The Cloud Channel Company™

Appendix 4E

RHIPE LIMITED AND CONTROLLED ENTITIES
ABN: 91 112 452 436

FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2018
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

rhipe

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 2018
Previous corresponding period is the financial year ended: 30 June 2017

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

		$'000
Revenues from ordinary activities (Item 2.1)	Up 25.4% to	196,608
Profit from ordinary activities after tax attributable to members (Item 2.2)	Up 22.3% to	3,066
Net Profit for the period attributable to members (Item 2.3)	Up 22.3% to	3,066
Dividends (Items 2.4)	**Amount per security**	**Franked amount per security**
Interim Dividend paid	0.5 cent	0.5 cent
Final Dividend	1.0 cent	1.0 cent
Record date for determining entitlements to a dividend (Item 2.5)	5 October 2018	
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)

Interim dividend of 0.5 cent per share was paid on 23 March 2018. Final dividend of 1.0 cent per share is declared subsequent to balance date, on 26 July 2018 and will be paid on 24 October 2018. 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)

	2017	2018
Net tangible asset backing per ordinary security	$0.1515	$0.1515

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
Rhipe Philippines Technology, Inc	21 June 2018
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

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The Cloud Channel Company™

Annual Report | 2018

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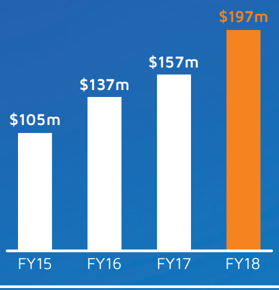
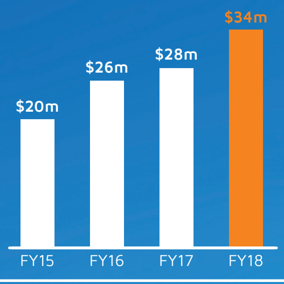
Financial Highlights

FY18 GROWTH



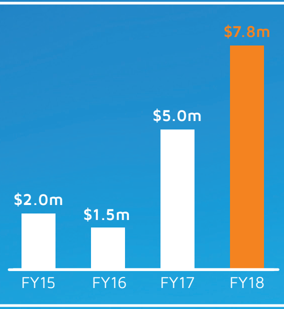
$197m
Group Revenue

25%



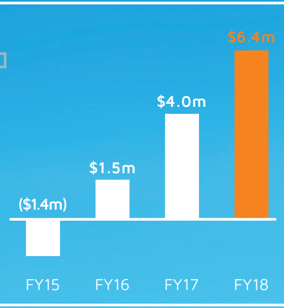
$34m
Group Gross Profits

21%



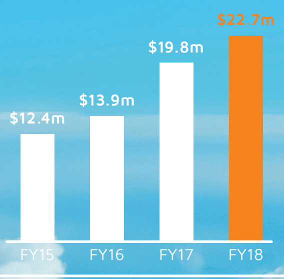
$7.8m
Group Operating Profits

54%



$6.4m
Group EBITDA

59%



$22.7m
Group Cash Balance

$3M

Our Value Proposition

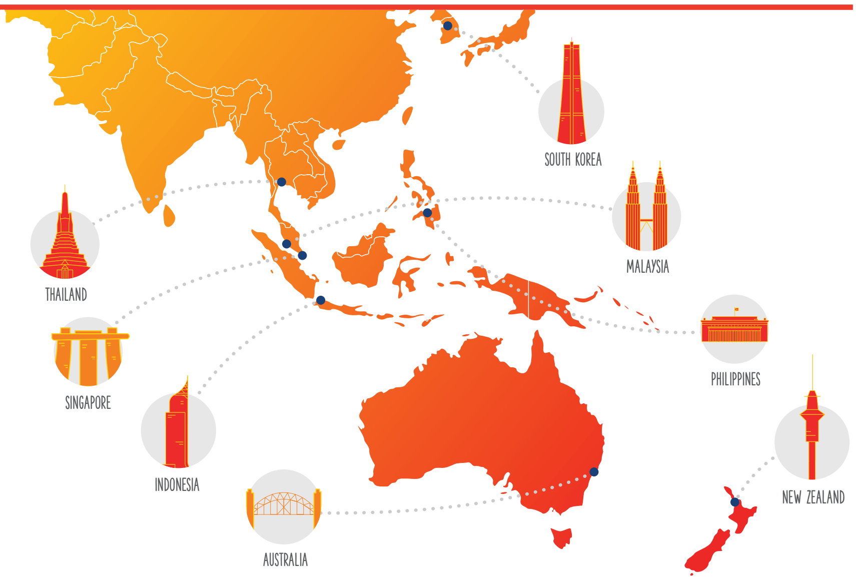
CLOUD FIRST

Platform for Recurring Subscription Management ("PRISM") used by 2,500+ IT resellers to buy, provision and bill their end user clients for monthly cloud software subscriptions.

CHANNEL FIRST

Value added services for our 2,500+ resellers including 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 2018 RHIPE HAD **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

Mike Hill
Non Executive Chairman

Dear Shareholder,

The demand for cloud computing continues to grow and once again endorses the promising opportunity for rhipe to generate increasingly profitable growth from its cloud subscription business across Asia Pacific.

By investing in us, you are investing in a Company with a proven team which is committed to its vision to be the number one cloud subscription business in its target markets. In light of what we believe to be a successful 2018, I would like to thank you for supporting the Company strategy and believing in the entire rhipe team who work tirelessly to capture this remarkable cloud market opportunity.

The financial results for 2018 clearly show the Company has been able to capitalise further on its profitable 2017 result. Importantly, the Company has grown across geographies, products and licensing programs throughout the 2018 year which once again, with its subscription base revenue stream, sets up a bright start looking into the 2019 fiscal year.

We were delighted to provide shareholders with a maiden dividend at the half year results, off the back of a Company buy back, which highlights the confidence the Board and management team has in the future cash generation of rhipe's earning streams.

Our continued strategy to build out our footprint in key fast developing Asian markets has provided rhipe with the future enhanced opportunity to create market share dominance as these developing markets adopt more and more cloud based subscription software products.

OUR STRATEGY TO INVEST IN CLOUD FOCUSED, ASIA PACIFIC FOCUSED, SOFTWARE SUBSCRIPTION BUSINESS HAS DELIVERED STRONG GROWTH IN REVENUE AND PROFITS IN FY18.

Growth was led from our deep relationship with Microsoft and we were delighted by the support and acknowledgement we received in 2018 when we were named a globally managed account, one of around a dozen in the world and also named Microsoft's Country Partner of the Year – Australia for 2018.

With a recurring revenue model, rhipe enters 2019 in a strong position with more than $22m 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 I would like to thank all of our stakeholders for believing in rhipe's future and for believing in the management team to continue to deliver above average growth rates.

The Board sincerely acknowledges the first-rate efforts of the whole team at rhipe and congratulates them one and all for delivering another year of records and awards, leaving the Company as one of Microsoft's key global partners for cloud subscription and the only one headquartered in Asia Pacific.

Yours Sincerely,

Mike Hill
Chairman

CEO Report

Dominic O'Hanlon
Managing Director and CEO

As "The Cloud Channel Company", rhipe has established a strong leadership position in Asia Pacific ("APAC") as the Platform of choice for monthly Pay-As-You-Go ("PAYG") cloud license subscriptions. International software vendors such as Microsoft, VMWare, Citrix, Red Hat, Trend Micro, Veeam, Zimbra and Symantec, all rely on rhipe's PRISM to build and grow consumption of their cloud license programs. In addition, more than 2,500 IT resellers in Asia Pacific now rely on PRISM to help with cloud provisioning, billing, reporting and support of their data centres and/or end-user customers.

Since 2003 rhipe has held a firm belief in a subscription-based method for distributing software licenses to a channel of IT resellers. Unlike traditional software distributors who are largely focused on Pay-Up-Front sales models, rhipe has always held a vision that the IT industry will move towards a monthly PAYG sales process; a process in which companies pay a monthly fee for what they have consumed rather than an up-front and much larger amount for products that they may or may not use. 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 Asia-Pacific ("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 most recently, South Korea.

During the 2018 financial year ending 30 June 2018 ("FY18"), rhipe's differentiated

RHIPE IS "THE CLOUD CHANNEL COMPANY" WITH A STRONG LEADERSHIP POSITION IN ASIA PACIFIC.

position as a PAYG license provider has helped the business to add more than 500 new resellers with over 130,000 end user Microsoft Office 365 ("O365") seats added on rhipe's PRISM platform during FY18. rhipe's investment in Microsoft's Cloud Solutions Provider ("CSP") program has positioned rhipe as one of Microsoft's key strategic cloud partners and the only globally managed license partner of Microsoft's headquartered in Asia Pacific. In addition, rhipe added to its numerous vendor accolades by being named Microsoft Australia's partner of the year.

FY18 was also significant in proving the operational leverage that exists in rhipe's business model. Operating profit increased from break even in FY16 to $5.0m in FY17 and now $7.8m in FY18 despite ongoing investments in growing rhipe's business across Asia Pacific.

In particular, I would like to highlight a number of significant achievements from the 2018 Financial Year:

- $190m in software license revenue with a gross profit of $28.7m. This represents a year-over-year ("YOY") growth in revenue and gross profit of 25% and 20% respectively;
- Achieving a +75% growth in local Asian sales (excluding sales from ANZ customer buying through Asia). Total revenue billed in Asia was $50m which is equivalent to what rhipe billed as a whole Company in FY13;
- Driving the adoption of more than 260,000 O365 seats under the Microsoft CSP program. Almost all of these are billed on a monthly subscription basis with an annual run rate revenue from Microsoft CSP including Azure of $42m compared to $22m at the end of FY17 and $6.7m at the end of FY16;
- 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 70 full time equivalent employees at the end of June 2018.

In FY19 rhipe expects to see the trends from FY18 continue. Revenues, Gross Margin and Operating Profits are expected to continue growing. However, rhipe will also continue to invest in people, systems and growth opportunities so that we can maximise the long-term benefits to our shareholders.

On behalf of the Board we would like to thank our staff for a fantastic FY18. 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 FY19.

Yours Sincerely,

Dominic O'Hanlon
Managing Director and CEO

2018 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 its 2,500 plus IT service provider resellers in the Asia Pacific region. As *"The Cloud Channel Company"*, rhipe has established strong momentum as the leading Asia Pacific platform for monthly PAYG cloud license subscriptions. International software vendors such as Microsoft, VMWare, Citrix, Red Hat, Trend Micro, Veeam, Zimbra and Symantec, all rely on rhipe's 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/or end-user customer licenses. rhipe's 24x7 technical support desk is now also supporting one of rhipe's vendors in an Asia Pacific time zone.

Operating Results and Review of Operations for the Year

During the 12-month period to 30 June 2018 ("FY18"), rhipe has continued to invest in operations that are focused on the 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.

rhipe Licensing

In FY18 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 O365 and Microsoft Azure). Growth in O365 and Azure has underpinned the growth delivered by rhipe in FY18 with O365 revenue growing 118% and Azure growing at 239% during this financial year. Growth in these two key products accounted for around 50% of rhipe's revenue growth in FY18.

At the beginning of FY18 rhipe's partners were consuming approximately 130,000 CSP seats of O365 per month and by June 30, 2018 monthly consumption was more than 260,000 seats, a doubling of this revenue stream in the last twelve months. Annualised Run Rate Revenue ("ARR") from CSP is now over $42m with O365 contributing $35m and Azure more than $7m. This compares to total ARR from CSP of only $22m twelve months ago.

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 datacentre licensing business. Growth in the Microsoft private cloud licensing market was 12% across all of rhipe's markets in the current financial year with Asia delivering revenue growth of 42% YOY.

Although Microsoft products deliver around 70% 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 FY18 customers was approximately 15% and we will continue to invest in these key relationships.

rhipe Cloud Solutions

rhipe's Cloud Solutions division provides a small technical consulting group and much larger 24x7 support team to assist rhipe's resellers and, more recently, one of rhipe's key vendors.

