurement | **(7,526)** | (7,749) |
| Marked to market adjustments - derivatives | **3,244** | (3,179) |
| Total management adjustment items (note 3) | **(182,238)** | (212,113) |
| Finance costs | **(54,480)** | (51,957) |
| Other amortisation and depreciation | **(50,882)** | (46,851) |
| **Profit before income tax from continuing operations** | **245,009** | 243,171 |

## 5. RECONCILIATION OF INCOME TAX EXPENSE

### Numerical reconciliation of income tax expense to prima facie tax payable

| | **2016** | 2015 |
|---|---|---|
| | **$000** | $000 |
| Profit before income tax expense | **245,009** | 243,171 |
| The tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows: | | |
| Prima facie income tax expense thereon at 30% | **73,503** | 72,951 |
| Tax effect of permanent differences: | | |
| Contingent consideration re-measurement | **9,463** | - |
| Prior year tax (over)/under provided | **5,142** | 3,927 |
| Research and development allowance | **(1,733)** | (2,327) |
| Variation in tax rates of foreign controlled entities | **(472)** | (4,277) |
| Voucher Services goodwill impairment | **-** | 32,861 |
| Net other deductible | **(2,692)** | (17,242) |
| Income tax expense | **83,211** | 85,893 |

## 6. RECONCILIATION OF NET PROFIT AFTER TAX TO CASH FLOWS FROM OPERATING ACTIVITIES

| | **2016** | 2015 |
|---|---|---|
| | **$000** | $000 |
| Net profit after income tax | **161,798** | 157,278 |
| Adjustments for non-cash income and expense items: | | |
| Depreciation and amortisation | **147,016** | 136,916 |
| Contingent consideration re-measurement | **45,642** | (9,434) |
| Net (gain)/loss on asset disposals and asset write-downs | **27,266** | (2,291) |
| Gain on acquisition | **(11,113)** | (670) |
| Share of net (profit)/loss of associates and joint ventures accounted for using equity method | **1,349** | 2,316 |
| Employee benefits – share based expense | **10,366** | 16,535 |
| Impairment charge – Voucher Services | **-** | 109,536 |
| Fair value adjustments | **3,889** | 10,911 |
| Changes in assets and liabilities: | | |
| (Increase)/decrease in receivables | **(64,164)** | (19,162) |
| (Increase)/decrease in inventories | **(1,710)** | 2,482 |
| (Increase)/decrease in loan servicing advances | **(68,137)** | (44,522) |
| (Increase)/decrease in other current assets | **5,116** | 10,207 |
| Increase/(decrease) in payables and provisions | **21,160** | (24,334) |
| Increase/(decrease) in tax balances | **26,169** | 26,364 |
| **Net cash and cash equivalents from operating activities** | **304,647** | 372,132 |

## 7. BUSINESS COMBINATIONS

The Group continues to seek acquisition and other growth opportunities where value can be added and returns enhanced for the shareholders. The following significant controlled entities and businesses were acquired by the consolidated entity at the date stated and their operating results have been included in the Group’s results from the acquisition date.

(a) On 29 April 2016, Computershare acquired Capital Markets Cooperative, LLC (CMC), based in Florida, USA. CMC is a service provider to mortgage originator clients with a substantial mortgage servicing rights co-issue programme. Total consideration was $98.1 million, which included deferred consideration of $10.2 million and contingent consideration of $5.6 million, which is subject to certain performance hurdles being satisfied. Contingent consideration is based on the best estimate at acquisition date and does not contain a cap.

This business combination contributed $5.5 million to the total revenue of the group. Had the acquisition occurred on 1 July 2015, the total revenue contribution to the Group by the acquired entity would have been $25.9 million.

Details of the acquisition are as follows:

| | $000 |
|---|---|
| Cash consideration | 82,303 |
| Deferred consideration | 10,192 |
| Contingent consideration | 5,587 |
| Total consideration paid | 98,082 |
| Less fair value of identifiable assets acquired | (53,048) |
| **Provisional goodwill on consolidation*** | **45,034** |

*Identification and valuation of net assets acquired will be completed within the 12 month measurement period in accordance with the Group's accounting policy.

