

ASX HALF-YEAR REPORT

Computershare Limited

ABN 71 005 485 825

31 December 2019

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2019 Annual Report.

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This half-year report covers the consolidated entity consisting of Computershare Limited and its controlled entities. The interim financial report is presented in United States dollars (unless otherwise stated).

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES
HALF-YEAR ENDED 31 DECEMBER 2019
(Previous corresponding period half-year ended 31 December 2018)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

\$000

Revenue from ordinary activities <i>(Appendix 4D item 2.1)</i>	up	0.0%	to	1,121,250
Profit/(loss) after tax attributable to members <i>(Appendix 4D item 2.2)</i>	down	51.9%	to	124,668
Net profit/(loss) for the period attributable to members <i>(Appendix 4D item 2.3)</i>	down	51.9%	to	124,668

Dividends <i>(Appendix 4D item 2.4)</i>	Amount per security	Franked amount per security
Interim dividend	AU 23 cents	AU 6.9 cents
Final dividend (prior year)	AU 23 cents	AU 6.9 cents

Record date for determining entitlements to the interim dividend *(Appendix 4D item 2.5)* 19 February 2020

Explanation of Revenue *(Appendix 4D item 2.6)*

Total revenue for the half-year increased to \$1,121.3 million (2018: \$1,121.0 million). Excluding Karvy from 1H19, revenue for the half-year increased \$23.7 million.

Issuer Services revenues decreased primarily due to lower margin income and lower event-based activity impacting corporate actions and stakeholder relationship management.

Employee Share Plans and Voucher Services revenues were higher due to increased transactional volumes and client fee revenue, reflecting six months of contribution from Equatex in 1H20 and positive equity markets.

Mortgage Services revenues increased due to growth in the servicing portfolio and ancillary fees in the US, partially offset by reduced fixed fee contribution from the UK.

Excluding Karvy from 1H19, Business Services revenues increased modestly against the prior half-year.

A weaker British pound, Australian dollar and Canadian dollar relative to the prior period reduced the translated revenue contribution from those regions.

Explanation of Profit/(loss) from ordinary activities after tax *(Appendix 4D item 2.6)*

Net statutory profit after tax attributable to members was \$124.7 million, a decrease of 51.9% over the corresponding period. The decrease was primarily due to a gain on disposal of Karvy of \$108.5 million, which was recognised in other income in 1H19. Excluding Karvy, net statutory profit after tax decreased 17.4% over the corresponding period.

Higher amortisation was primarily driven by a larger owned MSR portfolio in US Mortgage Services. The Group's effective tax rate was higher than the prior period due to favourable one-off events in 1H19 and the current period's profit mix with more profits recorded in countries with higher tax rates.

The impact of AASB 16 adjustments on statutory net profit after tax was immaterial.

Explanation of Net Profit/(loss) *(Appendix 4D item 2.6)*

Please refer above.

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES
HALF-YEAR ENDED 31 DECEMBER 2019
(Previous corresponding period half-year ended 31 December 2018)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Explanation of Dividends *(Appendix 4D item 2.6)*

The Company has announced an interim dividend for the current financial year of AU 23 cents per share. This dividend is franked to 30%.

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 December 2019

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This interim financial report does not include all the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Computershare Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules.

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' REPORT

The Board of Directors of Computershare Limited (the Company) present their report in respect of the financial half-year ended 31 December 2019.

DIRECTORS

The names of the directors of the Company in office during the whole of the half-year and up to the date of this report, unless otherwise indicated, are:

Non-executive

Simon David Jones (Chairman)
Abigail Pip Cleland
Tiffany Lee Fuller
Lisa Mary Gay
Christopher John Morris
Paul Joseph Reynolds
Joseph Mark Velli

Executive

Stuart James Irving (President and Chief Executive Officer)

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the half-year were the operation of Issuer Services, Employee Share Plans & Voucher Services, Communication Services, Mortgage Services & Property Rental Services, Business Services and Technology Services.

- The Issuer Services operations comprise the provision of register maintenance, corporate actions, stakeholder relationship management, corporate governance and related services.
- The Employee Share Plans & Voucher Services operations comprise the provision of administration and related services for employee share and option plans, together with Childcare Voucher administration.
- The Mortgage Services & Property Rental Services operations comprise mortgage servicing and related activities, together with tenancy bond protection services.
- The Communication Services operations comprise document composition and printing, intelligent mailing, inbound process automation, scanning and electronic delivery.
- The Business Services operations comprise the provision of bankruptcy, class actions and corporate trust administration services.
- Technology Services includes the provision of software, specialising in share registry and financial services.

Computershare has a range of regulated businesses around the world, including transfer agencies, licensed dealers, corporate trusts and mortgage servicers.

REVIEW OF OPERATIONS

The Group recorded a profit before tax of \$185.7 million for the half-year ended 31 December 2019 (2018: \$329.0 million). Total revenue increased to \$1,121.3 million (2018: \$1,121.0 million) and expenses were up by \$28.3 million.

A weaker British pound, Australian dollar and Canadian dollar relative to the prior period reduced the translated revenue contribution from those regions. Margin income decreased \$9.2 million during the half-year primarily driven by lower client balances.

As previously indicated, a delay in migrating loans to our platform in UK Mortgage Services and a decline in the fixed fee revenue, have both adversely impacted 1H20 results. Acquisitions and related integration efforts, net of 1H19 disposals and lower temporary costs from reduced event-based activity, resulted in higher personnel

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' REPORT

expenses for the current reporting period. Higher amortisation was primarily driven by a larger owned MSR portfolio in US Mortgage Services.

