

Appendix 4E

Preliminary Final Report

Name of entity: rhipe Limited and its controlled entities | ABN: 91 112 452 436 (ASX: RHP)

Appendix 4E

1. Reporting Period

Report for the financial year ended: 30 June 2019

Previous corresponding period is the financial year ended: 30 June 2018

2. Results for announcement to the market (Item 2)

		\$'000
Revenues from ordinary activities (Item 2.1)	Up 36% to	48,356
Profit from ordinary activities after tax attributable to members (Item 2.2)	Up 103% to	6,214
Net Profit for the period attributable to members (Item 2.3)	Up 103% to	6,214
Dividends (Items 2.4)	Amount per security	Franked amount per security
Interim Dividend paid	1.0 cent	1.0 cent
Final Dividend	2.0 cent	2.0 cent
Record date for determining entitlements to a dividend (Item 2.5)	9 October 2019	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (Item 2.6)	Refer to attached financial report	

3. Statement of Comprehensive Income (Item 3)

Refer to attached financial report

4. Statement of Financial Position (Item 4)

Refer to attached financial report

5. Statement of Cash Flows (Item 5)

Refer to attached financial report

6. Statement of Changes in Equity (Item 6)

Refer to attached financial report

7. Dividends (Item 7)

2019 interim dividend of 1.0 cent per share was paid on 24 May 2019. 2019 final dividend of 2.0 cent per share is declared subsequent to balance date, on 16 August 2019 and will be paid on 24 October 2019. Interim and Final dividends are fully franked at a tax rate of 30 per cent.

Appendix 4E (continued)

8. Dividend Reinvestment Plan (Item 8)

There was no dividend reinvestment plan in operation which occurred during the financial year.

9. Net Tangible Assets per Security (Item 9)

	2019	2018
Net tangible asset backing per ordinary security	\$0.14	\$0.15

10. Details of Entities over which Control has been Gained or Lost during the Period (Item 10)

Refer to attached financial report

Control gained over entities/acquisitions Name of entities	Date(s) of gain of control Rhipe
Dymamic Business IT Solutions Pty Limited	1 March 2019
Rhipe Lanka (Private) Limited	21 March 2019
Loss of control of entities/disposals Name of entities	Date(s) of loss of control
Not applicable	

11. Details of Associates and Joint Venture Entities (Item 11)

Not applicable

12. Details of Significant Information Relating to the Entity's Financial Performance and Financial Position (Item 12)

Refer to attached financial report.

13. For Foreign Entities, which set of Accounting Standards is Used in Compiling the Report (Item 13)

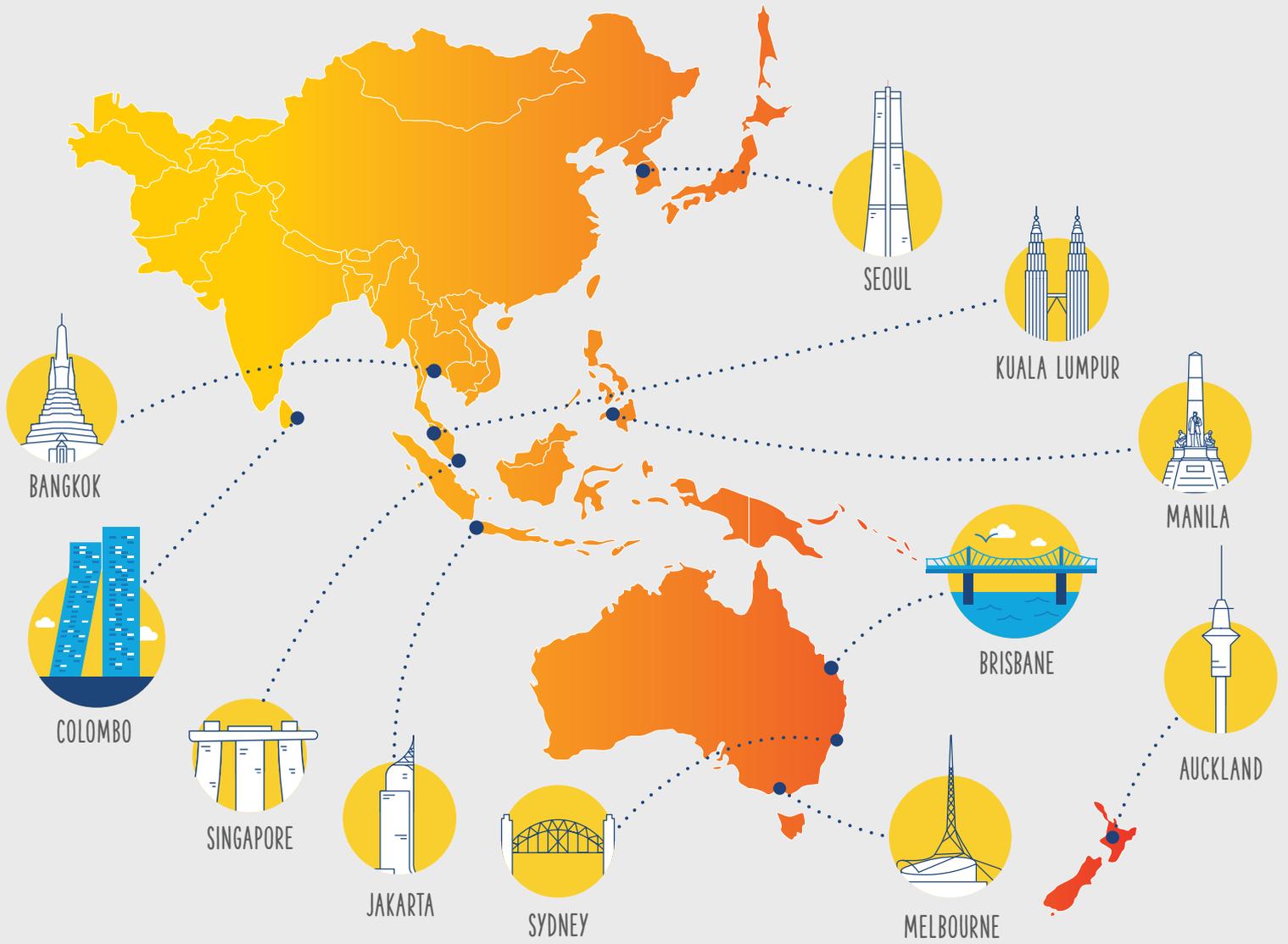
Not applicable

14. Commentary on Results for the Period (Item 14)

Refer to attached financial report.

15. Audit of the Financial Report (Items 15 to 17)

Not applicable

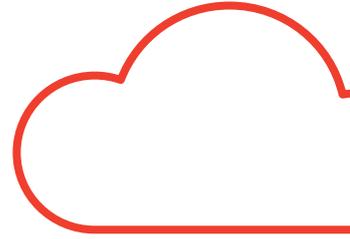


ripe
 The Cloud Channel Company™

Build. Transform. Accelerate.

2019 Annual Report





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Financial Highlights

FY19 GROWTH



\$252.5m

Sales – software products and services

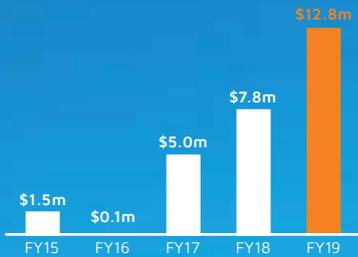
28%



\$48.4m

Group Revenue

36%



\$12.8m

Group Operating Profits

65%



\$10m

Group EBITDA

57%



\$25.5m

Group Cash Balance

\$2.8M

Our Value Proposition



Platform for Recurring Subscription Management ("PRISM") used by 3,000+ IT resellers to buy, provision and bill their end user clients for monthly cloud software subscriptions.



Value added services for our resellers including technical advice and support, marketing, consulting, and 24/7 support as a service. These services are aimed at driving the ongoing growth in consumption of software subscriptions.

Our offices



AS AT 30 JUNE 2019
RHIPE HAD 313 EMPLOYEES
(JUNE 2018: 203 EMPLOYEES)



Strategic Operating Divisions



Cloud Licensing

Software sold and implemented by IT service providers.
Monthly pay as you go cloud licensing subscriptions.



Cloud Solution

Professional services and support people to help Vendors and Service Providers with technical needs.



Cloud Operation

Internally developed PRISM.
Cloud first, digital first marketing to drive demand for channel partners.

Chairman's Report



Gary Cox
Non Executive Chairman

Dear Shareholder,

Acceptance and adoption of public and private cloud computing continues to show no sign of slow down across the Asia Pacific market. rhipe's cloud subscription business positions the company well to further capitalise this opportunity across Asia Pacific.

rhipe is further demonstrating its ability to work with its partners to drive value added services which support the desires of customers to adopt cloud and take advantage of the flexibility provided.

In light of a very successful 2019, I would like to thank you for supporting the Company's strategy and believing in the entire rhipe team who work tirelessly to capture this remarkable cloud market opportunity. I continue to be excited about the future for rhipe and that was one of the reasons I was delighted to be appointed as Chairman during 2019.

The financial results for 2019 demonstrate the Company has been able to capitalise further on its profitable 2018 result. Importantly, the Company has grown across geography, product and licensing program throughout the 2019 year which once again with its subscription base revenue stream sets up a bright start looking into the 2020 fiscal year.

Our continued strategy to build out and invest in our footprint in key fast developing Asian markets has provided rhipe with the opportunity to build market share and capitalise on the changing IT industry. The investments we have made in Asia over the past five years have proved successful and will provide the foundation for future growth.

Of significance to rhipe moving forward is the development of its culture and people strategy. This will continue to form a key pillar in the strategic focus of

RHIPE ENTERS FY20 IN A STRONG POSITION WITH MORE THAN \$25M OF CASH ON HAND AND CONTINUED GROWTH RATES COMPOUNDED BY NEW VENDORS, NEW LICENSING PROGRAMS, NEW PARTNERS AND NEW GEOGRAPHIES.

the leadership team and will help provide the platform for sustainable growth as the company continues to invest and expand.

Growth was led from our deep relationship with Microsoft and we were delighted with the support and acknowledgement in 2019 to be named again as a globally managed account as well as receive the runners up award for Microsoft's 2019 Global CSP Indirect Provider where rhipe competes against multi-billion dollar companies across the globe.

With a recurring revenue model, rhipe enters 2020 in a strong position with more than \$25M of cash on hand and continued growth rates compounded by new vendors, new licensing programs, new partners and new geographies.

On behalf of the Board we would like to thank all our stakeholders for believing in rhipe's future and believing in the management team to continue to deliver above average growth rates.

The Board sincerely acknowledges the outstanding efforts of the entire staff at rhipe, its partners and congratulates them for delivering another year of records and awards.

Yours Sincerely,

Gary Cox
Chairman

CEO Report

Dominic O'Hanlon
Managing Director and CEO



rhipe has an established leadership position in the Asia Pacific region (APAC) as a Platform of choice for I.T. resellers to manage monthly Pay-As-You-Go (PAYG) cloud software and infrastructure subscriptions. Unlike traditional I.T. distributors who are largely focused on Pay-Up-Front sales models, rhipe's vision is "A world without shelfware"; a world in which companies pay a monthly fee for what they consume via private or public cloud data centres. As a result of this vision, rhipe has invested in systems, marketing, sales and operational processes that are closely aligned with subscription-based economics. It has taken a number of years for this investment to start bearing fruit. However, as cloud computing has accelerated across the APAC region, resellers and customers have started to demand and expect the subscription-based services that rhipe is able to provide. This has led to rhipe's growth and expansion from Australia and New Zealand into new offices in Singapore, Malaysia, Thailand, Indonesia, the Philippines, and South Korea.

rhipe is now one of Microsoft's leading indirect (or wholesale) global cloud solutions providers (CSPs), with significant sales growth in key cloud products like Office365, Microsoft Azure, and Dynamics365. In addition, rhipe helps other international vendors like VMware, Citrix, Red Hat, Trend Micro, Veeam, Zimbra and Symantec to build and grow consumption of their subscription license programs. More than 3,000 I.T. resellers in Asia Pacific now rely on rhipe's platform for recurring subscription management (PRISM) to help with cloud provisioning, billing, reporting and support of their data centres and/or end-user customers.

During the 2019 financial year (FY19), rhipe's investment in the Microsoft CSP program has helped the business to add annual sales growth of +80% for Microsoft Office365 and +190% for Microsoft Azure. Over the 12 months from July 1 2018 to June 30, 2019, end user Microsoft Office365 seats deployed

\$243M IN SOFTWARE LICENSE SALES WITH A GROSS REVENUE OF \$38.7M.

on rhipe's PRISM platform grew from 260k to 600k seats, annual growth of +130%. Over the same time, Microsoft Azure tenants provisioned on PRISM grew from 380 to 590 tenants.

FY19 was also a significant year in helping to build out rhipe's value added services offerings. These offerings, collectively known as rhipe Solutions, include 24x7 technical support and consulting as a service for rhipe's key I.T. reseller clients. In February of 2019, rhipe announced the acquisition of a Microsoft Dynamics consulting business "Dynamics Business IT Solutions Pty Ltd ("DBITS"). The DBITS business has been integrated into the rhipe solutions business in order to help expand the value-added services that rhipe can provide its reseller clients. DBITS is performing in line with expectations and we are excited about the opportunities for growth with these added capabilities.

The growth in rhipe's licensing and solutions business units over FY19 has demonstrated a clear validation of the investment and expansion decisions that rhipe has taken in recent years. Operating profit increased from break even in FY16 to \$5.0m in FY17, \$7.8m in FY18, and now \$12.8M in FY19. This growth in profitability has come despite ongoing investments in growing rhipe's business across Asia Pacific.

In particular, I would like to highlight a number of significant achievements in the 2019 Financial Year:

- \$243m in software license sales with revenue of \$38.7m. This represents a year over year growth in sales and revenue of 28% and 34% respectively (compared to 25% and 21% in FY18);
- Achieving a 76% growth in local Asian sales (excluding sales from ANZ

customer buying through Asia). Total sales in Asia were \$47.2m compared to \$26.9 in FY18 and \$16.2 in FY17.

- Continued investment in our subscription management and billing system and our support offering that is required to maintain our strong competitive position in the market; and
- Expansion and increased profitability of our vendor and customer support operations in the Philippines which now has over 135 full time equivalent employees at the end of June 2019.

In FY20 rhipe expects to see the trends from FY19 continue. Sales, Gross revenue, and Operating Profits are expected to continue growing. The mix of margins and incentives between different products will continue to change as vendors focus on moving resellers and clients onto their most recent or strategic product sets. However, rhipe will continue to manage it's operating expenses in line with any such changes in order to capitalise on new growth opportunities while also delivering the operating profit guidance that we provide to shareholders.

On behalf of the Board we would like to thank our staff for a fantastic FY19. It has been a lot of hard work, but the results are a testament to the team's vision and ongoing dedication. In addition, we would like to thank our key vendor partners for their continued support and collaborative partnership in meeting and often exceeding our growth objectives. To our shareholders we say thanks for your ongoing belief. We are looking forward to another great year in FY20.

Yours Sincerely,

Dominic O'Hanlon
Managing Director and CEO

2019 Financial Report

Operating and Financial Review

rhipe Limited and Controlled Entities

Principal Activities and Significant Changes in Nature of Activities

The principal activity of rhipe Limited ("rhipe" or the "Company") and controlled entities (the "Group") during the financial year was the sale and support of subscription software licenses to over 3,000 IT service provider resellers in the Asia Pacific region. rhipe has established strong momentum driven by its vision of a "world without shelfware" and has become one of the leading Asia Pacific platforms for monthly Pay-As-You-Go (PAYG) cloud software license subscriptions. International software vendors such as Microsoft, VMWare, Citrix, Red Hat, Trend Micro, Veeam, Zimbra and Symantec all rely on rhipe's Platform for Recurring Subscription Management (PRISM) to build, grow and support the consumption of their cloud license programs. In addition, rhipe's resellers in Asia Pacific rely on PRISM to help with cloud provisioning, billing, and reporting for their data centres and for managing end-user customer licenses. rhipe's 24x7 technical support desk is now also supporting one of rhipe's software vendors to service the vendor's end customers.

Operating Results and Review of Operations for the Year

During the 12-month period to 30 June 2019 ("FY19"), rhipe has continued to invest in operations that are focused on the IT industry transition to the cloud business model. rhipe has three integrated business divisions; Cloud Licensing (private, public and hybrid cloud), Cloud Solutions (consulting and support services), and Cloud Operations (subscription billing, provisioning, support, marketing). rhipe has taken much of the know-how from many years of experience in software subscription management to build rhipe's own intellectual property in the form of PRISM. rhipe believes that PRISM provides a strong differentiator which, when combined with rhipe's other value-added services, will allow rhipe to continue building on its strong market position in the countries in which rhipe operates.

Impact of AASB 15

As a consequence of the new accounting standard "AASB 15 Revenue from Contracts with Customers" the Company will now recognise its software licensing revenue on an 'agent' basis rather than a principal basis. The impact of this change is a reduction in reported revenue to reflect the value that rhipe is receiving for the services it provides which excludes the value of the software sourced from software vendors. Therefore, what we remit back to our software vendors will no longer be captured in our recorded revenue. The impact on our financial results is summarised below.

- Licensing revenue will now be referred to as "Sales from software products"
- Licensing gross margin will now be reported as "Licensing revenue"
- Our services and support revenue is not affected with the revenue and cost of sales continuing to be presented on a gross basis

The Group has elected to adopt the fully retrospective approach to adoption and as a result, the prior year comparatives have been adjusted to be on a consistent basis with the current year treatment.

There is no impact on gross profit, operating profit or net profit after tax for the Group.

rhipe Licensing

In FY19 rhipe continued to invest both in its public cloud and its longer-established private cloud business. Whereas rhipe has provided licenses to private-cloud data centres for well over a decade, rhipe only launched its public cloud business in the financial year to 30 June 2016 (FY16). rhipe did this in anticipation of an industry shift away from on-premise and private data centre software implementations towards hyper-scale public cloud infrastructure. In FY16 rhipe was appointed by Microsoft as an Indirect Cloud Solutions Provider (CSP) to build a channel of resellers for Microsoft's key public cloud products (Microsoft Office 365 and Microsoft Azure). Growth in Office 365 ("O365") and Azure has underpinned the growth delivered by rhipe in FY19 with Office 365 sales growing +80% and Azure growing at +190% during this financial year. Sales of Microsoft's public cloud products now represent approximately 30% of total licensing sales and delivered 60% of the Company's sales growth in FY19.

At the beginning of FY19 rhipe's partners were consuming approximately 260,000 seats of O365 per month and by June 30, 2019 monthly consumption was more than 600,000 seats, an increase of more than 130% in this activity in the last twelve months. Annualised Run Rate (ARR) Sales from CSP is now over \$80m with Office365 contributing \$59m and Azure more than \$21m. This compares to total ARR Sales from CSP of \$42m twelve months ago and \$22m at June 2017.

Although migration to public cloud has been a core driver of our revenue growth rate during the year, we continue to see growth in the private cloud data centre licensing business.

Operating and Financial Review (continued)

Growth in the Microsoft private cloud licensing market was 8% across all of rhipe's markets in the current financial year with Asia delivering sales growth of 22% year on year. Excluding one off sales in FY18 growth in the private cloud software licenses has remained broadly similar year on year despite the increasing demand for public cloud products.

Although Microsoft products deliver around 74% of our licensing sales, rhipe continues to invest in other software vendors including VMWare, Citrix, Veeam, Trend Micro and Redhat. Our strategy is to invest and grow these areas of the business as well as add to our portfolio of other software vendors. Growth in these non-Microsoft products in FY19 customers was approximately 19% versus 15% in FY18.

rhipe Solutions

rhipe Solutions provides a small technical consulting group and a much larger 24x7 support team to assist rhipe's resellers and, more recently, one of rhipe's key vendors. In addition, during FY19 rhipe acquired a Microsoft Dynamics consulting business "Dynamics Business IT Solutions Pty Ltd ("DBITS) which focuses on implementing Microsoft's enterprise resource planning software application. The DBITS business has been integrated into the rhipe solutions business in order to expand the value-added services that rhipe can provide to its reseller partners.