Assets and liabilities arising from this acquisition are as follows:

| | Fair value $000 |
|---|---|
| Cash | 8,238 |
| Receivables | 3,200 |
| Loan servicing advances | 503 |
| Current tax assets | 1,704 |
| Derivative financial instruments | 857 |
| Other current assets | 177 |
| Property, plant and equipment | 848 |
| Mortgage servicing rights | 43,085 |
| Payables | (1,807) |
| Other current liabilities | (579) |
| Deferred tax liability | (3,178) |
| **Net assets** | **53,048** |

**Purchase consideration:**
Inflow/(outflow) of cash to acquire the entity, net of cash acquired:

| | $000 |
|---|---|
| Cash balance acquired | 8,238 |
| Less cash paid | (82,303) |
| **Net inflow/(outflow) of cash** | **(74,065)** |

(b) On 4 May 2016, Computershare was appointed by UK Asset Resolution Limited (UKAR) to undertake its mortgage servicing activities under a seven year contract covering GBP 30 billion of UKAR mortgages. In addition, Computershare entered into separate contracts for the servicing of the GBP 11 billion of assets purchased by other parties from UKAR in November 2015. As part of the contract, Computershare acquired around 1,700 staff as well as certain assets and liabilities of UKAR effective 6 June 2016. Consideration paid for the assets acquired was GBP 1. Computershare also paid a working capital adjustment to the sellers of $0.5 million.

Due to the structure determined by the UK Government for award of the UKAR contract, business combination accounting rules are applicable, which resulted in a gain on acquisition of $11.1 million as the total value of net assets acquired exceeded the purchase consideration. The gain is included in other income in the statement of comprehensive income and is excluded from management earnings.

This business combination did not materially contribute to the total revenue of the Group in the year ended 30 June 2016.

Details of the acquisition are as follows:

| | $000 |
|---|---|
| Total cash paid | 507 |
| Less fair value of identifiable assets acquired | (11,620) |
| **Provisional gain on acquisition*** | **(11,113)** |

*Identification and valuation of net assets acquired will be completed within the 12 month measurement period in accordance with the Group's accounting policy.

Assets and liabilities arising from this acquisition are as follows:

| | Fair value $000 |
|---|---|
| Other current assets | 2,702 |
| Property, plant and equipment | 1,548 |
| Customer contracts and related relationships | 12,700 |
| Payables | (2,195) |
| Provisions | (595) |
| Deferred tax liability | (2,540) |
| **Net assets** | **11,620** |

**Purchase consideration:**
Inflow/(outflow) of cash, net of cash acquired:

| | $000 |
|---|---|
| Cash consideration paid | (507) |
| **Net inflow/(outflow) of cash** | **(507)** |

(c) On 27 August 2015 Computershare acquired 100% of Gilardi & Co., LLC (Gilardi), based in San Rafael, California, USA. Gilardi is a securities and anti-trust class actions claims administration business and complements Computershare's KCC business and its integrated suite of corporate restructuring, class action and legal document support solutions. Total consideration was $41.9 million, which included contingent consideration of $11.1 million. Contingent consideration is dependent on achieving net billable revenue targets over a three year period and is capped at $11.1 million.

This business combination contributed $29.2 million to the total revenue of the group. Had the acquisition occurred on 1 July 2015, the total revenue contribution to the Group by the acquired entity would have been $34.2 million.

Details of the acquisition are as follows:

| | $000 |
|---|---|
| Cash consideration | 30,814 |
| Contingent consideration | 11,070 |
| Total consideration paid | 41,884 |
| Less fair value of identifiable assets acquired | (37,620) |
| **Goodwill on consolidation** | **4,264** |

Assets and liabilities arising from this acquisition are as follows:

| | Fair value $000 |
|---|---|
| Cash | 62 |
| Current receivables | 6,847 |
| Other current assets | 484 |
| Plant, property and equipment | 182 |
| Customer contracts and related relationships | 32,410 |
| Intellectual property | 1,300 |
| Brand name | 1,050 |
| Deferred tax assets | 627 |
| Current payables | (5,216) |
| Other current liabilities | (126) |
| **Net assets** | **37,620** |

**Purchase consideration:**
Inflow/(outflow) of cash to acquire the entity, net of cash acquired:

| | **$000** |
|---|---|
| Cash balance acquired | 62 |
| Less cash paid | (30,814) |
| **Net inflow/(outflow) of cash** | **(30,752)** |

**8. CONTRIBUTED EQUITY** *(Appendix 4E item 14.2)*

| | **2016** | 2015 |
|---|---|---|
| | **$000** | $000 |
| Ordinary shares | **-** | 35,703 |
| **Total contributed equity** | - | 35,703 |

On 18 August 2015, Computershare announced an on-market buy-back of shares with an aggregate value of up to AUD 140.0 million for capital management purposes.