Statutory basic earnings per share decreased by 51.9% to 23 cents. The prior period half-year result included a \$108.5 million gain on disposal of Karvy.

Operating cash flows increased by \$161.2 million to \$230.1 million (2018: \$68.9 million), primarily due to the acquisition of \$125.0 million loan servicing advances in the prior reporting period. Excluding loan servicing advances, operating cash flows increased \$73.7 million (2018: decreased \$22.7 million) largely due to a reduction in receivables, lower tax payments and the impact of AASB 16, whereby the element of lease payments attributable to the repayment of principal is included in financing cash flows.

CONSOLIDATED PROFIT

The profit of the consolidated entity for the half-year was \$124.7 million (2018: \$259.4 million) after deducting income tax and non-controlling interests.

DIVIDENDS

The following dividends of the consolidated entity 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 2019 was declared on 14 August 2019 and paid on 16 September 2019. This was an ordinary dividend of AU 23 cents per share, franked to 30%, amounting to AUD 124,864,490 (\$85,386,578).
- An interim dividend declared by the directors of the Company in respect of the current financial year, to be paid on 19 March 2020. This is an ordinary dividend of AU 23 cents per share, franked to 30%, amounting to AUD 124,402,306 based on shares on issue as at 12 February 2020. The dividend was not declared until 12 February 2020 and accordingly no provision has been recognised at 31 December 2019.

ROUNDING OF AMOUNTS

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission. In accordance with that legislative instrument, amounts in the interim financial report and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's signed independence declaration as required under section 307C of the *Corporations Act 2001* is provided immediately after this report.

Signed in accordance with a resolution of the Directors.



SD Jones
Chairman



SJ Irving
Chief Executive Officer

12 February 2020



Auditor's Independence Declaration

As lead auditor for the review of Computershare Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Computershare Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'A. Linschoten', written in a cursive style.

Anton Linschoten
Partner
PricewaterhouseCoopers

Melbourne
12 February 2020

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COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2019

	Note	Half-year 2019 \$000	2018 \$000
Revenue from continuing operations			
Sales revenue		1,118,607	1,118,365
Interest received		2,086	1,468
Dividends received		557	1,163
Total revenue from continuing operations		1,121,250	1,120,996
Other income		4,541	121,078
Expenses			
Direct services		731,621	724,366
Technology costs		155,218	140,113
Corporate services		17,244	15,069
Finance costs		36,190	32,456
Total expenses		940,273	912,004
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method		173	(1,037)
Profit before related income tax expense		185,691	329,033
Income tax expense/(credit)	4	60,960	66,530
Profit for the half-year		124,731	262,503
Other comprehensive income that may be reclassified to profit or loss			
Cash flow hedges		(36)	(693)
Exchange differences on translation of foreign operations		(11,410)	(1,271)
Income tax relating to components of other comprehensive income		424	353
Total other comprehensive income for the half-year, net of tax		(11,022)	(1,611)
Total comprehensive income for the half-year		113,709	260,892
Profit for the half-year attributable to:			
Members of Computershare Limited		124,668	259,373
Non-controlling interests		63	3,130
		124,731	262,503
Total comprehensive income for the half-year attributable to:			
Members of Computershare Limited		113,640	258,338
Non-controlling interests		69	2,554
		113,709	260,892
Basic earnings per share (cents per share)	2	23.00 cents	47.77 cents
Diluted earnings per share (cents per share)	2	23.00 cents	47.67 cents

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	31 December 2019 \$000	30 June 2019 \$000
CURRENT ASSETS			
Cash and cash equivalents		548,499	561,346
Bank deposits		6,559	6,335
Other financial assets		58,601	67,096
Receivables		442,611	483,301
Loan servicing advances		301,707	281,458
Financial assets at fair value through profit or loss		23,220	24,247
Inventories		4,939	4,654
Current tax assets		22,782	26,950
Prepayments		52,200	42,171
Other current assets		7,237	3,510
Total current assets		1,468,355	1,501,068
NON-CURRENT ASSETS			
Receivables		3,229	2,639
Investments accounted for using the equity method		11,421	11,126
Financial assets at fair value through profit or loss		96,556	102,400
Property, plant and equipment		122,118	136,612
Right-of-use assets	13	195,021	-
Deferred tax assets		121,048	139,179
Intangibles		2,896,874	2,782,680
Other non-current assets		2,470	9,251
Total non-current assets		3,448,737	3,183,887
Total assets		4,917,092	4,684,955
CURRENT LIABILITIES			
Payables		438,252	489,915
Borrowings		208,980	72,594
Lease liabilities	13	43,147	1,931
Current tax liabilities		32,934	35,330
Financial liabilities at fair value through profit or loss		7,364	3,265
Provisions		58,101	45,170
Deferred consideration		9,012	15,487
Mortgage servicing related liabilities		36,790	35,024
Other liabilities	13	-	2,345
Total current liabilities		834,580	701,061
NON-CURRENT LIABILITIES			
Payables		2,777	6,632
Borrowings		1,888,668	1,955,980
Lease liabilities	13	175,840	5,804
Financial liabilities at fair value through profit or loss		2,106	744
Deferred tax liabilities		221,755	217,589
Provisions		22,971	22,902
Deferred consideration		16,887	16,310
Mortgage servicing related liabilities		189,199	178,596
Other liabilities	13	-	5,266
Total non-current liabilities		2,520,203	2,409,823
Total liabilities		3,354,783	3,110,884
Net assets		1,562,309	1,574,071
EQUITY			
Contributed equity	7	-	-
Reserves		(175,265)	(134,551)
Retained earnings		1,735,317	1,706,427
Total parent entity interest		1,560,052	1,571,876
Non-controlling interests		2,257	2,195
Total equity		1,562,309	1,574,071