The small consulting business was restructured during FY17 so that it could assist resellers while achieving a breakeven financial result in FY18. The consulting team helps with technical implementation services to deepen our relationships with resellers while also assisting to drive the ongoing sale of additional 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 FY18 as a result of the growth in a support contract for one of rhipe's software vendors. At the end of FY18, rhipe had approximately 70 employees in this support team, primarily based in Philippines. We intend to continue to invest in the capabilities of these employees and operations and will look to provide similar services to other vendors or customers as the opportunity arises.

Operating and Financial Review (continued)

Overall results

The results presented in this financial report reflect the operations of the Group for FY18.

Financial Summary ($'000)	FY18	FY17	Change
Revenue	**196,608**	156,970	+25%
Gross Profit	**34,071**	28,190	+21%
Gross Margin	**17.3%**	18.0%	(63bps)
Operating Profit	**7,761**	5,024	+54%
Reported EBITDA	**6,384**	4,004	+59%
Profit/(Loss) After Tax	**3,066**	2,507	+22%

For FY18, the Group reported another strong increase in profitability with operating profit of $7.8m compared to $5.0m in the prior year, an increase of 54%. This significant improvement in the financial performance of the Group has been driven by:

1. Investments made in the business over the past few years which have produced strong revenue and gross profit growth in FY18, and
2. Cost management with a cost base that grew at only half of the revenue growth rate.

Revenue

FY18 revenue growth of almost $40m was driven by the areas of the business where we have made material investments; notably our public cloud business with Microsoft CSP (Microsoft O365 and Azure). Over the last 12 months revenue from these products grew by around 130% from $14m in FY17 to $33m in FY18. The growth in Microsoft CSP delivered almost 50% of the revenue growth in FY18.

rhipe's longer established private cloud license business also continued to grow; particularly in our Asian operations where local private cloud sales of Microsoft licences grew more than 40% YOY. In the larger, more mature market in Australia, growth in private cloud was just over 5% with future growth in Australia expected to be driven predominantly by public cloud licences.

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

Operating expenses

Operating expenses in FY18 increased by $3.1m or 13.6% YOY with the majority of this increase driven by increased headcount particularly in our support operations in Philippines. The number of full time equivalent employees (FTE) increased from 118 at 30 June 2017 to 203 at 30 June 2018, an increase of 85 FTE or 72%. The support operations were responsible for the majority of this increase with an increase of approximately 70 FTE.

Operating Profit and EBITDA

The table below outlines the operating profit and underlying EBITDA contribution from the Group for FY18:

Adjustments between Operating profit and EBITDA

($'000)	FY18	FY17
Operating profit	**7,761**	5,024
Less		
Foreign exchange loss	(286)	(126)
Restructuring and transaction costs	(380)	(485)
Gain on sale of investments	309	–
Share-based payments expense (non-cash)	(1,020)	(409)
	(1,377)	(1,020)
Reported EBITDA	**6,384**	4,004

Operating profit in FY18 grew by $2.7m or 54% YOY with EBITDA growing by $2.4m or 59% over the same period.

The improvement in overall profitability was driven by the strong growth in revenue and gross profit in the Licensing business and the turnaround in the financial performance in our Solutions operations primarily driven by the support operations. The Company expensed $0.8m of share based payments expense in relations to performance rights issued in November 2017.

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 become available. In the 12 months to 30 June 2018 the Group doubled its investment in PRISM to $2.4m as compared to $1.2m, in FY 2017. rhipe believes that PRISM provides a competitive advantage that can be leveraged to support the ongoing growth in rhipe's business.

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 2018 the Group had cash of $22.7m compared to a cash balance of $19.8m at 30 June 2017. This increase in cash resources is after undertaking a share buyback of $2.3m, payment of the Company's inaugural interim dividend of 0.5 cents per share or $0.7m, the continued investment in Prism of $2.4m and also funding the continued growth in the business.

In respect of the financial year ended 30 June 2018, a fully franked interim dividend of 0.5 cents per share was paid on 23 March 2018. The Company will be paying a fully franked final dividend of 1.0 cent per share on 24 October 2018.

Your directors present their report on the Group consisting of rhipe Limited and its controlled entities for the financial year ended 30 June 2018. The information in the preceding Operating and Financial Review forms part of this Director's Report for the financial year ended 30 June 2018 and is to be read in conjunction with the following information.

General Information Directors

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

- Mike Hill
- Dominic O'Hanlon
- Dawn Edmonds
- Laurence Sellers
- Mark Pierce
- Michael Tierney

Information relating to Directors and Company Secretary

Mike Hill
Chairman

Experience and Qualifications
Appointed Non-Executive Chairman effective 31 January 2017

Mr Hill is a former Partner of Ernst & Young in the M&A advisory team and has also worked as a principal investor with the 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 rhipe 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
1,178,320 ordinary shares and Nil options

Special Responsibilities
Chairman, Remuneration Committee, Audit Committee and Business Development

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)

Dominic O'Hanlon
Managing Director and
Chief Executive Officer

Experience and Qualifications
Appointed 15 June 2015 was Chief Executive Officer from 5 August 2014 until appointment 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
4,757,840 ordinary shares, 1,200,000 performance rights and 600,000 options

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 Edmonds is one of the founders of rhipe and has played an integral part in establishing the Company and its continuing success.

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 a successful start-up business in the temporary labour hire and IT outsourcing sectors.

Dawn has received industry awards for Women in IT and Entrepreneurship and continues to support diversity and the development of women in the IT industry

Interest in Shares and Options
4,002,294 ordinary shares and 100,000 options

Special Responsibilities
Risk Committee and 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

Mr Sellers is a NED of rhipe, having joined NewLease in 2013. Laurence (Laurie) 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 recent 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
166,666 ordinary shares and 233,334 options

Special Responsibilities
Risk Committee and Remuneration Committee (Chair)

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 underwriting experience gained from senior positions held at Credit Suisse, Rabobank, Macquarie Bank and Westpac. Since 2009, Mr Pierce has independently provided financial advisory and arranging services to a number of clients, including managing the treasury and funding for a large operating lease company in Australia and New Zealand. Over the past 2 years, he has successfully established and grown a specialist finance company catering to the SME sector. He is a Graduate of the Australian Institute of Company Directors.

Interest in Shares and Options
270,000 ordinary shares and 250,000 options

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
2,707,191 ordinary shares

Special Responsibilities
Audit Committee and Remuneration Committee

Directorships held in other listed entities during the three years prior to the current year
None

Company Secretary

The following persons held the position of company secretary at the end of the financial year:

Andrew Whitten
Company Secretary

Andrew is an admitted solicitor and an Executive Director of the Automic Group of Companies, Australia's only professional service provider that delivers a complete and integrated ecosystem of Registry, Company Secretarial, Legal, CFO and Accounting services.

Andrew is currently the company secretary for a number of publicly listed companies. He has been involved in numerous corporate and investment transactions including IPOs on the ASX and NSX, corporate reconstructions, reverse mergers and takeovers over two decades.

Andrew holds a Bachelor of Arts (Economics, UNSW); Master of Laws and Legal Practice (Corporate Finance and Securities Law, UTS); Graduate Diploma in Applied Corporate Governance from the Governance Institute and is an elected Associate of that institute.

Maggie Niewidok
Company Secretary

Maggie joined rhipe in 2015 and was appointed Company Secretary on 31 January 2017. She is also Company Secretary of a number of rhipe Group subsidiaries. Maggie is responsible for rhipes' board administration, governance, compliance and investor communications initiatives.

Maggie holds a double degree, Bachelor of Laws and Bachelor of Commerce majoring in Finance from The University of Wollongong.

Directors' Report (continued)

Meetings of Directors

During the financial year, ten meetings of directors were held. The audit committee, the remuneration committee and the risk committee met during the reporting period. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee		Risk Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mike Hill	10	9	2	2	4	3	n/a	n/a
Dominic O'Hanlon	10	10	n/a	n/a	n/a	n/a	n/a	n/a
Dawn Edmonds	10	10	n/a	n/a	4	4	2	2
Laurence Sellers	10	10	n/a	n/a	4	4	2	2
Mark Pierce	10	10	2	2	n/a	n/a	2	2
Michael Tierney	10	10	2	–	4	4	n/a	n/a

Material Business Risks

The Board with the support of management has the responsibility for overseeing the management of risks in the Company and managing the business within the agreed risk appetite of the group. There are a number of mechanisms in place aimed at ensuring the management of the business is aligned with the key risks identified by the Board, the Risk Committee of the Board, and management. These mechanisms include:

- Board approval of strategic and financial plans aimed at growing the company and managing the business risks identified;
- Regular updates provided by senior management on key strategic and operational matters;
- significant matters that have been reserved for the Board to approve;
- risk factors identified by the Board and Management and included in the risk register; and
- the reports of the external auditor.

As part of the risk management approach the Company has identified the following key risks that may affect the Group's future financial performance:

- **Technological change**: rhipe operates in the fast-changing IT software market with new innovations appearing in the market regularly. As a result, there is a risk that technological change will materially impact the markets where rhipe operates. The company seeks to mitigate this risk through maintaining strong relationships with key vendors at the forefront of technological change.
- **Dependency on Microsoft**: Over 70% of rhipe's revenue is concentrated on one vendor, Microsoft. If Microsoft decides to change how it operates or the way it incentivises its channel partners there is a risk that any changes will have a material impact on rhipe's financial performance. Management of this vital relationship has been and continues to be a key focus for management.
- **Competitive market**: rhipe operates in a very competitive market which includes software distributors, some of which are significantly larger than rhipe with significant financial resources. Consequently, there is a risk of increasing competitive pressures eroding gross margins and profitability which would impact rhipe's financial performance. rhipe continues to invest in its value-added services in order to mitigate this risk.
- **Geographic risk**: rhipe has operations in eight countries across the Asia Pacific region and consequently local regulations including foreign exchange controls and taxation risks associated with each country. In addition the Group is exposed to further foreign exchange rate volatility which is often prohibitively expensive to hedge against. These risks may in the future have a material impact on the financial performance of rhipe. rhipe monitors its exposures to these risks and seeks to maintain a diversified exposure to these jurisdictions.

The Board and management continue to monitor these risks and other identified risks in order to respond to the ever-changing market and ensure these risks are mitigated.

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 ShineWing Australia for non-audit services provided during the year ended 30 June 2018.

	$
Taxation and other services	87,000
	87,000

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. However, rhipe intends to temper any such expansion in operations so that the business can generate a solid growth in earnings in FY19.

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 3,673,334 unissued ordinary shares under option (30 June 2017: 4,349,584). These options are exercisable as follows:

Date of Grant	Number of Options	Date of Expiry	Conversion Price ($)
10/04/2014	1,033,334	10/04/2019	0.2
27/07/2014	300,000	11/08/2018	0.75
27/07/2014	300,000	11/08/2021	0.75
27/02/2015	67,500	15/09/2018	0.75
27/02/2015	67,500	15/09/2021	0.75
27/02/2015	67,500	1/10/2018	0.75
27/02/2015	67,500	1/10/2021	0.75
27/02/2015	200,000	1/07/2021	0.75
7/06/2016	700,000	1/01/2019	1.25
1/11/2016	135,000	1/11/2020	0.94
1/11/2016	135,000	1/11/2023	0.94
1/12/2016	400,000	1/01/2019	1.25
13/09/2017	100,000	12/09/2021	0.5
13/09/2017	100,000	12/09/2022	0.5
	3,673,334		

Directors' Report (continued)

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 31 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 2018 released to ASX and posted on the Company's website **www.rhipe.com/about/investors/.**

Events after the Reporting Period

Final dividend of 1.0 cent per share, fully franked, is declared subsequent to balance date, on 26 July 2018 and will be paid on 24 October 2018.

Apart from this, 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

Remuneration (continued)

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

On behalf of the Board, I am delighted to present the Remuneration Report for the financial year ended 30 June 2018, detailing the Board's approach to and amount of remuneration for rhipe's NEDs and other Key Management Personnel ("KMP"). The remuneration structures presented in this report are the result of continuous reviews and considerations, expert external advice, industry benchmarking and the development of enhanced remuneration governance. In developing this Remuneration Report the Board sets out to provide shareholders with frank and open insights into the remuneration governance, policies, procedures and practices being applied.

Overall, Total Remuneration Packages ("TRP") for FY18 for Directors and KMP has increased by approximately 9% over two years from FY16, with remuneration for NEDs remaining flat.