From 1 September 2015 until 30 June 2016, the Company purchased 9,377,069 ordinary shares at a total cost of AU$100.6 million (US$73.2 million). The shares were acquired at an average price of AU$10.73 and a price range from AU$9.00 to AU$11.86. As at 30 June 2016, 9,056,656 of the purchased ordinary shares have been cancelled.

Since the effect of share buy-backs over the years has reduced contributed equity to nil, a reserve has been created to reflect the excess value of shares bought over the original amount of subscribed capital.

There has been no issue of ordinary shares during the year ended 30 June 2016.

**Movement in contributed equity**

| | **Number of shares** | **$000** |
|---|---|---|
| Balance at 1 July 2015 | 556,203,079 | 35,703 |
| Share buy-back | (9,377,069) | (73,172) |
| Transfer to share buy-back reserve | - | 37,469 |
| **Balance at 30 June 2016** | **546,826,010** | - |

### 9. CONTROLLED ENTITIES ACQUIRED OR DISPOSED OF *(Appendix 4E item 10)*

| **Acquired** | **Date control gained** |
|---|---|
| Gilardi & Co., LLC | 27 August 2015 |
| Gilco LLC | 27 August 2015 |
| Data Point Analysis Group, LLC | 27 August 2015 |
| SyncBASE Inc. | 31 January 2016 |
| PR im Turm HV-Service AG | 1 February 2016 |
| Capital Markets Holdings, Inc. | 29 April 2016 |
| Capital Markets Cooperative, LLC | 29 April 2016 |
| CMC Funding, Inc. | 29 April 2016 |
| Altavera LLC | 13 May 2016 |
| Altavera Mortgage Services LLC | 13 May 2016 |

| **Disposed** | **Date control lost** |
|---|---|
| Closed Joint Stock Company "Computershare Registrar" | 17 July 2015 |
| Computershare LLC (Russia) | 17 July 2015 |
| VEM Aktienbank AG | 31 July 2015 |

### 10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

| | **2016** | 2015 |
|---|---|---|
| | **$000** | $000 |
| Assets classified as held for sale: | | |
| Cash and cash equivalents | - | 48,814 |
| Financial assets held for trading | - | 1,904 |
| Property, plant and equipment | 26,128 | - |
| Other | - | 840 |
| **Total assets held for sale** | **26,128** | 51,558 |
| | | |
| Liabilities directly associated with assets classified as held for sale: | | |
| Payables | - | 12,816 |
| **Total liabilities held for sale** | - | 12,816 |

On 26 April 2016, Computershare announced the sale of the land and building housing its Australian head office. The sale will be completed on 9 September 2016 and is expected to result in a gain of $40.3 million, which will be recorded in next year’s results. Separately, the sale process of a building located in the United Kingdom is underway and is expected to be completed within the next twelve months. The building was acquired as part of the original IML acquisition. Both the Australian head office building and land as well as the building in the UK are classified as held for sale as at 30 June 2016.

Land and buildings classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell at the time of the reclassification, and are presented separately within current assets in the consolidated statement of financial position. A loss of $1.7 million before tax resulting from the write-down of the United Kingdom property to fair value less cost of disposal has been recognised in the direct services expense line of the consolidated statement of comprehensive income.

The sale process of VEM Aktienbank AG (VEM), a corporate action bank located in Germany, was completed on 31 July 2015 and sale of the Russian registry business was completed on 17 July 2015. VEM and Russia were classified as disposal groups held for sale as at 30 June 2015. The finalisation of disposal accounting for VEM and Russia resulted in a loss of $25.9 million due to a write-off of the associated cumulative translation differences from the foreign currency translation reserve. The cumulative translation differences are only reclassified to profit or loss when the disposal process has been completed and control over a foreign subsidiary is lost.

**11. ASSOCIATES AND JOINT VENTURE ENTITIES** *(Appendix 4E item 11)*

| Name | Place of incorporation | Principal activity | Ownership interest | | Consolidated carrying amount | |
|---|---|---|---|---|---|---|
| | | | **June 2016 %** | June 2015 % | **June 2016 $000** | June 2015 $000 |
| **Joint Ventures** | | | | | | |
| Japan Shareholder Services Ltd* | Japan | Technology Services | - | 50 | - | 1,415 |
| Computershare Pan Africa Holdings Ltd | Mauritius | Investor Services | **60** | 60 | - | - |
| Computershare Pan Africa Ghana Ltd | Ghana | Investor Services | **60** | 60 | - | - |
| Computershare Pan Africa Nominees Ghana Ltd | Ghana | Investor Services | **60** | 60 | - | - |
| Asset Checker Ltd | United Kingdom | Investor Services | **50** | 50 | - | - |
| VisEq GmbH | Germany | Investor Services | **66** | 66 | **104** | 143 |
| **Associates** | | | | | | |
| Expandi Ltd | United Kingdom | Investor Services | **25** | 25 | **6,045** | 6,226 |
| Milestone Group Pty Ltd | Australia | Technology Services | **20** | 20 | **5,623** | 6,004 |
| The Reach Agency Pty Ltd | Australia | Investor Services | **49** | 49 | **1,244** | 1,068 |
| INVeShare | United States | Investor Services | **40** | 40 | **14,326** | 16,713 |
| Mergit s.r.l | Italy | Technology Services | **30** | 30 | **15** | 27 |
| | | | | | **27,357** | 31,596 |