The consulting team helps with technical implementation services to deepen our relationships with resellers while also assisting to drive the ongoing sale of cloud software licenses. rhipe will continue to refine the strategy for our consulting team especially in relation to public cloud growth opportunities for products such as Microsoft Azure and Microsoft Dynamics365.

The much larger 24x7 technical support team was significantly expanded in FY19 as a result of the growth in a support contract for one of rhipe's software vendors. At the end of FY19, rhipe had approximately 135 employees in this support team, primarily based in Philippines, compared to 80 employees at June 2018.

In FY20 we intend to continue to invest in the service offering provided by rhipe Solutions and expansion of the service offering into related areas.

Overall results

The results presented in this financial report reflect the operations of the Group from 1 July 2018 to 30 June 2019.

Financial Summary (\$'000)	FY19	FY18	Change
Sales	252,537	196,608	+28%
Revenue	48,356	35,624	+36%
Gross Profit	45,880	34,071	+35%
Operating Expenses	(33,038)	(26,310)	+26%
Operating Profit	12,842	7,761	+65%
Reported EBITDA	10,017	6,384	+57%
Profit/(Loss) After Tax	6,214	3,066	+103%

For FY19, the Group reported another strong increase in

profitability with operating profit of \$12.8m up \$7.8m from the previous year, an increase of 64%. The growth in profitability of the Group has been driven by:

1. Investments made in the business over the past few years, notably in our public cloud capabilities, our Asian operation and our 24x7 support activities, all of which have produced strong sales and revenue growth in FY19;
2. Attracting new customers or partners into the rhipe ecosystem to increase our customer base in all countries; and
3. Careful cost management which has allowed us to continue to invest in a number of areas while also delivering an increase in profitability.

Sales

FY19 sales growth of \$56m, compared to \$40m in FY18, was driven by the areas of the business where we have made material investments, notably our public cloud business with Microsoft CSP (Microsoft Office365 and Azure). Over the last 12 months sales from these products grew by 99% (versus 130% in FY18) from \$14m in FY17 to \$33m in FY18 and to \$65m in FY19. The growth in Microsoft CSP delivered circa 60% of the sales growth in FY19 versus 40% in FY18.

rhipe's longer established Microsoft private cloud business also continued to grow in FY19, particularly in our Asian operations where local private cloud sales of Microsoft licences grew by 22% year on year. Excluding the impact of a number of one-off sales in FY18, growth of rhipe's Microsoft private cloud sales were broadly consistent with the prior year at 8% annual growth.

Growth from our non-Microsoft vendors has also been strong with a year on year increase of around 19% versus 15% in FY18 driven by continued focus on investing in our capabilities and marketing of these complementary products.

Revenue

As noted earlier, the impact of the new accounting standard AASB 15 "Revenue from Contracts with Customers" has resulted in a reduction of reported revenue for the Company to reflect the value that rhipe is receiving from customers for the services it provides which excludes the value of the software sourced from our software vendors.

For our Licensing business, revenue will include the margin rhipe earns from customers for the services that rhipe provides and any sales incentives that rhipe receives from its software vendor. For rhipe Solutions revenue has not been impacted by the new accounting standard and revenue reflects total amount received for services provided to partners.

Growth in Group revenue for FY19 of 35% was driven by growth in sales in our Licensing business plus the benefit of a 'strategic growth accelerator' rebate received from a key software vendor with Licensing revenue increasing \$9.8m or 34% year on year. Growth in rhipe Solutions revenue in FY19 was \$2.9m or 42% driven by increased 24x7 support activities for one of rhipe's key vendors.

Operating and Financial Review (continued)

Operating expenses

Operating expenses in FY19 increased by \$6.6m or 25% year on year with the majority of this increase driven by investment in front office headcount to help support the strong sales and revenue growth experienced by the Licensing business. The number of full-time equivalent employees (FTE) across the Group increased from 118 at 30 June 2017 to 203 at 30 June 2018 and to a further 313 at 30 June 2019.

Operating Profit and EBITDA

The table below outlines the operating profit and underlying EBITDA, key performance measures for the management and the Company, contribution from the Group for the year ending June 30, 2018:

Adjustments between Operating profit and EBITDA

(\$'000)	FY19	FY18
Operating profit	12,842	7,761
<i>Less</i>		
Foreign exchange gain or (loss)	291	(286)
Restructuring and transaction costs	(473)	(380)
Impairment expense	(20)	-
Gain on sale of investments	-	309
Share-based payments expense (non-cash)	(2,623)	(1,020)
Total adjustments	(2,825)	(1,377)
EBITDA	10,2017	6,384

Operating profit in FY19 grew by \$5m or 64% year on year with EBITDA growing by \$3.8m or 60% over the same period.

The improvement in overall profitability was driven by the strong growth in revenue in both the Licensing and Solutions businesses and management of our cost base.

Investment and Capital Expenditure

rhipe continues to invest in PRISM to ensure the company remains competitive and can add new vendors and new subscription offerings as they come available. In the 12 months to 30 June 2019 the Group invested over \$2.3m in PRISM comparable to the prior year investment. rhipe believes that PRISM provides a competitive advantage that can be leveraged to support the ongoing growth in rhipe's business, and we will continue to invest in and add to PRISM to maintain its competitiveness.

Cash and Returns to Shareholders

The Directors believe that the Group is in a strong and stable financial position to continue to grow and invest in the business. At 30 June 2019 the Group had cash of \$25.5m compared to a cash balance of \$22.7m at 30 June 2018. This increase in cash resources is after distributing \$2.7m to shareholders via dividends, the continued investment in PRISM of \$2.3m and the acquisition of DBITS with a cash payment of \$3m made in March 2019. Net cashflow from operating activities increased from \$7.8m in FY18 to \$12.6m in line with our operating profit for each year.

As a result of the strong year end cash position the Board has approved a final fully franked dividend of 2.0 cents per share which will yield a total fully franked dividend per share for FY19 of 3.0 cents, an increase of 100% year on year.

Directors' Report

Rhipe Limited And Controlled Entities

Your directors present their report on the Group consisting of rhipe Limited and its controlled entities for the financial year ended 30 June 2019. The information in the preceding Operating and Financial Review forms part of this Director's Report for the financial year ended 30 June 2019 and is to be read in conjunction with the following information.

General Information Directors and other Executives

The following persons were directors of rhipe Limited during or since the end of the financial year up to the date of this report:

- Gary Cox, appointed 26 March 2019
- Dominic O'Hanlon
- Dawn Edmonds
- Mark Pierce
- Michael Tierney
- Inese Kingsmill, appointed 15 April 2019
- Olivier Dispas, appointed 15 April 2019
- Laurence Sellers, retired 8 November 2018
- Mike Hill, retired 26 March 2019

Information relating to Directors, other Executives and Company Secretary

Gary Cox

Non-executive Chairman

Experience and Qualifications

Appointed 26th March 2019

Mr Gary Cox has over 35 years of global experience in the technology industry across the UK, USA, Asia, Japan and ANZ in senior leadership roles with Microsoft, EMC and Oracle. Recently Mr Cox has held both strategic consulting and board appointments for technology organisations based in Australia with global growth focus and leveraging both his broad business management and extensive experience in cloud and managed services.

His last position at Microsoft was VP Enterprise and Partner business for Asia (Japan, India, APAC, Hong Kong, Taiwan) excluding China. He retained responsibility for all key industry segments throughout Asia across 16 subsidiaries which encompassed all Microsoft's large customers across the commercial and public sector markets.

Interest in Shares and Options

None

Special Responsibilities

Remuneration and Nomination Committee

Directorships held in other listed entities during the three years prior to the current year

None

Dominic O'Hanlon

Managing Director and Chief Executive Officer

Experience and Qualifications

Appointed 15 June 2015, Chief Executive Officer from 5 August 2014 and was appointed as Managing Director on 15 June 2015.

Mr O'Hanlon is a well-known and successful technology entrepreneur who has over 25 years' experience in software development, marketing, sales, implementation and support. Dominic has served in prior roles as CEO, Chief Strategy Officer, NED and Chairman for numerous high growth technology companies. Dominic is a Fellow of the Australian Institute of Company Directors.

Interest in Shares and Options

3,857,840 ordinary shares, 300,000 options and 1,343,298 performance rights

Special Responsibilities

None

Directorships held in other listed entities during the three years prior to the current year

None

Directors' Report (continued)

Dawn Edmonds

Non-executive Director

Experience and Qualifications

Appointed 10 April 2014. Ceased Interim Chief Executive Officer on 5 August 2014 upon appointment of Dominic O'Hanlon.

Ms Dawn Edmonds is one of the founders of rhipe (then NewLease) and has nearly 20 years' experience in the IT industry. Until the end of 2016, Dawn served as the Chief Operating Officer for the Company and was responsible for the management of systems, process and performance as well as the day-to-day operations of the organization. Dawn has led the development and implementation of processes and systems that have been recognised as best practice by vendors. Prior to starting NewLease in 2003, she was instrumental in building two other successful start up businesses.

Dawn has received industry awards for Women in IT and Entrepreneurship and continues to be passionate about diversity in the workplace and the IT industry.

Interest in Shares and Options

2,702,294 ordinary shares

Special Responsibilities

Risk Committee and Remuneration and Nomination Committee

Directorships held in other listed entities during the three years prior to the current year

None

Mark Pierce

Non-executive Director

Experience and Qualifications

Appointed 10 April 2014

Mr Pierce has over 25 years' corporate finance and business experience gained from senior positions held at Westpac, Macquarie Bank, Rabobank and Credit Suisse. Since 2009, he has worked as an independent advisor and company director. In this role, he has extended his experience to include a deep understanding of business and product development, company operations, and corporate governance. In 2016, Mr Pierce co-founded a finance business, offering specialist finance to the medical sector. This business has grown to over \$100m of assets and continues to grow its assets and profitability with significant institutional funding support. Mark is a Graduate of the Australian Institute of Company Directors.

Interest in Shares and Options

320,000 ordinary shares

Special Responsibilities

Audit Committee (Chair) and Risk Committee (Chair)

Directorships held in other listed entities during the three years prior to the current year

None

Michael Tierney

Non-executive Director

Experience and Qualifications

Appointed 27 January 2017

Mr Tierney brings to the company over 30 years' experience in global financial markets, most recently as Managing Director and Head of Leverage Finance at Credit Suisse for the Asia Pacific region. Mr Tierney has worked across a wide range of industries and clients advising and executing financing and M&A strategies to enable them to achieve their strategic objectives. He has extensive governance experience fulfilling reporting requirements to APRA and ASIC and is a Senior Fellow of FINSIA

Interest in Shares and Options

2,007,191 ordinary shares

Special Responsibilities

Audit Committee and Remuneration and Nomination Committee

Directorships held in other listed entities during the three years prior to the current year

None

Directors' Report (continued)

Inese Kingsmill

Non-executive Director

Experience and Qualifications

Appointed 15 April 2019

Spanning a career of over 20 years, Inese is among Australia's most respected marketing executives.

During her career Inese has led marketing, digital, sales and channel functions at Microsoft, Telstra and Virgin Australia. Transformation and change have been common themes that have underpinned her career.

In addition to her corporate career, Inese was a member of the Board and Chair of the Australian Association of National Advertisers (AANA), Australia's peak media, marketing and advertising industry body. She is also currently on the Board of WorkVentures, Australia's longest standing IT social enterprise.

With a personal interest in fostering innovation in Australian business, Inese is currently director and co-founder of Breakfast Epiphanies Consulting Group, a privately held management consulting practice engaged in digital transformation, strategy planning and leadership development.

Interest in Shares and Options

32,904 ordinary shares

Special Responsibilities

Risk Committee

Directorships held in other listed entities during the three years prior to the current year

None

Olivier Dispas

Non-executive Director

Experience and Qualifications

Appointed 15 April 2019

Olivier Dispas has spent more than 25 years in the IT industry, focused on channel and partner strategy and sales leadership. Most recently, he led the worldwide partner sales and strategy team focusing on licensing solution partners at Microsoft, driving deal and investment negotiation and long-term growth planning. He serves as an advisor to the boards of Enlyft and Quantiq, and continues to provide consulting and coaching services to partner organizations within the industry.

Interest in Shares and Options

None

Special Responsibilities

Remuneration Committee

Directorships held in other listed entities during the three years prior to the current year

None

Laurence Sellers

Non-executive Director

Experience and Qualifications

Appointed 10 April 2014, retired from the board 8 November 2018

Mr Sellers has more than 40 years' experience in the Australian IT Industry and has held roles in: Design and Development of hardware, Software Development, Technical Support, Customer Service Management, Marketing Management, Sales Management, and Country Management both with global Vendors (ICL and Fujitsu) and IT Distributors.

During the past 20 years Laurie has served as the Chief Executive Officer of ALSTOM Information Technology Australia, Managing Director of ITX Group Limited – listed on the ASX, and Vice President ANZ of Avnet Technology Solutions – which prior to their acquisition by Tech Data was one of the world's largest distributors of IT hardware and software, listed on the New York Stock Exchange.

Interest in Shares and Options

None

Special Responsibilities

Risk Committee and Remuneration and Nomination Committee (Chair), resigned 8 November 2019

Directorships held in other listed entities during the three years prior to the current year

None

Directors' Report (continued)

Mike Hill

Non-executive Chairman

Experience and Qualifications

Appointed Non-executive Chairman 31 January 2017, retired from the board 26 March 2019

Mr Hill is a former Partner of Ernst & Young in the M&A advisory team and has also worked as a principal investor with Ironbridge Capital from 2004 to 2014.

Ironbridge is a leading domestic private equity firm with \$1.5bn of funds under management. Mike is a founder of Bombora Group, an Investment and advisory group based in Sydney. At rhipec Mr Hill plays a hands-on approach and works closely with the executive team on all strategic business development activities.

Interest in Shares and Options

40,000 ordinary shares

Special Responsibilities

Chairman, Remuneration Committee, Audit Committee and Business Development until retirement

Directorships held in other listed entities during the three years prior to the current year

AHALife Holdings Limited (Non-Executive Chairman)

Janison Education Group Limited (Chairman)
Acrow Formwork and Construction Limited (Non-Executive Director ("NED"))

LiveTiles Limited (NED) – (resigned on 5 September 2017)

JustKapital Litigation Partners Limited (NED) – (resigned on 27 November 2017)

Prime Media Group Limited (NED) – (resigned on 22 August 2016)

Mark McLellan

Chief Financial Officer and Chief Operating Officer

Experience and Qualifications

Mark joined rhipec in November 2016 as Chief Financial Officer and was appointed Chief Operating Officer in March 2018. Mark qualified as a member of the Institute of Chartered Accountants of Scotland in 1997 and also holds a B.A. (Hons) Degree in Economics. Mark has previously worked for PricewaterhouseCoopers and Ernst & Young and prior to joining rhipec, Mark worked for The Royal Bank of Scotland plc for twelve years latterly in their Strategy and Corporate Development team. Mark has extensive experience in strategic planning, financial and capital allocation modelling and mergers and acquisitions.

Interest in Shares and Options

700,000 ordinary shares and 270,000 options

Special Responsibilities

None

Directorships held in other listed entities during the three years prior to the current year

None

Chris Sharp

Group Executive - Products & Licencing

Experience and Qualifications

Chris joined rhipec in October 2014 as Chief Strategy Officer and was appointed Group Executive - Products & Licencing in July 2019. Chris holds undergraduate qualifications from USQ and a Master of Business Administration from AIB. Chris has worked in the IT industry for most of his career and has held senior management roles for Red Hat and Microsoft prior to joining rhipec. Chris has spent the last 17 years in Singapore helping Multinational companies like Microsoft and rhipec to expand their partner channel throughout Asia. Chris has extensive experience in channel strategy, partner planning and market development.

Interest in Shares and Options

779,225 ordinary shares

Special Responsibilities

None

Directorships held in other listed entities during the three years prior to the current year

None

Directors' Report (continued)

Warren Nolan

Group Executive - Solutions & Professional Services

Experience and Qualifications

Warren Nolan joined rhipe in 2005. Warren is an experienced senior executive with a deep understanding of strategic planning, channel development, relationship management and sales execution. He has been at the forefront of rhipe's go to market strategy in the early stages of rhipe's evolution. Warren was inducted into the Australian Reseller News ICT industry Hall of Fame in 2017 recognising his contribution to the development of Australian's Cloud channel. His previous experience includes senior management positions in the banking & finance, manufacturing and recruitment sectors.

Interest in Shares and Options

1,009,475 ordinary shares and 200,000 options

Special Responsibilities

None

Directorships held in other listed entities during the three years prior to the current year

None

Patara Yongvanich

Managing Director - Asia

Experience and Qualifications

Patara Yongvanich joined rhipe in 2015 and is responsible for managing our subsidiaries in South Asia. Patara is a senior business executive and technologist with extensive experience in strategic planning, business development, and sales execution. He is a recognized expert in helping global organizations reengineer and optimize critical business processes. Previous experience includes working at SAP and Microsoft. He holds a Master's of Business Administration from Cornell University and a Master's Degree from Stanford University.

Interest in Shares and Options

518,064 ordinary shares

Special Responsibilities

None

Directorships held in other listed entities during the three years prior to the current year

None

Andrew Whitten and Maggie Niewidok

Joint Company Secretaries, resigned 24 May 2019

Marika White

Company Secretary, appointed 24 May 2019

Experience and Qualifications

Marika is Executive Director of Emerson Operations and provides tailored company secretarial and compliance services to a range of public, private and not-for-profit organisations in Australia and internationally.

Marika has extensive company secretarial experience, both in Australia and overseas, and is a member of the Australian Institute of Company Directors and the Governance Institute of Australia.

Interest in Shares and Options

None

Special Responsibilities

None

Directorships held in other listed entities during the three years prior to the current year

None

Directors' Report (continued)

rhipe Limited Risk Governance Framework

The rhipe Limited risk governance framework outlines how risk is managed in the Company including maintenance and ownership of the risk register and also the Company's risk appetite statement is determined.

The risk governance framework is reviewed on an annual basis by the Board to ensure that the Company is operating pursuant to the risk appetite set by the Board.

Overview of Board Responsibilities for Risk Management

Below is a summary of the risk management responsibilities of the Board:

- identify and assess the principal risks facing the company;
- determine risks the organisation is willing to take or "risk appetite";
- ensure the risk profile of the company is kept under review and measures to manage or mitigate the principal risks are taken;
- regular monitoring and review of identified risks is undertaken;
- regular risk management communication takes place to and from the board;
- ensure that risk management is incorporated within normal processes; and
- review, approve and monitor system of internal controls including those designed to ensure the integrity of budgets, financial statements and other reporting.

To assist the Board in discharging its responsibilities in relation to risk management, the Board has approved this risk governance framework and has delegated certain activities to the Audit & Risk Committee. The Board has also delegated various authorities to the Managing Director and CEO to enable the management of the Company on a day to day basis are carried out within authorities approved by the Board.

An outline of the risk governance framework is shown below:



1. From 1 July 2019, Audit Committee and Risk Committee were combined into one committee

Directors' Report (continued)

The Managing Director/CEO and the Chief Financial Officer are responsible for providing a declaration to the Board regarding the half and full-year financial statements in accordance with section 295A of the Corporations Act 2001 and recommendation 4.2 of the ASX Principles and for providing assurance to the Board that the Company's financial and non-financial risk management and internal control systems are operating effectively.

Audit and Risk Committee

The Board has established an Audit and Risk Committee (Committee) on 1 July 2019 to assist the Board in its responsibilities regarding continuous disclosure, financial reporting, legal and regulatory compliance, managing the Company's risk register and its internal control systems.

The Committee oversees the internal controls, policies and procedures which the Company has established to identify and manage key risks and where required the Committee will review matters on behalf of the Board and make recommendations which are then referred to the Board for resolution (if the committee has an advisory role) or resolve matters entirely (if the committee has been delegated authority), which is then reported to the Board.

The roles and responsibilities of the Committee are set out in the Audit and Risk Committee Charter.

The CEO/Managing Director and the Chief Financial Officer/Chief Operating Officer, Company Secretary, General Counsel, external Auditor and any other relevant third-party advisors or personnel may also attend meetings of the Audit and Risk Committee.

Risk Appetite

The Board also have in place a Risk Appetite statement that is reviewed and updated annually as part of the business planning cycle and reflects the expected financial performance of the company in the next twelve months.