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

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

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 2019	-	(134,551)	1,706,427	1,571,876	2,195	1,574,071
Change in accounting policy	13	-	(10,391)	(10,391)	-	(10,391)
Restated total equity at the beginning of the financial year	-	(134,551)	1,696,036	1,561,485	2,195	1,563,680
Profit for the half-year	-	-	124,668	124,668	63	124,731
Cash flow hedges	-	(36)	-	(36)	-	(36)
Exchange differences on translation of foreign operations	-	(11,416)	-	(11,416)	6	(11,410)
Income tax (expense)/credits	-	424	-	424	-	424
Total comprehensive income for the half-year	-	(11,028)	124,668	113,640	69	113,709
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	-	-	(85,387)	(85,387)	(7)	(85,394)
Share buy-back	7	(22,499)	-	(22,499)	-	(22,499)
Cash purchase of shares on market	-	(19,844)	-	(19,844)	-	(19,844)
Share based remuneration	-	12,657	-	12,657	-	12,657
Balance at 31 December 2019	-	(175,265)	1,735,317	1,560,052	2,257	1,562,309

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 2018	-	(148,098)	1,455,187	1,307,089	26,308	1,333,397
Change in accounting policy	-	(263)	(895)	(1,158)	-	(1,158)
Restated total equity at the beginning of the financial year	-	(148,361)	1,454,292	1,305,931	26,308	1,332,239
Profit for the half-year	-	-	259,373	259,373	3,130	262,503
Cash flow hedges	-	(693)	-	(693)	-	(693)
Exchange differences on translation of foreign operations	-	(695)	-	(695)	(576)	(1,271)
Income tax (expense)/credits	-	353	-	353	-	353
Total comprehensive income for the half-year	-	(1,035)	259,373	258,338	2,554	260,892
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	-	-	(83,005)	(83,005)	(8,078)	(91,083)
Disposal of non-controlling interest	-	-	-	-	(18,743)	(18,743)
Cash purchase of shares on market	-	(20,987)	-	(20,987)	-	(20,987)
Share based remuneration	-	11,815	-	11,815	-	11,815
Balance at 31 December 2018	-	(158,568)	1,630,660	1,472,092	2,041	1,474,133

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

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED CASH FLOW STATEMENT

For the half-year ended 31 December 2019

	Note	Half-year 2019 \$000	2018 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,197,917	1,156,125
Payments to suppliers and employees		(885,714)	(888,018)
Loan servicing advances (net)		(20,249)	(107,713)
Dividends received from associates, joint ventures and equity securities		622	1,163
Interest paid and other finance costs		(36,010)	(37,773)
Interest received		2,086	1,468
Income taxes paid		(28,570)	(56,371)
Net operating cash flows	6(a)	230,082	68,881
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of controlled entities and businesses (net of cash acquired)		(6,763)	(438,287)
Payments for intangible assets including MSRs		(139,314)	(46,191)
Proceeds from sale of property, plant and equipment		-	2,240
Proceeds from/ (payments for) investments		4,636	(16,708)
Payments for property, plant and equipment		(14,042)	(33,565)
Proceeds from sale of subsidiaries and businesses (net of cash disposed)		-	77,232
Net investing cash flows		(155,483)	(455,279)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for purchase of ordinary shares - share based awards		(19,844)	(20,987)
Proceeds from borrowings		192,424	1,984,976
Repayment of borrowings		(113,612)	(1,600,502)
Loan servicing borrowings (net)		(21,285)	101,142
Dividends paid - ordinary shares (net of dividend reinvestment plan)		(78,295)	(78,660)
Purchase of ordinary shares - dividend reinvestment plan		(7,092)	(4,345)
Dividends paid to non-controlling interests in controlled entities		(7)	(8,078)
Payments for on-market share buy-back		(22,499)	-
Lease principal payments		(22,007)	(2,091)
Net financing cash flows		(92,217)	371,455
Net increase/(decrease) in cash and cash equivalents held		(17,618)	(14,943)
Cash and cash equivalents at the beginning of the financial year		561,346	534,669
Exchange rate variations on foreign cash balances		4,771	(9,745)
Cash and cash equivalents at the end of the half-year		548,499	509,981

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

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

1. BASIS OF PREPARATION

The interim financial report for the half-year reporting period ended 31 December 2019 includes the condensed financial statements for the consolidated entity consisting of Computershare Limited and its controlled entities, referred to collectively as the "consolidated entity", "the Group" or "Computershare".

The interim financial report is a general purpose financial report prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The interim financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), including IAS 34 *Interim Financial Reporting*.

The interim financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Computershare Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Securities Exchange listing rules.

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

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period with the exception of AASB 16 *Leases* discussed in note 13.

