The Cloud Channel Company™

Appendix 4E

RHIPE LIMITED AND CONTROLLED ENTITIES
ABN: 91 112 452 436

FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2017
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 or equivalent company reference:	91 112 452 436 (ASX: RHP)

1. Reporting Period

Report for the financial year ended: 30 June 2017
Previous corresponding period is the financial year ended: 30 June 2016

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

Date	Holder pursuant to Notice	$'000
Revenues from ordinary activities (Item 2.1)	Up 14.5% to	156,970
Profit from ordinary activities after tax attributable to members (Item 2.2)	Not comparable	2,507
Net Profit for the period attributable to members (Item 2.3)	Not comparable	2,507

Dividends (Items 2.4)	Amount per security	Franked amount per security
Interim Dividend	Nil	Nil
Final Dividend	Nil	Nil
Record date for determining entitlements to a dividend (Item 2.5)	N/A	-
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)

There were no dividends paid during the year by rhipe Limited

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	2016
Net tangible asset backing per ordinary security	$0.1515	$0.1399

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

Control gained over entities/acquisitions

Name of entities	Date(s) of gain of control
Rhipe Licensing Technology Korea Ltd	12 May 2017

Loss of control of entities/disposals

Name of entities	Date(s) of gain 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)

The financial report has been audited and is not subject to an audit dispute or qualification

rhipe

The Cloud Channel Company™

Annual Report 2017

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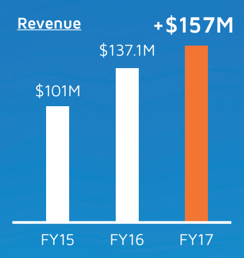
Financial Highlights

14.5%

Growth in group revenue for the year

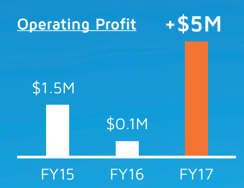
$157M

As at 30 June 2017, rhipe had 136 employees working at offices across Australia, New Zealand, Asia and the US. The total revenue earned during 2017 was $157 million.



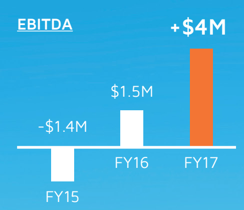
$5M

Operating Profit for the year +$5 million



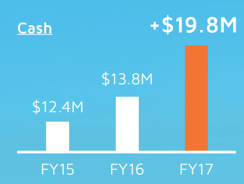
$4M

Reported EBITDA for the year



$19.8M

Cash at 30 June 2017



16.1%

Growth in licensing revenue for the year

15.7%

Licensing gross margin for the year

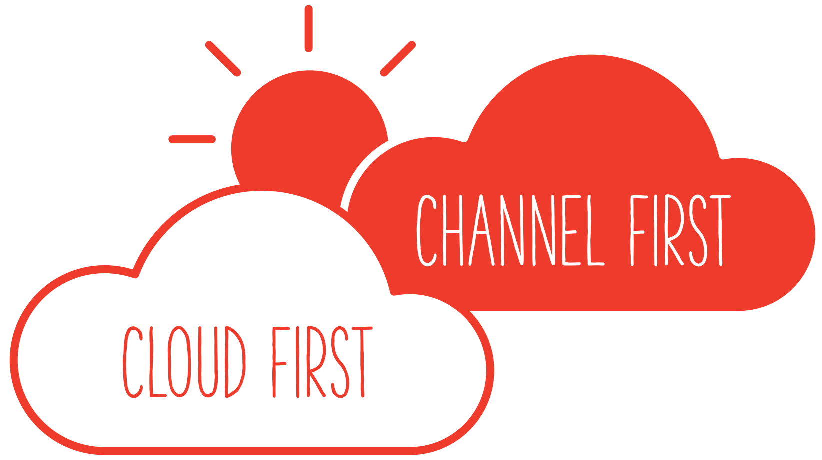
19.0%

Year on year growth in Licensing gross margin

Our Value Proposition

Cloud services are not 'sold' or 'shipped' in a traditional sense. They are 'consumed' on a subscription basis.

rhipe provides cloud licensing, subscription management tools, and value-added services to drive this consumption amongst a growing channel of I.T. service providers.



Strategic Operating Divisions

Cloud Licensing

+95% of Group revenues via channel B2B.

Software sold and implemented by service providers. Users pay based on usage.

Cloud Solution

of Group revenues from direct end user B2B customers

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

Cloud Operation

Support, IT and IP to support Licensing and Solutions

Cloud first, digital first marketing transformation to drive demand for channel partners.

Billing, software-asset management and license optimisation.

Licensing

Build and expand on cloud licensing programs. Multi-vendor and multi region.

Support

Services and support to position offerings for new licensing programs.

Value

Add value with systems & ease of trade for Cloud Service Providers.

Chairman's Report

Mike Hill, Executive Chairman

Dear shareholder,

The public, private and hybrid cloud industry is changing faster than ever, providing a promising opportunity for rhipe to continue growing its cloud subscription business across Asia Pacific. By investing in us, you are investing in our ability to build a high growth and profitable cloud subscription business. I would like to thank you for doing so on behalf of our executive team and staff who work tirelessly to capture this significant business opportunity.

There is absolutely a major change occurring across the globe as both software vendors and end users seek variable software and information technology ("IT") infrastructure economic models. Companies are shifting purchasing habits away from up-front capital investment towards a consumption-based operating expense. However, major software vendors such as Microsoft, VMWare and Citrix are heavily reliant on partners like rhipe to help drive this change by selling and supporting their cloud-based licenses and services. rhipe is leading the way with a total focus on cloud subscription licenses and services. rhipe bundles cloud licenses with marketing, support and subscription management tools so that our growing channel of IT resellers can successfully migrate their end-user clients to the cloud. The result for rhipe is a long term annuity revenue stream and long term value for our shareholders.

OUR STRATEGY TO BUILD A FOOTPRINT IN KEY FAST DEVELOPING ASIAN MARKETS HAS PROVIDED RHIPE WITH THE OPPORTUNITY TO NOW BE KNOWN AS A GLOBAL PLAYER IN THE CLOUD SUBSCRIPTION MARKETPLACE.

In 2017, our company achieved the important crossing point from the investment phase to delivering bottom line reported earnings from those strategies implemented in prior years. We will be continuing our cloud subscription growth strategy in 2018 and continuing to invest in systems, vendors and people and expect to see the benefits of this investment in 2018 and beyond.

Our strategy to build a footprint in key fast developing Asian markets has provided rhipe with the opportunity to now be known as a global player in the cloud subscription marketplace.

With a recurring revenue model, rhipe commences the 2018 financial year strongly, leveraging ongoing monthly subscription revenue, attractive growth rates compounded by new vendors, new public cloud licensing programs, new partners and new geographies.

On behalf of the Board we would like to thank our vendor partners for their continued support and collaborative partnership in meeting our mutual growth objectives. In addition, we would like to thank the Executive team and staff of rhipe for their dedication in achieving this year's strategic targets, building sustainable growth opportunities and delivering profitable results to shareholders.