The risk appetite takes into account the level of risk and earnings volatility that the Board is prepared to take to achieve strategic objectives and offers management practical guidance around risk appetite when managing the business on a day to day basis.

In determining its risk appetite, the Board considers:

- updates provided by senior management on key strategic and operational matters;
- the group's annual budgeting process;
- significant matters that have been reserved for the Board;
- risk factors identified by the Board and Management and included in the risk register; and
- the reports of the external Auditor

Key Material Business Risks

rhipec's activities and the industry that it operates within give rise to a broad range of risks. These risks are identified by the Board and Management and are recorded in the Company's risk register. Each identified risk is allocated a Senior Management owner who has responsibility to ensure any appropriate internal controls are in place and operating to provide mitigation or ensure the Board is regularly informed on any material changes in the identified risk.

The Company's risk register includes the following key risks categorised under Strategic Risks, People Risks, Operational Risks and Financial Risks:

Strategic Risks	People Risks
<ul style="list-style-type: none"> - Competitive pressures from existing competitors and new market entrants - Dependency on Microsoft - Technological innovation change - Failure to retain existing customers and attract new customers - Geopolitical risks associated with each country that we operate in 	<ul style="list-style-type: none"> - Key person risk - Inability to retain and attract talent - Insufficient resources to manage continued growth - Work place health, safety and welfare - Ineffective or inappropriate culture

Directors' Report (continued)

Operational Risks	Financial Risks
<ul style="list-style-type: none"> - Data loss and data breach - Cyber Security and disruption to technology systems - Adequacy of IT systems including Financial systems - Anti-bribery & corruption - Inadequate process documentation - Business continuity and disaster recovery risk - Compliance with applicable laws and regulations in each country rhipe operates - Ability to manage operational change in a careful and controlled manner 	<ul style="list-style-type: none"> - Liquidity and funding risk - Credit risk - customers and suppliers - FX risk - Completeness and accuracy of revenue recording, availability and accuracy of systems - Capitalised software development costs; to date \$6.4m costs have been capitalised and rhipe continue to invest heavily in improving Prism competitiveness - Goodwill impairment - Tax & Compliance risk in certain less developed Asian countries

The risk register is reviewed by the Audit and Risk Committee at least twice a year. The risks included on the risk register are also rated as Low, Medium or High from a probability perspective and weighted in terms of impact on the Company. This segmentation helps to identify the higher risk items and whether they have a low, medium or high impact on rhipe.

The risk register is also reviewed by Senior executives and management every six months to ensure they are aware of their risk management responsibilities and are required to escalate any key issues which arise or have the potential to arise. The CEO and the CFO / COO have the primary responsibility to advise the Board of key risk areas which arise and together, the Board and senior management are responsible for taking all reasonable steps to address and mitigate such risk items.

Indemnifying Officers or Auditor

During or since the end of the financial year, the Company has given an indemnity or entered into an agreement to indemnify or paid or agreed to pay insurance premiums as follows:

- The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.
- No indemnity has been provided for the auditors.

Proceedings on Behalf of Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of the proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit Services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Ernst & Young Australia for non-audit services provided during the year ended 30 June 2019.

	\$
Due diligence and taxation	237,000
	237,000

Directors' Report (continued)

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Future Developments, Prospects and Business Strategies

The Group has strong existing relationships with a number of key software and technological partners and the Group will look to continue to build and nurture these relationships. The Group will also continue to explore opportunities to further expand its reach from its current bases in Australia, New Zealand, Singapore, Thailand, Malaysia, Philippines, Korea and Indonesia. In Q4 FY19 rhipe established a subsidiary in Sri Lanka. It is expected that our activities in this country will not be material in a Group context. In addition the Group intends to expand its activities into the Japanese market. rhipe plans to temper any such expansion in operations so that the business can generate a solid growth in earnings in FY20.

rhipe will continue to assess further acquisition opportunities that will complement, create synergies or bring scale and earnings growth to the Company's existing business model.

Environmental Issues

The consolidated Group's operations are not regulated by any significant regulations under a law of the Commonwealth or of a state or territory.

Options

As at the date of signing this report, there were 870,000 unissued ordinary shares under option (30 June 2018: 3,673,334). These options are exercisable as follows:

Date of Grant	Number of Options	Date of Expiry	Conversion Price (\$)
27/07/2014	300,000	11/08/2021	0.75
27/02/2015	200,000	1/07/2021	0.75
1/11/2016	135,000	1/11/2020	0.94
1/11/2016	135,000	1/11/2023	0.94
13/09/2017	50,000	12/09/2021	0.5
13/09/2017	50,000	12/09/2022	0.5
	870,000		

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 35 of the Financial Report.

Rounding of Amounts

The Company is an entity to which ASIC Legislative Instrument 2016/191 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Corporate Governance Statement

The Directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability to the corporate governance statement dated 20 August 2019 released to ASX and posted on the Company's website www.rhipe.com/about/investors/.

Events after the Reporting Period

Final dividend of 2.0 cent per share, fully franked, is declared subsequent to balance date, on 16 August 2019 and will be paid on 24 October 2019.

In addition, rhipe has acquired 100% of the share capital of Network2Share Pty Limited, an Australian based security software company that has developed a user-friendly encryption product ('SmartEncrypt') which rhipe plans to bundle with Microsoft Office365, Microsoft Azure, and other vendor software licenses. The share purchase agreement was executed on 2 August 2019 with completion of the acquisition on the same day. Total consideration payable for Network2Share Pty Limited is up to \$5.0m of which \$2.0m was paid on completion and the remainder is contingent on future performance over the next five years.

Apart from these, there has not been any other matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.



Dominic O'Hanlon
Managing Director and CEO

Remuneration Report

rhipe Limited and Controlled Entities

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Remuneration (continued)

1. Message from the Chair of the Remuneration and Nomination Committee



On behalf of the Remuneration and Nomination Committee and the Board, I am very pleased to present rhipe’s Remuneration Report for the financial year ended 30 June 2019 (“FY19”).

In its fifth full year as a listed entity, the company has seen another year of extraordinary organisational growth - the number of employees across the company grew by more than 50%, operations expanded into Sri Lanka and the strategically important acquisition of Microsoft Dynamics service provider, DBITs, was completed.

To support this growth and organisational complexity, the company has focused on a number of people and performance measures including the introduction of a Diversity and Inclusion Council, the launch of a series of management development workshops and adjustments to the Short Term Incentive Plan (STIP) to drive a strong people and performance culture.

A key focus has also been on expanding and refining the company’s Long Term Incentive Plan (LTIP) in order to align internal goals and objectives with long term value creation for shareholders and to appropriately reward and retain executive talent within the organisation. In developing the LTIP, the Company sought advice from independent consultants on current best practices and also took into account the Company’s unique position in the market and its own growth trajectory.

This year has also seen an evolution and expansion of the Company’s Board with the appointment of three new highly skilled directors from diverse and broad industry backgrounds.

Overall, executive base pay has remained relatively flat with a total increase of 32% in Total Remuneration Packages largely due to awards for the successful achievement of STI and LTI targets. There were no increases to individual NED fees during FY19.

Given the Company’s excellent financial performance this year, the Board is satisfied that the adjustments to and enhancements of the Company’s incentive programs and, therefore, the remuneration mix, demonstrate a strong link between performance and reward.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. Edmonds', written over a thin red horizontal line.

Dawn Edmonds
Chair of the Remuneration and Nomination Committee

Remuneration (continued)

2. Persons Addressed and Scope of the Remuneration Report

The Remuneration Report sets out, in accordance with section 300A of the Corporations Act 2001:

- (i) the Company's governance relating to remuneration;
- (ii) the policy for determining the nature and amount or value of remuneration of KMP;
- (iii) the various components or framework of that remuneration;
- (iv) the prescribed details relating to the amount or value paid to key management personnel, as well as a description of any performance conditions;
- (v) the relationship between the policy and the performance of the Company.

In addition, rhipe Limited (rhipe, the Company or the Group) has decided to set out such further information as shareholders may require for them to obtain an accurate and complete understanding of the Company's approach to the remuneration of KMP.

KMP are the NEDs, the Executive Directors and employees who have authority and responsibility for planning, directing and controlling the activities of the Group. On that basis, the following roles/individuals are addressed in this report:

NEDs as at the End of the Financial Year

Gary Cox	Independent NED and Chairman of the Board since 26 March 2019 – Remuneration and Nomination Committee since 26 March 2019
Dawn Edmonds	NED since 1 January 2017 – Remuneration and Nomination Committee since 10 April 2014, Chair since 8 November 2018 – Risk Committee since 10 April 2014
Mark Pierce	Independent NED since 10 April 2014 – Risk Committee Chair since 10 April 2014 – Audit Committee Chair since 10 April 2014
Michael Tierney	Independent NED since 27 January 2017 – Remuneration and Nomination Committee since 27 January 2017 – Audit Committee since 27 January 2017
Inese Kingsmill	Independent NED since 15 April 2019 – Risk Committee since 6 June 2019
Olivier Dispas	Independent NED since 15 April 2019, located in Seattle, USA

Senior Executives Classified as KMP or Otherwise Addressed in this Report during the Financial Year

Dominic O'Hanlon	Managing Director since 15 June 2015 and Chief Executive Officer since 5 August 2014
Chris Sharp	Group Executive - Products & Licenses since 1 October 2014 and is located in Singapore
Warren Nolan	Group Executive - Solutions & Professional Services, since 2 August 2005
Mark McLellan	Chief Financial Officer since 1 November 2016 and Chief Operating Officer since 1 March 2018
Patara Yongvanich	Managing Director - Asia since 1 July 2015 and is located in Thailand
Athena Thompson	Chief Marketing Officer since 7 January 2015, left 17 August 2018

During the period the following persons ceased to be KMPs of rhipe:

- Laurence Sellers, NED from 10 April 2014, retired 8 November 2018.
- Mike Hill, Chairman since 10 April 2014 and NED since 31 January 2017, retired effective 26 March 2019
- Athena Thompson, CMO from 7 January 2015 until 17 August 2018.

Remuneration (continued)

3. Context of and Changes to KMP Remuneration for FY19

3.1 Matters Identified as Relevant Context for Remuneration Governance in FY19

As the Company continues along its growth trajectory, the Board and Management Team has, in FY19, devoted time and energy to organisational development and people and culture goals in order to lay an appropriate foundation for future growth.

During the period the number of employees across the organisation grew from 203 to 313. The Company also expanded into Sri Lanka and acquired Microsoft Dynamics service provider, DBITs.

A number of performance and culture initiatives were implemented including the establishment of the rhipe Diversity and Inclusion Council, implementation of an employee feedback tool and a series of management development workshops in order to further build management capability and structure within the organisation.

In order to support this growth and increasing complexity, the Board took the opportunity to review its composition and ran a formal process to identify candidates with the skills and experience necessary to drive and govern a larger, growing and increasingly more sophisticated organisation. Retiring Chairman Mike Hill and NED Laurence Sellers were replaced by Gary Cox and Inese Kingsmill respectively. Further, the Board took the opportunity to expand the NED pool and appointed Seattle based Olivier Dispas to the Board in mid-April.

As the Company continues to expand and develop, the Board's approach to remuneration governance must also keep pace.

Towards the end of FY18 and throughout FY19, the Board continued to seek advice from independent expert consultants regarding best practice KMP remuneration governance as well as consider the unique demands of the business for the short, medium and longer term. The key focus of FY19 has been on establishing an appropriate, ongoing Long Term Incentive Plan ("LTIP") in order to drive the long term performance of the business noting feedback from proxy advisors as part of developing a new LTIP. The main themes are dealt with in this and the following sections.

Total Remuneration Packages ("TRP") for FY19 for Directors and KMP increased by approximately 38% compared to the previous year. The increase reflects STI and LTI incentives awarded in line with the success by KMP in exceeding FY19 market guidance, noting at the same time that base packages increased.

Financial performance during the year exceeded the Company's initial guidance by approximately 30%. Total Shareholder Returns were more than 140% in FY19.

3.2 Key Remuneration Matters Identified and Adjustments Made or Planned in Response, Since the Previous Report

During FY19 a number of KMP remuneration related matters were identified for consideration and action during the reporting period. These include:

- NED Laurence Sellers retired 8 November 2018 and was replaced by Inese Kingsmill on 15 April 2019;
- The Chairman Mike Hill retired on 26 March 2019 after 5 years on the Board and was replaced by Gary Cox on the same date;
- The Board extended the NED pool by one and NED Olivier Dispas joined on 15 April 2019
- The Chief Marketing Officer, Athena Thompson, left the business on 17 August 2018;
- The Board developed an improved Remuneration Governance Framework and suite of related policies, procedures and plans in relation to the LTIP;
- The Board further developed the LTIP to include a measurement over 3 years (rather than 18 months as per prior grant) and set more sophisticated hurdles than those of prior years. As part of this development the Board has introduced transitional arrangements for the new 3 year LTIP which will involve a partial payment after 2 years. The Board will continue to seek independent recommendations and will make improvements and enhancements over time;
- To support ongoing organizational development, the Company incorporated an annual reward component related to individual non-financial KPIs into the Short Term Incentive Plan ("STI") to work alongside the quarterly award which continued to successfully drive sales momentum throughout the year;

Changes to Base and STI packages in FY19 were modest and are detailed in the relevant sections that follow. Some adjustments to Base and/or STI were made in order to transition to a more consistent base to incentive pay ratio.

Following the Company's benchmarking exercise of KMP remuneration in the relevant competitor groups and industry sectors, the Board is satisfied that any adjustments made keep FY19 TRP in line with comparable companies. The Board will continue to review the remuneration mix as part of its continued commitment to remuneration governance.

A reorganisation of business structures in late FY19 in line with the continued growth strategy may result in a further planned review of TRP for Executive KMP leading the revised business units into FY20.

4. Overview of rhipe's Remuneration Governance Framework & Strategy

The performance of the Company depends upon the quality of its directors and executives. The Group recognises the need to attract, motivate and retain highly skilled directors and executives.

The Board, through its Remuneration and Nomination Committee (the "Committee"), accepts responsibility for determining and reviewing remuneration arrangements for the Directors and Executives. The Committee assesses the appropriateness of the nature and amount of remuneration of Directors and Executives on a periodic basis by reference to relevant employment market conditions, giving due consideration to the overall profitability and financial resources of the Company, with the objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board

Remuneration (continued)

and executive team.

Sections 13.7 and 13.8 of the Company's constitution set out broadly how remuneration is to be dealt with in line with the Corporations Act and ASX Listing Rules. The following summarises the Board's current approach to governing and setting remuneration.

4.1 Remuneration and Nomination Committee Charter

The Committee is appointed and authorised by the Board to assist the Board in fulfilling its statutory and fiduciary duties. The Committee is responsible for the following:

- reviewing the executive remuneration policy and framework ("Remuneration Policy") and recommending it to the Board for approval. This includes areas such as:
 - assessing the Remuneration Policy for compliance with legal and regulatory requirements;
 - reviewing changes to the Remuneration Policy, including remuneration structure, retention and termination policies;
 - reviewing changes to the recruitment process, procedures and remuneration approach for the Senior Executives;
 - recommending performance-based (at-risk) components of remuneration and targets for the Company's financial performance as they relate to incentive plans, including equity-based payments;
 - reviewing and making recommendations regarding the remuneration framework for Non-Executive Directors and making remuneration recommendations for Non-Executive Director fees;
 - proposing the Remuneration Report to the Board, liaising with external auditors and making recommendations that are in accordance with the Corporations Act and other regulations/laws;
 - identifying and recommending candidates to the Board after considering the necessary and desirable competencies of Board members, reviewing induction processes and reviewing succession plans; and
 - developing and implementing processes to review Board performance.
- reviewing the executive remuneration policy and framework ("Remuneration Policy") and recommending it to the Board for approval. This includes areas such as:
 - assessing the Remuneration Policy for compliance with legal and regulatory requirements;
 - reviewing changes to the Remuneration Policy, including remuneration structure, retention and termination policies;
 - reviewing changes to the recruitment process, procedures and remuneration approach for the Senior Executives;
 - recommending performance-based (at-risk) components of remuneration and targets for the Company's financial performance as they relate to incentive plans, including equity-based payments;
 - reviewing and making recommendations regarding the remuneration framework for Non-Executive Directors and making remuneration recommendations for Non-Executive Director fees;
 - proposing the Remuneration Report to the Board, liaising with external auditors and making recommendations that are in accordance with the Corporations Act and other regulations/laws;
 - identifying and recommending candidates to the Board after considering the necessary and desirable competencies of Board members, reviewing induction processes and reviewing succession plans; and
 - developing and implementing processes to review Board performance.
- Managing Director and CEO - accountable to the Board for the Company's performance and long-term planning;
- Those roles classified as executive KMP under the Corporations Act;
- Direct Reports to the Managing Director - roles that are business unit, functional, or expertise heads; and
- Any other members of the executive/senior leadership team as may be determined from time to time.

In relation to remuneration for Senior Executives:

- Remuneration should be composed of:
 - Base Package (inclusive of superannuation, allowances, benefits and any applicable fringe benefits tax (FBT));
 - STI which provides a reward for performance against annual objectives which may be subject to deferral should the Board determine that this is appropriate from time to time;
 - LTI which provides an equity-based reward for performance against indicators of shareholder benefit or value creation, over an extended period, and intended to create alignment with shareholders; and
 - In total the sum of the elements will constitute a TRP.
- Both internal relativities and external market factors should be considered;
- TRPs should be structured with reference to relevant market practices;
- The Base Package policy mid-points should be set with reference to P50 (the median or the middle) of the relevant market practice;
- TRPs at Target (being the Base Package plus incentive awards intended to be paid for targeted levels of performance) should be set with reference to P75 (the upper quartile, the point at which 75% of the sample lies below) of the relevant market practice so as to create a strong incentive to achieve targeted objectives in both the short and long term;
- Remuneration of individuals will be managed within a range of a policy benchmark so as to allow for the recognition of individual differences such as the calibre of the incumbent and the competency with which they fulfill a role;
- Exceptions will be managed separately such as when particular talent needs to be retained or there are individuals with unique expertise that need to be acquired ("Red circle" exceptions); and
- Termination benefits will generally be limited to the default amount allowed for under the Corporations Act (without shareholder approval).

4.3 NED Remuneration Policy

Fees and payments to NEDs reflect the demands which are made of the Directors in fulfilling their responsibilities. The NED remuneration policy applies to NEDs of the Company in their capacity as Directors and as members of committees, and may be summarised as follows:

4.2 Senior Executive Remuneration Policy

The Senior Executive remuneration policy applies to Senior Executives who are defined as follows:

Remuneration (continued)

- Remuneration may be composed of:
 - Board fees;
 - Committee fees;
 - Superannuation;
 - Other benefits; and
 - Equity (if deemed appropriate as may occur from time to time).
- Remuneration will be managed within the Aggregate Fee Limit (AFL) or fee pool approved by shareholders of the Company;
- Remuneration should be reviewed annually;
- Nominal termination benefits are included in NED Services Agreements;
- A policy level of Board Fees (being the fees paid for membership of the Board, inclusive of superannuation and exclusive of committee fees) will be set with reference to the P50 (median or middle) of the market of comparable ASX listed companies;
- Currently Directors are not paid additional fees for serving on committees;
- Per diem fees may be paid on occasions where approved special work is undertaken outside of the expected commitments;
- Any Non-Executive Director remuneration package that is subject to fee sacrifice into equity arrangements should fall at or close to P75 of the market of the comparable ASX listed company market. Currently the Company does not provide an equity facility as part of Non-Executive Director remuneration and shareholder approval would be sought for any plan that may facilitate this element of remuneration being paid.

4.4 Approach to Determining Comparators for Remuneration Benchmarking

When the Company seeks external market data in relation to NED or Senior Executive benchmarking, or the Board seeks independent expert advice, the following principles are generally intended to apply:

- a benchmarking comparator group will take into account the Company's estimated sustainable market capitalisation at the time of the exercise, which may include discounting the market capitalisation if and when the Company's P/E ratio is unusually high relative to peers;
- it will include direct competitors of comparable scale to the extent possible, noting that there are a very limited number of these in the Australian market;
- the group should be large enough to produce valid statistics, and small enough to be reasonably specific;
- to the extent that direct competitors are not sufficient to produce a statistically robust sample, companies of comparable scale from the same industry or sector will be included;
- the group should be balanced with an equal number of comparators larger, and smaller, generally limited to those

within a range of half to double the Company's market capitalisation value used in designing the group;

- International data benchmarks will be considered when relevant to incumbents who are internationally sourced or located; and
- these principles are specific to remuneration benchmarking exercises and therefore may produce different outcomes than those applied to the design of other types of comparator groups.