2. EARNINGS PER SHARE

Half-year ended 31 December 2019	Basic EPS	Diluted EPS	Management Basic EPS	Management Diluted EPS
Earnings per share (cents per share)	23.00 cents	23.00 cents	28.96 cents	28.96 cents
Reconciliation of earnings	\$000	\$000	\$000	\$000
Profit for the year	124,731	124,731	124,731	124,731
Non-controlling interest (profit)/loss	(63)	(63)	(63)	(63)
Add back management adjustment items (see below)	-	-	32,305	32,305
Net profit attributable to the members of Computershare Limited	124,668	124,668	156,973	156,973
Weighted average number of ordinary shares used as denominator in calculating earnings per share	541,956,213	542,075,111	541,956,213	542,075,111

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

Half-year ended 31 December 2018	Basic EPS	Diluted EPS	Management Basic EPS	Management Diluted EPS
Earnings per share (cents per share)	47.77 cents	47.67 cents	34.97 cents	34.90 cents
Reconciliation of earnings	\$000	\$000	\$000	\$000
Profit for the half-year	262,503	262,503	262,503	262,503
Non-controlling interest (profit)/loss	(3,130)	(3,130)	(3,130)	(3,130)
Less management adjustment items (see below)	-	-	(69,492)	(69,492)
Net profit attributable to the members of Computershare Limited	259,373	259,373	189,881	189,881
Weighted average number of ordinary shares used as denominator in calculating earnings per share	542,955,868	544,066,299	542,955,868	544,066,299

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

	2019 Number	2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	541,956,213	542,955,868
Adjustments for calculation of diluted earnings per share:		
Performance rights	118,898	1,110,431
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	542,075,111	544,066,299

For the half-year ended 31 December 2019 management adjustment items include the following:

	Gross \$000	Tax effect \$000	Net of tax \$000
Amortisation			
Amortisation of intangible assets	(28,500)	7,653	(20,847)
Acquisitions and disposals			
Acquisition related expenses	(10,014)	1,943	(8,071)
One-off tax expense on Equatex IP restructure	-	1,073	1,073
Acquisition accounting adjustments	1,442	(381)	1,061
Other			
Major restructuring costs	(8,454)	1,855	(6,599)
Marked to market adjustments - derivatives	1,540	(462)	1,078
Total management adjustment items	(43,986)	11,681	(32,305)

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

Management Adjustment Items

Management adjustment items net of tax for the half-year ended 31 December 2019 were as follows:

Amortisation

- Customer relationships and most of 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 in the half-year ended 31 December 2019 was \$20.8 million. Amortisation of mortgage servicing rights, certain acquired software as well as intangibles purchased outside of business combinations is included as a charge against management earnings.

Acquisitions and disposals

- Acquisition related expenses of \$8.1 million were incurred related to the Equatex integration.
- A true-up of the one-off tax expense recognised as a result of the Equatex IP restructure in the previous financial year resulted in a tax benefit of \$1.1 million.
- A gain of \$0.5 million was recognised for re-measurement of contingent consideration payable to the sellers of Gilardi & Co., LLC and a gain of \$0.6 million resulted from an adjustment to acquisition accounting for a prior period acquisition.

Other

- Costs of \$6.6 million were incurred in relation to the restructuring of UK mortgage services, shared services cost-out programs and the major operations rationalisation underway in Louisville, USA.
- 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 \$1.1 million.

For the half-year ended 31 December 2018 management adjustment items include the following:

	Gross \$000	Tax effect \$000	Net of tax \$000
Amortisation			
Amortisation of intangible assets	(25,100)	6,543	(18,557)
Acquisitions and disposals			
Gain on disposal of Karvy	108,534	(17)	108,517
Acquisition related expenses	(8,549)	1,626	(6,923)
Acquisition accounting adjustments	(277)	-	(277)
One-off tax expense on Equatex IP restructure	-	(9,125)	(9,125)
Other			
Major restructuring costs	(10,131)	2,604	(7,527)
Marked to market adjustments - derivatives	4,027	(1,210)	2,817
Put option liability re-measurement	1,696	-	1,696
True-up of US tax reform impact on foreign subsidiary profits	-	(1,129)	(1,129)
Total management adjustment items	70,200	(708)	69,492

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

3. SEGMENT INFORMATION

As previously announced, Computershare has undertaken a review of its management structure to identify ways to intensify customer focus, identify opportunities for new business and operating efficiencies and develop additional products. Effective from 1 July 2019, the Group's management structure and reporting has changed from a regional model to a global business model, aligned to Computershare's products. Consequently, the change to the organisational structure has resulted in a change to the composition of operating segments.

In accordance with AASB 8 *Operating Segments*, the Group has identified its operating segments to be the following six global business lines:

- Issuer Services
- Mortgage Services & Property Rental Services
- Employee Share Plans & Voucher Services
- Business Services
- Communication Services & Utilities
- Technology Services

Issuer Services comprise register maintenance, corporate actions, stakeholder relationship management, corporate governance and related services. Mortgage Services & Property Rental Services comprise mortgage servicing and related activities, together with tenancy bond protection services in the UK. Employee Share Plans & Voucher Services comprise the provision of administration and related services for employee share and option plans, together with Childcare Voucher administration in the UK. Business Services comprise the provision of bankruptcy, class actions and corporate trust administration services. Communication Services and Utilities operations comprise document composition and printing, intelligent mailing, inbound process automation, scanning and electronic delivery. Technology Services comprise the provision of software specialising in share registry and financial services.

There is a corporate function which 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.

The operating segments presented reflect the manner in which the Group is internally managed and the financial information reported to the chief operating decision maker (CEO). 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. Segment performance is measured based on earnings before interest, tax, depreciation and amortisation (EBITDA).

Comparative segment information has been restated to reflect the Group's new operating segments, including revenue by geography. Consequently, the segment information disclosed by geography is not entirely comparable to the information disclosed by geographic segment for the prior year.