Yours Sincerely,

Mike Hill
Chairman

Managing Director's Report

Dominic O'Hanlon, Managing Director and CEO

Rhipe provides cloud licensing, subscription management tools, and value-added services to a growing channel of IT service providers across Asia Pacific. rhipe's cloud provisioning and billing platform, bundled with rhipe's marketing, training, consulting, and 24x7 support, enables rhipe's growing channel of IT service providers to move their end user clients onto cloud technology and software. The result for rhipe is a growing stream of revenue and margin from subscription based software licensing and services. rhipe has become the leading Asia Pacific based wholesale cloud platform for software vendors such as Microsoft, VMware, Citrix, RedHat, Veeam and Zimbra.

Over the past twelve months rhipe has started to deliver returns from its multi-year investment program in people, programs and systems. During the 2017 financial year (FY17) rhipe delivered an operating profit of $5m and an EBITDA of $4m whilst continuing to expand and invest in its existing and new cloud offerings.

In particular, rhipe's investment in Microsoft's Cloud Solutions Provider (CSP) program since 2016 has positioned rhipe as one of Microsoft's key strategic cloud partners and led to rhipe being appointed as a globally managed license partner of Microsoft in 2017. rhipe is only one of eight globally managed Microsoft license partners, and the only one headquartered in Asia Pacific.

I would like to highlight a number of significant achievements from the 2017 Financial Year:

- $151.8m in software license revenue with a Gross Margin of $23.8m. This represents a year over year growth in Gross Margin of almost 20%;
- Achieving a 70% growth in local Asian sales (excluding sales from ANZ customer buying through Asia);
- Driving the adoption of more than 130,000 Office365 seats under the Microsoft CSP program. These are billed on a monthly subscription basis with an annual run rate revenue of $22m compared to $6.7m at the end of FY 2016.
- 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

As always, the marketplace in which rhipe operates will continue to change and adapt to new technologies and programs. However, rhipe has a proven capability to be agile and capitalise on such shifts by investing ahead of the curve. I therefore believe that FY 2018 will be another good year in which rhipe continues to grow its revenue and earnings while at the same time investing in new growth opportunities.

RHIPE IS THE CLOUD CHANNEL COMPANY.

In FY 2018, I expect rhipe's public cloud business to grow faster than rhipe's traditional private cloud business as the industrywide trend of moving to public cloud gains more momentum. I believe Microsoft will increase incentives and support for its CSP program ahead of all others, and I believe that rhipe, as a globally managed license partner, will be well positioned to capitalize on this shift in Microsoft's focus.

On behalf of the Board and the Executive team, we thank our staff, vendors, partners and shareholders for their belief and commitment to our vision.

Yours Sincerely,

Dominic O'Hanlon
Managing Director and CEO

2017 Financial Report

Operating and Financial Review

rhipe Limited and Controlled Entities

Principal Activities and Significant Changes in Nature of Activities

The principal activity of the consolidated Group, being rhipe Limited and controlled entities, during the financial year was the wholesale of subscription software licenses to a growing number of IT service providers in the Asia Pacific region. Most of these software subscriptions are for products from world leading software vendors such as Microsoft, VMware and Citrix. In addition, the Group provides value-added consulting and support to vendors and IT service providers transitioning their own clients to cloud and subscription centric business environments.

Operating Results and Review of Operations for the Year

During the 12-month period to 30 June 2017 (FY17), rhipe has continued to invest in operations that are focused on the industry transition to the Cloud business model with integrated divisions of cloud licensing (private, public and hybrid), cloud solutions (consulting services), and cloud operations (billing, provisioning, support, marketing). rhipe's investment in these operations over the last few years has provided a strong platform to allow the company to deliver sustainable growing profit and the current financial year has demonstrated the benefits of recent investment. These operations are built on rhipe's key software vendor relationships plus we continue to evaluate new additive vendor relationships to enhance our customer proposition.

In 2016 rhipe launched its public cloud offering, in anticipation of the industry moving more towards public cloud, via the sale of Microsoft's Public Cloud Platform (Microsoft Azure) under the Indirect Cloud Solutions Provider ("CSP") program. At the beginning of the current financial year rhipe's partners were consuming approximately 40,000 CSP seats of Microsoft Office365. By June 30, 2017 monthly consumption was approximately 130,000 seats on Office365 representing an annualised revenue of approximately $22m in licenses. The public cloud will drive the future growth of rhipe.

In the private cloud side of Licensing which has provided the foundation of our company, the impact of the expansion and migration to public cloud is starting to have an impact on growth rates in our core Australian market. Growth in the Microsoft private cloud licensing market has been broadly flat in the current financial year in Australia whereas the growth rate in private cloud continues at a strong level across our operation across Asia. For example growth in revenue from the private cloud from customers based in our South East Asian operations was approximately 70% year on year and we expect strong growth rates to continue going forward but with more focus on public cloud expansion.

In relation to our Cloud Solutions operations we undertook a restructuring to right size the cost base given anticipated market demand for consulting services from our channel partners. The restructure resulted in a Q1 loss but since then the business has traded around the break-even level. We are continuing to refine the strategy of this business including enhancing the public cloud skills within this business given the industry move to the public cloud particularly the move to Microsoft Azure.

The results presented in this financial report reflect the operations of rhipe Limited and all subsidiaries from 1 July 2016 to 30 June 2017 (together the "Group").

Financial Summary ($'000)	FY17	FY16	Change
Revenue	**156,970**	137,120	+ 14.5%
Gross Profit	**28,190**	25,767	+ 9.4%
Gross Margin	**18.0%**	18.8%	(80bps)
Operating Profit[1]	**5,024**	16	+$5m
Reported EBITDA	**4,004**	1,466	+173%
Reported EBITDA excl. gain on sale[2]	**4,004**	(918)	+536%
Profit/(Loss) After Tax	**2,507**	(129)	+20x

1 Operating profit is gross margin less operating expenses and excludes any FX gains or losses, share based payments, restructuring costs, due diligence costs and depreciation and amortisation

2 FY16 EBITDA includes a significant gain on sale of $2.384m from sale of shares in LiveTiles Limited.

rhipe Annual Report 2017

Operating and Financial Review (continued)

For FY17, the Group reported a strong increase in profitability with EBITDA of $4.0m compared to an EBITDA of $1.5m in the prior year. This significant improvement in the financial performance of the Group has been driven by the investments made in the business which has produced double digit revenue growth in our Licensing business combined with a stable cost base allowing delivery of increased profitability and operating leverage.

Revenue

FY17 revenue growth of almost $20m was driven by the areas of the business where we have made material investments. The revenue in our public cloud business, driven predominantly by the Microsoft CSP licence, for example contributed to more than 50% of this revenue growth in FY17. In addition, the growth in revenue generated from clients in our South East Asian footprint contributed to almost 30% of this overall growth and the increased variety of vendor products that rhipe has invested in over the last few years is also another area of profitable growth for the Company.