4.5 Short-Term Incentive Policy

The STIP may be summarised as follows:

- The purpose of the STIP as part of the TRP offered to Senior Executives is to:
 - Motivate Senior Executives to achieve the short-term annual objectives linked to Company success and shareholder value creation;
 - Create a strong link between performance and reward;
 - Share company success with the Senior Executives that contribute to it; and
 - Create a component of the employment cost that is responsive to short to medium term changes in the circumstances of the Company;
- NEDs are excluded from participation;
- The measurement period for performance should be the financial year of the Company which is considered short-term;
- The STIP should be outcome focused rather than input focused, and while an individual performance component may be present, rewards should generally be linked to indicators of shareholder value creation;
- The Board will retain discretion to adjust actual awards so as to manage circumstances in which the calculated award may be considered inappropriate;
- The Board will give consideration as to whether deferral should apply to a portion of STI awards, from time to time, to be specified in an invitation to participate in the STIP if it does; and
- Any claw back policy as may be developed by the Company from time to time, will apply to the STIP unless otherwise determined by the Board.

4.6 Long-Term Incentive Policy

The LTIP may be summarised as follows:

- The purpose of the LTIP as part of the TRP offered to Senior Executives (as defined in the policy) is to:
 - Motivate Senior Executives to achieve long-term objectives linked to shareholder value creation over the long-term;
 - Create a strong link between performance and reward over the long-term; and
 - Share the experience of shareholders with the Senior Executives that contribute to it including creating an ownership position;

Remuneration (continued)

- NEDs are currently excluded from participation;
- The measurement period for performance should be aligned with the financial year of the Company and typically vest over a three-year period;
- The Board will retain discretion to adjust actual vesting so as to manage circumstances in which the calculated vesting may be considered inappropriate; and
- A claw back policy applies to the LTI and any further development of this policy as may be required by the Company from time to time will apply to the LTIP unless otherwise determined by the Board.

4.7 Setting Incentive Plans

Performance-related incentives are linked to the achievement of financial and non-financial objectives which are relevant to meeting the company's business objectives according to its Balanced Scorecard. The major part of the at-risk remuneration component is determined by the actual performance against operating profit targets. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan.

In relation to the design, implementation and operation of incentives there should be a range of performance and reward outcomes identified and defined. These should be set with regard to the elasticity of the measure, the impact of the measure on shareholder value creation and the ability of Senior Executives to influence the measure. In order to create clarity and consistency, the following concepts and principles are generally applied to the design of incentive scales:

- "Threshold", being a minimum acceptable outcome for a "near miss" of the target, associated with a fraction of the target reward appropriate to the threshold outcome;
- "Target", being a challenging but achievable outcome, and which is the expected outcome for a Senior Executive/team that is of high calibre and high performing;
- "Stretch" (the maximum) levels of objectives, which is intended to be a "blue sky" or exceptional outperformance, not expected to be achieved, the purpose of which is
- to create a continuous incentive to outperform when outperformance of the Target has already been achieved. This is particularly important for shareholders to understand when comparing with other Companies whose maximum levels of incentives may be associated with a planned or target outcome.

Awards for outcomes between these levels should generally be scaled on a pro-rata basis dependent on actual performances. This is intended to provide a motivating opportunity to attain a reward and to ensure that reward outcomes align with performance under a range of circumstances.

It is recognised that there is a link between the budget setting culture of the Company and the setting of incentive hurdles. In this regard, the Board is confident that budgets developed and agreed to, are sufficiently challenging but also achievable.

4.8 Claw back Policy and Procedure

A claw back policy continued to apply to the Performance Rights Plan in FY19. The Board will continue to review how this may be applied more broadly over time. However, claw back policies are generally intended to relate to the recovery of overpayments when there has been a material misstatement in the financial reports of the Company, which is a demonstrably low risk based on the frequency of occurrence in the Australian market. The Company has sufficient controls in place as to be confident that this risk is negligible.

4.9 Securities Trading Policy

The Company's Policy on Trading in rhipe Securities by Directors and KMP:

- sets out the guidelines for dealing in any type of rhipe securities by the Company's KMP; and
- summarises the law relating to insider trading which applies to everyone, including to all rhipe Group employees as well as to KMP.

Under the current policy, KMP may not trade during black out periods. These black out periods are near financial reporting dates in January and February for 1H reporting, July and August for full year reporting and October and November for the Annual General Meeting for rhipe.

In addition to the above all of the CEO's vested options are restricted from being traded without the approval of the Board.

4.10 Equity Holding Policy

The Company does not currently have an equity holding policy applicable to KMP.

4.11 Executive Remuneration Consultant Engagement Policy & Procedure

The Company has an executive remuneration consultant (ERC) engagement policy which is intended to manage the interactions between the Company and ERCs, so as to ensure their independence and so that the Remuneration and Nomination Committee will have clarity regarding the extent of any interactions between management and the ERC. This policy enables the Board to state with confidence whether or not the advice received has been independent and why that view is held. The Policy states that ERCs are to be approved and engaged by the Board before any advice is received, and that such advice may only be provided to a Non-Executive Director. Interactions between management and the ERC must be approved and will be overseen by the Remuneration and Nomination Committee when appropriate.

Remuneration (continued)

4.12 Variable Executive Remuneration – STIP

STIP

Aspect	Plan, Offers and Comments
Purpose	<p>The STIP's purpose is to give effect to an element of remuneration.</p> <p>This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for Senior Executives to deliver and outperform annual business plans that will lead to sustainable superior returns for shareholders. The STIP aims to reflect current trading conditions experienced by the Company. Target-based STI's are also intended to modulate the cost to the Company of employing Senior Executives, such that risk is shared with the Executives themselves and the cost to the Company is reduced in periods of poor performance.</p>
Measurement Period	The four quarters of the Company's financial year.
Award Opportunities	<p>FY19 Invitations</p> <p>The MD/CEO was offered a target-based STIP equivalent to 55% of the Base Package for Target performance, with a maximum/stretch opportunity of up to 120% of the Target Award.</p> <p>Other Senior Executives who are KMP were offered a target-based STIP equivalent to 35% to 70% of their Base Package for Target performance, with a maximum/ stretch opportunity of up to 150% of the Target Award.</p> <p>FY20 Invitations</p> <p>No decisions on changes to award opportunities have been made yet.</p>
Performance Indicators (KPIs), Weighting and Performance Goals	<p>FY19 Invitations</p> <p>FY19 Invitations to participate in the STIP for all participants, had an 80% weighting on an Operating Profit KPI, subject to a sliding scale of Threshold, Target and Stretch goal achievement.</p> <p>Financial targets are set with reference to the annual budget for the financial year.</p> <p>Non-financial KPIs for each KMP were incorporated with a 20% weighting, awarded on an annual basis provided 75% of Operating Profit had been met.</p> <p>The Operating Profit target remains the primary performance measure for KMP.</p> <p>FY20 Invitations</p> <p>The Board cannot disclose the financial targets for FY20 as this information is commercially sensitive, however this will be disclosed in the FY20 Remuneration Report. The target is set with reference to the annual Group Budget for the financial year. Non-financial targets will continue to be incorporated with KPIs and weightings allocated as appropriate.</p>
Award Determination and Payment	Calculations are performed following the end of the quarterly and annual Measurement Periods and the audit of Company accounts. The Board has discretion to determine the extent and nature of any deferral, as part of invitations. At present, no amounts of STI awards are subject to deferral, and therefore STI awards are paid in cash through payroll soon after the end of each quarter, the final payment being after the end of the financial year.
Cessation of Employment During a Measurement Period	<p>In the event of cessation of employment due to dismissal for cause, or any other reason considered a "bad leaver", all entitlements in relation to the Measurement Period are forfeited, as are any unvested deferred amounts.</p> <p>In the event of cessation of employment classified as "good leaver", the Board has discretion to determine the appropriate treatment of STI entitlements for the period, within the termination benefit limit.</p>
Change of Control	In the event of the Board declaring that a Change of Control is likely to occur, including a takeover, the Board has discretion to determine appropriate treatment of STI entitlements, given the circumstances at the time. This will generally include consideration of performance up to the date of the event.

Remuneration (continued)

Plan Gate & Board Discretion	No plan gate applies to the STIP. Board discretion to modify award outcomes applies to the STIP in circumstances where it would be considered as inappropriate to shareholders.
Claw back & Malus	The Company does not currently operate a claw back policy in relation to the STIP.

4.13 Variable Executive Remuneration – (LTIP) – Performance Rights Plan

LTIP

Aspect	Plan Rules, Offers and Comments
Purpose	The LTIP's purpose is to give effect to an element of Senior Executive remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for Senior Executives to deliver Company performance that will lead to sustainable superior returns for shareholders. The LTIP is also designed to act as a retention mechanism so as to maintain a stable team of performance focused Senior Executives and to create alignment with the interests and experiences of shareholders through developing the "ownership position" of Executive KMP.
Form of Equity	Currently the Company operates a Performance Rights plan for the purposes of the LTIP. Performance Rights were selected because they have an inherent incentive to improve the Company's performance over the longer term, consistent with the intention of the LTIP.
LTI Value	<p>The Board retains discretion to determine the value of LTI to be offered each year, subject to shareholder approval in relation to Directors when the Performance Rights are to be settled in the form of a new issue of Company shares. The Board may also seek shareholder approval for grants to Directors in other circumstances, at its discretion.</p> <p>FY19 LTI Invitations</p> <p>LTI allocations were issued to KMP and other key executives in FY19 in the form of Performance Rights. The LTI Target value was set between 55% and 100% of base packages.</p> <p>Comments</p> <p>The target LTI value reflects the Company's current position in terms of expected growth trajectory, its intention to retain valued executives and the relative infancy of its ongoing three-year LTIP. As the remuneration governance framework evolves, the LTI component as a percentage of base is expected to evolve also.</p> <p>The Board has discretion to set exercise prices, measurement periods, and vesting conditions for each round of invitations. Performance Rights that are not exercisable or are unexercised by their Expiry Date will lapse.</p> <p>FY19 Invitations</p> <p>Measurement Period</p> <p>As this is the first year of an ongoing 3-year measurement period for the LTI, the FY19 Invitations allow 50% of the grant to vest after 2 years and the remaining 50% to vest after 3 years. Subsequently, it is intended that grants will be made on an annual basis and will be structured to allow some vesting to occur every year thereafter.</p> <p>Vesting Conditions:</p> <ul style="list-style-type: none"> – Gross Profit Growth on a CAGR basis <ul style="list-style-type: none"> Threshold 13% Target 16% Stretch $\geq 20\%$ – EPS Growth on CAGR basis <ul style="list-style-type: none"> Threshold 20% Target 32.5% Stretch $\geq 45\%$

Remuneration (continued)

- TSR
Threshold- Index TSR
Target – Index TSR plus 5% per annum
Stretch – Index TSR plus 10% or more per annum
- If the employee ceases employment with the Company during the measurement period, rights may be retained on a pro rata basis with reference to time served. All remaining rights will lapse.
- The exercise price is Nil; and
- Holders of Performance Rights in the Company do not have any shareholder rights such as voting or dividend rights

Comments:

- Gross profit growth was chosen as it is an important lead indicator of ongoing, profitable growth and can be directly impacted by KMP behaviour. EPS growth ensures that there is an appropriate focus on cost management and tax planning which is also directly controlled by KMP. TSR is the most direct measure of value creation for shareholders and is therefore one of the most effective measures available to align the interests of executives with those of shareholders. The TSR target compares Total Shareholder Return with the TSR of the S&P/ASX Small Industrials Index. This avoids the problems of gains or losses associated with broader market movements.

Retesting	Retesting is not available under the plan.
Plan Gate & Board Discretion	No Plan gate applies to the Performance Rights. The Board does not have discretion to adjust vesting outcomes but does retain some discretion to adjust the number of shares issued and the terms in certain situations.
Amount Payable for Performance Rights	No amount is payable by participants for Performance Rights granted as part of remuneration.
Exercise of Vested Performance Rights	The Company will notify the Participant that a Performance Right has Vested pursuant to the Plan Rules and allocate shares accordingly.
Disposal Restrictions etc.	Performance Rights are not subject to any disposal or dealing restrictions at any time, other than the Corporation's Act restrictions or those restrictions outlined in the Group's share trading policy and cannot be exercised prior to vesting.
Cessation of Employment	The Board has discretion to specify how the Participant's Performance Rights will be treated on cessation of employment and may detail additional or alternative treatment in the invitation terms. The applicable treatment may vary depending on the circumstances in which the Participant's employment of engagement ceases
Change of Control of the Company	If a Change of Control Event occurs the Board may, in its absolute discretion, determine that all or a specified number of a Participant's Performance Rights Vest or cease to be subject to Vesting Conditions or restrictions (as applicable).
Claw back & Malus	The Company implements a Claw back Policy in relation to LTIP.

5. Performance Outcomes for FY19 Including STI and LTI Assessment

5.1 Company Performance

The following outlines the performance of the Company over the FY19 period and the previous four financial years in accordance with the requirements of the Corporations Act:

Remuneration (continued)

(\$'000's) unless otherwise stated	2019	2018	2017	2016	2015
Sales – Software Products & Services	252,537	196,608	156,970	137,120	108,769
Revenue	48,356	35,624	28,969	26,214	20,200
Operating profit	12,842	7,761	5,024	16	1,500
Reported EBITDA	10,017	6,384	4,004	1,466	(1,353)
Profit/(Loss) before income tax (\$'000's)	8,491	5,190	3,344	1,168	(1,535)
Profit/(Loss) after income tax (\$'000's)	6,214	3,066	2,507	(129)	(2,321)
30 June Share Price (\$)	2.86	1.18	0.52	0.90	1.47
Change in Share Price (\$)	1.68	0.66	(0.38)	(0.57)	0.67
Basic Earnings/(loss) Per Share (cents)	4.53	2.26	1.83	(0.10)	(1.98)
Dividends declared during the period	2.00	0.5	-	-	-
Total Shareholder Return (%)	143%	128%	(42%)	(39%)	83%

Note, Revenue for FY 2015 to FY2018 has been restated to reflect the impact of AASB 15 with licensing revenue reported on a net agency basis and revenue from solutions and support services reported on a gross principal basis.

The overall executive award takes into account performance over the financial year especially as it relates to improving performance over prior years. The Company's strong financial performance over the last few years has been the result of investment in public cloud operations and expansion into Asia made since the company floated in 2014. The company continues to invest every year in its people and operations with a view to the medium to long term benefit for shareholders. This investment is also made in the knowledge of market expectations about continued growth in operating profitability and it is an ongoing challenge around this decision trade off. Operating profit, which is the key performance measure for KMP and the Company, grew from \$7.8m in FY18 to \$12.8m in FY19, growth of 64% which was driven by strong growth in revenue and gross profit in both the Licensing business and the Solutions business. Delivery of \$12.8m operating profit compares to the original market guidance of \$10m made at the beginning of FY19 which demonstrates the strong year that the company has delivered.

EBIDTA over the same period grew by a similar amount at 60% year on year.

5.2 Links between Performance and Reward Including STI and LTI Outcomes

The remuneration of executive KMP is intended to be composed of three parts as outlined earlier, being:

- Base Package, which is not intended to vary with performance, but which tends to increase as the scale of the business increases (i.e. following success);
- STI which is intended to vary with indicators of annual Company and individual performance, and may include a deferred component which will vary with exposure to the market; and
- LTI which is also intended to deliver a variable reward based on long-term measures of Company performance (Operating Profit in the case of LTI Performance Rights).

FY18

The STI related to performance during the FY18 period was paid according to the revised quarterly approach after each relevant quarter throughout the year and the final quarter and any accelerators due are paid after the end of the period (i.e. during FY19). Payment of STI was calculated based on quarterly profit targets totaling an annual target of \$7.257M Operating Profit where 100% bonuses were payable, with a threshold applied and a stretch with accelerators also reinstated for FY18. Given the Operating Profit target was exceeded, a modest accelerator in accordance with the pre-determined scales rewarded the KMP's drive towards stretch profit targets.

FY19

The Financial Target for FY19, was an annual operating profit of \$12.8M with an 80% weighting for STIs tied to delivery of this target. The Board then assessed the extent to which target levels of performance had been achieved and used the pre-determined scales to calculate the total award payable for the Financial component of the STI.

The Operating Profit target was exceeded as per the Company's updated guidance throughout the period, based on strong KMP performance. Therefore an accelerator in accordance with the pre-determined scales rewarded the KMP's drive towards stretch profit targets, which was paid after the end of the financial year (i.e. during FY20).

Non-financial KPIs according to the Company Balanced Scorecard were allocated to each KMP with a 20% weighting for the FY19 period and achievements assessed and also awarded after the close of the financial year.

This method of performance assessment was chosen because it is the most objective approach to short term incentive governance and drives the desired behaviours to optimise strong quarterly results and maintain momentum throughout the year as well as incentivize KMP towards customer, process and people and culture targets over the full period.

Remuneration (continued)

It is the Board's view that the combination of quarterly and annual awards for the STI related to financial and non-financial targets continued the momentum to drive a strong close to results at the end of each quarter throughout FY19 as well as build a sustainable business environment aligned to the continued growth strategy. The Operating Profit and non-financial targets for the STI and the extended targets for the LTI have provided executives with challenging but attainable and controllable targets that have led to excellent results for the business and for shareholders in FY19. The Board is also of the view that continued enhancement of the remuneration framework will further align executive performance with shareholder interests.

5.3 Links between Company Strategy and Remuneration

The Company intends to attract the superior talent required to successfully implement the Company's strategies at a reasonable and appropriately variable cost by:

- positioning Base Packages (the fixed element) around relevant market data benchmarks when they are undertaken;

- supplementing the Base Package with at-risk remuneration, being incentives that motivate Executives to focus on:
 - short to mid-term objectives linked to the strategy via KPIs and annual performance assessments. The percentage of total remuneration that constitutes an executive's STI varies depending on the size of the role and its impact on the attainment of the Company's short-term targets; and
 - long-term value creation for shareholders by linking a material component of remuneration to those factors that shareholders have expressed should be the long-term focus of executives and the Board.

The Board maintains the view that linking short term incentives to Operating Profit combined with relevant non-financial goals, which the KMP can strongly influence, produces desired outcomes for the short to medium term, whilst linking long term goals to sustainable margin growth and shareholder return best aligns reward with the intended outcomes of the Company's current strategy.