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

OPERATING SEGMENTS

	Issuer Services	Employee Share Plans & Voucher Services	Communic ation Services & Utilities	Mortgage Services & Property Rental Services ¹	Business Services	Technology Services	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
December 2019							
Total segment revenue and other income	436,416	149,685	156,354	343,870	121,444	119,427	1,327,196
Intersegment revenue	(12,073)	(905)	(73,228)	-	(615)	(118,997)	(205,818)
External revenue and other income	424,343	148,780	83,126	343,870	120,829	430	1,121,378
Revenue by geography:							
Asia	36,867	15,543	-	-	-	-	52,410
Australia & New Zealand	54,455	7,998	42,936	-	-	409	105,798
Canada	36,706	10,116	3,284	-	41,976	8	92,090
Continental Europe	16,085	4,985	15,608	-	-	-	36,678
UCIA	47,918	82,543	2,830	116,571	7,921	13	257,796
United States	232,312	27,595	18,468	227,299	70,932	-	576,606
	424,343	148,780	83,126	343,870	120,829	430	1,121,378
Management Adjusted EBITDA							
	129,080	31,828	13,951	82,105	41,662	12,112	310,738
December 2018							
Total segment revenue and other income	488,540	127,802	167,181	308,214	136,119	119,228	1,347,084
Intersegment revenue	(16,726)	(1,199)	(79,603)	(5,848)	(2,038)	(118,738)	(224,152)
External revenue and other income	471,814	126,603	87,578	302,366	134,081	490	1,122,932
Revenue by geography:							
Asia	40,243	12,414	-	-	16,941	-	69,598
Australia & New Zealand	63,411	8,112	48,132	-	-	470	120,125
Canada	37,494	10,654	3,652	-	48,949	18	100,767
Continental Europe	16,100	11,942	13,438	-	-	-	41,480
UCIA	51,962	54,533	2,943	142,933	7,769	2	260,142
United States	262,604	28,948	19,413	159,433	60,422	-	530,820
	471,814	126,603	87,578	302,366	134,081	490	1,122,932
Management Adjusted EBITDA							
	161,001	28,996	13,947	66,834	49,481	12,341	332,600

¹ In the Mortgage Services business line, profit before tax and return on invested capital are important and closely monitored measures of performance in addition to management adjusted EBITDA.

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.

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

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

	Half-year	
	2019	2018
	\$000	\$000
Total operating segment revenue and other income	1,327,196	1,347,084
Intersegment eliminations	(205,818)	(224,152)
Corporate revenue and other income	(128)	(1,936)
Total revenue from continuing operations	1,121,250	1,120,996

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:

	Half-year	
	2019	2018
	\$000	\$000
Management adjusted EBITDA - operating segments	310,738	332,600
Management adjusted EBITDA - corporate ¹	25,882	(1,170)
Management adjusted EBITDA²	336,620	331,430
Management adjustment items (before related income tax expense):		
Amortisation of intangible assets	(28,500)	(25,100)
Acquisition related expenses	(10,014)	(8,549)
Acquisition accounting adjustments	1,442	(277)
Major restructuring costs	(8,454)	(10,131)
Marked to market adjustments - derivatives	1,540	4,027
Gain on disposal of Karvy	-	108,534
Put option liability re-measurement	-	1,696
Total management adjustment items (note 2)	(43,986)	70,200
Finance costs ³	(36,190)	(32,456)
Other amortisation and depreciation ³	(70,753)	(40,141)
Profit before income tax from continuing operations	185,691	329,033

¹ Operating segments receive an allocation of property costs recharged from the corporate function, consistent with prior periods. Corporate management adjusted EBITDA of \$25.9 million reflects the impact of the adoption of AASB 16, as depreciation and finance costs related to property leases are not included in this measure. Excluding the impact of AASB 16, corporate EBITDA was \$2.8 million.

² Management adjusted EBITDA in the current reporting period was impacted by adoption of AASB 16, which resulted in an increase of \$23.4 million (refer to note 13).

³ Excluding the impact of AASB 16, finance costs were \$32.7 million and other amortisation and depreciation were \$50.5 million (refer to note 13).

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

4. INCOME TAX EXPENSE

	Half year	
	2019	2018
	\$000	\$000
Profit before income tax expense	185,691	329,033
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%	55,707	98,710
Variation in tax rates of foreign controlled entities	4,523	(5,247)
Tax effect of permanent differences:		
One-off tax expense on Equatex IP restructure	(1,073)	9,125
Prior year tax (over)/under provided	164	(1,813)
Gain on disposal of Karvy	-	(33,171)
True-up of US tax reform impact on foreign subsidiary profits	-	1,129
Net other	1,639	(2,203)
Income tax expense	60,960	66,530

Australian thin capitalisation

The ATO has previously challenged the inclusion of the Australian Group's intangible assets in the thin capitalisation calculation used to determine the amount of tax-deductible interest expense. Computershare disagrees with the ATO's views and intends to vigorously defend its position. This process may take some years to resolve. As the Group does not expect to pay additional tax related to this matter, no provision was recognised as at 31 December 2019. If Computershare is unsuccessful in defending its position, the maximum potential primary tax liability excluding interest is estimated at \$52.0 million.

5. DIVIDENDS

	2019	2018
	\$000	\$000
Ordinary shares		
Dividends provided for or paid during the half-year	85,387	83,005

Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year the directors have declared the payment of an interim dividend of AU 23 cents per fully paid ordinary share, franked to 30%. As the dividend was not declared until 12 February 2020, a provision has not been recognised as at 31 December 2019.