The increase is primarily due to incentives rewarded to KMP for exceeding FY18 market guidance and the internal budget which delivered a YOY operating profit increase of 54%. However, only modest overall increases to Base Remuneration Package were agreed by the Board for FY18.

Given the results for FY18, the Board is satisfied that the remuneration outcomes in relation to the FY18 results demonstrate a strong link between performance and reward.

The Board will continue to devote time and effort into developing its remuneration policies, procedures and practices giving due consideration to external stakeholder feedback.

This approach is then balanced with attention to the unique characteristics of the business, and the industry, which need to be taken into account in order to attract, retain and motivate senior talent going forward.

Finally, I would like to thank the members of the Remuneration and Nomination Committee for their hard work.

Yours sincerely,

Laurie Sellers
Chair of the Remuneration Committee

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, 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 Key management personnel.

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	
Mike Hill	NED since 31 January 2017 – Chairman of the Board since 10 April 2014 – Audit Committee since 10 April 2014 – Remuneration and Nomination Committee since 10 April 2014
Dawn Edmonds	NED since 1 January 2017 – Remuneration and Nomination Committee since 10 April 2014 – Risk Committee since 10 April 2014
Laurence Sellers	Independent NED since 10 April 2014 – Remuneration and Nomination Committee Chair since 10 April 2014 – 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

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	Chief Strategy Officer since 1 October 2014 and is located in Singapore
Warren Nolan	Chief Commercial Officer 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 of SEA since 1 July 2015, Managing Director of Asia from 1 July 2017, located in Thailand
Athena Thompson	Chief Marketing Officer since 7 January 2015
Cameron McFie	Chief Technology Officer since 25 May 2015, left 3 April 2018

During the period the following persons ceased to be Executive KMP of rhipe:

- Cameron McFie, Chief Technology Officer from 25 May 2015 until 3 April 2018
- Following an internal restructure, Athena Thompson decided to leave effective 17 August 2018.

Remuneration (continued)

3. Context of and Changes to KMP Remuneration for FY18

3.1 Matters Identified as Relevant Context for Remuneration Governance in FY18

The Board continues to devote time and energy to reviewing its approach to remuneration and adapting its approach to external stakeholder feedback. This is balanced with the consideration of unique characteristics of the business which need to be taken into account in order to motivate, retain and attract senior talent. The KMP remuneration structures that appear in this report are the result of these on-going reviews and considerations, which also include benchmarking and enhancements in remuneration governance. The Board has undertaken to make continuous improvements to remuneration governance, policies and practices applied to KMP of the Company, as well as all other employees, to ensure appropriateness to the circumstance of the Company as it evolves over time. The following outlines important context for the remuneration decisions that were made during FY18. Additional progressive changes that continue to be the subject of review and consideration will be reported on once they are settled, as part of the FY19 Annual Report of the Company.

- Towards the end of FY17 and throughout FY18, the Board continued to seek and receive feedback from independent expert consultants regarding KMP remuneration governance, disclosure and practices. The Board also took note of feedback from proxy advisors and has sought to be responsive to that feedback. The main themes are dealt with in this, and the following sections.
- TRP for FY18 for Directors and KMP increased by approximately 30% compared to the previous year, however, this is primarily due to the reduction in incentive payments made in FY17 following lower than targeted financial performance. Therefore, the increase in TRP over two years from FY16 was only 9%. The increase reflects incentives rewarded in line with the success by KMP in exceeding FY18 market guidance and internal budget, with a YOY operating profit increase of 54% and changes in remuneration structures to incentivise the KMP during FY18. Only modest overall increases were applied to base remuneration package agreed by the Board for FY18.
- The Company moved to the use of Performance Rights as the best practice instrument for the Long-Term Incentive Plan (LTIP).
- Financial performance during the year exceeded the Company's guidance by over 10%. Total Shareholder Returns were 128% in FY18. The Company's strong performance in FY18 was to a large extent due to KMP performance relative to non-financial goals in the previous period and the Company sought to reward that performance and drive momentum into FY18. Subsequently the Board made some adjustments to the Short-Term Incentive Plan (STIP).
- During the reporting period the following changes took place to the KMP:
  - The Chief Financial Officer Mark McLellan was promoted into the position of joint Chief Financial Officer (CFO) and Chief Operating Officer (COO);
  - The Chief Technology Officer, Cameron McFie, left the business in April 2018;
  - The Chief Marketing Officer Athena Thompson, following an internal restructure decided to leave and her last day with rhipe was 17 August 2018.

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

Throughout the reporting period, the Board has consulted with independent external remuneration consultants to further review the Company's Remuneration Governance Framework, understand stakeholder feedback including that of Proxy Advisors and consider proposals for further engagements to align the Company with best practices, some of which is reflected in this report. The Board will continue to seek advice and progress with modifications in regard to key issues identified during FY18 and will announce any changes when appropriate.

During FY18 a number of KMP remuneration related matters were identified for consideration and action during the reporting period and into FY19. These include:

- The Board agreed to develop and began work on an improved Remuneration Governance Framework and suite of related policies, procedures and plans;
- The Board introduced a Performance Rights Plan (as opposed to the earlier options plan) as the first stage in further developing the LTIP and the Board has committed to continue making improvements to the LTIP;
- Mark McLellan, CFO, was promoted to CFO/COO and has taken on a number of additional responsibilities. His remuneration package was increased to reflect these additional responsibilities and the new package is in line with the Company's policy in relation to benchmark testing. Any other changes to remuneration packages in FY18 were modest and are detailed in the relevant sections that follow. It should be noted that the increase in STI was driven by the company exceeding market guidance;
- The Company adopted a quarterly award rather than an annual award for the STI Plan. This was in order to drive strong sales momentum throughout the year which proved to be successful;
- The Board replaced the previous EBITDA target with an Operating Profit target as the primary performance measure for KMP. Operating profit represents EBITDA excluding foreign exchange gains or losses, restructuring or due diligence costs, share-based payments, and any one-off gains or losses not considered part of the normal operations of the business. These adjustments are intended to remove one-off items, non-cash items or costs that are out of the control of management. The Board's view was that a challenging but attainable Operating Profit goal would provide KMP with a concrete, controllable target that would drive high performance and which would, in turn, drive shareholder value; and
- The Company has allocated resources to a broadened benchmarking exercise of KMP remuneration in the relevant competitor and other comparator groups and industry sectors across a range of market caps as part of its continued commitment to remuneration governance.

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, accepts responsibility for determining and reviewing remuneration arrangements for the Directors and Executives. The Remuneration and Nomination 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 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. As per Section 3.2 of this report, the Board has begun a detailed review of its Remuneration Governance Framework with a view to improving the documentation suite and streamlining remuneration decision making processes. The following summarises the Board's current approach to governing and setting remuneration.

4.1 Remuneration and Nomination Committee Charter

The Remuneration and Nomination Committee (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 NEDs and making remuneration recommendations for NED 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.

The Committee shall have free and unfettered access to all personnel and other parties (internal and external), including the external auditors, legal advice or independent remuneration advisers. Committee members may seek independent professional advice for Company related matters. The Committee must approve the engagement of remuneration consultants when obtaining independent advice on the appropriateness of remuneration packages and other employment conditions for Senior Executives.

rhipe recognises the importance of ensuring that any recommendations given to the Committee provided by remuneration consultants are provided independently of those to whom the recommendations relate.

4.2 Senior Executive Remuneration Policy

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

- 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"));
  - STIs 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;
  - LTIs 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 fulfil a role;

Remuneration (continued)

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

- 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 (currently under review);
- 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 NED 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 NED 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;
- Short-term remuneration 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 STIP 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;
- NEDs are 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 was applied to the LTIP Performance Rights Plan in FY18 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 up or down 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 was developed and applied to the Performance Rights Plan in FY18. The Board will continue to review how this may be applied more broadly as part of its FY19 review. 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 not significant.

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 only trade during a "trading window" (with some limited exceptions as set out in the policy). The following periods in a year are "trading windows", unless otherwise determined by the Board:

- Four weeks commencing one trading day after the day of release of the Appendix 4D (half-year report), typically in mid-February;
- Four weeks commencing one trading day after the day of release of the Appendix 4E (preliminary final report), typically in mid-August; and
- Four weeks commencing one trading day after the day of rhipe's Annual General Meeting, typically in November.

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

Remuneration (continued)

4.10 Equity Holding Policy

The Company does not currently have an equity holding policy applicable to KMP as historically the majority of KMP had material holdings, however this matter is currently under consideration as part of the Remuneration Governance Framework review and given the changing circumstances and makeup of the Company/Board and market practices.

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 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 NED. Interactions between management and the ERC must be approved and will be overseen by the Remuneration Committee when appropriate.

4.12 Variable Executive Remuneration – STIP

STIP

Aspect	Plan, Offers and Comments
Purpose	The STIP's purpose is to provide an element of remuneration that is tied to financial and operational performance. 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.
Measurement Period	The four quarters of the Company's financial year. As per Section 3 the Company adopted a quarterly award in order to drive sustained momentum throughout the financial year.
Award Opportunities	**FY18 Invitations** The MD/CEO was offered a target-based STIP equivalent to 50% of the Base Package for Target performance, with a maximum/stretch opportunity of up to 120% of the Target Award. Other Senior Executives who are KMP were offered a target-based STIP equivalent to 30% to 80% of their Base Package for Target performance, with a maximum/ stretch opportunity of up to 120% of the Target Award. **FY19 Invitations** No decisions on changes to award opportunities have been made yet.
Performance Indicators (KPIs), Weighting and Performance Goals	**FY18 Invitations** FY18 Invitations to participate in the STIP for all participants, had a 100% weighting on an Operating Profit KPI, subject to a sliding scale of Threshold, Target and Stretch goal achievement. Financial targets are set with reference to the annual budget for the financial year. As per Section 3, for FY18 the Board replaced the previous EBITDA target with an Operating Profit target as the primary performance measure for KMP. **FY19 Invitations** The Board cannot disclose the financial targets for FY19 as this information is commercially sensitive, however this will be disclosed in the FY19 Remuneration Report. The target is set with reference to the annual Group Budget for the financial year. Non-financial targets will be incorporated with KPIs and weightings allocated as appropriate.

STIP

Aspect	Plan, Offers and Comments
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	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. In the event of cessation of employment classified as "good leaver", the Board has discretion to determine the appropriate treatment of STIP entitlements for the period, within the termination benefit limit.
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 STIP entitlements, given the circumstances at the time. This will generally include consideration of performance up to the date of the event.
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. This has been discussed in section 4.8.

Remuneration (continued)

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	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 or Options 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. **FY18 LTI Invitations** LTI allocations were issued to a number of key executives in FY18 in the form of Performance Rights. The Board is of the opinion that the move to allocation of Performance Rights is more appropriate than options for driving performance, is in line with industry standards and is considered market practice among comparable companies due to its simplicity and link to long-term strategic accomplishments. The vesting targets were set with challenging operating profit hurdles in addition to time and service. The amounts and conditions were approved by shareholders at the 2017 AGM. **Comments** rhipe chose to use Operating Profit over an 18-month period as the key measure for the Performance Rights plan because: – Operating Profit is a clear and direct measure of the performance of business operations. It excludes other non-operating costs and one-off costs that cannot be directly controlled by KMP (refer section 3.2). – Operating Profit continues to be a key lead indicator for the business and one that the Company and shareholders are focussed on when discussing the performance of the business. This has been well received by investors and is now a key metric that is being used by institutional investors to measure the performance of the business. **FY19 Invitations** In FY19, the Board of rhipe plans to continue improving its LTI program with a horizon and targets to be set over a 3 year rather than an 18-month period.