6. Changes in Equity held by KMP

All options and rights in the following table have been issued by rhipe Limited unless stated otherwise. The table outlines the changes in the amount of equity held by executives over the financial year:

Ordinary Shares	Balance At Beginning of the Year	Granted As Remuneration During The Year	Issued On Exercise of Options or Rights During The Year	Other Changes During the Year	Balance At End of The Year	Notes
Mr Mike Hill	1,178,320	-	-	(1,138,320)	40,000	1,2
Mr Gary Cox	-	-	-	-	-	
Ms Inese Kingsmill	-	-	-	32,904	32,904	
Mr Olivier Dispas	-	-	-	-	-	
Mr Dominic O'Hanlon	3,957,840	-	1,500,000	(1,600,000)	3,857,840	1,3,4
Ms Dawn Edmonds	4,002,294	-	-	(1,300,000)	2,702,294	1
Mr Laurence Sellers	166,666	-	233,334	(400,000)	-	1,3,6
Mr Mark Pierce	270,000	-	250,000	(200,000)	320,000	1,3
Mr Michael Tierney	2,707,191	-	-	(700,000)	2,007,191	1
Mr Warren Nolan	1,059,475	-	300,000	(350,000)	1,009,475	1,4
Mr Mark McLellan	115,396	-	700,000	(115,396)	700,000	1,4
Mr Chris Sharp	200,000	-	579,225	-	779,225	3,4
Mr Patara Yongvanich	618,064	-	100,000	(200,000)	518,064	1,4
Ms Athena Thompson	-	-	-	-	-	5
Total	14,275,246	-	3,662,559	(5,970,812)	11,966,993	

1. The KMP disposed of ordinary shares during the period

2. Mike Hill resigned on 26 March 2019

3. The KMP exercised options during the period

4. The KMP converted performance rights during the period

5. Athena Thompson resigned on 17 August 2018

6. Laurence Sellers resigned on 8 November 2018

Remuneration (continued)

All options and rights in the following table were issued by rhipe Limited unless stated otherwise. The table outlines the changes in the number of options and rights held by NEDs and KMP over the financial year:

Options and Rights		Balance At Beginning of the Year	Granted As Compensation During The Year	Exercised No.	Forfeited Options During the Year	Balance At End Of The Year	Balance Vested At 30 June 2019 and Exercisable	Balance Not Vested and Not Exercisable At 30 June 2019	Notes
Mr Mike Hill	Options	-	-	-	-	-	-	-	-
	Performance Rights	-	-	-	-	-	-	-	-
Mr Gary Cox	Options	-	-	-	-	-	-	-	-
	Performance Rights	-	-	-	-	-	-	-	-
Mr Olivier Dispas	Options	-	-	-	-	-	-	-	-
	Performance Rights	-	-	-	-	-	-	-	-
Ms Inese Kingsmill	Options	-	-	-	-	-	-	-	-
	Performance Rights	-	-	-	-	-	-	-	-
Mr Dominic O'Hanlon	Options	900,000	-	(300,000)	(300,000)	300,000	300,000	-	-
	Performance Rights	1,700,000	843,298	(1,200,000)	-	1,343,298	-	1,343,298	1
Ms Dawn Edmonds	Options	100,000	-	-	(100,000)	-	-	-	-
	Performance Rights	-	-	-	-	-	-	-	-
Mr Laurence Sellers	Options	233,334	-	(233,334)	-	-	-	-	-
	Performance Rights	-	-	-	-	-	-	-	-
Mr Mark Pierce	Options	250,000	-	(250,000)	-	-	-	-	-
	Performance Rights	-	-	-	-	-	-	-	-
Mr Michael Tierney	Options	-	-	-	-	-	-	-	-
	Performance Rights	-	-	-	-	-	-	-	-
Mr Warren Nolan	Options	300,000	-	-	(100,000)	200,000	200,000	-	-
	Performance Rights	300,000	421,648	(300,000)	-	421,648	-	421,648	1
Mr Mark McLellan	Options	270,000	-	-	-	270,000	270,000	-	-
	Performance Rights	700,000	505,979	(700,000)	-	505,979	-	505,979	1
Mr Chris Sharp	Options	435,000	-	(335,000)	(100,000)	-	-	-	-
	Performance Rights	300,000	371,050	(300,000)	-	371,050	-	371,050	1
Mr Patara Yongvanich	Options	100,000	-	-	(100,000)	-	-	-	-
	Performance Rights	100,000	303,586	(100,000)	-	303,586	-	303,586	1
Ms Athena Thompson	Options	100,000	-	-	(100,000)	-	-	-	-
	Performance Rights	100,000	-	-	(100,000)	-	-	-	-
Total	Options	2,688,334	-	(1,118,334)	(800,000)	770,000	770,000	-	
	Performance Rights	3,200,000	2,445,561	(2,600,000)	(100,000)	2,945,561	-	2,945,561	

1. KMP were granted performance rights as part of their remuneration and incentive packages for FY19 from under the rhipe Performance Rights Plan which was approved by shareholders in FY19

Remuneration (continued)

The number of Performance Rights granted to KMP of the Group during the year is as follows:

2019 Equity Grants	Instrument	Grant Date	Number of rights		
			Threshold	Base	Stretch
Dominic O'Hanlon	Performance Rights	31-May-19	210,823	421,648	843,298
Warren Nolan	Performance Rights	31-May-19	105,410	210,823	421,648
Mark McLellan	Performance Rights	31-May-19	126,493	252,987	505,979
Chris Sharp	Performance Rights	31-May-19	92,761	185,524	371,050
Patara Yongvanich	Performance Rights	31-May-19	75,894	151,792	303,586

2019 Equity Grants	Exercise Price \$	Value Per Security \$	Grant Value \$	Value Expensed in FY19	Percentage Remaining as Unvested %	Service period	Expiry Date for Exercise	Notes
Warren Nolan	-	1.19	250,000	243,870	100	Jul-18 to Jun 21	31-May-33	1,2
Mark McLellan	-	1.19	300,000	292,644	100	Jul-18 to Jun 21	31-May-33	1,2
Chris Sharp	-	1.19	220,000	214,606	100	Jul-18 to Jun 21	31-May-33	1,2
Patara Yongvanich	-	1.19	180,000	175,586	100	Jul-18 to Jun 21	31-May-33	1,2

1. Equity settled share-based payments expense represents amounts accrued for performance rights that have not vested and do not represent payments made to KMP

2. Value per security represents grant value awarded to executives over the base number of performance rights

7. NED Fee Policy Rates for FY19 and FY20, and Fee Limit

Non-Executive Director fees are managed within the current annual fees limit (AFL or fee pool) of \$510,000 as specified in the Company's constitution. This approach will be reviewed in FY20.

The following table outlines the NED fee policy rates that were applicable as at the end of FY19:

Function	Role	Fee Including Super
Main Board	Chair	\$150,000
	Member	\$60,000

During the reporting period the work of the Board was shared equally amongst its Non-Executive members (other than the Chairman, who has a higher workload), and therefore it was deemed not necessary to set committee fees for committee work, which are usually used to recognise differences in contributions. This approach will be reviewed in FY20.

From time to time, a daily fee may be paid on such occasions where approved special work is undertaken outside of the expected commitments of NEDs. Additional fees of \$30,199 were paid for marketing consulting services undertaken by a Non-Executive Director in FY19, Inese Kingsmill.

For FY20, in response to the changing needs of the organisation, it is expected that committee member contribution will increase. Therefore the Board intends to award additional modest fees for chairs and members of committees. Furthermore, given that no increases have been made to NED fees since the Company was listed and following NED fee benchmarking, the Company intends to increase its base NED fee in FY20. Any increase to the fee pool is subject to shareholder approval.

Remuneration (continued)

8. Remuneration Records for FY19 – Statutory and share-based reporting

8.1 Senior Executive Remuneration

The following table outlines the remuneration received by Senior Executives of the Company during FY19 prepared according to statutory disclosure requirements and applicable accounting standards:

Name	Role(s)	Year	Salary & fees (\$)	Superannuation (\$)	Other Benefits (\$)	Base Package		STI*	LTI**		Total Remuneration Package (TRP) (\$)	Termination Benefits*** (\$)	Change in Accrued Leave (\$)	Notes	
						Amount (\$)	% of TRP		Amount (\$)	% of TRP					
DIRECTORS															
Mr Dominic O'Hanlon	Managing Director & CEO	2019	477,405	20,531	-	497,936	30%	412,500	25%	849,838	48%	1,760,274	-	\$24,552	
	Managing Director & CEO	2018	477,405	20,048	-	497,453	47%	282,731	27%	277,526	26%	1,057,710	-	\$18,828	
Ms Dawn Edmonds	NED	2019	60,000	-	-	60,000	100%	-	-	-	-	60,000	-	-	
	NED	2018	60,000	-	-	60,000	100%	-	-	-	-	60,000	-	-	
Mr Mike Hill	Non-Executive Chairman	2019	100,898	9,585	-	110,483	100%	-	-	-	-	110,483	-	-	1
	Non-Executive Chairman	2018	136,986	13,014	-	150,000	100%	-	-	-	-	150,000	-	-	
Gary Cox	Non-Executive Chairman	2019	37,500	-	-	37,500	100%	-	-	-	-	37,500	-	-	2
	Non-Executive Chairman	2018	60,000	-	-	60,000	100%	-	-	-	-	60,000	-	-	
Mark Pierce	NED	2019	60,000	-	-	60,000	100%	-	-	-	-	60,000	-	-	
	NED	2018	60,000	-	-	60,000	100%	-	-	-	-	60,000	-	-	
Michael Tierney	NED	2019	60,000	-	-	60,000	100%	-	-	-	-	60,000	-	-	
	NED	2018	60,000	-	-	60,000	100%	-	-	-	-	60,000	-	-	
Laurence Sellers	NED	2019	26,333	-	-	26,333	100%	-	-	-	-	26,333	-	-	3
	NED	2018	60,000	-	-	60,000	100%	-	-	-	-	60,000	-	-	
Inese Kingsmill	NED	2019	12,500	-	-	12,500	100%	-	-	-	-	12,500	-	-	4
	NED	2018	12,500	-	-	12,500	100%	-	-	-	-	12,500	-	-	5
Sub-Total 2019 Directors		2019	847,136	30,116	-	877,252	43%	412,500	20%	849,838	40%	2,139,590	-	\$24,552	
Sub-Total 2018 Directors		2018	854,391	33,062	-	887,453	61%	282,731	20%	277,526	19%	1,447,710	-	\$18,828	

1 Mr Hill resigned 26 March 2019

2 Mr Cox was appointed 26 March 2019

3 Mr Sellers resigned 8 November 2018

4 Ms Kingsmill was appointed 15 April 2019

5 Mr Dispas was appointed 15 April 2019

Remuneration (continued)

Name	Role(s)	Year	Salary (\$)	Superannuation Contributions (\$)	Other Benefits (\$)	Base Package		STI*		LTI**		Total Remuneration Package (TRP) (\$)	Termination Benefits*** (\$)	Change in Accrued Leave (\$)	Notes
						Amount (\$)	% of TRP	Amount (\$)	% of TRP	Amount (\$)	% of TRP				
OTHER EXECUTIVES															
Mr Mark McLellan	CFO & COO	2019	425,000	20,531	-	445,531	34%	300,000	23%	617,974	45%	1,363,505	-	12,867	
	CFO & COO	2018	358,333	20,048	-	378,381	46%	182,298	22%	269,653	32%	830,332	-	202	
Mr Warren Nolan	Executive - Solutions & Professional Services	2019	326,426	20,531	13,043	360,000	34%	375,000	35%	376,486	34%	1,111,486	-	20,594	
	Chief Commercial Officer	2018	275,753	20,048	13,043	308,844	44%	282,731	41%	105,623	15%	697,198	-	(5,881)	
Mr Chris Sharp	Executive - Products & Licensing	2019	411,156	12,528	-	423,684	45%	216,325	23%	347,222	35%	987,231	-	37,913	6,7
	Chief Strategy Officer	2018	385,953	11,760	-	397,713	62%	140,723	22%	105,623	16%	644,060	-	4,415	
Mr Patara Yongvanich	MD - Asia	2019	337,768	17,060	-	354,828	49%	191,194	26%	219,791	29%	765,813	-	(1,097)	6
	MD - Asia	2018	298,732	14,937	-	311,824	68%	108,659	24%	35,208	8%	455,691	-	7,864	
Ms Athena Thompson	CMO	2019	28,892	5,132	-	34,024	100%	-	-	-	-	34,024	45,838	(14,363)	8
	CMO	2018	216,697	20,048	-	236,745	73%	84,819	26%	926	-	322,490	-	(829)	
Mr Cameron McFie	CTO	2018	160,287	16,786	-	177,073	84%	30,000	14%	4,655	2%	211,728	66,260	(11,055)	9
Sub-Total 2019	Other Executives	2019	1,529,242	75,782	13,043	1,618,067	40%	1,082,519	27%	1,516,473	37%	4,262,059	45,838	55,914	
Sub-Total 2018	Other Executives	2018	1,695,755	103,627	13,043	1,812,425	57%	829,541	27%	521,688	16%	3,163,655	66,260	(5,284)	
Grand Total 2019	All KMP	2019	2,376,378	105,898	13,043	2,495,319	41%	1,495,019	24%	2,411,311	38%	6,401,649	45,838	80,466	
Grand Total 2018	All KMP	2018	2,550,146	136,689	13,043	2,699,878	58%	1,112,272	24%	799,214	17%	4,611,365	66,260	13,544	

6 Mr Sharp and Mr Yongvanich are paid in SGD. Salary and local Provident Fund was converted to AUD based on the Reserve Bank of Australia average rate for the financial year. Bonuses are accrued in AUD and is paid in SGD on payment date.

7 Mr Sharp STI includes employer CPF contribution payable in Singapore

8 Ms Thompson left the Company on 17 August 2018. Termination benefits exclude accrued leave.

9 Mr McFie left the Company on 3 April 2018

* Please note that the STI value reported in this table is the STI that was accrued for the relevant financial year. Actual cash payments may differ.

** Please note that the LTI value reported in this table is the amortised accounting charge of all grants that were not lapsed or vested at the start of the reporting period and do not represent payments to KMP. Where a market-based measure of performance is used such as TSR, no adjustments can be made to reflect actual LTI vesting. However, in relation to non-market conditions, such as EPS, adjustments must be made to ensure the accounting charge matches the vesting. The table below shows the LTI for FY19 as well as prior years' LTI that was expensed in FY19:

	Prior Years LTI	2019 LTI	Total
Mr Dominic O'Hanlon	\$362,096	\$487,743	\$849,838
Mr Mark McLellan	\$325,330	\$292,644	\$617,974
Mr Warren Nolan	\$132,616	\$243,870	\$376,486
Mr Chris Sharp	\$132,616	\$214,606	\$347,222
Mr Patara Yongvanich	\$44,205	\$175,586	\$219,791

*** Termination benefits shown exclude annual and long service leave entitlement payments

Remuneration (continued)

9. Employment Terms for Key Management Personnel

9.1 Service Agreements

A summary of contract terms in relation to executive KMP is presented below:

Name	Position Held at Close of FY18	Duration of Contract	Period of Notice		Termination Payments
			From Company	From KMP	
Mr Dominic O'Hanlon	Managing Director & CEO	Open ended	6 months	6 months	Up to 12 months*
Mr Chris Sharp	Group Executive - Products & Licensing	Open ended	1 month	1 month	Up to 12 months*
Mr Warren Nolan	Group Executive - Solutions & Professional Services	Open ended	3 months	3 months	Up to 12 months*
Mr Mark McLellan	Chief Financial Officer & Chief Operations Officer	Open ended	6 months	3 months	Up to 12 months*
Mr Patara Yongvanich	Managing Director ASIA	Open ended	1 month	1 month	Up to 12 months*

* Under the Corporations Act the Termination Benefit Limit is 12 months average Salary (last 3 years) unless shareholder approval is obtained.

The treatment of incentives in the case of termination is addressed in the STI and LTI Plan sections of this report.

On appointment to the Board, all NEDs enter into a service agreement with the Company. The service agreement summarises the Board policies and terms, including compensation relevant to the office of the Director.

A summary of the appointment terms in relation to NEDs is presented below:

Name	Position Held at Close of FY18	Duration of Contract	Period of Notice		Termination Payments
			From Company	From KMP	
Mr Gary Cox	Non-Executive Chairman	3 years	3 months	3 months	None
Ms Dawn Edmonds	NED	3 years	3 months	3 months	None
Mr Mark Pierce	NED	3 years	3 months	3 months	None
Mr Michael Tierney	NED	3 years	3 months	3 months	None
Ms Inese Kingsmill	NED	3 years	3 months	3 months	None
Mr Olivier Dispas	NED	3 years	3 months	3 months	None

Termination payments consist of notice period only, no other benefits apply.

Other Remuneration Related Matters

The following outlines other remuneration related matters that may be of interest to stakeholders, in the interests of transparency and disclosure:

- There were no loans to Directors or other KMP at any time during the reporting period;
- There were no other relevant material transactions involving KMP other than compensation and transactions concerning shares, performance rights/options as discussed in this report.

The following summarises the treatment of remuneration in respect of those KMP who ceased their roles during the reporting period:

- Athena Thompson departed the company on 17 August 2018. A redundancy payment of \$45,838 and accrued annual leave of \$13,639 was made. As per the LTIP, Ms Thompson's Performance Rights issued in FY18 lapsed.

10. External Remuneration Consultant Advice

The Board approved and engaged Godfrey Remuneration Group Pty Ltd as an independent expert external remuneration consultant to review and provide recommendations on the overall remuneration framework and governance applicable to KMP in FY19 and to assist with the documentation for the improved LTIP. In addition the board is satisfied that recommendations are free from undue influence by the members of the KMP to whom recommendations relates.

Fees charged by consultants are disclosed for the reporting period as follows: \$25,000 + GST.

As of the date of writing this report, fees for additional engagements had not been charged by the consultant and these will be disclosed for the reporting period in which they fall due i.e. the FY20 Remuneration Report.

Auditor's Independence Declaration



200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

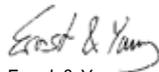
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of rhipe Limited

As lead auditor for the audit of the financial report of rhipe Limited for the financial year ended 30 June 2019, I declare 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of rhipe Limited and the entities it controlled during the financial year.



Ernst & Young



Graham Leonard
Partner
19 August 2019

Consolidated Statement of Comprehensive Income

And Other Comprehensive Income For The Year Ended 30 June 2019

rhipe Limited And Controlled Entities

			Restated
		2019	2018
CONSOLIDATED GROUP	Note	\$'000	\$'000
Revenue	4(a)	48,356	35,624
Cost of Sales		(2,476)	(1,553)
Gross Profit		45,880	34,071
Other income	4(b)	548	315
Sales and Marketing		(22,834)	(18,107)
General and Administration		(15,083)	(10,803)
Other expenses	5(c)	(20)	(286)
Total expenses	5	(37,937)	(29,196)
Profit before income tax		8,491	5,190
Tax expense	6	(2,277)	(2,124)
Profit after tax for the year attributable to owners of the parent entity		6,214	3,066
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Revaluation of investment in LiveTiles Limited (net of tax)		-	(366)
Exchange differences on translating foreign operations		690	157
Other comprehensive income for the year		690	(209)
Total comprehensive income for the year attributable to owners of the parent entity		6,904	2,857
EARNINGS PER SHARE			
From continuing and discontinued operations:			
Basic earnings per share (cents)	7	4.53	2.26
Diluted earnings per share (cents)	7	4.42	2.22

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2019

rhipe Limited And Controlled Entities

			Restated
		2019	2018
CONSOLIDATED GROUP	Note	\$'000	\$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	25,530	22,696
Trade and other receivables	9	39,308	29,442
Other assets	10	1,215	577
Total Current Assets		66,053	52,715
NON-CURRENT ASSETS			
Other financial assets	11	-	6
Property, plant and equipment	12	1,110	917
Deferred tax assets	16	1,141	203
Intangible assets	13	32,669	23,463
Total Non-Current Assets		34,920	24,589
Total Assets		100,973	77,304
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	41,342	29,923
Unearned revenue	15	252	43
Current tax liabilities	16	2,885	1,572
Provisions	17	1,037	679
Deferred contingent consideration	18	1,750	-
Total Current Liabilities		47,266	32,217
NON-CURRENT LIABILITIES			
Deferred tax liabilities	16	264	924
Provisions	17	257	185
Deferred contingent consideration	18	1,750	-
Total Non-Current Liabilities		2,271	1,109
Total Liabilities		49,537	33,326
Net Assets		51,436	43,978
EQUITY			
Issued capital	19	43,320	39,287
Reserves		2,194	2,051
Accumulated profits		5,922	2,640
Total Equity		51,436	43,978

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For The Year Ended 30 June 2019

rhipe Limited And Controlled Entities

	Share Capital	Reserves					Total
		Ordinary \$'000	Accumulated Profits/ (losses) \$'000	Foreign Currency Translation Reserve \$'000	Investment Revaluation Reserve \$'000	General Reserve \$'000	
CONSOLIDATED GROUP							
Balance at 1 July 2017	40,977	209	(821)	366	(27)	2,102	42,806
COMPREHENSIVE INCOME							
Profit for the year	-	3,066	-	-	-	-	3,066
Revaluation of investments, net of tax	-	-	-	(366)	-	-	(366)
Exchange differences on translation of subsidiaries	-	-	157	-	-	-	157
Total comprehensive income for the year	-	3,066	157	(366)	-	-	2,857
TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS, AND OTHER TRANSFERS							
Shares issued during the year	260	-	-	-	-	-	260
Shares bought back during the year	(2,292)	-	-	-	-	-	(2,292)
Dividend paid	-	(664)	-	-	-	-	(664)
Transaction costs, net of tax	(9)	-	-	-	-	-	(9)
Share-based payments	-	-	-	-	-	1,020	1,020
Reclassification of reserve to accumulated profits	-	(27)	-	-	27	-	-
Transfer from SBP Reserves – Options expired	-	56	-	-	-	(56)	-
Transfer from SBP Reserves – Options exercised	351	-	-	-	-	(351)	-
Total transactions with owners and other transfers	(1,690)	(635)	-	-	27	613	1,685
Balance at 30 June 2018	39,287	2,640	(664)	-	-	2,715	43,978
Effect of adoption of new accounting standard	-	(357)	-	-	-	-	-
Balance at 1 July 2018 (Restated)	39,287	2,283	(664)	-	-	2,715	43,621
COMPREHENSIVE INCOME							
Profit for the year	-	6,214	-	-	-	-	6,214
Exchange differences on translation of subsidiaries	-	-	690	-	-	-	690
Total comprehensive income for the year	-	6,214	690	-	-	-	6,904
TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS, AND OTHER TRANSFERS							
Transactions with owners, in their capacity as owners, and other transfers							
Shares issued during the year	3,085	-	-	-	-	-	3,085
Investment in DBITS	-	(11)	-	-	-	-	(11)
Shares bought back during the year	(2,056)	-	-	-	-	-	(2,056)
Dividend paid	-	(2,721)	-	-	-	-	(2,721)
Transaction costs, net of tax	(8)	-	-	-	-	-	(8)
Share-based payments	-	-	-	-	-	2,623	2,623
Transfer from SBP Reserves – Options expired	-	157	-	-	-	(157)	-
Transfer from SBP Reserves – Options exercised	3,013	-	-	-	-	(3,013)	-
Total transactions with owners and other transfers	4,033	(2,575)	-	-	-	(817)	642
Balance at 30 June 2019	43,320	5,922	26	-	-	2,168	51,436

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For The Year Ended 30 June 2019

rhipe Limited And Controlled Entities

CONSOLIDATED GROUP	Note	2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from partners		242,880	193,856
Payments to vendors/customers and employees		(228,805)	(185,238)
Interest received		257	6
Net income tax paid		(2,277)	(868)
Net cash provided by operating activities	22	12,055	7,756
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(689)	(526)
Payments for intangibles		(2,281)	(2,408)
Payment for subsidiary on acquisition		(3,000)	–
Proceeds from sale of investments		–	733
Net cash used in investing activities		(5,970)	(2,201)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,577	251
Payment for share buy back		(2,056)	(2,292)
Dividend paid		(2,721)	(664)
Net cash (used in) / provided by financing activities		(3,200)	(2,705)
Net increase in cash held		2,885	2,850
Cash and cash equivalents at beginning of financial year		22,696	19,812
Effect of exchange rates on cash holdings in foreign currencies		(51)	34
Cash and cash equivalents at end of financial year	8	25,530	22,696

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For The Year Ended 30 June 2019

rhipe Limited And Controlled Entities

These consolidated financial statements and notes represent those of rhipe Limited and subsidiaries (the "consolidated Group" or "Group").