The traditional revenue growth driver of rhipe has been licences centred around the private cloud. This market continues to grow particularly in our Asian footprint but in our larger, more mature market in Australia, we are seeing the growth in private cloud becoming relatively flat as existing infrastructure reaches full capacity with future growth being driven by public cloud licences. rhipe is well placed to serve both the private and public cloud market.

Operating expenses

Operating expenses in FY17 fell by $2.6m or almost 10% year on year with the majority of this reduction driven by the restructure in our Solutions business. The Licensing business operating expense base grew by only 2% versus revenue growth of 16% and it was this operating leverage trend that drove the improvement of financial performance of the business.

Operating Profit and EBITDA

The table below outlines the operating profit and underlying EBITDA contribution from the Group for the year ending June 30, 2017:

	$'000
Adjustments between Operating profit line and Foreign exchange loss line	
Operating profit	**5,024**
Foreign exchange loss	(126)
Restructuring and transaction costs	(485)
Share-based payments expensed in accordance with accounting standards	(409)
EBITDA Reported	**4,004**

Operating profit in FY17 was $5m compared to an operating profit of $16k in the prior year and FY17 reported EBITDA was $4.0m compared to $1.5m reported EBITDA in FY16. The improvement in overall profitability occurred due to the operational leverage in the Licensing business and the restructure in rhipe Solutions which resulted in a loss of $0.4m in FY17 compared to a loss in Solution in FY16 of $1.9m.

Investment and Capital Expenditure

rhipe continues to invest in its core subscription management and billing system (known as Prime) to ensure the company remains competitive. In the 12 months to 30 June 2017 the Group invested $1.2m in its Prime billing system and we will continue to make significant investment in Prime in order to enhance capabilities, improve operating efficiencies and ensure it remains competitive.

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 2017 the Group had cash of $19.8m compared to a cash balance of $13.8m at 30 June 2016. This increase has been driven by cash generated both by a strong second half financial performance and also better working capital management during this period.

As a result of the strong year end cash position the Board have approved a share repurchase plan of up to 10% of the ordinary share capital of rhipe. This share buy-back will commence in the first quarter of the financial year to 30 June 2018 and to remain in place for a period up to 12 months or until 10% of company's issued shares have been purchased.

Directors' Report

Rhipe Limited And Controlled Entities

Your directors present their report on the consolidated entity (referred to herein as the Group) consisting of rhipe Limited and its controlled entities for the financial year ended 30 June 2017. The information in the preceding Operating and Financial Review forms part of this Director's Report for the financial year ended 30 June 2017 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, appointment date: 27 January 2017
- Michael Everett, resignation date: 27 January 2017

Particulars of each Director's experience and qualifications are set out below.

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. 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)
HJB Corporation Limited (Executive Chairman)
LiveTiles Limited (Non-Executive Director)
JustKapital Litigation Partners Limited (Non-Executive Director)
Prime Media Group Limited (Non-Executive Director) - (resigned on 22 August 2016)
Noble Minerals Resources Limited (Executive Chairman)

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 nearly 25 years' experience in software development, marketing, sales, implementation and support. Dominic has served in prior roles as CEO, Chief Strategy Officer, Non-Executive Director and Chairman for numerous high growth technology companies. Dominic is a Fellow of the Australian Institute of Company Directors.

Interest in Shares and Options
3,957,840 ordinary shares, 1,000,000 performance rights and 900,000 options

Special Responsibilities
None

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

Dawn Edmonds
Executive Director and
Chief Operating Officer until
31 December 2016 and thereafter
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
4,027,294 ordinary shares and 375,000 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 Non-Executive Director 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

Directors' Report (continued)

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 12 months, he has established 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

Michael Everett
Non-Executive Director

Experience and Qualifications
Appointed 10 April 2014 (Resigned 27 January 2017)

Mr Everett has more than 25 years of capital markets and advisory experience. Michael retired from Goldman Sachs in 2013 after 11 years where he was a Managing Director and Co-head of the Financing Group within the Investment Banking Division in Australia. Prior to joining Goldman Sachs, he also worked internationally for a large investment bank and has broad experience across the securities industry. During his career, he has advised a broad range of companies in a variety of industries. In late 2013, he established an independent capital markets advisory firm, Reunion Capital Partners.

Interest in Shares and Options
821,579 ordinary shares and 625,000 options upon resignation

Special Responsibilities
Audit Committee and Remuneration Committee

Directorships held in other listed entities during the three years prior to the current year
AHAlife Holdings Limited (Non-Executive Director)
HJB Corporation Limited (Non-Executive Director)
Noble Minerals Resources Limited (Non-Executive Director)

Directors' Report (continued)

Company Secretary

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

Andrew Whitten
Company Secretary

Andrew is an admitted solicitor with a specialty in Corporate Finance and Securities Law and is a Solicitor Director of Whittens, McKeough & Sundaraj Pty Ltd. Andrew is currently the company secretary of a number of publicly listed companies. He has been involved in a number of corporate and investment transactions including IPOs on the ASX and NSX, corporate reconstructions, reverse mergers and takeovers.

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.

Meetings of Directors

During the financial year, nine 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	12	11	2	2	4	3	n/a	n/a
Dominic O'Hanlon	12	12	n/a	n/a	n/a	n/a	n/a	n/a
Dawn Edmonds	12	11	n/a	n/a	4	4	2	2
Laurence Sellers	12	11	n/a	n/a	4	4	2	2
Mark Pierce	12	12	2	2	n/a	n/a	2	2
Michael Tierney	6	5	1	0	2	0	n/a	n/a
Michael Everett	6	5	1	1	2	0	n/a	n/a

Directors' Report (continued)

Dividends Paid or Recommended

No dividends have been paid or declared by rhipe Limited since the beginning of the financial year and none are recommended.

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 willful 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 for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

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 2017:

	$
Taxation and other services	88,000
	88,000

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 2018.

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.

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Directors' Report (continued)

Options

As at the date of signing this report, there were 4,349,584 unissued ordinary shares under option (30 June 2016: 6,847,500). These options are exercisable as follows:

Management incentive options issued prior to completion of reverse takeover by NewLease Pty Ltd

Date Of Grant	Number Of Options	Date Of Expiry	Conversion Price ($)
26/06/2013	125,000	12/03/2018	0.2

Management incentive options

Date Of Grant	Number Of Options	Date Of Expiry	Conversion Price ($)
10/04/2014	1,458,334	10/04/2019	0.2
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	1/10/2018	0.75
27/02/2015	67,500	1/10/2021	0.75
27/02/2015	200,000	1/07/2018	0.75
27/02/2015	200,000	1/07/2021	0.75
18/03/2015	126,250	18/03/2018	1.25
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
	4,349,584		

Dominic O'Hanlon
Managing Director and CEO

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 41 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 behavior and accountability. Please refer to the corporate governance statement dated 21 August 2017 released to ASX and posted on the Company's website **www.rhipe.com/about/investors/**.