5. Performance Outcomes for FY18 Including STI and LTI Assessment

5.1 Company Performance

The following outlines the performance of the Company over the FY18 period and the previous three financial years in accordance with the requirements of the Corporations Act:

($'000's) unless otherwise stated	2018	2017	2016	2015	2014
Revenue	196,608	156,970	137,120	108,769	74,548
Operating profit	7,761	5,024	16	n/d	n/d
Reported EBITDA	6,384	4,004	1,466	(1,353)	(1,468)
Profit/(Loss) before income tax	5,190	3,344	1,168	(1,535)	1,370
Profit/(Loss)	3,066	2,507	(129)	(2,321)	884
30 June Share Price ($)	1.18	0.52	0.90	1.47	0.80
Change in Share Price ($)	0.66	(0.38)	(0.57)	0.67	n/a
Basic Earnings/(loss) Per Share (cents)	2.26	1.83	(0.1)	(1.98)	0.51
Dividends declared during the period	0.5	–	–	–	–
Total Shareholder Return (%)	**128%**	**(42%)**	**(39%)**	**83%**	**n/a**

Revenue for FY15 is as reported and includes rebates as part of revenue. FY16 revenue number has been restated and is comparable to FY17 and FY18 with rebates being offset against cost of goods sold.

The overall executive award takes into account performance over the financial year especially as it relates to improving performance over prior years. As the Company moved further from the investment phase to increasing delivery of bottom line reported earnings, EBITDA grew from $4.0m in FY17 to $6.4m in FY18, growth of 60% YOY. Operating profit, which is the key performance measure for KMP and the Company, grew from $5.0m in FY17 to $7.8m in FY18, growth of 54% which was driven by strong growth in revenue and gross profit in the Licensing business and a return to profitability in the Cloud Solutions business driven by the investment in the support services within Cloud Solutions.

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).

FY17

The STI related to performance during FY17 was awarded in September 2017. The Board awarded short-term incentives in FY17 based on the achievement of only the underlying profit threshold target. On average 36% of the target award opportunity was paid. This level of award was considered appropriate given performance against the financial Target. The Board also took into account its assessment of overall performance including non-financial achievements, such as expanding geographies, exploring new lines of business and further developing its internal processes and performance management methodologies. These non-financial achievements were fundamental to the future financial success of the business and the Board sought to reward and retain key executives through revisions to the LTIP and STIP targets and awards in FY18.

FY18

The STI achieved in relation to 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.

The Operating Profit KPIs outlined were selected because it was the most significant outcome expected to contribute to the success of the Company during FY18 while enabling KMP to focus further on the key factors that can drive long-term value and performance. Following the end of each measurement period, each quarter then the full financial year, the Company accounts were audited and reports on the Company's activities during each quarter and the year were prepared for the Board. 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. 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. 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.

Remuneration (continued)

It is the Board's view that the change to the quarterly award for the STI continued and sustained the momentum that had begun at the end of FY17 and drove a strong close to results at the end of each quarter throughout FY18. The change to the Operating Profit target for both the STI and LTI has provided executives with challenging but attainable and controllable targets that have resulted in excellent results for the business and for shareholders in FY18. The Board is also of the view that continued development of the LTI 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 incentives to Operating Profit, which the KMP can most strongly influence, produces an appropriate relationship to 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 During The Year	Other Changes During the Year	Balance At End of The Year	Notes
Mr Mike Hill	1,178,320	-	-	-	1,178,320	
Mr Dominic O'Hanlon	3,957,840	-	-	-	3,957,840	1
Ms Dawn Edmonds	4,027,294	-	275,000	(300,000)	4,002,294	2
Mr Laurence Sellers	166,666	-	-	-	166,666	
Mr Mark Pierce	270,000	-	-	-	270,000	
Mr Michael Tierney	2,707,191	-	-	-	2,707,191	
Mr Warren Nolan	859,475	-	200,000	-	1,059,475	
Mr Mark McLellan	175,396	-	-	(60,000)	115,396	2
Mr Chris Sharp	200,000	-	-	-	200,000	
Mr Patara Yongvanich	718,064	-	-	(100,000)	618,064	2
Mr Cameron McFie	-	-	-	-	-	3
Ms Athena Thompson	-	-	-	-	-	4
Total	**14,260,246**	**-**	**475,000**	**(460,000)**	**14,275,246**	

1. Dominic O'Hanlon exercised 300,000 options and converted 500,000 performance rights to ordinary shares on 10 August 2018.
2. The KMP disposed of ordinary shares during the period
3. Cameron McFie ceased employment with the Company on 3 April 2018
4. Athena Thompson ceased employment with the Company on 17 August 2018.

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 Com-pensation During The Year	Exercised No.	Other Changes During the Year	Balance At End Of The Year	Balance Vested At 30 June 2018 Exercisable	Balance Not Vested and Not Exercisable At 30 June 2018	Notes
Mr Mike Hill	Options	–	–	–	–	–	–	–	
	Performance Rights	–	–	–	–	–	–	–	
Mr Dominic O'Hanlon	Options	900,000	–	–	–	900,000	600,000	300,000	
	Performance Rights	1,000,000	700,000	–	–	1,700,000	500,000	1,200,000	1,2
Ms Dawn Edmonds	Options	375,000	–	(275,000)	–	100,000	–	100,000	3
	Performance Rights	–	–	–	–	–	–	–	
Mr Laurence Sellers	Options	233,334	–	–	–	233,334	233,334	–	
	Performance Rights	–	–	–	–	–	–	–	
Mr Mark Pierce	Options	250,000	–	–	–	250,000	250,000	–	
	Performance Rights	–	–	–	–	–	–	–	
Mr Michael Tierney	Options	–	–	–	–	–	–	–	
	Performance Rights	–	–	–	–	–	–	–	
Mr Warren Nolan	Options	500,000	–	(200,000)	–	300,000	200,000	100,000	4
	Performance Rights	–	300,000	–	–	300,000	–	300,000	1
Mr Mark McLellan	Options	270,000	–	–	–	270,000	135,000	135,000	
	Performance Rights	–	700,000	–	–	700,000	–	700,000	1
Mr Chris Sharp	Options	435,000	–	–	–	435,000	335,000	100,000	
	Performance Rights	–	300,000	–	–	300,000	–	300,000	1
Mr Patara Yongvanich	Options	100,000	–	–	–	100,000	–	100,000	
	Performance Rights	–	100,000	–	–	100,000	–	100,000	1
Mr Cameron McFie	Options	50,000	–	–	–	50,000	–	50,000	
	Performance Rights	40,000	100,000	–	(100,000)	40,000	40,000	–	1,5
Ms Athena Thompson	Options	130,000	–	–	(30,000)	100,000	–	100,000	6
	Performance Rights	–	100,000	–	–	100,000	–	100,000	1,7
	Options	**3,243,334**	**–**	**(475,000)**	**(30,000)**	**2,738,334**	**1,753,334**	**985,000**	
Total	**Performance Rights**	**1,040,000**	**2,300,000**	**–**	**(100,000)**	**3,240,000**	**540,000**	**2,700,000**	

1 KMP were granted performance rights as part of their remuneration and incentive packages for FY18 under the rhipe Performance Rights Plan which was approved by shareholders in FY18.
2. Dominic O'Hanlon exercised 300,000 options and converted 500,000 performance rights to ordinary shares on 10 August 2018.
3 Dawn Edmonds exercised options at $0.20 cents per option during the period which were granted as part of compensation by rhipe Limited.
4 Warren Nolan exercised options at $0.75 cents per option during the period which were granted as part of compensation by rhipe Limited.
5 Cameron McFie's performance rights that were granted as compensation during the year were forfeited upon cessation of employment.
6 Options that had been granted to Athena Thompson in the 2015 financial year expired unvested in FY18.
7 Athena Thompson's performance rights that were granted as compensation during the year were forfeited upon cessation of employment after balance date.

475,000 options that were granted to KMP as part of their compensation were exercised.

Remuneration (continued)

No performance rights that were granted to KMP Executives as remuneration during the year vested during the year. 30,000 options lapsed during the financial year that had been granted to KMP as part of their remuneration.

2018 Equity Grants KMP	Instrument	Grant Date	Number Issued	Exercise Price $	Value Per Security $	Grant Value $	Value Expensed in FY18	Percentage Remaining as Unvested	Expiry Date	Notes
Dominic O'Hanlon	Performance Rights	17-Nov-17	700,000	–	0.80	560,000	246,455	100	1-Jan-19	1
Warren Nolan	Performance Rights	17-Nov-17	300,000	–	0.80	240,000	105,623	100	1-Jan-19	1
Mark McLellan	Performance Rights	17-Nov-17	700,000	–	0.80	560,000	246,455	100	1-Jan-19	1
Chris Sharp	Performance Rights	17-Nov-17	300,000	–	0.80	240,000	105,623	100	1-Jan-19	1
Patara Yongvanich	Performance Rights	17-Nov-17	100,000	–	0.80	80,000	35,208	100	1-Jan-19	1
Cameron McFie	Performance Rights	17-Nov-17	100,000	–	0.80	80,000	–	100	1-Jan-19	1,2
Athena Thompson	Performance Rights	17-Nov-17	100,000	–	0.80	80,000	–	100	1-Jan-19	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. Cameron McFie and Athena Thompson forfeited their Performance Rights upon cessation of employment and therefore the share based payments expense was not recognised by the Company.

7. NED Fee Policy Rates for FY18 and FY19, and Fee Limit

NED fees are managed within the current annual fee limit (AFL) of $500,000 as specified in the Company's constitution.

The following table outlines the NED fee policy rates that were applicable as at the end of FY18:

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.

There are no changes intended for the fee pool or board and committee rates for FY19. 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. No additional fees were paid for additional work undertaken by a NED in FY18.

8. Remuneration Records for FY18 – Statutory Disclosures

8.1 Senior Executive Remuneration

The following table outlines the remuneration received by Senior Executives of the Company during FY18 prepared according to statutory disclosure requirements and applicable accounting standards:

Name	Role(s)	Year	Salary ($)	Superannuation Contributions ($)	Other Benefits ($)	Base Package Amount ($)	Base Package % of TRP	STI* Amount ($)	STI* % of TRP	LTI** Amount ($)	LTI** % of TRP	Total Remuneration Package (TRP) ($)	Termination Benefits*** ($)	Change in Accrued Leave ($)	Notes
DIRECTORS															
Mr Dominic O'Hanlon	Managing Director & CEO	2018	477,405	20,048	–	497,453	47%	282,731	27%	277,526	26%	1,057,710	–	18,828	
	Managing Director & CEO	2017	463,500	19,615	–	483,115	65%	89,331	12%	169,511	23%	741,957	–	6,660	
Ms Dawn Edmonds	NED	2018	60,000	–	–	60,000	100%	–		–		60,000	–	–	
	Chief Operating Officer & Executive Director	2017	174,664	14,859	2,652	192,175	93%	–		13,386	7%	205,561	70,476	(1,902)	1
	NED	2017	30,000	–	–	30,000	100%	–		–		30,000	–	–	
Mr Mike Hill	Non-Executive Chairman	2018	136,986	13,014	–	150,000	100%	–		–		150,000	–	–	
	Chairman & Executive Director	2017	159,817	15,183	–	175,000	100%	–		–		175,000	–	–	
Laurence Sellers	NED	2018	60,000	–	–	60,000	100%	–		–		60,000	–	–	
	NED	2017	57,110	3,050	–	60,160	67%	–		29,405	33%	89,565	–	–	
Mark Pierce	NED	2018	60,000	–	–	60,000	100%	–		–		60,000	–	–	
	NED	2017	57,110	3,050	–	60,160	85%	–		10,502	15%	70,662	–	–	
Michael Everett	NED	2017	35,000	–	–	35,000	77%	–		10,502	23%	45,502	–	–	2
Michael Tierney	NED	2018	60,000	–	–	60,000	100%	–		–		60,000	–	–	
	NED	2017	25,000	–	–	25,000	100%	–		–		25,000	–	–	3
Sub-Total 2018	**Directors**	**2018**	**854,391**	**33,062**	**–**	**887,453**	**61%**	**282,731**	**20%**	**277,526**	**19%**	**1,447,710**	**–**	**18,828**	
Sub-Total 2017	**Directors**	**2017**	**1,002,201**	**55,757**	**2,652**	**1,060,610**	**77%**	**89,331**	**6%**	**233,306**	**17%**	**1,383,247**	**70,476**	**4,758**	

1 Ms Edmonds left COO & Exec Director role and was NED effective 1 January 2017

2 Mr Everett resigned 27 January 2017

3 Mr Tierney was appointed NED position effective 27 January 2017

Remuneration (continued)