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

6. CASH FLOW INFORMATION

(a) Reconciliation of net profit after tax to cash flows from operating activities

	Half-year	
	2019	2018
	\$000	\$000
Net profit after income tax	124,731	262,503
Adjustments for:		
Depreciation and amortisation	99,253	65,240
Gain on disposal of Karvy	-	(108,534)
Net (gain)/loss on asset disposals	-	(799)
Share of net (profit)/loss of associates and joint ventures accounted for using equity method	(173)	1,037
Employee benefits – share based expense	11,608	10,521
Fair value adjustments	(1,540)	(3,810)
Acquisition related expenses	-	8,549
Contingent consideration re-measurement	-	277
Changes in assets and liabilities:		
(Increase)/decrease in receivables	40,059	(25,425)
(Increase)/decrease in inventories	(279)	(43)
(Increase)/decrease in loan servicing advances	(20,249)	(107,713)
(Increase)/decrease in other current assets	(5,287)	(8,284)
Increase/(decrease) in payables and provisions	(50,431)	(34,800)
Increase/(decrease) in tax balances	32,390	10,162
Net cash and cash equivalents from operating activities	230,082	68,881

(b) Reconciliation of liabilities arising from financing activities

	Current	Non-	Current	Non-	Cross	Total
	borrowings	current	lease	current	currency	Total
	\$000	borrowings	lease	lease	swap	\$000
	\$000	\$000	liabilities	liabilities	\$000	\$000
Opening balance at 1 July 2019	72,594	1,955,980	1,931	5,804	2,451	2,038,760
Change in accounting policy (note 13)	-	-	41,185	181,006	-	222,191
Restated balance at the beginning of the financial year	72,594	1,955,980	43,116	186,810	2,451	2,260,951
Cash flows	(2,196)	59,723	(22,007)	-	-	35,520
Non-cash changes:						-
Additions	-	-	2,742	6,095	-	8,837
Fair value adjustments	-	(1,081)	-	-	1,279	198
Transfers and other	138,288	(138,454)	18,710	(18,710)	-	(166)
Currency translation difference	294	12,500	586	1,645	27	15,052
Balance at 31 December 2019	208,980	1,888,668	43,147	175,840	3,757	2,320,392

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

7. CONTRIBUTED EQUITY

On 14 August 2019, Computershare announced an on-market buy-back of shares with an aggregate value of AUD 200.0 million for capital management purposes, which commenced on 3 September 2019.

From 3 September 2019 until 31 December 2019, the Company purchased and cancelled 2,076,275 ordinary shares at a total cost of AU\$32.9 million (US\$22.5 million) with an average price of AU\$15.85 and a price range from AU\$15.42 to AU\$16.16.

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 half-year ended 31 December 2019.

Movement in contributed equity

	Number of shares	\$000
Balance at 1 July 2019	542,955,868	-
Share buy-back	(2,076,275)	(22,499)
Transfer to share buy-back reserve	-	22,499
Balance at 31 December 2019	540,879,593	-

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

8. FAIR VALUE MEASUREMENTS

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The measurement hierarchy used is as follows:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period for identical assets and liabilities. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. This includes inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Such instruments include derivative financial instruments and the portion of borrowings included in the fair value hedge.

Specific valuation techniques used to value financial instruments are as follows:

- Quoted market prices or dealer quotes are used for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- The fair value of cross currency swaps is a combination of the fair value of forward foreign exchange contracts determined using forward exchange rates at the balance sheet date (for the final principal exchange) and the use of quoted market prices or dealer quotes for similar instruments (for the basis valuation).
- The fair value of interest rate swaptions is calculated using the Black-Scholes formula and quoted market prices.

Level 3: Valuation methodology of the asset or liability uses inputs that are not based on observable market data (unobservable inputs). This is the case of investments in unconsolidated structured entities, which are included in financial assets at fair value through profit or loss and deferred consideration arising from business combinations.

The amount of contingent consideration recognised on business combinations is typically referenced to revenue or EBITDA targets. The Group estimates the fair value of the expected future payments based on the terms of each earn-out agreement and management's knowledge of the business taking into account the likely impact of the current economic environment. Contingent consideration amounts are re-measured every reporting period based on most recent projections. Gains or losses arising from changes in fair value are recognised in profit or loss in the period in which they arise.

The fair value of the investment in structured entities is determined by reference to the interest in net assets of these entities, which approximate their fair values. As profits are realised and dividends are paid to investors, the net assets of these entities decrease and so does the fair value of the Group's investment.

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

The following tables present the Group's financial assets and liabilities measured and recognised at fair value at 31 December 2019. The comparative figures are also presented below.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
As at 31 December 2019				
Assets				
Financial assets at fair value through profit or loss	21,506	64,226	34,044	119,776
Total assets	21,506	64,226	34,044	119,776
Liabilities				
Borrowings	-	883,928	-	883,928
Financial liabilities at fair value through profit or loss	-	9,470	-	9,470
Deferred consideration	-	-	25,899	25,899
Total liabilities	-	893,398	25,899	919,297

As at 30 June 2019

Assets				
Financial assets at fair value through profit or loss	23,352	64,649	38,646	126,647
Total assets	23,352	64,649	38,646	126,647
Liabilities				
Borrowings	-	885,010	-	885,010
Financial liabilities at fair value through profit or loss	-	4,009	-	4,009
Deferred consideration	-	-	31,797	31,797
Total liabilities	-	889,019	31,797	920,816

The following table presents the changes in level 3 items for the period ended 31 December 2019:

	Financial assets at fair value through profit or loss \$000	Deferred consideration liability \$000
Opening balance at 1 July 2019	38,646	(31,797)
Additions	1,332	-
Payments	-	6,763
Return of capital	(5,934)	-
Currency translation difference	-	(865)
Closing balance at 31 December 2019	34,044	(25,899)

Net fair value of financial assets and liabilities

The carrying amounts of cash and cash equivalents, bank deposits, receivables, payables, non-interest bearing liabilities, lease liabilities and loans approximate their fair values for the Group except for the unhedged portion of USD Senior Notes of \$155.0 million (30 June 2019: \$155.0 million), where the fair value based on level 2 valuation techniques described above was \$164.7 million as at 31 December 2019 (30 June 2019: \$164.4 million).