*Japan Shareholder Services Ltd was disposed on 30 September 2015.

The share of net profit/loss of associates and joint ventures accounted for using the equity method for the year ended 30 June 2016 is a $1.3 million loss (2015: $2.3 million loss).

**12. OTHER SIGNIFICANT INFORMATION** *(Appendix 4E item 12)*

Refer to the Market Announcement and Management Presentation.

**13. ADDITIONAL DIVIDEND INFORMATION** *(Appendix 4E item 7)*

Details of dividends declared or paid during or subsequent to the year ended 30 June 2016 are as follows:

| Record date | Payment date | Type | Amount per security | Total dividend | Franked amount per security | Conduit Foreign Income amount per security |
|---|---|---|---|---|---|---|
| 20 August 2015 | 15 September 2015 | Final | AU 16 cents | AUD 88,991,746 | AU 4.0 cents | AU 12.0 cents |
| 22 February 2016 | 16 March 2016 | Interim | AU 16 cents | AUD 87,751,688 | AU 16.0 cents | AU 0.0 cents |
| 17 August 2016 | 13 September 2016 | Final | AU 17 cents | AUD 92,875,422* | AU 3.4 cents** | AU 13.6 cents |

* Based on 546,326,010 shares on issue as at 10 August 2016
** Dividend franked to 20%

**14. DIVIDEND REINVESTMENT PLANS** *(Appendix 4E item 8)*

Computershare operates a Dividend Reinvestment Plan (DRP) which provides eligible shareholders with the opportunity to elect to take all or part of dividends in the form of shares in accordance with the DRP plan rules. Shares are provided under the plan free of brokerage and other transaction costs and will rank equally with all other ordinary shares on issue.

The DRP will apply to the final dividend declared in respect of the current financial year on 10 August 2016. Applications or notices received after 5.00pm (Melbourne time) on 18 August 2016 will not be effective for payment of this final dividend but will be effective for future dividend payments.

The DRP price for the final dividend will be equal to the arithmetic average of the daily volume weighted average market price (rounded to the nearest cent) of all shares sold through a normal trade on the ASX automated trading system during the DRP pricing period for this dividend, being 23 August 2016 to 5 September 2016 (inclusive). No discount will apply to the DRP price.

**15. RETAINED EARNINGS** *(Appendix 4E item 6)*

| | **2016** | 2015 |
|---|---|---|
| | **$000** | $000 |
| **Retained earnings** | | |
| Retained earnings at the beginning of the financial year | **1,147,906** | 1,134,305 |
| Ordinary dividends provided for or paid | **(128,550)** | (139,975) |
| Net profit/(loss) attributable to members of Computershare Limited | **157,334** | 153,576 |
| Retained earnings at the end of the financial year | **1,176,690** | 1,147,906 |

**16. NTA BACKING** *(Appendix 4E item 9)*

| | **2016** | 2015 |
|---|---|---|
| Net tangible asset backing per ordinary share | **(2.48)** | (2.08) |

**17. COMMENTARY ON RESULTS** *(Appendix 4E item 14)*

Refer to the Market Announcement and Management Presentation.

**18. SIGNIFICANT FEATURES OF OPERATING PERFORMANCE** *(Appendix 4E item 14.3)*

Refer to the Market Announcement and Management Presentation.

**19. TRENDS IN PERFORMANCE** *(Appendix 4E item 14.5)*

Refer to the Market Announcement and Management Presentation.

**20. OTHER FACTORS THAT AFFECTED RESULTS IN THE PERIOD OR WHICH ARE LIKELY TO AFFECT RESULTS IN THE FUTURE** *(Appendix 4E item 14.6)*

Refer to the Market Announcement and Management Presentation.

**21. AUDIT STATUS** *(Appendix 4E item 15)*

This report is based on accounts which are in the process of being audited.