The financial statements were authorised for issue on 19 August 2019 by the directors of the Company.

Note 1. Summary of Significant Accounting Policies

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented throughout financial statements and have been consistently applied unless stated otherwise.

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

(b) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of rhipe Limited (the "Parent") and its subsidiaries. Subsidiaries are entities the Parent controls.

The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 28.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as 'Non-controlling Interests'. The Group initially recognises non-controlling interests where the group is entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets.

Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Notes to the Financial Statements (continued)

(c) Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with AASB 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(d) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets**Initial recognition and subsequent measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss. Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost is the category that is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortised cost includes trade receivables included under other current financial assets.

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost.

Notes to the Financial Statements (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
 - (a) the Group has transferred substantially all the risks and rewards of the asset, or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(i) Financial liabilities

Initial recognition and subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Notes to the Financial Statements (continued)

(e) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

(f) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional currency.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity when the exchange difference arises on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation).

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than the Australian dollar are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

Notes to the Financial Statements (continued)

(g) Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements are payable within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(h) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO").

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(i) Rounding of Amounts

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial / Directors' reports) Instrument 2016/191. Accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest \$1,000.

(j) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates and Judgements

i. Operating segments, cash-generating unit determination

Goodwill is allocated to cash-generating units and tested for impairment on an annual basis. Management apply judgement in determining cash-generating units and allocating the goodwill arising from business combinations to these cash-generating units.

ii. Recoverability of capitalised development directly attributable

Internally generated intangible assets are capitalised in accordance with AASB 138: Intangible Assets. Assumptions and judgements are made with regard to assessing the expected future economic benefits, the economic useful life and the level of completion. At the point where activities no longer relate to development but only to maintain the asset, capitalisation is discontinued.

iii. Equity settled compensation

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

iv. Recoverability of trade and other receivables

Trade and other receivables include amounts that are past due but not impaired and balances that are receivable from counter-parties and governments based in Asia. Other receivables include indirect taxes due from governments in Asia. There is a high degree of judgement in estimating whether these receivables require an impairment provision.

v. Contingent consideration

Contingent consideration resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target. As part of the accounting for the acquisition of Dynamic Business IT Solutions Pty Ltd, contingent consideration with an estimated fair value of \$3,500,000 was recognised at the acquisition in equity. The maximum consideration to be paid is \$8,000,000.

Notes to the Financial Statements (continued)

Share-based payments

Senior executives of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense (Note 4), together with a corresponding increase in equity (Share-based payment reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(k) New Accounting Standards, Interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018, except for the adoption of new standards effective as of 1 July 2018 identified below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has applied, for the first time, AASB 15 Revenue from Contracts with Customers, using the full retrospective method and AASB 9 Financial Instruments retrospectively but without restatement of prior comparatives. The nature and effect of these changes are disclosed below.

AASB 15 Revenue from Contract with Customers

AASB 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Principal versus agent considerations under AASB 15

The Group enters into contracts with its customers to provide software products and services. Under these contracts, the Group provides procurement services (i.e. selecting suitable software products and managing the ordering and subscriptions). In these contracts, the Group is not primarily responsible for fulfilling the promise to provide the specified software. Primary responsibility to provide software products is with the software vendors, while rhipe provides the access to products and manage subscriptions. The Group does not have inventory risk before or after the specified software licenses have been transferred to the customer. In addition, the Group has only limited discretion in establishing the price for the specified software products. The Group bears credit risk on these transactions as it is obliged to pay the vendors even if the customer defaults on a payment.

Prior to the adoption of AASB 15, based on the existence of credit risk, the Group concluded that it had an exposure to the significant risks and rewards associated with the sale of software products to its customers, and accounted for the contracts as if it was a principal. Upon adoption of AASB 15, the Group determined that it does not control the products before they are transferred to customers, and hence, is an agent in these contracts because it does not have the ability to direct the use of the products or obtain benefits from the products. In addition, the Group concluded that when the software is provided to the customer rhipe is already entitled to agency commission at which point the revenue is recognised. The statement of profit or loss for the year ended 30 June 2018 was restated resulting in decreases in both Revenue from contracts with customers and Cost of sales amounting to \$160,984,000. The Statement of Financial Position as of 30 Jun 2018 was restated resulting in decreases in both Current Assets and Current Liabilities amounting \$14,721,000.

The Group adopted AASB 15 using the full retrospective method of adoption. There is no impact on the statement of cash flows and calculation on basic and diluted EPS.

Notes to the Financial Statements (continued)

Impact on the statement of profit or loss (increase/(decrease)) for the year ended 30 June 2019:

	\$'000
Revenue from contract with customers	(195,743)
Cost of sales	(195,743)
Gross profit for the period	-

Impact on the statement of financial position (increase/(decrease)) as at 30 June 2018:

	\$'000
Current Assets	
Trade and other receivables	(10,605)
Prepayments	(4,073)
	(14,678)
Current Liabilities	
Trade and other payables	(12,003)
Unearned revenue	(2,675)
	(14,678)

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

AASB 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For Trade and Other Receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL requirements of AASB 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in decreases in Trade and other receivables and Retained earnings amounting by \$357,000. There was not material change in impairment allowance amount as at 30 June 2019.

Notes to the Financial Statements (continued)

Standards issued not yet effective

AASB 16 Leases

AASB 16 was issued in January 2016 and it replaces AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation-115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under AASB 16 is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

AASB 16, which is effective for annual periods beginning on or after 1 July 2019, requires lessees and lessors to make more extensive disclosures than under AASB 117.

Based on an assessment of existing leases, the introduction of AASB 16 is not expected to have a material impact on profit before tax. Rhipe intends on using the modified retrospective approach for transition whereby prior period adjustments are allocated to retained earnings.

Rhipe has a range of existing lease commitments for its various office locations with all remaining terms less than 4 years. Lease expense was \$1.64m in FY19 (Note 5(d)).

Following the adoption of AASB 16, the group's operating profit will increase and its depreciation and interest expenses will also increase.

Interpretation 23: Uncertainty over Income Tax Treatments

Applicable from annual reporting periods beginning on or after 1 January 2019, this interpretation clarifies that when determining the taxable profit (loss), tax base, unused tax loss, unused tax credit and tax rates, the probability of the 'uncertain tax treatment' being accepted by the taxation authority has to be taken into account. Any change in facts and circumstances that impacts the judgement or estimates required by this interpretation has to be recognised with prospective effect.

Notes to the Financial Statements (continued)

Change in accounting policy**AASB****112 Income Taxes**

Paragraph 74 of AASB 112 requires the deferred tax assets and deferred tax liabilities to be offset to the extent that two conditions are satisfied. An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

- (a) the entity has a legally enforceable right to set-off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

As both of the above conditions have been satisfied, the group has offset the deferred tax assets and deferred tax liabilities for the period ending 30 June 2019. This has been applied in each individual jurisdiction for the period ending 30 June 2018 and therefore the Statement of Financial Performances has been restated.

	30 Jun 2019 \$'000	30 Jun 2018 \$'000	Adjustment \$'000	Restated 30 June 2018 \$'000
Deferred tax assets	1,141	1,524	(1,321)	203
Deferred tax liabilities	264	2,245	(1,321)	924

Notes to the Financial Statements (continued)

Note 2. Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Managing Director manages the Group's activities as one business segment providing cloud based licensing programs and services for its key software vendors across the Asia Pacific region.

Revenue derived by region:

	2019 \$'000	2018 \$'000	Adjustment \$'000	Restated 2018 \$'000
CONSOLIDATED GROUP				
Oceania	39,159	143,087	(113,381)	29,706
Asia	9,197	52,656	(47,603)	5,053
Other	-	865	-	865
Total rhipe group	48,356	196,608	(160,984)	35,624

Information about major vendors and customers

Microsoft represents 74% of the group's sales. As a result, revenue and incentives earned from Microsoft products and services equate to more than 80% of the group revenue. Excluding Microsoft, no single customer contributed 10% or more to the Group's revenue for both 2019 and 2018.

Operating Profit

The Managing Director assesses the performance of the business based on a measure of Operating Profit. This measure excludes foreign exchange differences, depreciation and amortisation, share-based payments, taxation and the effect of specific expenditure which is not in the ordinary course of business and non-cash losses. These include restructuring costs, business combination related expenses, impairments and the effects of gains or losses from financial instruments.

A reconciliation of profit before income tax to Operating Profit is shown below:

	2019 \$'000	2018 \$'000
CONSOLIDATED GROUP		
Profit before income tax	8,491	5,190
Share based payments	2,623	1,020
Restructuring and due diligence	472	380
Gain on disposal of investments	-	(309)
Depreciation and amortisation	1,784	1,200
Impairment expense	20	-
Foreign exchange loss/(gain)	(291)	286
Interest income	(257)	(6)
Operating profit	12,842	7,761

Notes to the Financial Statements (continued)

Note 3. Business combination

Acquisition of Dynamic Business IT Solutions Pty Ltd ('DBITS') in FY2019

On 28 February 2019, rhipe completed the acquisition of 100% of the share capital in DBITS. The acquisition of DBITS provides the company with Dynamic implementation and support capabilities allowing rhipe to continue broadening the services that can be offered to its growing ecosystem of resellers in the Asia Pacific region.

The consideration for the shares was split into the following tranches:

1. Upfront consideration of \$4,500,000 paid two-thirds in cash and one third in rhipe ordinary equity shares;
2. Contingent consideration of up to \$3,500,000 to be paid in two equal instalments, half in cash and half in shares as follows:
 - a. Contingent consideration I payable upon completion 12 months from acquisition date up to a maximum of \$1,750,000. The amount of deferred consideration will be tied to the amount of adjusted EBITDA in the 12 months to 28 February 2020;
 - b. Contingent consideration II payable upon completion 24 months from acquisition date up to a maximum of \$1,750,000. The amount of deferred consideration will be tied to the amount of adjusted EBITDA in the 12 months to 28 February 2021.

Assets acquired and liabilities assumed

	\$'000
Assets	
Property, plant and equipment	18
Cash and cash equivalents	-
Trade receivables	51
Bonds	34
Customer relationships identified at acquisition	792
Total Assets	895
Liabilities	
Trade payables	9
Employee leave entitlements	51
Unearned revenue	32
Deferred tax liability arising on acquisition	237
Total Liabilities	329
Total identifiable net assets at fair value	566
Goodwill arising on acquisition	7,434
Purchase consideration	8,000

Transaction cost of \$50,830 were expensed and are included in General and Administration expenses.

The fair value of the trade receivables amounts to \$51,000. The gross amount of trade receivables is \$51,000 and it has been collected since completion. Accounting for Purchase Price Allocation as of 30 June 2019 was provisional.

Measurement of these identifiable assets has been performed in accordance with paragraph 18 of AASB 3 – at their acquisition date fair values. The fair value of an intangible asset acquired as part of a business combination reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the entity. The customer contracts being capitalised are for remaining consulting project works of contracts in place at time of acquisition and such have a high probability of future economic benefits flowing to rhipe. Customer contracts will be amortised over 5 years based on the customer churn and contribution over the years.

The total intangible assets of \$8,226,000 comprises the value of expected synergies arising from the acquisition (Goodwill) and customer relationships, which is separately recognised. In addition, rhipe's management has also considered whether there is any value in vendor relationships, brand, internally developed software or trademarks and patterns and concluded that there are no material values in these areas.

The company issued 931,677 ordinary shares as a upfront consideration. Fair value of the shares is calculated with reference to the quoted price of the shares of the Company at the date of acquisition, which was \$1.61 per share.

Notes to the Financial Statements (continued)

As at the acquisition date, the fair value of the contingent consideration was estimated to be \$3,500,000.

As at 30 June 2019, the key performance indicators of DBITS show that it is highly probable that the target will be achieved due to expansion of the business and the synergies realised and therefore full amount of deferred consideration has been booked.

The contingent consideration is classified as liability.

Note 4. Revenue and Other Income

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the agent in its revenue arrangements for licensing business, except for the provision of services, because it typically controls the goods or services before transferring them to the customer. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer.

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Volume rebates give rise to variable consideration.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Interest revenue is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax.

Set out below, is the reconciliation of the revenue from contracts with customers with the amount disclosed in the segment information (Note 2)

	2019 \$'000	Restated 2018 \$'000
CONSOLIDATED GROUP		
Sales - Software products & services	252,537	196,608
Less purchases of software products	(204,181)	(160,984)
Revenue	48,356	35,624

	2019 \$'000	2018 \$'000	Adjustment \$'000	Restated 2018 \$'000
CONSOLIDATED GROUP				
(a) Revenue from continuing operations				
Revenue				
- Licensing revenue	38,705	189,686	(160,984)	28,702
- Service & support revenue	9,651	6,922	-	6,922
Total revenue	48,356	196,608	(160,984)	35,624
(b) Other income				
Interest income	257	6		
Foreign exchange gain	291	-		
Gain on disposal of Investment	-	309		
	548	315		

Note 5. Expenses

CONSOLIDATED GROUP	2019 \$'000	2018 \$'000
(a) Employee benefits		
Share-based payments	2,623	1,020
Defined contribution superannuation expenses	1,490	1,085
Other employee benefits	21,872	16,821
	25,985	18,926
During the year \$486,901 of employee benefits were capitalised to software development (FY18: \$494,866), while \$288,489 were expensed as research (FY18: \$123,716).		
(b) Depreciation and amortisation		
Depreciation	497	368
Amortisation	1,288	833
	1,784	1,201
(c) Other expenses		
Impairment expense	20	-
Foreign exchange loss	-	286
	20	286
(d) Rental expense		
Rental expenses on operating leases	1,641	1,066
(e) Marketing and travel expense		
Marketing and travel expenses	3,283	3,010
(f) Business administration expense		
Business administration expense	5,224	4,707
Total expenses	37,937	29,196

Note 6. Tax Expense

Income Tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense/(benefit) charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/ (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference cannot be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:

- (a) a legally enforceable right of set-off exists; and
- (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 2014 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is rhiipe Limited. Tax expense/(benefit), deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the tax consolidated group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Notes to the Financial Statements (continued)

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, rhipe Limited and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

CONSOLIDATED GROUP	Note	2019 \$'000	2018 \$'000
(a) The components of tax (expense)/income comprise:			
Current tax		3,863	1,601
Deferred tax	16	(1,835)	518
Over provision in respect of prior years		249	5
		2,277	2,124
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%)			
- Consolidated Group		2,547	1,557
- Effect of tax rates of subsidiaries operating in other jurisdictions		(321)	23
Add tax effect of:			
- Other non-allowable items		1,102	1,090
		3,328	2,670
Less tax effect of:			
- Under/(over) provision of prior year income tax		249	5
- Prior year tax losses utilised in current year		(771)	-
- Overseas subsidiary losses not recognised		-	265
- Research and development offset		(529)	(816)
		2,277	2,124
(c) Amounts recognised directly in equity:			
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited to equity:			
Revaluation of investment		-	(157)

Notes to the Financial Statements (continued)

Note 7. Earnings per Share

	2019 cents	2018 cents
CONSOLIDATED GROUP		
Basic EPS	4.53	2.26
Diluted EPS	4.42	2.22
NET PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:		
(a) Reconciliation of earnings to profit or loss		
Profit/(Loss)	6,214	3,066
Earnings used to calculate basic EPS	6,214	3,066
Earnings used in the calculation of dilutive EPS	6,214	3,066
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		
	137,298,135	135,778,667
Weighted average number of dilutive options and performance rights outstanding		
	3,362,356	2,140,959
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS		
	140,660,491	137,919,626

Note 8. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

	2019 \$'000	2018 \$'000
CONSOLIDATED GROUP		
Cash at bank	18,400	22,696
Short-term highly liquid investments	7,130	-
Cash and cash equivalents	25,530	22,696

Note 9. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The Group recognises an allowance for expected credit losses (ECLs) for trade and other receivables. Refer to Note 1(d) for further discussion on the determination of impairment of financial assets. Interest rates, unemployment rates and other micro-economic factors were considered when calculating ECL.

		2019 \$'000	2018 \$'000	Adjustment 2018 \$'000	Restated 2018 \$'000
CONSOLIDATED GROUP					
CURRENT					
Trade receivables		30,258	22,367	-	22,367
Provision for expected credit losses	9(a)	(819)	(587)	-	(587)
Indirect taxes		1,744	1,645	-	1,645
Accrued revenue		8,125	16,622	(10,605)	6,017
		39,308	40,047	(10,605)	29,442

Notes to the Financial Statements (continued)

(a) Provision For Expected Credit Losses

Movement in provision for ECL is as follows:

	Opening Balance \$'000	Impairment For The Year \$'000	Amounts Written Off During The Year \$'000	Closing Balance \$'000
CONSOLIDATED GROUP				
(i) Current trade receivables 2018	487	752	(652)	587
(ii) Current trade receivables 2019	587	893	(661)	819

(b) Credit risk

Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. Trade and Other Receivables are considered to be the main source of credit risk related to the Group.