Name	Role(s)	Year	Salary ($)	Superannuation Contributions ($)	Other Benefits ($)	Base Package Amount ($)	Base Package % of TRP	STI* Amount ($)	STI* % of TRP	LTI** Amount ($)	LTI** % of TRP	Total Remuneration Package (TRP) ($)	Termination Benefits*** ($)	Change in Accrued Leave ($)	Notes
OTHER EXECUTIVES															
Mr Chris Sharp	Chief Strategy Officer	2018	385,953	11,760	–	397,713	62%	140,723	22%	105,623	16%	644,059	–	4,415	5, 6
	Chief Strategy Officer	2017	371,252	11,652	–	382,904	86%	34,031	8%	26,840	6%	443,774	–	–	
Mr Mark McLellan	Chief Financial Officer & Chief Operating Officer	2018	358,333	20,048	–	378,381	46%	182,298	22%	269,653	32%	830,332	–	202	7
	Chief Financial Officer	2017	300,000	19,615	–	319,615	83%	35,733	9%	30,888	8%	386,235	–	8,330	
Mr Warren Nolan	Chief Commercial Officer	2018	275,753	20,048	13,043	308,844	44%	282,731	41%	105,623	15%	697,198	–	(5,881)	
	Chief Commercial Officer	2017	267,342	19,615	13,043	300,000	75%	89,331	22%	9,265	2%	398,596	–	10,351	
Mr Patara Yongvanich	MD Asia	2018	298,732	14,937	–	313,669	68%	108,659	24%	35,208	8%	457,846	–	7,864	5
	MD SEA	2017	271,299	14,279	–	285,578	86%	38,095	11%	9,265	3%	332,938	–	–	
Ms Athena Thompson	Chief Marketing Officer	2018	216,697	20,048	–	236,745	73%	84,819	26%	926		322,490	–	(829)	
	Chief Marketing Officer	2017	210,385	19,615	–	230,000	83%	30,000	11%	17,104	6%	277,104	–	5,369	
Mr Cameron McFie	Chief Technology Officer	2018	160,287	16,786	–	177,073	84%	30,000	14%	4,655	2%	211,728	66,260	(11,055)	8
	Chief Technology Officer	2017	205,479	19,521	–	225,000	91%	19,499	8%	2,485	1%	246,984	–	6,232	
Ms Ravi Samuel	Chief Financial Officer	2017	57,673	4,827	–	62,500	79%	–	–	17,065	21%	79,565	57,673	2,957	9
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)**	
Sub-Total 2017	**Other Executives**	**2017**	**1,683,430**	**109,124**	**13,043**	**1,805,597**	**83%**	**246,690**	**11%**	**112,912**	**5%**	**2,165,198**	**57,673**	**33,239**	
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**	
Grand Total 2017	**All KMP**	**2017**	**2,685,631**	**164,881**	**15,695**	**2,866,207**	**81%**	**336,021**	**9%**	**346,218**	**10%**	**3,548,445**	**128,149**	**37,998**	

5 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. Profit share and bonuses is accrued in AUD and is paid in SGD on payment date.

6 Mr Sharp STI includes employer CPF contribution payable in Singapore

7 Mr McLellan took on role of COO as well as CFO effective 1 March 2018 and revised remuneration reflects increased responsibilities

8 Mr McFie left the Company on 3 April 2018

9 Ms Samuel left the Company on 30 September 2016

* Please note that the STI value reported in this table is the STI that was accrued for the relevant financial year. Actual cash payments will 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. Both Target and awarded values of STI as well as LTI remuneration are outlined in the relevant sections of the Remuneration Report to assist shareholders to obtain a more complete understanding of remuneration as it relates to senior executives.

*** Termination benefits shown exclude annual and long service leave entitlement payments
The increase in total KMP remuneration in FY18 from FY17 is accentuated due to the decrease in remuneration in FY17 from FY16, having missed incentive based targets, and therefore reflects a normalization in KMP remuneration based on meeting and then exceeding targets, resulting in an overall increase since FY16 of 9%. This is in the context of a substantial increase over the same 2-year period in Operating Profit from $0m to $7.8m and in EBITDA from $1.46m in FY16 to $6.4m in FY18.

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	Chief Strategy Officer	Open ended	1 month	1 month	Up to 12 months*
Mr Warren Nolan	Chief Commercial Officer	Open ended	3 months	3 months	Up to 12 months*
Mr Mark McLellan	Chief Financial Officer	Open ended	6 months	3 months	Up to 12 months*
Mr Patara Yongvanich	MD ASIA	Open ended	1 month	1 month	Up to 12 months*
Ms Athena Thompson	Chief Marketing Officer	Open ended	1 month	1 month	Up to 12 months*
Mr Mike Hill	Chairman & Executive Director	Open ended	3 months	3 months	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 Mike Hill	Non-Executive Chairman	3 years	3 months	3 months	None
Ms Dawn Edmonds	NED	3 years	3 months	3 months	None
Mr Laurence Sellers	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

Termination payments consist of notice period only, no other benefits apply. The termination components of the agreement are the subject of review in FY19.

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:

- Cameron McFie CTO departed the company on 3 April 2018. An ex-gratia payment of $66,260 and accrued annual leave of $14,826 was made. As per the LTIP, Mr McFie'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 provide broad commentary on improvements that could be made to the Remuneration Report in FY17 and on the overall remuneration arrangements and governance applicable to KMP in FY18. K&L Gates were engaged as regards the FY18 LTIP.

Fees charged by consultants are disclosed for the reporting period as follows:
$17,000 + 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 FY19 Remuneration Report.

Auditor's Independence Declaration

ShineWing Australia
Accountants and Advisors
Level 8, 167 Macquarie Street
Sydney NSW 2000
T +61 2 8059 6800
F +61 2 8059 6899
shinewing.com.au

Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the directors of rhipe Limited and Controlled Entities.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been:

(i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia

ShineWing Australia
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Sydney, 20 August 2018

Consolidated Statement of Profit or Loss

And Other Comprehensive Income For The Year Ended 30 June 2018

rhipe Limited And Controlled Entities

CONSOLIDATED GROUP	Note	2018 $'000	2017 $'000
Revenue	3(a)	**196,608**	156,970
Cost of Sales		**(162,537)**	(128,780)
Gross Profit		**34,071**	28,190
Other income	3(b)	**315**	27
Sales and Marketing	4	**(14,775)**	(11,347)
General and Administration	4	**(14,135)**	(13,400)
Other expenses	4(c)	**(286)**	(126)
Profit before income tax		**5,190**	3,344
Tax expense	5	**(2,124)**	(837)
Profit after tax for the year attributable to owners of the parent entity		**3,066**	2,507
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)**	86
Exchange differences on translating foreign operations		**157**	(796)
Other comprehensive income for the year		**(209)**	(710)
Total comprehensive income for the year attributable to owners of the parent entity		**2,857**	1,797
EARNINGS PER SHARE			
From continuing and discontinued operations:			
Basic earnings per share (cents)	6	**2.26**	1.83
Diluted earnings per share (cents)	6	**2.22**	1.80

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2018

rhipe Limited And Controlled Entities

CONSOLIDATED GROUP	Note	2018 $'000	2017 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**22,696**	19,812
Trade and other receivables	8	**40,047**	36,121
Other assets	9	**4,650**	2,910
Total Current Assets		**67,393**	58,843
NON-CURRENT ASSETS			
Other financial assets	10	**6**	946
Property, plant and equipment	11	**917**	766
Deferred tax assets	15	**1,524**	1,084
Intangible assets	12	**23,463**	21,887
Total Non-Current Assets		**25,910**	24,683
Total Assets		**93,303**	83,526
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	**41,926**	36,240
Unearned revenue	14	**2,718**	1,547
Current tax liabilities	15	**1,572**	678
Provisions	16	**679**	656
Total Current Liabilities		**46,895**	39,121
NON-CURRENT LIABILITIES			
Deferred tax liabilities	15	**2,245**	1,443
Provisions	16	**185**	156
Total Non-Current Liabilities		**2,430**	1,599
Total Liabilities		**49,325**	40,720
Net Assets		**43,978**	42,806
EQUITY			
Issued capital	17	**39,287**	40,977
Reserves		**2,051**	1,620
Accumulated profits		**2,640**	209
Total Equity		**43,978**	42,806

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For The Year Ended 30 June 2018

rhipe Limited And Controlled Entities

	Share Capital	Reserves					
CONSOLIDATED GROUP	Ordinary $'000	Accumulated Profits/ (losses) $'000	Foreign Currency Translation Reserve $'000	Investment Revaluation Reserve $'000	General Reserve $'000	Equity Settled Employee Benefits Reserve $'000	Total $'000
Balance at 1 July 2016	**39,089**	**(2,338)**	**(25)**	**280**	**(27)**	**3,018**	**39,997**
COMPREHENSIVE INCOME							
Profit for the year	–	2,507	–	–	–	–	2,507
Other comprehensive income for the year	–	–	–	–	–	–	–
Revaluation of investments, net of tax	–	–	–	86	–	–	86
Exchange differences on translation of subsidiaries	–	–	(796)	–	–	–	(796)
Total comprehensive income for the year	**–**	**2,507**	**(796)**	**86**	**–**	**–**	**1,797**
TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS, AND OTHER TRANSFERS							
Shares issued during the year	608	–	–	–	–	–	608
Transaction costs, net of tax	(4)	–	–	–	–	–	(4)
Share-based payments	–	–	–	–	–	409	409
Transfer from SBP Reserves – Options expired	–	40	–	–	–	(40)	–
Transfer from SBP Reserves – Options exercised	1,284	–	–	–	–	(1,284)	–
Total transactions with owners and other transfers	1,888	40	–	–	–	(916)	1,012
Balance at 30 June 2017	**40,977**	**209**	**(821)**	**366**	**(27)**	**2,102**	**42,806**
COMPREHENSIVE INCOME							
Profit for the year	–	3,066	–	–	–	–	3,066
Other comprehensive income for the year	–	–	–	–	–	–	–
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**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For The Year Ended 30 June 2018

rhipe Limited And Controlled Entities

CONSOLIDATED GROUP	Note	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**193,856**	148,846
Payments to suppliers and employees		**(185,238)**	(141,980)
Interest received		**6**	27
Net income tax paid		**(868)**	(5)
Net cash provided by operating activities	21	**7,756**	6,888
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(526)**	(253)
Payments for intangibles		**(2,408)**	(1,212)
Proceeds from sale of investments		**733**	-
Net cash used in investing activities		**(2,201)**	(1,465)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**251**	604
Payment for share buy back		**(2,292)**	–
Dividend paid		**(664)**	–
Net cash (used in) / provided by financing activities		**(2,705)**	604
Net increase in cash held		**2,850**	6,027
Cash and cash equivalents at beginning of financial year		**19,812**	13,761
Effect of exchange rates on cash holdings in foreign currencies		**34**	24
Cash and cash equivalents at end of financial year	7	**22,696**	19,812

The accompanying notes form part of these financial statements.

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 20 August 2018 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 Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, 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 is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase when the consideration is below the fair value of the assets and liabilities acquired.

(d) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

ii. Available for sale ("AFS") financial assets

Listed shares that are traded in an active market are classified as AFS and stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses which are recognised in the profit or loss. When the investment is disposed of or is determined to be impaired the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Shares in unlisted companies are stated at cost less any reduction from impairment.

Dividends on AFS are recognised in profit or loss when the Group's right to receive the dividends is established.

iii. Financial Liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

iv. Financial assets at fair value through profit or loss

Financial assets are classified as "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence that impairment as a result of one or more events (a 'loss event') has occurred, which has an impact on the estimated future cash flows of the financial asset(s).

For AFS, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for AFS.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

In the case of financial assets carried at amortised cost, loss events may include:

- indications that the debtors or a group of debtors are experiencing significant financial difficulty;
- default or delinquency in interest or principal payments;
- indications that they will enter bankruptcy or other financial reorganisation; and
- changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

De-recognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in 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.

(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 not expected to be settled wholly 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 Judgments

The directors evaluate estimates and judgments 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 Judgments

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

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.