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

9. OTHER INFORMATION

Acquisition accounting for the Equatex business combination has been adjusted in the current reporting period, which resulted in an additional provision of \$9.5 million. As the provision was determined during the 12-month measurement period, this adjustment has been made against goodwill. Accordingly, the goodwill recognised on acquisition has increased from \$244.4 million, as previously reported at 30 June 2019, to \$253.9 million.

10. CONTINGENT LIABILITIES

Legal and regulatory matters

Due to the nature of operations, certain commercial claims in the normal course of business have been made against the consolidated entity in various countries. An inherent difficulty in predicting the outcome of such matters exists, but in the opinion of the Group, based on current knowledge and in consultation with legal counsel, we do not expect any liability material to the Group to eventuate. The status of all claims is monitored on an ongoing basis, together with the adequacy of any provisions recorded in the Group's financial statements. For the Australian thin capitalisation contingent liability refer to note 4.

Guarantees, indemnities and other contingent liabilities

There have been no material changes to guarantees, indemnities and other contingent liabilities since the last reporting date.

11. COMMITMENTS

The Group leases various properties, computer equipment, motor vehicles and other items of plant and equipment. From 1 July 2019, the Group has recognised right-of-use assets and lease liabilities for these leases except for short-term and low value assets (see note 13 for further details).

There have been no other material changes to commitments since the last reporting date.

12. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 4 February 2020, the Group entered into an agreement to acquire the business and assets of Corporate Creations Enterprises LLC (Corporate Creations), a Registered Agent business headquartered in Florida, USA, for total cash consideration of \$142.9 million. Corporate Creations provides Registered Agent and related filing services to over 14,000 small, medium and large US Corporations. The acquisition is expected to enhance Computershare's Registered Agent product suite and capabilities and accelerate Computershare's growth in the US Registered Agent market. The acquisition is subject to regulatory approvals and other customary closing conditions. The acquisition is expected to be finalised by 31 March 2020.

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

13. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of *AASB 16 Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

a) The Group's leasing activities

The Group leases various properties, computer equipment, motor vehicles and other items of plant and equipment. Leases vary in contract term, with renewal at the option of the Group. The Group's leases mainly relate to property.

b) How leases are accounted for under AASB 16

Until 30 June 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and interest expense. Interest expense is recognised on the lease liability using the effective interest method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable
- variable lease payments that depend on an index or rate
- any amounts expected to be payable under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets largely comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of leases across the Group. In determining the lease term, management considers all the facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

c) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019.

Computershare has calculated incremental borrowing rates based on the risk-free rate relevant to the country and currency of the lease, matched to the lease term, plus an applicable margin based on country-specific credit rating assumptions.

The associated right-of-use assets were determined as follows:

- Some of the Group's largest property leases were measured on a retrospective basis as if the new rules had always been applied.
- All other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and lease inducements relating to that lease recognised as at 30 June 2019.

Where the Group calculated right-of-use assets on a retrospective basis, lease inducements were included in the calculation as if AASB 16 had always applied. As a result, the carrying value of associated lease inducements was reclassified to retained earnings on transition.

Identifying a lease within an arrangement requires exercise of judgement. An arrangement contains a lease where there is an identified asset and the customer has the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset.

When analysing global technology contracts, the Group considered office equipment, servers and other hardware, co-hosting sites, cables and routers included in network contracts and software. No leases have been identified for recognition other than server co-hosting sites, which have been included in the lease assets and liabilities recognised at 1 July 2019.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

In applying AASB 16 for the first time, the Group has applied the following practical expedients permitted by the standard:

- use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

d) Deferred tax on right-of-use assets and lease liabilities

Deferred tax is recognised in respect of temporary differences between the tax bases of right-of-use assets and lease liabilities and their carrying amounts in the consolidated financial statements. The Group considers the right-of-use asset and lease liability separately when calculating temporary differences and as a result deferred tax assets and liabilities are recognised at their gross amounts.

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

For temporary differences on leases with retrospective asset calculations, the difference between the lower lease asset and the higher lease liability recognised on 1 July 2019 was booked to retained earnings.

e) Impact on the financial statements

The Group has adopted AASB 16 using the modified retrospective approach on transition and accordingly has not restated comparative information. The reclassification and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

The following table shows the adjustments recognised in the opening balance sheet on 1 July 2019 for each individual line item:

Balance sheet (extract)	30 June 2019	AASB 16 impact	1 July 2019
	\$000	\$000	Restated
			\$000
Current assets			
Prepayments	42,171	(1,068)	41,103
Non-current assets			
Property, plant and equipment	136,612	(6,413)	130,199
Right-of-use assets	-	206,943	206,943
Deferred tax assets	139,179	40,112	179,291
Impact of changes on total assets		239,574	
Current liabilities			
Payables	489,915	(1,444)	488,471
Lease liabilities	1,931	41,185	43,116
Other liabilities	2,345	(2,345)	-
Non-current liabilities			
Lease liabilities	5,804	181,006	186,810
Deferred tax liabilities	217,589	36,829	254,418
Other liabilities	5,266	(5,266)	-
Impact of changes on total liabilities		249,965	
Impact of changes on net assets		(10,391)	
Retained earnings	1,706,427	(10,391)	1,696,036
Impact of changes on total equity		(10,391)	

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

A reconciliation of the total operating lease commitments as at 30 June 2019 (as disclosed in the 2019 financial report) to the opening lease liability, is as follows:

	\$000
Operating lease commitments as at 30 June 2019	227,912
Finance lease liabilities recognised at 30 June 2019	7,735
Impact of discounting	(35,848)
Different term applied to lease liability	32,233
Exemptions applied	(1,009)
Other	(1,097)
Lease liability as at 1 July 2019	229,926

The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.32%.