Events after the Reporting Period

On 21 August 2017 the Board of Directors approved a share buy-back program up to $5m. Excluding the share buy-back there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Remuneration Report

rhipe Limited and Controlled Entities

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Remuneration (continued)

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

On behalf of the Board, I am pleased to present the Remuneration Report for the financial year ended 30 June 2017 ("FY17"), outlining the nature and amount of remuneration for rhipe's Non-Executive Directors and other Key Management Personnel ("KMP"). In developing this Remuneration Report the Board intended to provide shareholders with genuine insights into the remuneration governance, policies, procedures and practices being applied.

Total Remuneration Packages ("TRP") for FY17 for Directors and KMP reduced by approximately 10% compared to the previous year. This reduction was despite the significant improvement in the financial performance of the Company and was due to changes in the KMP during FY17 and the high hurdles set by the Board for FY17.

Given the results for FY17, the Board is satisfied that the outcomes for remuneration in relation to FY17 demonstrate a link between performance and reward, in respect of the executive KMP of the Company. As the Company has evolved significantly since listing in 2014, the Board feels that ongoing review and development of remuneration governance, policies, procedures and practices are appropriate to help support the Company's short and longer terms goals. To that end, the Remuneration and Nomination Committee has engaged independent remuneration experts to consult on the development path to ensure alignment between the Company's remuneration practices given its circumstances and best-practices evident in the market. A number of areas for consideration have been identified and are outlined in this report.

Yours sincerely,

Laurie Sellers
Chair of the Remuneration Committee

Remuneration (continued)

2. Persons Addressed and Scope of the Remuneration Report

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

(i) the Company's governance relating to remuneration;

(ii) the policy for determining the nature and amount or value of remuneration of key management personnel;

(iii) the various components or framework of that remuneration;

(iv) the prescribed details relating to the amount or value paid to key management personnel, as well as a description of any performance conditions;

(v) the relationship between the policy and the performance of the Company.

In addition, rhipe Limited (rhipe, the Company) 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).

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

Non-Executive Directors (NEDs) as at the End of the Financial Year	
Mike Hill	Non-Executive Director since 31st January 2017 - Chairman of the Board since 10th April 2014 - Audit Committee since 10th April 2014 - Remuneration and Nomination Committee since 10th April 2014 - It should be noted that Mr Hill was also the Executive Chairman up to 31st January 2017, and was therefore only a NED for part of the reporting period
Dawn Edmonds	Non-Executive Director since 1st January 2017 - Remuneration and Nomination Committee since 10th April 2014 - Risk Committee since 10th April 2014 - It should be noted that Ms Edmonds was previously an Executive Director and the Chief Operating Officer up to 1 January 2017, and was therefore a NED for only part of the reporting period
Laurence Sellers	Independent Non-Executive Director since 10th April 2014 - Remuneration and Nomination Committee Chair since 10th April 2014
Mark Pierce	Independent Non-Executive Director since 10th April 2014 - Risk Committee Chair since 10th April 2014 - Audit Committee Chair since 10th April 2014
Michael Tierney	Independent Non-Executive Director since 27th January 2017 - Remuneration and Nomination Committee since 27th January 2017 - Audit Committee since 27th January 2017

During the period the following person ceased to be Non-Executive Director of rhipe:
- Mr Michael Everett, who resigned effective 27th January 2017

Remuneration (continued)

Senior Executives Classified as KMP or Otherwise Addressed in this Report for Completeness as at the End of the Financial Year	
Dominic O'Hanlon	Managing Director since 15th June 2015 and Chief Executive Officer since 5th August 2014
Chris Sharp	Chief Strategy Officer since 1st October 2014, who is located in Singapore
Warren Nolan	Chief Commercial Officer since 2nd August 2005
Mark McLellan	Chief Financial Officer since 1st November 2016
Patara Yongvanich	Managing Director of SEA since 1st July 2015, who is located in Thailand
Athena Thompson	Chief Marketing Officer since 7th January 2015
Cameron McFie	Chief Technology Officer since 25th May 2015

During the period the following persons ceased to be Executive KMP of rhipe:
- Ms Ravi Samuel, Chief Financial Officer from 15th September 2014 until 30th September 2016.

Cameron McFie is classified as KMP for the FY17 reporting period due to changes in his role relating to significant contributions to the strategic direction of the Company, including the development of important Intellectual Property.

Remuneration (continued)

3. Context of and Changes to KMP Remuneration for FY17

3.1 Matters Identified as Relevant Context for Remuneration Governance in FY17

The KMP remuneration structures that appear in this report were the result of decision making processes, including benchmarking, that were undertaken in previous years. The Board has undertaken to make continuous improvements to remuneration governance, policies and practices applied to KMP of the Company, as well as 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 FY16 and FY17. Some changes that are currently the subject of review and consideration will be reported on once they are settled, as part of the FY18 Annual Report of the Company.

- Towards the end of FY17 and into FY18, the Board sought and received 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.
- Overall Total Remuneration Packages ("TRP") for FY17 for Directors and KMP reduced by approximately 10% compared to the previous year. This reduction was despite the significant improvement in the financial performance of the Company and was due to changes in the KMP during FY17 and the high hurdles set by the Board for FY17.
- Financial performance during the year was as per the company's updated guidance provided in November 2016
- During the reporting period there have been a number of changes to the KMP and structure of the Company, with:
  - the Chief Financial Officer resigning (and the appointment of a successor in Mark McLellan);
  - both the Executive Chairman and Chief Operating Officer (both founders), stepping back from day-to-day operations to take on roles as Non-Executive Directors on the Board; and
  - turnover in one NED position, with Michael Tierney taking over from Michael Everett.

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

Towards the end of the reporting period, the Board has engaged independent external remuneration consultants to review the remuneration report and provide broad feedback regarding the practices of the Company, some of which is reflected in this report. The Board will continue to seek data and advice in regards to key issues identified during FY18 and will announce any changes when appropriate.

During FY17 a number of KMP remuneration related matters were identified for consideration and/or action during the reporting period and into FY18 and include:

- Provide more detailed explanation on any significant changes to remuneration packages. Any changes to remuneration packages in FY17 were minor and are detailed in the relevant sections that follow;
- Provide further detail on STI arrangements where commercial sensitivity allows such disclosure; and
- Review the long-term incentive plan design and modify to ensure alignment with market best practices and positive outcomes for shareholders.

Remuneration (continued)

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

Sections 13.7 and 13.8 of the Company's constitution set out broadly how remuneration is to be dealt with in line with the Corporations Act and ASX Listing Rules. The following summarises the Board's 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 Non-Executive Directors and making remuneration recommendations for Non-Executive Director fees;
- proposing the Remuneration Report to the Board, liaising with external auditors and making recommendations that are in accordance with the Corporations Act and other regulations/laws;
- identifying and recommending candidates to the Board after considering the necessary and desirable competencies of Board members, reviewing induction processes and reviewing succession plans; and
- developing and implementing processes to review Board performance.