(k) New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- **AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).**

  AASB 9 replaces AASB 139: Financial Instruments: Recognition and Measurement and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments, revised impairment requirements and simplified requirements for hedge accounting.

Notes to the Financial Statements (continued)

The revised requirements include:

- simplifications to the classification of financial assets
- simplifications to the accounting of embedded derivatives
- an expected loss impairment model
- the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.
- a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items.

The financial assets and liabilities of the Group consist of cash, receivables, payables. The directors do not anticipate that transition to AASB 9 will have a material impact on the financial statements.

- **AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018 as further amended by AASB 2015-8).**

This Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and

recognise revenue when (or as) the performance obligations are satisfied.

The initial assessment of the impact of AASB 15 is focused on software licensing revenue (representing 96% of total revenue in 2018) as management believe the new standard will not have material impact on the other revenue streams, however a detailed assessment is yet to be performed on this.

There are several items to consider when determining the performance obligation in the contract with the key being whether rhipe is a principal or an agent for the transaction. Indicators that an entity controls the specified good or service before it is transferred to the customer (and is therefore a principal) include, but are not limited to, the following:

a. The entity is primarily responsible for fulfilling the promise to provide the specified good or service.

b. The entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return).

c. The entity has discretion in establishing the price for the specified good or service.

Management and the Board are continuing to evaluate the impact of AASB15 and in particular if rhipe is a principal or agent.

If it is concluded that rhipe is a principal, the impact of the new accounting standard on licensing revenue of rhipe would not be material. If it is determined that rhipe is an agent, the impact will be that rhipe would record revenue in the Consolidated Statement of Profit or Loss as the net amount that it retains for its agency services i.e. fees or commission.

Below is a summarised illustration of the Statement of Profit or Loss presentation if rhipe is considered to be a Principal or Agent for FY18 and FY17.

	2018 $'000 Principal	2018 $'000 Agent	2017 $'000 Principal	2017 $'000 Agent
Revenue	196,608	–	156,970	–
Cost of sales	(162,537)	–	(128,780)	–
Gross profit	**34,071**	**–**	**28,190**	**–**
Licensing revenue	–	28,702	–	23,830
Service & support revenue	–	6,922	–	5,140
Total revenue	**–**	**35,624**	**–**	**28,970**
Cost of sales – Service & support	–	(1,553)	–	(780)
Gross profit	**–**	**34,071**	**–**	**28,190**

Management believes that there will not be material changes in regards to the timing of revenue recognition regardless of whether rhipe account for revenue as an agent or as a principal.

Revenue will be recognised as and when the performance obligation is satisfied. Management believes that there will be no material change in regards to the timing of revenue recognition.

- **1AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019)**

AASB 16 will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The directors expect that the adoption of AASB 16 will result in lease assets and liabilities being recognised on balanc**e sheet and a change in how related expenses are incurred. The financial impact of this has not yet been determined.**

- **Interpretation 22: Foreign Currency** Transactions and Advance Consideration (applicable to annual reporting periods beginning on or after 1 January 2018)

This Interpretation clarifies that the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance the Group shall determine a date of the transaction for each payment or **receipt of advance consideration.**

The directors do not expect a material impact when this interpretation is adopted.

- **Interpretation 23: Un**certainty 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)

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 country include:

CONSOLIDATED GROUP	2018 $'000	2017 $'000
Australia	**121,881**	93,887
Asia	**52,656**	42,455
New Zealand	**21,206**	18,187
Other	**865**	2,441
Total rhipe group	**196,608**	156,970

Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2018 and 2017.

Information about major vendors

Included in revenues arising from sales of cloud based licensing programs and services of $196,608,000 are revenues from products of two major vendors of $139,571,000 (71%) and $31,105,000 (16%). In FY17 these two vendors accounted for $105,797,000 and $29,079,000 out of total revenue of 156,970,000 or 67% and 19% respectively. There are no other sales of a single vendors' product which contributed 10% or more to the Group's revenue for both 2018 and 2017.

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 from financial instruments.

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

CONSOLIDATED GROUP	2018 $'000	2017 $'000
Profit before income tax	**5,190**	3,344
Share based payments	**1,020**	409
Restructuring and due diligence	**380**	485
Gain on disposal of investments	**(309)**	–
Depreciation and amortisation	**1,200**	687
Foreign exchange loss/(gain)	**286**	126
Interest income	**(6)**	(27)
Operating profit	**7,761**	5,024

Note 3. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

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.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

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

CONSOLIDATED GROUP	2018 $'000	2017 $'000
(a) Revenue from continuing operations		
Sales revenue		
– Licensing revenue	**189,686**	151,830
– Service & support revenue	**6,922**	5,140
Total revenue	**196,608**	156,970
(b) Other income		
Interest income	**6**	27
Gain on disposal of Investment	**309**	–
	315	27

Note 4. Expenses

CONSOLIDATED GROUP	2018 $'000	2017 $'000
(a) Employee benefits		
Share-based payments	**1,020**	409
Defined contribution superannuation expenses	**1,085**	1,129
Other employee benefits	**15,801**	15,316
	17,906	16,854

During the year $494,866 of employee benefits were capitalised to software development (FY17 $412,959).

(b) Depreciation and amortisation		
Depreciation	**368**	260
Amortisation	**833**	427
	1,201	687

(c) Other expenses		
Foreign exchange loss	**286**	126

(d) Rental expense		
Rental expenses on operating leases	**1,066**	847

Note 5. 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 rhipe 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	2018 $'000	2017 $'000
(a) The components of tax (expense)/income comprise:			
Current tax		**1,601**	681
Deferred tax	15	**518**	464
Over provision in respect of prior years		**5**	(308)
		2,124	837
(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% (2017: 30%)			
– Consolidated Group		**1,557**	1,003
– Effect of tax rates of subsidiaries operating in other jurisdictions		**23**	85
Add tax effect of:			
– Other non-allowable items		**1,090**	346
		2,670	1,435
Less tax effect of:			
– Under/(over) provision of prior year income tax		**5**	(308)
– Current year overseas subsidiaries losses not recognised		**265**	209
– Research and development offset		**(816)**	(498)
		2,124	837
(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)**	157

Note 6. Earnings per Share

CONSOLIDATED GROUP	2018 cents	2017 Cents
Basic EPS	**2.26**	1.83
Diluted EPS	**2.22**	1.80

NET PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	$000	$000
(a) Reconciliation of earnings to profit or loss		
Profit/(Loss)	**3,066**	2,507
Earnings used to calculate basic EPS	**3,066**	2,507
Earnings used in the calculation of dilutive EPS	**3,066**	2,507

	2018 No. of Shares	2017 No. of Shares
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**135,778,667**	136,782,823
Weighted average number of dilutive options outstanding	**2,140,959**	2,529,505
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**137,919,626**	139,312,328

Note 7. 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.

CONSOLIDATED GROUP	2018 $'000	2017 $'000
Cash at bank and on hand	**22,696**	19,784
Short-term bank deposits	**–**	28
	22,696	19,812

Note 8. 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.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(d) for further discussion on the determination of impairment losses.

CONSOLIDATED GROUP	Note	2018 $'000	2017 $'000
CURRENT			
Trade receivables		**22,367**	20,548
Provision for impairment	8(a)	**(587)**	(487)
Indirect taxes		**1,645**	1,462
Accrued revenue		**16,622**	14,598
		40,047	36,121

Notes to the Financial Statements (continued)

Debtor Concentration

As of 30 June 2018 two customers had a balance greater than 5% of trade receivables. These customer balances represented 16% and 6% of total receivables, respectively. For the largest balance this was unusually high due to a back log of license purchases incurred close to 30 June 2018 (known as "back reporting"). This balance has been paid since the year end with the customer returning to normal trade levels at 2% of the total trade receivable balance. The other customer balance owing 6% (14% at Jun 2017) is due to extended payment terms from 45 to 62 days (from invoice date). This corporate customers corporate bonds are rated "A-" is S&P. Refer to Note 26(a) for further details on credit risk.

(a) Provision For Impairment of Receivables

Movement in provision for impairment of receivables is as follows:

CONSOLIDATED GROUP	Opening Balance $'000	Impairment For The Year $'000	Amounts Written Off During The Year $'000	Closing Balance $'000
(i) Current trade receivables 2017	248	461	(222)	487
(ii) Current trade receivables 2018	**487**	**752**	**(652)**	**587**

(b) Credit risk

Other than two customers that represented 22% of total receivable the 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, 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:

CONSOLIDATED GROUP	2018 %	2018 $'000	2017 %	2017 $'000
Australia	**54%**	**21,818**	46%	16,532
Singapore	**17%**	**6,726**	23%	8,352
New Zealand	**9%**	**3,694**	9%	3,162
Philippines	**6%**	**2,401**	9%	3,226
Thailand	**4%**	**1,440**	4%	1,539
Other (Malaysia, Indonesia and Korea)	**10%**	**3,968**	9%	3,310
	100%	**40,047**	100%	36,121

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment 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. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

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	Past Due and Impaired $'000	Past Due but <30 $'000	Not Impaired (Days Overdue) 31-60 $'000	Not Impaired (Days Overdue) >60 $'000	Within Initial Terms $'000
2017 Trade and term receivables	20,548	(487)	3,787	3,444	2,987	10,330
2018 Trade and term receivables	**22,367**	**(587)**	**6,106**	**2,375**	**1,165**	**12,721**

Note the trade receivables <30 days is high in FY18 due to the items described in the debtor concentration note.

(c) Financial Assets Classified as Loans and Receivables

CONSOLIDATED GROUP	Note	2018 $'000	2017 $'000

TRADE AND OTHER RECEIVABLES			
Total current	8	**40,047**	36,121
		40,047	36,121
Less: Indirect taxes		**(1,645)**	(1,462)
Financial assets as trade and other receivables		**38,402**	34,659

Note 9. Other Assets

CONSOLIDATED GROUP	2018 $'000	2017 $'000
CURRENT		
Prepayments	**4,464**	2,368
Bonds	**186**	542
	4,650	2,910

Prepayments relate to prepaid cost of sales and 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 24 for more details on leases.

Note 10. Available for Sale Equity Investment

CONSOLIDATED GROUP	2018 $'000	2017 $'000
Investment at cost	**6**	6
Investment at fair value	**–**	940
	6	946

Note 11. 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 2016	637	101	443	1,181
Additions	204	48	–	252
Disposals	–	–	–	–
Cost at 30 June 2017	**841**	**149**	**443**	**1,433**
Accumulated depreciation at 30 June 2016	(239)	(54)	(115)	(408)
Depreciation expense	(164)	(13)	(82)	(259)
Disposals	–	–	–	–
Accumulated depreciation at 30 June 2017	**(403)**	**(67)**	**(197)**	**(667)**
Balance at 30 June 2017	438	82	246	766
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**

Note 12. 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 technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

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.

The software development asset has a useful life of five years and is amortised on a straight line basis commencing from the time the asset is held ready for use.

Notes to the Financial Statements (continued)

CONSOLIDATED GROUP	Goodwill $'000	Trademarks & Licenses $'000	Software Development $'000	Total $'000
Cost at 30 June 2016	19,897	10	1,520	21,427
Additions	–	–	1,212	1,212
Disposals	–	–	–	–
Cost at 30 June 2017	**19,897**	**10**	**2,732**	**22,639**
Accumulated amortisation at 30 June 2016	–	–	(325)	(325)
Amortisation expense	–	–	(427)	(427)
Disposals	–	–	–	–
Accumulated amortisation at 30 June 2017	**–**	**–**	**(752)**	**(752)**
Balance at 30 June 2017	**19,897**	**10**	**1,980**	**21,887**
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**

The amortisation 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%

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.

Impairment

Goodwill is allocated to cash-generating units which are based on the Group's reporting regions.

	2018 $'000	2017 $'000
Asia Pacific region	**19,897**	19,897
Total	**19,897**	19,897

Goodwill impairment testing

The recoverable amount of the Asia Pacific region, the only cash-generating unit to which goodwill is recognised at 30 June 2018, 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 2019 financial year for the cash-generating unit. This budget is adjusted for future years and uses an initial growth rate of 20% decreasing over five years to a terminal growth of 5% and a real pre-tax discount rate of 13.4% (30 June 2017: 13.25%). 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 2018, 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 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 13. 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.