On a geographic basis, the Group has significant credit risk exposures in Australia, Singapore, New Zealand, Malaysia, Philippines and Thailand given the substantial operations in those regions. The Group's exposure to credit risk for receivables at the end of the reporting period in those regions is as follows:

	2019 %	2019 \$'000	2018 %	2018 \$'000
CONSOLIDATED GROUP				
Australia	52%	20,500	57%	16,660
Singapore	16%	6,473	16%	4,586
Malaysia	10%	3,742	6%	1,661
New Zealand	7%	2,867	6%	1,772
Philippines	6%	2,341	8%	2,345
Thailand	3%	1,346	3%	979
Other (Indonesia and Korea)	5%	2,039	5%	1,439
	100%	39,308	100%	29,442

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and ECL provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counter party to the transaction. All receivables are assessed for ECL using the historical default rate adjusted for forward-looking estimates based on macro economic indicators.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross Amount \$'000	Within Initial Terms \$'000	Past Due <30 \$'000	(Days Overdue)		ECL \$'000
				31-60 \$'000	>60 \$'000	
2018 Trade and term receivables	22,367	12,721	6,106	2,375	1,165	(587)
2019 Trade and term receivables	30,258	17,421	6,794	3,984	2,059	(819)

Notes to the Financial Statements (continued)

Note 10. Other Assets

	2019 \$'000	2018 \$'000	2018 Adjustment \$'000	2018 \$'000
CONSOLIDATED GROUP				
CURRENT				
Prepayments	945	4,464	(4,073)	391
Bonds	270	186	-	186
	1,215	4,650	(4,073)	577

Prepayments relate to prepaid operating expenses (such as insurance) and these prepayments will be realised within 12 months (the period of time that these services relate to). Bonds are rental bonds for the property leases. See note 25 for more details on leases.

Note 11. Other Financial Assets

This note relates to financial asset disposed off in FY19 with reference to AASB 139.

	2019 \$'000	2018 \$'000
CONSOLIDATED GROUP		
Investment at cost	6	6
Investment at fair value	-	-
Impairment	(6)	-
	-	6

Note 12. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Property Plant and equipment

Plant and equipment is measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss. A formal assessment of the recoverable amount is made when impairment indicators are present (refer to Note 1(e) for details of impairment of assets).

Notes to the Financial Statements (continued)

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSET	Depreciation rate
Computer Equipment	25% – 33%
Furniture & Fittings	13% – 33%
Leasehold Improvements	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

Movements in Carrying Amounts

Movements in carrying amounts between the beginning and the end of the current financial year.

CONSOLIDATED GROUP	Computer Equipment \$'000	Furniture & Fittings \$'000	Leasehold Improvements \$'000	Total \$'000
Cost at 30 June 2017	841	149	443	1,433
Additions	228	22	276	526
Disposals	(25)	–	–	(25)
Cost at 30 June 2018	1,044	171	719	1,934
Accumulated depreciation at 30 June 2017	(403)	(67)	(197)	(667)
Depreciation expense	(223)	(20)	(125)	(368)
Disposals	18	–	–	18
Accumulated depreciation at 30 June 2018	(608)	(87)	(322)	(1,017)
Balance at 30 June 2018	436	84	397	917
Cost at 30 June 2018	1,044	171	719	1,934
Additions	606	55	28	689
Disposals	–	–	–	–
Cost at 30 June 2019	1,650	225	748	2,623
Accumulated depreciation at 30 June 2018	(608)	(87)	(322)	(1,017)
Depreciation expense	(316)	(24)	(157)	(497)
Disposals	–	–	–	–
Accumulated depreciation at 30 June 2019	(923)	(111)	(480)	(1,513)
Balance at 30 June 2019	727	115	268	1,110

Notes to the Financial Statements (continued)

Note 13. Intangible Assets

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest, less
- (iv) the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest forms the cost of the investment in the separate financial statements.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Goodwill is tested for impairment annually (refer to Note 1(e) for details of impairment) and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when:

1. The technical feasibility of completing the asset so that it will be available for use or sale;
2. Intention to complete the asset and use or sell it;
3. Ability to use or sell the asset;
4. How the asset will generate probable future economic benefits;
5. Availability of adequate technical, financial and other resources to complete the development;
6. Ability to measure reliably the expenditure attributable to the asset during its development.

Software development costs have a finite useful life and are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Notes to the Financial Statements (continued)

CONSOLIDATED GROUP	Goodwill \$'000	Customer Relationships \$'000	Trademarks & Licenses \$'000	WIP Software Development \$'000	Software Development \$'000	Total \$'000
Cost at 30 June 2017	19,897	–	10	–	2,732	22,639
Additions	–	–	–	–	2,408	2,408
Disposals	–	–	–	–	–	–
Cost at 30 June 2018	19,897	–	10	–	5,140	25,047
Accumulated amortisation at 30 June 2017	–	–	–	–	(751)	(751)
Amortisation expense	–	–	–	–	(833)	(833)
Disposals	–	–	–	–	–	–
Accumulated amortisation at 30 June 2018	–	–	–	–	(1,584)	(1,584)
Balance at 30 June 2018	19,897	–	10	–	3,556	23,463
Cost at 30 June 2018	19,897	–	10	–	5,140	25,047
Additions	–	–	–	2,278	–	2,278
Additions - business combination	7,434	792	–	–	–	8,226
Transfers	–	–	–	(2,193)	2,193	–
Disposals	–	–	(10)	–	–	(10)
Cost at 30 June 2019	27,331	792	–	85	7,333	35,541
Accumulated amortisation at 30 June 2018	–	–	–	–	(1,584)	(1,584)
Amortisation expense	–	(53)	–	–	(1,235)	(1,288)
Disposals	–	–	–	–	–	–
Accumulated amortisation at 30 June 2019	–	(53)	–	–	(2,819)	(2,872)
Balance at 30 June 2019	27,331	739	–	85	4,514	32,669

Goodwill and Customer Relationships additions arised due to business combination, please refer to note 3 (Business combination) for more details. The amount of all software development costs are amortised on a straight-line basis over the estimated useful life to the Company commencing from the time the asset is held ready for use.

The amortisation rates used for each class of depreciable assets are:

	Amortisation rate
Software development	20%
Customer relationship	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Intangible assets, other than goodwill and trademarks and licences, have an indefinite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of profit or loss. Goodwill and trademarks and licences have an indefinite useful life.

Goodwill is allocated to the group of cash-generating units which is the level at which goodwill is monitored and is based on the Group's reporting regions.

	2019 \$'000	2018 \$'000
Asia Pacific region	27,331	19,897

Notes to the Financial Statements (continued)

Goodwill impairment testing

The recoverable amount of the Asia Pacific region, includes 3 CGUs, Licensing, Concierge and DBITS, to which goodwill is recognised at 30 June 2019, was calculated on the basis of value-in-use using a discounted cash flow model. Management has based the value-in-use calculations on board approved budgets for the 2020 financial year for the cash-generating unit. This budget is adjusted for future years and uses an initial growth rate of 30% (30 June 2018: 20%) decreasing over five years to a terminal growth of 3.5% (30 June 2018: 5%) and a real pre-tax discount rate of 13.5% (30 June 2018: 13.4%). The terminal growth rate is determined based on the long-term anticipated growth rate of the business. The forecast financial information is based on both past experience and future expectations of cash-generating unit performance. The major inputs and assumptions used in performing an impairment assessment that require judgement include revenue forecasts, operating cost projections, customer numbers, customer churn, discount rates and growth rates. During the year ended 30 June 2019, no impairment arose as a result of the review of goodwill. The recoverable amount of the Asia Pacific cash-generating unit is greater than the carrying amount and, based on sensitivity analysis performed, no reasonable foreseeable changes in the assumptions would cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Note 14. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

		2019	2018	Adjustment	Restated
	Note	\$'000	\$'000	\$'000	2018
					\$'000
CONSOLIDATED GROUP					
CURRENT					
Unsecured liabilities					
Trade payables		35,794	26,339	–	26,339
Sundry payables and accrued expenses		5,548	15,587	(12,003)	3,584
Total trade and other payables	27	41,342	41,926	(12,003)	29,923

(a) Financial liabilities at amortised cost classified as trade and other

Trade and other payables, unearned revenue and employee benefits

– Total current		41,342	41,926	(12,003)	29,923
– Total non-current		–	–	–	–
Financial liabilities as trade and other payables	27	41,342	41,926	(12,003)	29,923

Note 15. Contract Liabilities

		2019	2018	Adjustment	Restated
		\$'000	\$'000	\$'000	2018
					\$'000
CONSOLIDATED GROUP					
CURRENT					
Unearned revenue		252	2,718	(2,675)	43

Notes to the Financial Statements (continued)

Note 16. Tax

	2019 \$'000	2018 \$'000
CONSOLIDATED GROUP		
CURRENT		
Income tax payable	2,885	1,572
	2,885	1,572

	Opening Balance \$'000	Recognised To Income \$'000	Recognised To Equity \$'000	Acquisition of subsidiary \$'000	Closing Balance \$'000
CONSOLIDATED GROUP					
Balance at 30 Jun 2017 - NET DEFERRED TAX LIABILITIES	140	(342)	(157)	-	(359)
Provisions - employee benefits	482	79	-	47	608
Provisions - doubtful debt	146	30	-	-	176
Accrued revenue	(754)	(465)	-	-	(1,219)
Other	(233)	(210)	157	-	(286)
Balance at 30 June 2018 - NET DEFERRED TAX LIABILITIES	(359)	(566)	157	47	(721)
Provisions - employee benefits	608	471	-	-	1,079
Provisions - doubtful debts	176	70	-	-	246
Accrued revenue	(1,219)	1,219	-	-	-
DTL arising on business combination	-	-	-	(237)	(237)
Other	(286)	75	-	-	(211)
Balance at 30 June 2019 - NET DEFERRED TAX ASSETS	(721)	1,835	-	(237)	877

Reflected in the statement of financial position as:

	2019 \$'000	2018 \$'000
CONSOLIDATED GROUP		
Deferred tax assets	1,141	203
Deferred tax liabilities	(264)	(924)
Deferred tax assets (net)	877	(721)

Notes to the Financial Statements (continued)

Note 17. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave. The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

The probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been detailed in Note 1(g).

	2019 \$'000	2018 \$'000
CONSOLIDATED GROUP		
CURRENT		
Employee Benefits	1,037	679
NON CURRENT		
Employee Benefits	257	185

	Opening Balance 1 Jul 2017 \$'000	Additional Provision for the Year \$'000	Utilisation Of Provision During The Year \$'000	Closing Balance 30 Jun 2018 \$'000
Employee benefits – Current	656	785	(762)	679
Employee benefits – Non-Current	156	29	–	185

	Opening Balance 1 Jul 2018 \$'000	Additional Provision for the Year \$'000	Utilisation Of Provision During The Year \$'000	Closing Balance 30 Jun 2019 \$'000
Employee benefits – Current	679	1,297	(939)	1,037
Employee benefits – Non-Current	185	71	–	256

Note 18. Deferred Contingent Consideration

	2019 \$'000	2018 \$'000
CONSOLIDATED GROUP		
CURRENT		
Contingent consideration - DBITS acquisition	1,750	-
NON-CURRENT		
Contingent consideration - DBITS acquisition	1,750	-

Contingent consideration of up to \$3,500,000 will be paid in two equal instalments half in cash and half in shares. First instalment payable upon completion 12 months from acquisition date up to a maximum of \$1,750,000. The amount of deferred consideration will be tied to the amount of adjusted EBITDA in the 12 months to 28 February 2020. Second instalment payable upon completion 24 months from acquisition date up to a maximum of \$1,750,000. The amount of deferred consideration will be tied to the amount of adjusted EBITDA in the 12 months to 28 February 2021. As at 30 June 2019, the key performance indicators of DBITS show that it is highly probable that the target will be achieved and therefore full amount of deferred consideration has been booked.

Notes to the Financial Statements (continued)

Note 19. Issued Capital

RHIFE LIMITED	2019 \$'000	2018 \$'000
138,982,996 (2018: 135,429,383) fully paid ordinary shares	43,320	39,287
	43,320	39,287

RHIFE LIMITED	No.	Value \$'000
(a) Movement in ordinary shares on issue		
rhipe Limited shares as at 30 June 2018	135,429,383	39,287
Shares issued upon exercise of options	1,508,344	3,085
Shares issued upon exercise of performance rights	2,840,000	-
Shares issued as part of consideration	931,677	-
Share buy back	(1,726,408)	(2,056)
Transfer from equity settled employee benefits reserve	-	3,013
Share issue costs, net tax	-	(8)
Closing balance at 30 June 2019	138,982,996	43,320

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(b) Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. Until recently the Group was subject to externally imposed capital requirements for the facilities detailed in note 22(b).

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders, share issues and share buy-backs.

(c) Franking Account

RHIFE LIMITED	2019 \$'000	2018 \$'000
Balance of franking account at year-end adjusted for franking credits arising from:		
- payment of provision for income tax		
- dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years		
Adjusted franking account balance	6,924	5,269

Notes to the Financial Statements (continued)

Note 19. Reserves**(a) Equity-settled employee benefits reserve**

Equity-settled employee benefits reserve relates to share options granted by the Company to its employees under its employee share option plan. Further information about share-based payments to employees is set out in Note 21.

(b) Foreign Currency Translation Reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

(c) General Reserve

The general reserve is used from time to time to transfer profits from retained earnings for appropriation purpose. There is no policy of regular transfer. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.

(d) Investment Revaluation Reserve

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of AFS financial assets that have been recognised in other comprehensive income, net of tax and amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired. This only relates to FY18.

Note 20: Dividends

	Amount per ordinary share (cents)	Franked amount per ordinary share (cents)	Dividend Declared	Payment date
2018 Final dividend	1.0	1.0	26 July 2018	24 October 2018
2019 Interim dividend	1.0	1.0	18 February 2019	24 May 2019
2019 Final dividend	2.0	2.0	16 August 2019	24 October 2019

Note 21. Share-based Payments**Equity-settled compensation**

Share-based payments to employees are measured at the fair value of the instruments issued at the grant date and amortised over the vesting periods. The corresponding amount is recorded to the equity-settled employee benefits reserve. The fair value of options is determined using the Black-Black-Scholes pricing model. A Monte Carlo simulation approach was used to value awards subject to the TSR performance conditions. For the awards with non-market vesting condition the number of options and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

The Group has an ownership-based compensation scheme for executives and senior employees. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees of the Group may be granted options to purchase ordinary shares. Each employee share option converts into one ordinary share of rhipe Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Notes to the Financial Statements (continued)

(a) Options

(i) Information relating to the rhipe Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end is disclosed below.

As at 30 June 2019, there were 870,000 options under issue (30 June 2018: 3,673,334) exercisable on a 1:1 basis for 870,000 ordinary shares in the Company (2018: 3,673,334). These options are exercisable as follows:

DETAILS	Date Of Grant	Number Of Options	Date Of Expiry	Exercise Price (\$)
Management incentive options	27/07/2014	300,000	11/08/2021	0.75
	27/02/2015	200,000	01/07/2021	0.75
	01/11/2016	135,000	01/11/2020	0.94
	01/11/2016	135,000	01/11/2023	0.94
	13/09/2017	50,000	12/09/2021	0.50
	13/09/2017	50,000	12/09/2022	0.50
		870,000		

The weighted average conversion price of the above options is \$0.78 (2018: \$0.745)

	2019 No. Of Options	2018 No. Of Options
Balance at beginning of the year	3,673,334	4,349,584
Granted during the year	-	200,000
Exercised during the year	(1,585,834)	(750,000)
Expired during the year	(1,217,500)	(126,250)
Balance at end of year	870,000	3,673,334

1,585,834 options exercised during the year converted to 1,508,344 ordinary shares due to cashless exercise approved by shareholders at Company's 2018 AGM.

A summary of the movements of management incentive plan options issued is as follows:

CONSOLIDATED GROUP	No Of Options	Weighted Average Exercise Price
Options outstanding as at 30 June 2017	4,349,584	\$0.703
Granted	200,000	\$0.500
Exercised	(750,000)	\$0.350
Expired	(126,250)	\$1.250
Options outstanding as at 30 June 2018	3,673,334	\$0.745
Granted	-	-
Exercised	(1,585,834)	\$0.384
Expired	(1,217,500)	\$1.191
Options outstanding as at 30 June 2019	870,000	\$0.780
Options exercisable as at 30 June 2019	820,000	\$0.797
Options exercisable as at 30 June 2018	2,238,334	\$0.508

As at the date of exercise, the weighted average share price of options exercised during the year was \$0.384.

The weighted average remaining contractual life of options outstanding at year end was 2.38 years (2018: 1.41 years). The exercise price of outstanding options at the end of the reporting period was \$0.50 – \$0.94.

There has been no alteration to the terms and conditions of any share-based payments arrangements since the grant date.

Options are forfeited after the holder ceases to be employed by the Group, unless the Board determines otherwise.

Notes to the Financial Statements (continued)

(b) Performance rights

As at 30 June 2019, there were 2,258,755 performance rights to acquire shares (30 June 2018: 3,440,000). These performance rights are exercisable as follows:

Details	Date Of Grant	Number Of Rights	Date Of Expiry	Exercise Price (\$)
CEO performance rights	29/07/2014	500,000	11/08/2022	Nil
FY19 LTI	31/05/2019	1,758,755	31/05/2034	Nil

	2019 No. of Rights	2018 No. Of Rights
Balance at beginning of the year	3,440,000	1,040,000
Granted during the year	1,758,755	2,500,000
Exercised during the year	(2,840,000)	-
Expired during the year	-	-
Forfeited during the year	(100,000)	(100,000)
Balance at end of year	2,258,755	3,440,000

Fair value of performance rights granted in the year

On 31 May 2019, 1,758,755 performance rights were granted to executives as part of a management incentive plan. The performance rights vest on the satisfaction vesting conditions and each right has a term of 15 years and if not exercised within that term the rights will lapse. The company expensed \$1,493,694 in relation to these performance rights in FY19. The fair value of the performance rights which have been determined by a third party has been determined using the following assumptions:

No. of performance rights	1,758,755
Grant date	31/05/2019
Share price at grant date	\$2.30
Vesting conditions	(a) (b) (c) (d)
Expected volatility	50%
Risk free interest rate	1.11%
Dividend yield	1.09%
Value per performance right	(d)

- (a) Total Shareholder Return (TSR) is a measure of investment return in percentage terms, adjusted for dividends and capital movements, from the start to the end of the measurement period. The vesting of Performance Rights will be determined by comparing the Company's total shareholder return (TSR) over the Measurement Period with the movement in the Small Industrials Total Return Index over the Measurement Period;
- (b) Earning per share growth (EPSG) is a measure of the increase in the amount of profit generated by a company divided by the number of shares on issue. It will be calculated by comparing the reported EPS for the final year of the Measurement Period with the reported EPS for the year immediately prior to the commencement of the Measurement Period and determining the implied CAGR (compound annual growth rate);
- (c) Gross profit growth will be calculated by comparing the audited gross profit for the final year of the Measurement Period with the audited gross profit for the year immediately prior to the commencement of the Measurement Period and determining the implied CAGR;

(d) Tranche	No. of Performance rights	Vesting condition	Fair value	Vesting Date
Tranche 1	202,933	EPS Hurdle	\$2.27	1 July 2020
Tranche 2	405,868	TSR Hurdle	\$2.04	1 July 2020
Tranche 3	270,577	Gross Profit Hurdle	\$2.27	1 July 2020
Tranche 4	202,933	EPS Hurdle	\$2.25	1 July 2021
Tranche 5	405,868	TSR Hurdle	\$1.91	1 July 2021
Tranche 6	270,577	Gross Profit Hurdle	\$2.25	1 July 2021

Notes to the Financial Statements (continued)

Note 22. Cash Flow Information

	2019 \$'000	2018 \$'000
CONSOLIDATED GROUP		
(a) Reconciliation of Cash Flow from Operating Activities with Profit after Income Tax		
Profit after income tax	6,214	3,066
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
Share-based payments expense	2,623	1,020
Amortisation	1,288	833
Depreciation	497	368
Gain on sale of investment	–	(309)
Net foreign exchange (gain)/ loss	(291)	287
Provision for expected credit losses	232	100
Changes in operating assets and liabilities:		
Increase in trade and term receivables and unearned revenue	(9,657)	(2,853)
Increase in other current assets	(638)	(1,743)
Increase in trade payables and accruals	11,644	5,680
Income taxes payable	1,313	894
(Decrease)/Increase in deferred taxes payable	(660)	802
Increase in deferred taxes receivable	(939)	(440)
Increase in provisions	430	51
Net cash provided by operating activities	12,055	7,756

(a) Bank Guarantees

The group has the following bank guarantee in place:

Provider	Guarantee	Utilised Total	Security
CBA	AUD 3,00,000	AUD 2,778,381	General Security Interest by rhipe Australia Pty Ltd and rhipe Limited comprising: First ranking charge over All Present & After Acquired Property

The guarantee requires compliance with certain conditions and the group was in compliance with the covenants governing this guarantee during the year. Toward the end of FY19 the covenants associated with the guarantee was removed given the strong trading performance and cash position of the group.