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 - accountable to the Board for the Company's performance and long term planning;
- Those roles classified as executive key management personnel (KMP) under the Corporations Act;
- Direct Reports to the Managing Director – roles that are business unit, functional, or expertise heads; and
- Any other members of the executive/senior leadership team as may be determined from time to time.

In relation to remuneration for Senior Executives:

- Remuneration should be composed of:
  - Base Package (inclusive of superannuation, allowances, benefits and any applicable fringe benefits tax (FBT));
  - STI which provides a reward for performance against annual objectives which may be subject to deferral should the Board determine that this is appropriate from time to time;
  - LTI which provides an equity-based reward for performance against indicators of shareholder benefit or value creation, over an extended period, and intended to create alignment with shareholders; and
  - In total the sum of the elements will constitute a total remuneration package (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;
- 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).

Remuneration (continued)

4.3 Non-Executive Director Remuneration Policy

The Non-Executive Director remuneration policy applies to Non-Executive Directors 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 Non-Executive Director remuneration package that is subject to fee sacrifice into equity arrangements should fall at or close to P75 of the market of the comparable ASX listed company market. Currently the Company does not provide an equity facility as part of Non-Executive Director remuneration and shareholder approval would be sought for any plan that may facilitate this element of remuneration being paid.

4.4 Approach to Determining Comparators for Remuneration Benchmarking

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

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

Remuneration (continued)

4.5 Short Term Incentive Policy

The Short-Term Incentive Policy (STIP) may be summarised as follows:

- The purpose of the STIP as part of the remuneration 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;
- Non-Executive Directors are excluded from participation;
- The measurement period for performance should be the financial year of the Company which is considered short-term;
- The STIP should be outcome focussed rather than input focussed, and while an individual performance component may be present, rewards should generally be linked to indicators of shareholder value creation;
- The Board will retain discretion to adjust actual awards so as to manage circumstances in which the calculated award may be considered inappropriate;
- The Board will give consideration as to whether deferral should apply to a portion of STI awards, from time to time, to be specified in an invitation to participate in the STI plan if it does; and
- Any clawback 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 Long-Term Incentive Policy (LTIP) may be summarised as follows:

- The purpose of the LTIP as part of the remuneration 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;
- Non-Executive Directors 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
- Any clawback policy as may be developed by the Company from time to time, will apply to the LTIP unless otherwise determined by the Board.

Remuneration (continued)

4.7 Defining Threshold, Target and Stretch for Incentive Purposes

In relation to the design, implementation and operation of incentives there should, where possible, 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 intended to the design of incentive scales:

- "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 (generally 50% -60% probability of achievement);
- "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 (generally around 80% probability of achievement); and
- "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 (generally 10%-20% probability of achievement). This is particularly important for shareholders to understand when comparing with other Companies whose maximum levels of incentives may be associated with a planned or target outcome.

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

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

4.8 Clawback Policy & Procedure

At the time of writing this report, it was the view of the Board that a clawback policy was unnecessary, since clawback policies are generally intended to relate to the recovery of overpayments when there has been a material misstatement in the financial reports of the Company, which is a demonstrably low risk based on the frequency of occurrence in the Australian market. The Company has sufficient controls in place as to be confident that this risk is negligible. The Board, however, will review this as part of its FY18 review.

4.9 Securities Trading Policy

The Company's Policy on Trading in rhipe Securities by Directors and Key Management Personnel:

- 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 October or November.

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

4.10 Equity Holding Policy

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

4.11 Executive Remuneration Consultant Engagement Policy & Procedure

The Company has adopted 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 Non-Executive Director. Interactions between management and the ERC must be approved, and will be overseen by the Remuneration Committee when appropriate.

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Remuneration (continued)

4.12 Variable Executive Remuneration – STIP

STIP

Aspect	Plan, Offers and Comments
Purpose	The STI Plan's purpose is to give effect to an element of 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 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 Company's financial year.
Award Opportunities	**FY17 Invitations** The MD/CEO was offered a target-based STIP equivalent to 52% 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 24% to 83% of their Base Package for Target performance, with a maximum/stretch opportunity of up to 120% of the Target Award. **FY18 Invitations** No decisions on changes to award opportunities have been made as yet.
Performance Indicators (KPIs), Weighting and Performance Goals	**FY17 Invitations** FY17 Invitations to participate in the STIP for all participants, had a 100% weighting on an EBITDA 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. **FY18 Invitations** The Board cannot disclose the financial targets for FY18 as this information is commercially sensitive, however this will be disclosed in the FY18 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. **Comments** For FY17 the Board selected the EBITDA measure as being the primary driver of shareholder value creation over the long term, within a financial year period. For FY18 the Board has amended this slightly by selecting Operating Profit as being the primary driver of shareholder value which excludes the impact of foreign exchange, share-based payments and due diligence and restructuring costs.

Remuneration (continued)

Short Term Incentive Plan (STIP)

Aspect	Plan, Offers and Comments
Award Determination and Payment	Calculations are performed following the end of the Measurement Period 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 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 STI 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 STI 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 because it is linked to EBITDA or other financial metrics which may be used in the future and therefore will not be awarded when it is not affordable for the Company to do so (the usual purpose of a gate). Board discretion to modify award outcomes only applies to the STIP in exceptional circumstances and where it would not be considered as otherwise inappropriate to shareholders.
Clawback & Malus	The Company does not currently operate a clawback policy, see separate discussion (4.8).

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Remuneration (continued)

4.13 Variable Executive Remuneration – Long Term Incentive Plan (LTIP) – Options and 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. Other purpose of the LTIP is to act as a retention mechanism so as to maintain a stable team of performance focussed 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 an Option plan for the purposes of the LTIP, however this will change for FY18 to include the use of Performance Rights. Options and Performance Rights were selected because they have an inherent incentive to improve the Company's share price, 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 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. **FY17 LTI Invitations** Due to the share price volatility and decision to remodel the LTI Plan rules, no FY17 LTI allocations were awarded. The exception to this was the award of 270,000 options to Mark McLellan upon his appointment to the role of CFO November 2016, in line with FY16 allocations to the KMP. Additionally, options awarded to Mr O'Hanlon and Ms Edmonds relating to the FY16 allocation were issued 1 December 2016 following shareholder approval at the November 2016 AGM. In both cases the exercise price was set at a premium to the prevailing share price as a built-in challenging hurdle in addition to time/service hurdles. **FY18 Invitations** The Board has decided to issue Performance Rights to a number of key executives in FY18 with the amounts and conditions subject to shareholder approval.