CONSOLIDATED GROUP	Note	2018 $'000	2017 $'000
CURRENT			
Unsecured liabilities			
Trade payables		**26,339**	23,754
Sundry payables and accrued expenses		**15,587**	12,457
Forward Contracts		**–**	29
Total trade and other payables	25	**41,926**	36,240

(a) Financial liabilities at amortised cost classified as trade and other			
Trade and other payables, unearned revenue and employee benefits			
– Total current		**41,926**	36,240
– Total non-current		**–**	–
	25	**41,926**	36,240
Financial liabilities as trade and other payables		**41,926**	36,240

Note 14. Unearned Revenue

CONSOLIDATED GROUP	2018 $'000	2017 $'000
CURRENT		
Unearned revenue	**2,718**	1,547

Unearned revenue is for offerings for which the Group has been paid in advance and the revenue is recognised when the service is provided or otherwise meets the revenue recognition criteria.

Notes to the Financial Statements (continued)

Note 15. Tax

CONSOLIDATED GROUP	2018 $'000	2017 $'000
CURRENT		
Income tax payable	**1,572**	678
	1,572	678

CONSOLIDATED GROUP	Opening Balance $'000	Recognised To Income $'000	Recognised To Equity $'000	Closing Balance $'000
DEFERRED TAX ASSET				
Provisions – employee benefits	381	101	–	482
Provisions – doubtful debts	63	83	–	146
Accrued COS	21	(21)	–	–
Other	363	93	–	456
Balance at 30 June 2017	**828**	**256**	**–**	**1,084**
Provisions – employee benefits	482	126	–	608
Provisions – doubtful debts	146	30	–	176
Accrued COS	–	–	–	–
Other	456	284	–	740
Balance at 30 June 2018	**1,084**	**440**	**–**	**1,524**
DEFERRED TAX LIABILITY				
Accrued revenue	448	305	–	753
Other	240	293	157	690
Balance at 30 June 2017	**688**	**598**	**157**	**1,443**
Accrued revenue	754	465	–	1,219
Other	689	494	(157)	1,026
Balance at 30 June 2018	**1,443**	**959**	**(157)**	**2,245**

Note 16. 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).

CONSOLIDATED GROUP	2018 $'000	2017 $'000
CURRENT		
Employee Benefits	**679**	656
NON CURRENT		
Employee Benefits	**185**	156

	Opening Balance 1 Jul 2016 $'000	Additional Provision For The Year $'000	Utilisation Of Provision During The Year $'000	Closing Balance 30 Jun 2017 $'000
Employee benefits – Current	870	587	(801)	656
Employee benefits – Non-Current	116	115	(75)	156

	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**	**80**	**(52)**	**185**

Notes to the Financial Statements (continued)

Note 17. Issued Capital

RHIPE LIMITED	2018 $'000	2017 $'000
135,429,383 (2017: 138,091,614) fully paid ordinary shares	**39,287**	40,977
	39,287	40.977

RHIPE LIMITED	No.	Value $'000
(a) Movement in ordinary shares on issue		
rhipe Limited shares as at 30 June 2017	138,091,614	40,977
Shares issued upon exercise of $0.20 options	550,000	110
Shares issued upon exercise of $0.75 options	200,000	150
Share buy back	(3,412,231)	(2,292)
Transfer from equity settled employee benefits reserve	–	351
Share issue costs, net tax	–	(9)
Closing balance at 30 June 2018	**135,429,383**	**39,287**

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. The Group is subject to externally imposed capital requirements for the facilities detailed in note 21(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

RHIPE LIMITED	2018 $'000	2017 $'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	**5,269**	4,237

Note 18. 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 20.

(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.

Note 19: Dividends

	Amount per ordinary share (cents)	Franked amount per ordinary share (cents)	Dividend Declared	Payment date
2018 Interim dividend	0.5	0.5	5 February 2018	23 March 2018
2018 Final dividend	1.0	1.0	26 July 2018	24 October 2018

Note 20. 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–Scholes pricing model. The number of shares and options 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) For 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.

As at 30 June 2018, there were 3,673,334 options under issue (30 June 2017: 4,349,584) exercisable on a 1:1 basis for 3,673,334 ordinary shares in the Company (2017: 4,349,584). These options are exercisable as follows:

DETAILS	Date Of Grant	Number Of Options	Date Of Expiry	Conversion Price ($)
Management incentive options	10/04/2014	1,033,334	10/04/2019	0.20
	27/07/2014	300,000	11/08/2018	0.75
	27/07/2014	300,000	11/08/2020	0.75
	27/02/2015	67,500	15/09/2018	0.75
	27/02/2015	67,500	15/09/2021	0.75
	27/02/2015	67,500	01/10/2018	0.75
	27/02/2015	67,500	01/10/2021	0.75
	27/02/2015	200,000	01/07/2021	0.75
	07/06/2016	700,000	01/01/2019	1.25
	01/11/2016	135,000	01/11/2020	0.94
	01/11/2016	135,000	01/11/2023	0.94
	01/12/2016	400,000	01/01/2019	1.25
	13/09/2017	100,000	12/09/2021	0.50
	13/09/2017	100,000	12/09/2022	0.50
		3,673,334		

The weighted average conversion price of the above options is $0.745 (2017: $0.703)

	2018 No. Of Options	2017 No. Of Options
Balance at beginning of the year	**4,349,584**	6,847,500
Granted during the year	**200,000**	670,000
Exercised during the year	**(750,000)**	(3,041,666)
Expired during the year	**(126,250)**	(126,250)
Balance at end of year	**3,673,334**	4,349,584

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 2016	**6,847,500**	**$0.448**
Granted	670,000	$1.125
Exercised	(3,041,666)	$0.200
Expired	(126,250)	$1.250
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**
Options exercisable as at 30 June 2018	2,238,334	$0.508
Options exercisable as at 30 June 2017	2,853,334	$0.444

As at the date of exercise, the weighted average share price of options exercised during the year was $0.35.

The weighted average remaining contractual life of options outstanding at year end was 1.41 years (2017: 2.08 years). The exercise price of outstanding options at the end of the reporting period was $0.20 – $1.25.

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

During the year, 200,000 share options were granted to employees under the rhipe Limited management incentive plan to take up ordinary shares. Details of options issued during the year are disclosed in the table below.

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

Fair value of share options granted in the year

The fair value of the options granted to employees is considered to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was $0.3025 (2017: $0.1586). These values were calculated using the Black Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted using management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option where applicable), and behavioral considerations.

No. Of Options	100,000	100,000
Grant date	13/09/2017	13/09/2017
Share price at grant date	$0.65	$0.65
Exercise price	$0.50	$0.50
Risk-free interest rate	2.24%	2.24%
Expiry date	12/09/2021	12/09/2022
Volatility	62%	62%
Vesting conditions	(a)	(b)
Weighted average value per option before discounting for non-transferability	$0.3640	$0.3922
Discount as options unlisted and non-transferable	20%	20%
Weighted average value per option	$0.2912	$0.3138

(a) Vest only after one year's service with the company from the grant date of options

(b) Vest only after the two years' service with the company from the grant date of options

The last 12 months of historical share price volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future volatility.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Notes to the Financial Statements (continued)

(b) Performance rights

As at 30 June 2018, there were 3,440,000 performance rights to acquire shares (30 June 2017: 1,040,000). These performance rights are exercisable as follows:

Details	Date Of Grant	Number Of Rights	Date Of Expiry	Conversion Price ($)
Management performance rights	29/07/2014	500,000	11/08/2020	Nil
	29/07/2014	500,000	11/08/2022	Nil
	28/04/2017	40,000	27/04/2021	Nil
	17/11/2017	2,500,000	01/01/2019	Nil

	2018 No. of Rights	2017 No. Of Rights
Balance at beginning of the year	**1,040,000**	1,000,000
Granted during the year	**2,500,000**	40,000
Exercised during the year	**–**	–
Expired during the year	**–**	–
Forfeited during the year	**(100,000)**	–
Balance at end of year	**3,440,000**	1,040,000

Fair value of performance rights granted in the year

On 17 November 2017, 2,500,000 performance rights were granted to executives as part of a management incentive plan. The performance rights vest on the satisfaction vesting conditions and expire on 01 January 2019 if these are not met. The company expensed $810,000 in relation to these performance rights. The fair value of the performance rights has been determined using the following assumptions:

No. of performance rights	2,500,000
Grant date	17/11/2017
Share price at grant date	$0.80
Vesting conditions	(a) (b)
Value per performance right unlisted and non-transferable status	$0.80
Further discount for market-based vesting conditions	n/a
Value per performance right	$0.80

(a) The Performance Rights vest upon the Company delivering an Operating Profit of not less than $8,900,000 on a prior 12 months' basis at any stage prior to 31 December 2018 (Profit Target); and

(b) the executive remaining employed by the Group at the time of achievement of the Profit Target.

Note 21. Cash Flow Information

CONSOLIDATED GROUP	2018 $'000	2017 $'000
(a) Reconciliation of Cash Flow from Operating Activities with Profit after Income Tax		
Profit after income tax	**3,066**	2,507
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
Share-based payments expense	**1,020**	409
Amortisation	**833**	427
Depreciation	**368**	260
Gain on sale of investment	**(309)**	–
Net foreign exchange loss	**287**	(126)
Provision for doubtful debts	**100**	239
Impairment of asset held for sale	**–**	10
Changes in operating assets and liabilities:		
Increase in trade and term receivables and unearned revenue	**(2,853)**	(8,362)
(Decrease)/increase in other current assets	**(1,743)**	681
Increase in trade payables and accruals	**5,680**	9,851
Decrease in income taxes payable	**894**	336
Increase in deferred taxes payable	**802**	755
Increase in deferred taxes receivable	**(440)**	(256)
(Decrease)/increase in provisions	**51**	157
Net cash provided by operating activities	**7,756**	6,888

(a) Bank Facilities

The group has the following bank facilities in place:

Provider	Facility	Utilised Total	Security
CBA	AUD 2,300,000	AUD 2,300,000	General Security Interest by rhipe Australia Pty Ltd and rhipe Limited comprising: First ranking charge over All Present & After Acquired Property
CBA	AUD 700,000	AUD 607,121	General Security Interest by rhipe Australia Pty Ltd and rhipe Limited comprising: First ranking charge over All Present & After Acquired Property

The facility require compliance with certain financial covenants and the group was in compliance with the covenants governing these facilities at year end.

Notes to the Financial Statements (continued)

Note 22. 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 2018.

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

CONSOLIDATED GROUP	2018 ($)	2017 ($)
Short-term employee benefits	**3,675,462**	3,037,347
Post-employment benefits	**136,689**	164,881
Other Long-Term benefits	**799,214**	346,217
Termination benefits	**66,260**	128,149
Total KMP compensation	**4,677,625**	3,676,594

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	2018 ($)	2017 ($)
1. Other related parties		
Recharge from Bombora Group Pty Ltd	**8,250**	–

Recharge relates to assistance with due diligence work on a potential acquisition. There is no amount payable to any related parties at 30 June 2018

Note 23. Auditors' Remuneration

CONSOLIDATED GROUP	2018 $'000	2017 $'000
Remuneration of the auditor for:		
– auditing or reviewing the financial report	**170**	205
– taxation and other services	**87**	88
	257	293
Remuneration of other auditors of subsidiaries for:		
– auditing or reviewing the financial statements of subsidiaries	**51**	29

Note 24. 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	2018 $'000	2017 $'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	**1,128**	703
– between 12 months and five years	**2,926**	1,663
– greater than five years	**–**	73
	4,054	2,439

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

More than 80% of the operating lease commitments relate to the Company offices in Sydney and Melbourne.

Note 25. 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.

Note 26. Financial Risk Management

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

CONSOLIDATED GROUP	Note	2018 $'000	2017 $'000
FINANCIAL ASSETS			
Cash and cash equivalents	7	**22,696**	19,812
Receivables	8	**40,047**	34,659
Bonds & deposits	9	**186**	542
Available for sale equity investment	10	**–**	940
Total Financial Assets		**62,929**	55,953
FINANCIAL LIABILITIES			
Trade and other payables	13	**41,926**	36,211
Forward Contract Liability		**–**	29
Total Financial Liabilities		**41,926**	36,240
Net Financial Assets		**21,003**	19,713

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 creditworthy, 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 8.