Notes to the Financial Statements (continued)

Note 23. Related Party Transactions**Related Parties**

(a) The Group's main related parties are as follows

i. Key Management Personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the year ended 30 June 2019.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

CONSOLIDATED GROUP	2019 (\$)	2018 (\$)
Short-term employee benefits	3,884,440	3,675,462
Post-employment benefits	105,898	136,689
Other Long-Term benefits	2,411,311	799,214
Termination benefits	45,838	66,260
Total KMP compensation	6,447,487	4,677,625

Further information in relation to KMP remuneration can be found in the Remuneration Report.

ii. Other Related Parties

Other related parties include entities controlled by the ultimate parent entity, entities over which key management personnel have joint control, and entities that directors are common directors of.

CONSOLIDATED GROUP	2019 (\$)	2018 (\$)
1. Other related parties		
Marketing consulting services provided by Breakfast Epiphanies Consulting	30,199	8,250

2019 fees relate to one off marketing related project provided by an entity partially owned and operated by Inese Kingsmill, a NED of rhipe Limited.

Note 24. Auditors' Remuneration

CONSOLIDATED GROUP	2019 (\$)	2018 (\$)
Remuneration of the auditor for:		
– auditing or reviewing the financial report	240,000	170,000
– taxation and due diligence	237,000	87,000
	477,000	257,000
Remuneration of other auditors of subsidiaries for:		
– auditing or reviewing the financial statements of subsidiaries *	-	51,000

* Audit fees for FY19 includes the audit for all rhipe subsidiaries of \$55,000

** FY18 fees were paid to Shine Wing Australia and other audit firms in Asia

Notes to the Financial Statements (continued)

Note 25. Capital and Leasing Commitments**Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight line basis in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

CONSOLIDATED GROUP	2019 \$'000	2018 \$'000
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments		
– not later than 12 months	1,500	1,128
– between 12 months and five years	2,398	2,926
– greater than five years	-	-
	3,898	4,054

The Group has leases in Sydney, Melbourne, Auckland, Singapore, Manila, Bangkok, Kuala Lumpur, Jakarta, Seoul and New York.

Note 26. Contingent Liabilities and Contingent Assets

A litigation proceeding has been filed in the Supreme Court of New South Wales against two members of the Group, rhipe Cloud Solutions and rhipe Solutions Australia, along with 10 other defendants. rhipe Limited is the ultimate holding company of rhipe Cloud Solutions Pty Ltd and rhipe Solutions Australia Pty Ltd who are named as defendants in the proceedings however rhipe Limited is not a named defendant. rhipe has reviewed the allegations with its legal advisors and understands that all of the events which are the subject of the litigation pre-date the acquisition by rhipe of rhipe Cloud Solutions and rhipe Solutions in December 2014. At this time, it is not possible to reliably estimate the possible financial effect on the two companies, however the Board considers this not to be material.

As a result of a tax audit for FY16 which was initiated in March 2018, rhipe Philippines Inc. has received a Preliminary Assessment Notice on 26 June 2019 from the Philippines tax office. The notice covers seven different tax types and requires rhipe to provide detailed supporting documentation for all tax filings completed during FY16. Rhipe is in the process of compiling all required information and documents to substantiate the original tax filings. Rhipe management believes that the Preliminary Assessment Notice is incorrect and that there will be no material financial effect as a result of the tax audit.

Note 27. Financial Risk Management

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

CONSOLIDATED GROUP	Note	2019 \$'000	Restated 2018 \$'000
FINANCIAL ASSETS			
Cash and cash equivalents	8	25,530	22,696
Receivables	9	39,308	29,442
Bonds & deposits	10	270	186
Total Financial Assets		65,108	52,324
FINANCIAL LIABILITIES			
Trade and other payables	14	41,342	29,923
Deferred consideration payable in cash	18	3,500	-
Total Financial Liabilities		44,842	29,923
Net Financial Assets		20,266	22,401

Notes to the Financial Statements (continued)

Financial Risk Management Policies

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Although the Group's clients are credit-worthy, exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the review of customer business activities, regular monitoring of exposures and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 30 days from the invoice date.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries (refer Note 28(c) for details).

For details on concentration of credit risk and geographic break down of trade receivables refer to Note 9.

(b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 Year		Over 1 Year		No Maturity		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
CONSOLIDATED GROUP								
Financial liabilities due for payment								
Trade and other payables	41,342	29,923	-	-	-	-	41,342	29,923
Deferred consideration	1,750	-	1,750	-	-	-	3,500	-
Total expected outflows	43,092	29,923	1,750	-	-	-	44,842	29,923
Financial Assets – cash flows realisable								
Cash and cash equivalents	25,530	22,696	-	-	-	-	25,530	22,696
Trade and other receivables	39,308	29,442	-	-	-	-	39,308	29,442
Bonds and deposits	270	186	-	-	-	-	270	186
Total anticipated inflows	65,108	52,324	-	-	-	-	65,108	52,324
Net inflow on financial instruments	22,016	22,401	(1,750)	-	-	-	20,266	22,401

Notes to the Financial Statements (continued)

(c) Market Risk**i. Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash at bank balances with floating interest rates.

The movement in interest rates would not have any material impact on the Group's profit as the group is debt free.

ii. Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries

The Group has invested in businesses in Australia, New Zealand, Singapore and other Asian countries. In addition, the Group is billed from a number of software vendors in US dollars whereas for some customers it bills in local currency and this creates an exchange rate risk. Hedging these risks in Asian countries is expensive and in certain countries not possible hence the Group currently undertakes no hedging of these positions. Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Parent.

In addition to the US exchange risk identified the group has material operations in Singapore, where functional currency is US Dollar and New Zealand and fluctuations in the US Dollar and New Zealand Dollar may impact on the Group's financial results unless those exposures are appropriately hedged. The Group has not hedged its exposure to the above currencies.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in local currencies at year end.

	2019 \$'000	2018 \$'000
NET FINANCIAL ASSETS IN CONSOLIDATED GROUP		
Functional currency of entity		
Australian Dollars	10,074	11,825
NZ Dollars	895	(65)
US Dollars	4,977	1,667
Other	7,023	3,129
Statement of financial position exposure	22,969	16,556

Foreign currency sensitivity analysis

The Group is mainly exposed to the US Dollar and New Zealand Dollar from a net asset perspective.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies.

	NZD		USD	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Equity	8	25	80	(78)

(d) Fair Value

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Notes to the Financial Statements (continued)

Note 28. Fair Value Measurement

This note relates to AASB 139 and explains the fair value measurement for investment in LiveTiles Limited which was disposed of in FY18.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Due to the availability of quoted prices in active markets, the asset, shareholding in LiveTiles Limited, has been transferred to level 1 and revalued according to its fair value at reporting date. Any fair value uplift is recognised in equity.

CONSOLIDATED GROUP	2019	2018
	\$'000	\$'000
Investment at Fair Value		
Opening balance	-	940
Fair value adjustment during the year	-	(523)
Disposal	-	(417)
Closing balance at fair value	-	-

CONSOLIDATED GROUP	2019	2018
	\$'000	\$'000
Forward contract at Fair Value		
Opening balance	-	29
Disposal	-	(29)
Closing balance at fair value	-	-

Notes to the Financial Statements (continued)

Note 29. Interests in Subsidiaries**(a) Information about Subsidiaries**

The subsidiaries listed below have share capital consisting solely of ordinary shares or ordinary units which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name Of Subsidiary	Principal Place Of Business	Ownership Interest Held By Group		Proportion Of Non-Controlling Interest	
		2019 (%)	2018 (%)	2019 (%)	2018 (%)
rhipe Australia Pty Ltd ^{(i)(iv)}	Australia	100%	100%	-	-
rhipe Dynamics Pty Ltd ^(iv)	Australia	100%	100%	-	-
NewLease G2M Pty Ltd ⁽ⁱⁱⁱ⁾	Australia	63%	63%	37%	37%
rhipe Cloud Solutions Pty Ltd ^(iv)	Australia	100%	100%	-	-
rhipe Solutions Australia Pty Ltd ^(iv)	Australia	100%	100%	-	-
Dynamic Business IT Solutions Pty Limited ^{(ii)(iv)}	Australia	100%	-	-	-
rhipe New Zealand Limited	New Zealand	100%	100%	-	-
rhipe Singapore Pte. Ltd	Singapore	100%	100%	-	-
rhipe Technology (Thailand) Co., Ltd	Thailand	100%	100%	-	-
rhipe Malaysia Sdn Bhd	Malaysia	100%	100%	-	-
NewLease Hong Kong Limited ⁽ⁱⁱⁱ⁾	Hong Kong	100%	100%	-	-
rhipe Philippines, Inc	Philippines	100%	100%	-	-
rhipe Philippines Technology, Inc	Philippines	100%	100%	-	-
PT rhipe International Indonesia	Indonesia	100%	100%	-	-
rhipe Lanka (Private) Limited ^(v)	Sri Lanka	100%	-	-	-
rhipe UK Pty Ltd	United Kingdom	100%	100%	-	-
rhipe Licensing Technology Korea Ltd.	Republic of Korea	100%	100%	-	-
rhipe Solutions LLC (formerly Online SC LLC)	United States	100%	100%	-	-

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

(i) This wholly-owned subsidiary has entered into a deed of cross guarantee with rhipe Limited pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785 and is relieved from the requirement to prepare and lodge an audited financial report.

(ii) This company is a wholly-owned subsidiary which was acquired on 28 February 2019.

(iii) This company is dormant.

(iv) These companies are part of the Australian tax consolidated group.

(v) This company is a wholly-owned subsidiary which was incorporated in March 2019.

(b) Significant Restrictions

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

Notes to the Financial Statements (continued)

Note 30. Parent Information

The following information has been extracted from the books and records of rhipe Limited and has been prepared in accordance with Australian Accounting Standards.

	2019 \$'000	2018 \$'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total profit/(loss)	(3,985)	1,283
Total comprehensive income	(3,985)	1,283
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current Assets	17,156	17,299
Non-current Assets	27,909	27,978
Total assets	45,065	45,277
LIABILITIES		
Current Liabilities	3,760	880
Non-current Liabilities	-	-
Total Liabilities	3,760	880
EQUITY		
Issued Capital	105,625	101,621
Retained Earnings	(66,754)	(60,206)
Reserves	2,435	2,981
Total Equity	41,305	44,397

Contingent liabilities

At 30 June 2019, rhipe Limited had \$3,500,000, contingent liabilities relating to deferred consideration for DBITS acquisition (2018: \$Nil).

Contractual commitments

At 30 June 2019, rhipe Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2018: \$Nil).

Notes to the Financial Statements (continued)

Note 31. Events After the Reporting Period

On 2 August 2019 rhipe acquired 100% of the share capital of Network2Share Pty Limited, an Australian based security software company that has developed a user-friendly encryption product ('SmartEncrypt').

On 16 August 2019 the Board of Directors approved a fully franked final dividend of 2 cents per share with payment date of 24 October 2019.

On 16 August 2019 the Board announced the signing of a binding agreement with Japan Business Systems, Inc. ('JBS') to establish a new Joint-Venture ('JV') company, rhipe Japan, headquartered in Tokyo. rhipe Japan will be owned 80% by rhipe and 20% by JBS.

Note 32. Company Details

The registered office and principal place of business of the Company is:

rhipe Limited
Level 19, 100 Miller Street
North Sydney NSW 2060

Notes to the Financial Statements (continued)

In accordance with a resolution of the directors of rhipe Limited, the directors of the Company declare that:

1. The financial statements and notes, as set out on pages 36 to 76, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Group;
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer.

The Company and a wholly-owned subsidiary, rhipe Australia Pty Limited, have entered into a deed of cross guarantee under which the Company and its subsidiary guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.



Dominic O'Hanlon
Managing Director

Dated this 19th day of August 2019

Independent Auditor's Report

To the members of rhipe limited and controlled entities (formerly rhype limited)



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Members of rhipe Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of rhipe Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Independent Auditor's Report (continued)



Impairment of Goodwill and other intangible assets

Why significant

At 30 June 2019 the Group's consolidated statement of financial position included goodwill and other intangible assets amounting to \$32.4 million, representing 32.2% of total assets.

The directors have assessed goodwill and other intangible assets for impairment at 30 June 2019. As disclosed within Note 13 to the financial statements, the assessment of the Group's goodwill and other intangible assets for impairment incorporate estimates, including forecast cashflows, discount rates and terminal growth rates.

These estimates and assumptions are impacted by future performance, market and economic conditions. Minor changes in certain assumptions can lead to significant changes in the recoverable amount of these assets.

Accordingly, we considered this to be a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessed the Group's determination of the cash generating units (CGUs) used in the impairment model, based on our understanding of the Group's businesses and the economic environment in which they operate. We also considered internal reporting of the Group's results to assess how earnings and goodwill are monitored and reported;
- Assessed the cash flow forecasts, assumptions and estimates used by the Group, as outlined in Note 13 to the financial statements, by considering the accuracy of the Group's historical cash flow forecasts, our knowledge of the business and corroborating data with external information where possible;
- Evaluated the appropriateness of discount and terminal growth rates applied;
- Tested the mathematical accuracy of the impairment testing models including the consistency of relevant data with latest Board approved forecasts;
- Performed sensitivity analysis on key assumptions including discount rates, terminal growth rates and EBIT forecasts; and
- Assessed the adequacy of the financial report disclosures contained in Note 13.

Revenue recognition

Why significant

For the year ended 30 June 2019, the Group generated revenue of \$48.3 million, from the sale of vendor owned software products through their partner network, rebates from those vendors and concierge services.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Used data analysis techniques to analyse the relationship between revenue, accounts receivable and cash collections.

Independent Auditor's Report (continued)



The Group's process for recognising accrued revenue, at year end, relies upon manual processing of transactions which is susceptible to error.

Rebates are a significant component of revenue. Rebates are earned throughout the year and are based upon a variety of factors including sales volume and customer adds and are therefore subject to estimation, particularly at year-end.

The implementation of AASB 15 from 1 July 2018 resulted in a significant change to the presentation of Revenue.

Accordingly, we considered this to be a key audit matter.

- Obtained confirmation from a sample of the Group's Partners to confirm the products purchased, usage and amounts billed.
- Compared accrued revenue to amounts invoiced subsequent to 30 June 2019.
- Confirmed a sample of rebates due from suppliers to third party evidence and where appropriate, cash received.
- Assessed the adequacy of the revenue disclosures in Note 4 of the financial report.

Capitalisation of internally generated intangible assets

Why significant

At 30 June 2019 the Group's consolidated statement of financial position includes capitalised development costs amounting to \$4.5 million, representing 4.5% of total assets. This primarily relates to the Group's core technology platform, PRISM, which is utilised to enable sales of cloud-based licences.

The costs are capitalised in accordance with Australian Accounting Standards and are amortised over 5 years.

Given the value of these balances, the significant level of expenditure during the year and the judgement required when determining the qualifying cost, useful life and recoverability, this was considered to be a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessed the appropriateness of the Group's accounting policy for capitalisation of software development costs in compliance with Australian Accounting Standards;
- Selected a sample of capitalised costs and determined whether they met the capitalisation criteria set out in Australian Accounting Standards.
- Agreed a sample of capitalised employee costs to payroll records and capitalised contractor costs to invoices and then considered the related development activities that were undertaken and whether the costs capitalised were directly involved in developing software.
- Assessed the useful life and amortisation rate allocated to capitalised development costs taking into consideration the economic life of the software.

Independent Auditor's Report (continued)



- Assessed the consistency of the capitalisation methodology applied by the Company in comparison to prior reporting periods.
- Evaluated the Group's assessment for the indicators of impairment of capitalised software development.
- Assessed the adequacy of the disclosures included in Note 13 of the financial statements.

Accounting for acquired business

Why significant

During the year ended 30 June 2019 the Group acquired a business, Dynamic Business IT Solutions, for a total consideration of \$8 million, as detailed in Note 3.

The provisional accounting for the acquired business was considered a key audit matter as there was judgement involved in the determination of the transaction purchase price and recognition of the fair value of the acquired goodwill and intangible assets.

The critical accounting judgment in respect to the identification of acquired intangible assets and goodwill is disclosed in Note 3.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessed the determination of the transaction purchase price, including consideration of future potential payments.
- With the involvement of our valuation specialists we evaluated the recognition and determination of fair value of separately identifiable intangible assets and their useful lives; and
- Assessed the adequacy of the related disclosures within the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent Auditor's Report (continued)



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (continued)



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 34 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of rhipe Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Independent Auditor's Report (continued)



Ernst & Young
Ernst & Young

Graham Leonard

Graham Leonard
Partner
Sydney
19 August 2019

Additional Information for Listed Public Companies

rhipe Limited and Controlled Entities

The following information is current as at 24 July 2019

1. Shareholding

a. Distribution of Shareholders

Distribution of Shareholders			Ordinary Shares
Size of Holding	Number of Shares	% of Issued Capital	Number of Holders
100,001 and Over	118,179,963	85.61	66
10,001 to 100,000	13,094,927	9.49	570
5,001 to 10,000	3,615,293	2.62	463
1,001 to 5,000	2,737,903	1.98	985
1 to 1,000	423,233	0.31	1,392
Total	138,051,319	100.00	3,476

b. The number of shareholdings held in less than marketable parcels is 752

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder	Number of Ordinary Fully Paid Shares Held
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,156,774
TUTUS MCDONAGH PTY LTD	23,910,730
CITICORP NOMINEES PTY LIMITED	14,855,227
NATIONAL NOMINEES LIMITED	9,731,777
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,014,336

d. Voting Rights

The voting rights attached to each class of equity security are as follows: Ordinary Shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands

Additional Information for Listed Public Companies (continued)

e. 23 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,156,774	17.50
2. TUTUS MCDONAGH PTY LTD	23,910,730	17.32
3. CITICORP NOMINEES PTY LIMITED	14,855,227	10.76
4. NATIONAL NOMINEES LIMITED	9,731,777	7.05
5. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,014,336	5.08
6. UBS NOMINEES PTY LTD	6,343,102	4.59
7. WARBONT NOMINEES PTY LTD	4,105,978	2.97
8. BNP PARIBAS NOMS PTY LTD	2,401,747	1.74
9. MIRRABOOKA INVESTMENTS LIMITED	2,000,000	1.45
10. DAWN EDMONDS	2,000,000	1.45
11. PRM INVESTMENTS PTY LTD	1,940,380	1.41
12. MR DOMINIC O'HANLON & MRS KAREN O'HANLON	1,857,840	1.35
13. MR DOMINIC JOHN O'HANLON	1,500,000	1.09
14. BNP PARIBAS NOMINEES PTY LTD	1,003,690	0.73
15. CHRIS SHARP	779,225	0.56
16. CS FOURTH NOMINEES PTY LIMITED	743,822	0.54
17. MR WARREN NOLAN	709,475	0.51
18. EDMONDS WALLIS PTY LTD	702,294	0.51
19. ROBERT GOUDIE FINANCIAL ADVISERS PTY LTD	700,000	0.51
20. MARK MCLELLAN	700,000	0.51
21. JOHN LEON SAYERS	700,000	0.51
22. NEWECONOMY COM AU NOMINEES PTY LIMITED	634,844	0.46
23. PATARA YONGVANICH	518,064	0.38
	109,009,305	78.96

2. The name of the company secretary is

Marika White

3. The address of the principal registered office in Australia is

Level 19, 100 Miller Street
North Sydney New South Wales, 2060.
Telephone: 1300 732 009

4. Registers of Securities are held at the following addresses

Link Market Services Limited
Tower 4, 747 Collins Street
Docklands VIC 3008

Investor Enquiries: 1300 554 474
Facsimile: +61 2 9287 0303

Additional Information for Listed Public Companies (continued)

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchange of the Australian Securities Exchange Limited.

6. Unquoted Securities

Options over Unissued Shares

A total of 870,000 options are on issue to 1 director and 2 employees.





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