Remuneration (continued)

Long Term Incentive Plan (LTIP) (continued)

Aspect	Plan Rules, Offers and Comments
Measurement Period Vesting Conditions and Exercise Price	The Board has discretion to set exercise prices, measurement periods, and vesting conditions for each round of invitations. Options that are not exercisable are unexercised by their Expiry Date will lapse. **FY17 Invitations** The vesting conditions of the LTI Options issued to Mark McLellan on 1 November 2016 are as follows: - Tranche 1 (135,000): the Participant remains employed for 12 months from the date of granting of the Options and the Company reports positive EBITDA earnings to the ASX and positive operating cash-flow in two consecutive half-year reporting periods; - Tranche 2 (135,000): the Participant remains employed for 24 months from the date of granting of the Options and the Company reports positive EBITDA earnings to the ASX and positive operating cash-flow in two consecutive half-year reporting periods. The exercise price is $0.94, and the Options expire three years from the date of vesting. Therefore, the Measurement Period is variable, between one and three years. As per the FY17 invitations for Mr O'Hanlon and Ms Edmonds, for the LTI Options to vest, the Participant must remain employed for 12 months from the date of granting of the Options, and then vesting is subject to a share price test of the 20 day VWAP exceeding $1.75 over 20 days (i.e. a premium to the share price at the time of granting). The exercise price is $1.25, and the Options expire on 1 January 2019. Therefore, the Measurement Period is variable, between 1 and 3 years. **FY18 Invitations** The Board has decided to issue Performance Rights to a number of key executives in FY18 with the amounts and conditions subject to shareholder approval. **Comments** The Board was of the view that annual granting of Options with several years to be exercised, service tests, and a share price goal, were appropriate to aligning shareholder and executive interests over the long term because of the overlapping structure of the exercise periods. It should be noted that at the time of the AGM seeking approval for the granting of these Options, the Share price was around $0.86, and therefore both the exercise price and VWAP hurdle were set as a significant premium to the market.

Remuneration (continued)

Long Term Incentive Plan (LTIP) (continued)

Aspect	Plan Rules, Offers and Comments
Retesting	Retesting is not available under the Option plan.
Plan Gate & Board Discretion	No plan gate applies to LTI Options, as the exercise price ensure that no benefit will be realised when the share price has fallen between the date of the grant calculation and the date of vesting. The Board does not have discretion to adjust vesting outcomes.
Amount Payable for Options	No amount is payable by participants for Options granted as part of remuneration. The target value of Options is included in assessments of remuneration benchmarking and policy positioning. This is standard market practice and consistent with the nature of the LTIP.
Exercise of Vested Options	Participants must submit an Exercise Notice. Options may be exercised at any time between the date they vest, and the Expiry Date. The exercise price is set at a premium to the market to set target share price hurdles which create shareholder value.
Disposal Restrictions etc.	Options are not subject to any disposal/dealing restrictions at any time, other than Corporation's Act restrictions but cannot be exercised prior to vesting.
Cessation of Employment	If the Participant's employment is terminated for any reason whatsoever, the Board will, in its absolute sole discretion determine whether the Participant is a bad leaver (Bad Leaver). If the Participant is not determined by the Board to be a Bad Leaver, then they will be deemed to be a good leaver (Good Leaver). All unvested Options held by a Bad Leaver will automatically lapse. All unvested Options held by a Good Leaver will not automatically lapse, and remain capable of vesting and being exercised before the Expiry Date.
Change of Control of the Company	100% of options vest in the case of a Change of Control event being declared. The value realised from 100% of options and performance rights vesting will depend on the share price on which basis the transaction occurs, and will reflect whether or not Participants have created value since the options were granted.
Clawback & Malus	The Company currently does not operate a Clawback Policy but this is being reviewed in FY18.

Remuneration (continued)

5. Vested/Awarded Incentives and Remuneration Outcomes in Respect of the Completed FY17 Period (non-statutory disclosure)

The following table outlines the STI awarded in relation to the completed financial year (on an accruals basis), following the end of the year, and the LTI that vested in relation to the completion of Measurement Period which ended at the end of the financial year.

			Base Including Super		STI*		LTI**		
Name	Role(s)	Year	Amount $	% of TRP	Amount $	% of TRP	Amount $	% of TRP	Total Remuneration Package (TRP)
DIRECTORS									
Dominic O'Hanlon	Managing Director & CEO	2017	483,115	65	89,331	12	169,511	23	741,957
	Managing Director & CEO	2016	469,308	58	100,000	12	242,609	30	811,917
Dawn Edmonds[1]	Chief Operating Officer & Executive Director	2017	260,000	95	-	-	13,386	5	273,385
	Non-Executive Director	2017	30,000	100	-	-	-	-	30,000
	Chief Operating Officer & Executive Director	2016	383,549	77	60,000	12	56,580	11	500,129
Mike Hill	Chairman & Executive Director	2017	100,000	100	-	-	-	-	100,000
	Non-Executive Chairman	2017	75,000	100	-	-	-	-	75,000
	Chairman & Executive Director	2016	200,000	100	-	-	-	-	200,000
Laurence Sellers	Non-Executive Director	2017	60,160	67	-	-	29,405	33	89,565
	Non-Executive Director	2016	60,275	30	-	-	144,023	70	204,298
Mark Pierce	Non-Executive Director	2017	60,160	85	-	-	10,502	15	70,662
	Non-Executive Director	2016	60,275	54	-	-	51,437	46	111,712
Michael Everett	Non-Executive Director	2017	35,000	77	-	-	10,502	23	45,502
	Non-Executive Director	2016	60,000	54	-	-	51,437	46	111,437
Michael Tierney	Non-Executive Director	2017	25,000	100	-	-	-	-	25,000
	Non-Executive Director	2016	-	-	-	-	-	-	-
Sub-Total 2017	**Directors**	**2017**	**1,128,435**	**78**	**89,331**	**6**	**233,306**	**16**	**1,451,072**
Sub-Total 2016	**Directors**	**2016**	**1,233,407**	**64**	**160,000**	**8**	**546,086**	**28**	**1,939,493**

Remuneration (continued)

			Base Including Super		STI*		LTI**		
Name	Role(s)	Year	Amount $	% of TRP	Amount $	% of TRP	Amount $	% of TRP	Total Remuneration Package (TRP)
OTHER EXECUTIVES									
Chris Sharp[3]	Chief Strategy Officer	2017	382,903	86	34,031	8	26,840	6	443,774
	Chief Strategy Officer	2016	385,352	71	57,142	11	99,210	18	541,704
Warren Nolan	Chief Commercial Officer	2017	300,000	75	89,331	22	9,265	2	398,596
	Chief Commercial Officer	2016	270,001	54	100,000	20	126,796	26	496,797
Mark McLellan	Chief Financial Officer	2017	319,615	83	35,733	9	30,888	8	386,235
	Chief Financial Officer	2016	-	-	-	-	-	-	-
Patara Yongvanich[3]	MD SEA	2017	285,578	86	38,095	11	9,265	3	332,938
	MD SEA	2016	299,460	84	57,142	16	623	-	357,225
Athena Thompson	Chief Marketing Officer	2017	230,000	83	30,000	11	17,104	6	277,104
	Chief Marketing Officer	2016	219,000	80	45,000	16	9,862	4	273,862
Cameron McFie	Chief Technology Officer	2017	225,000	91	19,499	8	2,485	1	246,985
	Chief Technology Officer	2016	219,000	87	32,742	13	-	-	251,742
Ravi Samuel[2]	Chief Financial Officer	2017	120,173	88	-	-	17,065	12	173,570
	Chief Financial Officer	2016	250,001	66	70,000	19	56,724	15	376,725
Sub-Total 2017	**Other Executives**	**2017**	**1,863,270**	**84**	**246,690**	**11**	**112,912**	**5**	**2,222,871**
Sub-Total 2016	**Other Executives**	**2016**	**1,642,814**	**71**	**362,026**	**16**	**293,215**	**13**	**2,298,055**
Grand Total 2017	**All KMP**	**2017**	**2,991,704**	**81**	**336,021**	**9**	**346,217**	**9**	**3,673,943**
Grand Total 2016	**All KMP**	**2016**	**2,876,221**	**68**	**522,026**	**12**	**839,301**	**20**	**4,237,548**