(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;
- obtaining funding from a variety of sources;
- 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	
CONSOLIDATED GROUP	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Financial liabilities due for payment								
Trade and other payables	41,926	36,211	–	–	–	–	41,926	36,211
Forward contract liability	–	29	–	–	–	–	29	–
Total expected outflows	**41,926**	**36,240**	**–**	**–**	**–**	**–**	**41,926**	**36,240**
Financial Assets – cash flows realisable								
Cash and cash equivalents	22,696	19,812	–	–	–	–	22,696	19,812
Trade and other receivables	40,047	34,659	–	–	–	–	40,047	34,659
Bonds and deposits	186	542	–	–	–	–	186	542
Other investments	–	–	–	–	–	940	–	940
Total anticipated inflows	**62,929**	**55,013**	**–**	**–**	**–**	**940**	**62,929**	**55,953**
Net inflow on financial instruments	**21,003**	**18,773**	**–**	**–**	**–**	**940**	**21,003**	**19,713**

(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

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, 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.

NET FINANCIAL ASSETS IN CONSOLIDATED GROUP	2018 $'000	2017 $'000
Functional currency of entity		
Australian Dollars	**11,825**	8,512
NZ Dollars	**(65)**	2,075
US Dollars	**1,667**	1,479
Other	**3,129**	4,259
Statement of financial position exposure	**16,556**	16,325

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. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates.

	NZD		USD	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Equity	**(25)**	26	**(78)**	(129)

(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 27. Fair Value Measurement

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	2018 $'000	2017 $'000
Investment at Fair Value		
Opening balance	**940**	817
Fair value adjustment during the year	**(523)**	123
Disposal	**(417)**	–
Closing balance at fair value	**–**	940

CONSOLIDATED GROUP	2018 $'000	2017 $'000
Forward contract at Fair Value		
Opening balance	**29**	–
Disposal	**(29)**	–
Closing balance at fair value	**–**	29

Note 28. 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.

		Ownership Interest Held By Group		Proportion Of Non-Controlling Interest	
Name Of Subsidiary	Principal Place Of Business	2018 (%)	2017 (%)	2018 (%)	2017 (%)
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%	**–**	–
rhipe New Zealand Limited	New Zealand	**100%**	100%	**–**	–
rhipe Singapore Pte. Ltd	Singapore	**100%**	100%	**–**	–
rhipe Technology (Thailand) Co., Ltd[(ii)]	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[(v)]	Philippines	**100%**	–	**–**	–
PT rhipe International Indonesia	Indonesia	**100%**	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 wholly-owned subsidiary has entered into a deed of cross guarantee with rhipe Australia Pty Ltd

(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 June 2018.

(b) Significant Restrictions

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

(c) Deed of Cross Guarantee

The consolidated income statement and consolidated statement of financial position of the entities party to the deed of cross guarantee are:

Notes to the Financial Statements (continued)

CONSOLIDATED GROUP	2018 $'000	2017 $'000
Financial information in relation to:		
i. Statement of Profit or Loss and Other Comprehensive Income:		
Profit before income tax	**6,157**	3,611
Income tax expense	**(2,120)**	(1,172)
Profit after income tax	**4,037**	2,439
Profit attributable to members of the parent entity	**4,037**	2,439
ii. Retained Earnings:		
Retained Profit/(loss) at the beginning of the year	**2,357**	(82)
Profit after income tax	**4,037**	2,439
Dividend paid	**(664)**	–
Retained profits at the end of the year	**5,730**	2,357
Statement of Financial Position:		
CURRENT ASSETS		
Cash and cash equivalents	**19,892**	11,601
Trade and other receivables	**22,269**	16,398
Other assets	**3,272**	1,539
Total Current Assets	**45,433**	29,538
NON-CURRENT ASSETS		
Other financial assets	**14,885**	15,737
Loans receivable	**10,464**	16,082
Property, plant and equipment	**850**	661
Deferred tax assets	**1,102**	852
Intangible assets	**9,016**	7,540
Total Non-Current Assets	**36,317**	40,872
Total Assets	**81,750**	70,410
CURRENT LIABILITIES		
Trade and other payables	**27,460**	20,614
Unearned revenue	**1,597**	353
Current tax liability	**1,733**	1,646
Provisions	**728**	473
Total Current Liabilities	**31,518**	23,086
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**1,950**	1,233
Other provisions	**520**	265
Total Non-Current Liabilities	**2,470**	1,498
Total Liabilities	**33,988**	24,584
Net Assets	**47,762**	45,826
EQUITY		
Issued capital	**39,288**	40,977
Reserves	**2,744**	2,492
Retained earnings	**5,730**	2,357
Total Equity	**47,762**	45,826

Note 29. 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.

	2018 $'000	2017 $'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total profit/(loss)	**1,283**	(1,298)
Total comprehensive income	**1,283**	(1,298)
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current Assets	**17,299**	16,925
Non-current Assets	**27,978**	29,028
Total assets	**45,277**	45,953
LIABILITIES		
Current Liabilities	**880**	627
Non-current Liabilities	**–**	157
Total Liabilities	**880**	784
EQUITY		
Issued Capital	**101,621**	102,275
Profit Reserve	**619**	-
Accumulated Losses	**(60,825)**	(60,921)
Reserves	**2,981**	3,814
Total Equity	**44,397**	45,169

Contingent liabilities

At 30 June 2018, rhipe Limited had no contingent liabilities (2017: $Nil).

Contractual commitments

At 30 June 2018, rhipe Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2017: $Nil).

Note 30. Events After the Reporting Period

On 26 July 2018 the Board of Directors approved a fully franked final dividend of 1 cents per share with payment date of 24 October 2018.

Note 31. 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

Directors' Declaration

rhipe Limited and Controlled Entities

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 32 to 68, 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 2018 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 20th day of August

ShineWing
AUSTRALIA

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Accountants and Advisors
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RHIPE LIMITED AND CONTROLLED ENTITIES

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of rhipe Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; 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 Statements* 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 statements 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 judgement, were of most significance in our audit of the financial statements for the year ending 30 June 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed during the audit
Valuation of Goodwill (Note 12) Australian Accounting Standards requires the Group to test goodwill for impairment annually. This annual impairment test was significant to our audit because the balance of $19,897,000 is material to the financial statements. Management's impairment assessment process is highly judgmental and is based on assumptions, including assessing the make-up of the business's cash-generating units ("CGUs"), growth rates, terminal growth rates, margins and discount rates.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group. We focused on the assumptions relating to the continuing profitability of the core Australian licensing business, the expectations of profitability in markets outside of Australia, the growth rates and the profitability of products and programs that have had significant investment over the last three years. Our valuation specialists assisted in assessing the discount rate used. We assessed management's conclusion that the group has one CGU by reviewing reporting to the

Independent Auditor's Report (continued)

ShineWing AUSTRALIA

Key Audit Matter	How the matter was addressed during the audit
These assumptions are affected by expected future market or economic conditions, particularly the continuing profitability of the core Australian licensing business, the expectations of profitability in markets outside of Australia and the profitability of products and programs that have had significant investment over the last three years.	Chief Operating Decision Maker and assessed the interdependency of cash flows between business units. We reviewed the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.
Intangible asset recognition and measurement (Note 12) The Group has $3,556,000 of capitalised software development as at 30 June 2018. This asset relates to the billing and management systems developed to assist the Group in delivering cloud solutions to its customers. The capitalisation of internally generated assets is a key audit matter as it involves significant management judgement.	Our audit procedures included, among others, analysing the level of capitalisation rates against prior periods, vouching a sample of expenses capitalised to supporting documentation, considered management's assessment of the future economic benefits to be generated by the asset, the technical and financial feasibility of the project, whether there is sufficient resource availability to complete the project, the amortisation period, and enquiries with management regarding the status of completion of the project.
Recoverability of trade and other receivables (Note 1(j) and 8) The Group has $40,047,000 of trade and other receivables outstanding as at 30 June 2018. This includes amounts receivable from counterparties and governments in Asia. A specific provision of $587,000 has been recognised for trade receivables that are considered doubtful. The assessment of the recoverability of receivables involves significant management judgement and is a key audit matter.	Our audit procedures included, among others, analysing receivables against historical trends and as a proportion of sales, vouching a sample of trade receivables to subsequent cash receipts, reviewing management's assessment of receivables that were past due but not impaired and vouching other receivables to supporting documentation. Specific audit procedures were performed on receivables from counterparties that are based in Asia to assess managements' process to recover and assessment of the likelihood of recovery of these amounts.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and accordingly, we do not express any form of assurance conclusion thereon.

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

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 Statements

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

In preparing the financial statements, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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 Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 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 these financial statements.

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

We identify and assess the risks of material misstatement of the financial statements, 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.

We 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.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We 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.

We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

Independent Auditor's Report (continued)

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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 with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 30 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of rhipe Limited for the year ended 30 June 2018 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.

ShineWing Australia

ShineWing Australia
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Sydney, 20 August 2018

Additional Information for Listed Public Companies

rhipe Limited and Controlled Entities

The following information is current as at 2 August 2018

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	121,935,058	90.04	68
10,001 to 100,000	9,830,403	7.26	348
5,001 to 10,000	2,051,695	1.51	258
1,001 to 5,000	1,380,915	1.02	482
1 to 1,000	231,312	0.17	1,080
Total	**135,429,383**	**100.00**	**2,236**

b. The number of shareholdings held in less than marketable parcels is 865.

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

Shareholder	Number of Ordinary Fully Paid Shares Held
TUTUS MCDONAGH PTY LTD	24,810,730
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,816,438
J P MORGAN NOMINEES AUSTRALIA LIMITED	13,568,862
CITICORP NOMINEES PTY LIMITED	10,085,932
NATIONAL NOMINEES LIMITED	8,304,503

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. 20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. TUTUS MCDONAGH PTY LTD	24,810,730	18.32
2. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,816,438	13.16
3. J P MORGAN NOMINEES AUSTRALIA LIMITED	13,568,862	10.02
4. CITICORP NOMINEES PTY LIMITED	10,085,932	7.45
5. NATIONAL NOMINEES LIMITED	8,304,503	6.13
6. UBS NOMINEES PTY LTD	6,357,796	4.69
7. CS FOURTH NOMINEES PTY LIMITED	4,795,833	3.54
8. BRISPOT NOMINEES PTY LTD	2,779,720	2.05
9. DAWN EDMONDS	2,776,822	2.05
10. CAMPSMOUNT PTY LTD	2,611,065	1.93
11. MIRRABOOKA INVESTMENTS LIMITED	2,500,000	1.85
12. DOMINIC JOHN O'HANLON	2,400,000	1.77
13. BNP PARIBAS NOMINEES PTY LTD	2,233,002	1.65
14. PRM INVESTMENTS PTY LTD	2,180,380	1.61
15. MR DOMINIC OHANLON & MRS KAREN OHANLON	1,557,840	1.15
16. EDMONDS WALLIS PTY LTD	1,225,472	0.90
17. LYNN O'NEIL & KIM ROCKMAN	1,181,800	0.87
18. BNP PARIBAS NOMS PTY LTD	949,027	0.70
19. MR WARREN NOLAN	859,475	0.63
20. JOHN LEON SAYERS	780,000	0.58
	109,774,697	81.05

In addition to the registered holders of shares in RHP as shown above, rhipe Limited has current substantial shareholder notices, in 2018, from the following:

Date	Holder pursuant to Notice	% of voting power
25 July 2018	Credit Suisse Holdings (Australia) Limited	5.17%
30 July 2018	Pie Funds Management Limited	6.22%
30 July 2018	Regal Funds Management Pty Ltd	7.14%

Please note the above is provided for information purposes only and is based on information filed with ASX by the above registered holders pursuant to s671B of the *Corporations Act 2001*.

2. The names of the joint company secretaries are

Andrew Whitten; and Maggie Niewidok.

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

Level 19, 100 Miller Street
North Sydney New South Wales, 2060.
Telephone: +61 3 9642 8695

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

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 3,673,334 options are on issue to 5 directors and 13 employees.

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