The Group's income statement and management EBITDA for the half-year ended 31 December 2019 were impacted as follows:

	\$000
Adjustment to management EBITDA	23,443
Depreciation and amortisation	(20,297)
Finance costs	(3,527)
Profit before tax	(381)
Income tax	83
Profit for the half year	(298)

Under the previous accounting standard, operating lease expenses were included within management EBITDA. Under AASB 16, lease expenses are recognised in the income statement as depreciation of right-of-use assets and interest expense arising from lease liabilities.

Net operating cash flows increased under AASB 16 as the element of cash paid under lease arrangements attributable to the repayment of principal (previously included in the operating cash flows) is included in financing cash flows.

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' DECLARATION

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 8 to 27 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.



SD Jones
Chairman



SJ Irving
Director

Melbourne

12 February 2020

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES STATEMENTS OF THE CEO AND CFO

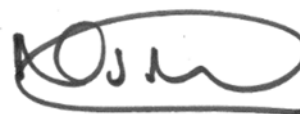
Statement to the Board of Directors of Computershare Limited

The Chief Executive Officer and Chief Financial Officer state that:

- (a) the financial records of the consolidated entity for the half-year ended 31 December 2019 have been properly maintained in accordance with section 286 of the *Corporations Act 2001*; and
- (b) the financial statements, and the notes to the financial statements, of the consolidated entity, for the half-year ended 31 December 2019:
 - (i) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of their performance for the half-year ended on that date.



SJ Irving
Chief Executive Officer



NSR Oldfield
Chief Financial Officer

12 February 2020



Independent auditor's review report to the members of Computershare Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Computershare Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of changes in equity, consolidated cash flow statement and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error. In note 1, the directors also state that the consolidated financial statements comply with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Computershare Limited, 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*.

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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 Computershare Limited:

1. is not in accordance with the *Corporations Act 2001* including:
 - a. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
 - b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. does not comply with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board as disclosed in note 1.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Anton Linschoten' in a cursive script.

Anton Linschoten
Partner

Melbourne
12 February 2020

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES SUPPLEMENTARY APPENDIX 4D INFORMATION

NTA Backing *(Appendix 4D item 3)*

	31 December 2019	31 December 2018
Net tangible asset backing per ordinary share	(2.70)	(2.60)

Controlled entities acquired or disposed of *(Appendix 4D item 4)*

Acquired	Date control gained
VisEq GmbH	7 November 2019

Additional dividend information *(Appendix 4D item 5)*

Details of dividends declared or paid during or subsequent to the half-year ended 31 December 2019 are as follows:

Record date	Payment date	Type	Amount per security	Total dividend (AUD)	Franked amount per security	Conduit foreign income amount per security
21 August 2019	16 September 2019	Final	AU 23 cents	124,864,490	AU 6.9 cents	AU 16.1 cents
19 February 2020	19 March 2020	Interim	AU 23 cents	124,402,306	AU 6.9 cents	AU 16.1 cents

Dividend reinvestment plans *(Appendix 4D item 6)*

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 interim dividend declared in respect of the current financial year on 12 February 2020. Applications or notices received after 5.00pm (Melbourne time) on 20 February 2020 will not be effective for payment of this interim dividend but will be effective for future dividend payments.

The DRP price for the interim 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 24 February 2020 to 6 March 2020 (inclusive). No discount will apply to the DRP price.

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES SUPPLEMENTARY APPENDIX 4D INFORMATION

Associates and joint venture entities *(Appendix 4D item 7)*

Name	Place of incorporation	Principal activity	Ownership interest		Consolidated carrying amount	
			Dec 2019	June 2019	Dec 2019	June 2019
			%	%	\$000	\$000
Joint Ventures						
Computershare Pan Africa Holdings Ltd	Mauritius	Investor Services	60	60	-	-
Asset Checker Ltd	United Kingdom	Investor Services	50	50	-	-
VisEq GmbH ¹	Germany	Investor Services	-	66	-	39
Associates						
Expandi Ltd	United Kingdom	Investor Services	25	25	6,631	6,304
Milestone Group Pty Ltd	Australia	Technology Services	20	20	3,522	3,611
CVEX Group, Inc	United States	Investor Services	20	20	-	-
The Reach Agency Holdings Pty Ltd	Australia	Investor Services	46.5	46.5	1,268	1,172
Mergit s.r.l.	Italy	Technology Services	30	30	-	-
					11,421	11,126

¹On 7 November 2019, Computershare acquired the remaining 34% interest in VisEq GmbH. From this date, VisEq GmbH became a wholly owned subsidiary of the Group.

The share of net profit/(loss) of associates and joint ventures accounted for using the equity method for the half-year ended 31 December 2019 is a profit of \$0.2 million (31 December 2018: \$1.0 million loss).

Foreign Entities *(Appendix 4D item 8)*

For foreign entities, International Financial Reporting Standards are used in compiling the half-year consolidated report.

COMPUTERSHARE LIMITED AND ITS CONTROLLED ENTITIES SUPPLEMENTARY APPENDIX 4D INFORMATION

CORPORATE DIRECTORY

DIRECTORS

Simon David Jones
(Chairman)
Stuart James Irving
(President and
Chief Executive Officer)
Abigail Pip Cleland
Tiffany Lee Fuller
Lisa Mary Gay
Christopher John Morris
Paul Joseph Reynolds
Joseph Mark Velli

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COMPANY SECRETARY

Dominic Matthew Horsley

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