1 Remuneration includes termination, annual leave and Long Service Leave payments for Ms Edmonds from COO role

2 Remuneration includes termination and annual leave payments for Ms Samuel

3 Local Provident Fund contributions are made for Mr Sharp and Mr Yongvanich in SE Asia in place of Superannuation. They are paid in SGD, remuneration was converted to AUD based on the Reserve Bank of Australia average rate for the financial year

Remuneration (continued)

6. Performance Outcomes for FY17 Including STI and LTI Assessment

6.1 Company Performance

The following outlines the performance of the Company over the FY17 period and the previous three financial years in accordance with the requirements of the Corporations Act:

	2017	2016	2015	2014
Revenue	156,970	137,120	108,769	74,548
Reported EBITDA	4,004	1,466	(1,353)	1,468
Profit/(Loss) before income tax ($'000's)	3,344	1,168	(1,535)	1,370
Profit/(Loss) ($'000's)	2,507	(129)	(2,321)	884
30 June Share Price ($)	0.52	0.90	1.47	0.80
Change in Share Price ($)	(0.38)	(0.57)	0.67	n/a
Basic (loss)/Earnings Per Share (cents)	1.83	(0.1)	-1.98	0.51
Dividends	-	-	-	-
Total Shareholder Return (%)	(42%)	(39%)	83%	n/a

The data in this table is presented from the financial year 2014 as the reverse acquisition of NewLease Pty Ltd was completed on 10th April 2014.

Revenue for FY 2014 and FY 2015 are as reported and include rebates as part of revenue. FY 2016 revenue number has been restated and is comparative to FY 2017 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 the prior year. As the Company moved through the investment phase to delivering bottom line reported earnings, EBITDA grew from $1.5M in FY16 to $4M+ in FY17. This was driven by a significant improvement in operating profit for the group – an increase of $5M in FY17 compared to $16,000 in the prior year.

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Remuneration (continued)

6.2 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 (share price, in the case of LTI Options).

FY16

The STI related to performance during the FY16 period was awarded in August 2016. Board discretion to award short term incentives in FY16 in circumstances where the underlying profit target was not met was based on the achievement of non-financial key performance indicators (KPIs) which could not be disclosed prospectively given their commercial sensitivity. This was appropriate and intended under the design of the STIP at the time, which is subject to the Board's assessments of overall performance including non-financial achievements, in determining outcomes. The non-financial targets related to establishing strategic new Vendor relationships, securing additional Microsoft contracts in existing and new geographies and development and successful implementation of the Company's internal performance and values framework. On average 60% of the target award opportunity was paid. This STI reward approach has proven to drive the desired outcomes in KMP performance in FY17 as seen below and therefore there are strong links between internal measures of Company performance and the payment of short term incentives.

FY17

The STI achieved in relation to the FY17 period being completed will be paid after the end of the period (i.e. during FY18). Payment of STI was calculated based on a target of $5.1M EBITDA where 100% bonuses were payable and a threshold of $4M EBITDA where partial bonuses were payable. Based on updated guidance on financial performance provided in November 2016, the stretch was no longer applied in FY17 and will be re-instated in FY18. On average 36% of the target award opportunity was paid. This level of award was considered appropriate given performance against the Target.

Remuneration (continued)

Name	Position	KPI Summary							Award Outcomes FY17 Paid FY18
		KPI Summary	Weighting	Threshold	Target	Target Award	KPI	% Awarded	Total STI Award
Dominic O'Hanlon	Managing Director & CEO	Global EBITDA	100	4,000,000	5,100,000	250,000	78	36	89,331
Warren Nolan	Chief Commercial Officer	Global EBITDA	100	4,000,000	5,100,000	250,000	78	36	89,331
Mark McLellan	Chief Financial Officer	Global EBITDA	100	4,000,000	5,100,000	100,000	78	36	35,733
Cameron McFie	Chief Technology Officer	Global EBITDA	100	4,000,000	5,100,000	54,570	78	36	19,499
Athena Thompson[1]	Chief Marketing Officer	Global EBITDA	100	4,000,000	5,100,000	75,000	78	40	30,000
Chris Sharp[2]	Chief Strategy Officer	Global EBITDA	100	4,000,000	5,100,000	95,238	78	36	34,031
Patara Yongvanich[1,2]	MD SEA	Global EBITDA	100	4,000,000	5,100,000	95,238	78	40	38,095
Ravi Samuel	Chief Financial Officer	NA	-	-	-	-	-	-	-
Mike Hill	Chairman & Executive Director	NA	-	-	-	-	-	-	-
Dawn Edmonds	Chief Operating Officer & Executive Director	NA	-	-	-	-	-	-	-

1 Award takes into consideration one-off contractual arrangements made the previous year to pay 40% guaranteed bonus for FY17.

2 Mr Sharp and Mr Yongvanich are paid in SGD, STI was converted to AUD based on the Reserve Bank of Australia average rate for the financial year.

The EBITDA KPIs outlined were selected because it was the most significant outcome expected to contribute to the success of the Company during FY17. Following the end of the Measurement Period (the financial year), the Company accounts were audited and reports on the Company's activities during 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 reflective of market best practices. To date, the Board has taken the view that EBITDA is the key short term driver of long term value creation for shareholders.

6.3 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 Executive to focus on:
  - short to mid-term objectives linked to the strategy via KPIs and annual performance assessments; 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.

In FY18 the selection of the operating profit measure will enable KMP to focus further on the key factors they can influence to drive long term value and performance.

The Board is of the view that linking incentives to Operating Profit will produce an appropriate relationship to the intended outcomes of the Company's current strategy.

Remuneration (continued)

7. 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	Other Changes During The Year	Balance At End Of The Year	Notes
Dominic O'Hanlon	3,357,840	-	-	600,000	3,957,840	1
Dawn Edmonds	3,752,294	-	275,000	-	4,027,294	2
Mike Hill	1,046,290	-	-	132,030	1,178,320	1
Laurence Sellers	-	-	166,666	-	166,666	2
Mark Pierce	20,000	-	250,000	-	270,000	2
Michael Everett	821,579	-	250,000	-	1,071,579	
Michael Tierney	2,707,191	-	-	-	2,707,191	
Chris Sharp	-	-	200,000	-	200,000	2
Warren Nolan	859,475	-	-	-	859,475	
Patara Yongvanich	718,064	-	-	-	718,064	
Mark McLellan	-	-	-	175,396	175,396	1
Athena Thompson	-	-	-	-	-	
Cameron McFie	-	-	-	-	-	
Ravi Samuel	-	-	-	-	-	3
	13,282,733	0	1,141,666	907,426	15,331,825	

1 The KMP purchased ordinary shares during the period.

2 Dawn Edmonds, Laurence Sellers, Mark Pierce, Michael Everett and Chris Sharp exercised options during the period.

3 Ravi Samuel resigned on 30 September 2016.

Remuneration (continued)

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

Options and Rights	Balance At 1 July 2016	Granted As Compensation	Exercised No..	Other Changes No.	Balance At 30 June 2017 No.	Balance Vested At 30 June 2017 Exercisable No.	Vested But Not Exercisable No.	Balance Not Vested and Not Exercisable At 30 June 2017 No.	Notes
Mike Hill	-	-	-	-	-	-	-	-	
Dominic O'Hanlon	1,600,000	300,000	-	-	1,900,000		600,000	1,300,000	3
Dawn Edmonds	550,000	100,000	(275,000)	-	375,000	275,000	-	100,000	1,3
Laurence Sellers	1,400,000	-	(166,666)	(1,000,000)	233,334	233,334	-	-	1, 2
Mark Pierce	500,000	-	(250,000)	-	250,000	250,000	-	-	1
Michael Tierney	-	-	-	-	-	-	-	-	
Michael Everett	625,000	-	(250,000)	-	375,000	375,000	-	-	1,4
Chris Sharp	635,000	-	(200,000)	-	435,000	335,000	-	100,000	1
Warren Nolan	500,000	-	-	-	500,000	400,000	-	100,000	
Ravi Samuel	235,000	-	-	-	235,000	135,000	-	100,000	
Patara Yongvanich	100,000	-	-	-	100,000	-	-	100,000	
Mark McLellan	-	270,000	-	-	270,000	-	-	270,000	5
Cameron McFie	50,000	40,000	-	-	90,000	-	-	90,000	5
Athena Thompson	160,000	-	-	(30,000)	130,000	-	-	130,000	6
	6,355,000	710,000	(1,141,666)	(1,030,000)	4,893,334	2,003,334	600,000	2,290,000	

1 Dawn Edmonds, Laurence Sellers, Mark Pierce, Michael Everett and Chris Sharp exercised options at $0.20 cents per option during the period which were granted as part of their compensation rhipe Limited.

2 Laurence Sellers disposed of 1,000,000 options.

3 Dominic O'Hanlon and Dawn Edmonds were granted options as part of their remuneration and incentive packages for FY16 and these were approved by shareholders in FY17.

4 Michael Everett holds 125,000 options that were issued prior to the completion of the reverse takeover by NewLease Pty Ltd.

5 Equity securities were granted to Mark McLellan and Cameron McFie as part of their Executive Remuneration Package.

6 Options that had been granted to Athena Thompson in the 2015 financial year expired unexercised FY17.

1,141,666 options that were granted to KMP as part of their compensation were exercised.

No options that were granted to KMP Executives as remuneration during the year that vested during the year.

30,000 options lapsed during the financial year that had been granted to KMP as part of their remuneration.

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Remuneration (continued)

Shares Issued to Dominic O'Hanlon with Loan

Dominic O'Hanlon has 2,400,000 shares via a loan issued by the Company in July 2014.

Performance Rights Granted to KMP

Dominic O'Hanlon has 1,000,000 performance rights that were granted in July 2014. These Performance Rights vest in two tranches on the 11 August 2017 and 11 August 2019. As indicated previously all of the CEO's vested options are restricted from being traded without the approval of the Board.

Cameron McFie has 40,000 performance rights that were granted in April 2017. These Performance Rights vest on 28 April 2018.

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables in this section relating to options, rights and shareholdings.

Other transactions with KMP and/or their related parties

There were no other transactions conducted between the Group and KMP or their related parties other than those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

The number of options and rights granted to KMP of the Group during the year were issued by rhipe Limited and the recipients paid nil consideration.

The number of options and rights granted to KMP of the Group during the year is as follows:

2017 Equity Grants	Instrument	Grant Date	Number Issued	Exercise Price $	Value Per Security $	Grant Value $	Value Expensed in FY17 $	Percentage Remaining As Unvested %	Expiry Date For Vesting	Notes
KMP										
Dominic O'Hanlon	Options	1-Dec-16	300,000	1.25	0.0317	9,516	5,501	100	1-Jan-19	1,2
Dawn Edmonds	Options	1-Dec-16	100,000	1.25	0.0317	3,172	1,834	100	1-Jan-19	1,2
Mark McLellan	Options - Tranche A	1-Nov-16	135,000	0.94	0.3024	40,824	13,478	100	1-Nov-19	1,3
Mark McLellan	Options - Tranche B	1-Nov-16	135,000	0.94	0.3906	52,736	17,410	100	1-Nov-19	1,4
Cameron McFie	Performance Rights	28-Apr-17	40,000	-	0.36	14,400	2,485	100	28-Apr-18	5

1 Option values at grant date were determined using the Black Scholes Model.

2 The terms and conditions of the management incentive plan whereby unlisted and unvested options is they vest after 12 months' continuous services with the Company from the date of issue and when the 20 day VWAP of the Company's share price exceeds $1.75, There have not been any alterations to the terms or conditions of any share-based payments grants since grant date. The grant of options to Dominic O'Hanlon CEO and Dawn Edmonds COO in FY17 were part of the LTI plan's FY16 offering to the full Executive team. As Mr O'Hanlon and Ms Edmonds are Directors of the Company, the options could not be issued until Shareholder approval was granted at the AGM in November 2016.

3 Options were granted to Mark McLellan as part of his Executive Remuneration Package. The terms and conditions of the management incentive plan whereby unlisted and unvested options is they vest:
i. After one year's service with the Company;
ii. When the Company reports positive EBITDA earnings to the ASX in two consecutive half-year reporting periods; and
iii. When the Company reports positive operating cash-flow generation to the ASX in two consecutive half-year reporting periods

4 Options were granted to Mark McLellan as part of his Executive Remuneration Package. The terms and conditions of the management incentive plan whereby unlisted and unvested options is they vest:
i. After two yearas' service with the Company;
ii. When the Company reports positive EBITDA earnings to the ASX in two consecutive half-year reporting periods; and
iii. When the Company reports positive operating cash-flow generation to the ASX in two consecutive half-year reporting periods.

5 Performance Rights were granted to Cameron McFie as part of his Executive Remuneration Package whereby unlisted and unvested rights vest 12 months from the date of issue in consideration for the transfer of ownership of intellectual property to the Company (relating to Office 365 and Azure management tools). These rights have no exercise price, and were subject to a 12-month disposal restriction from the date of grant, and vest 12 months following the date of grant.

Remuneration (continued)

8. NED Fee Policy Rates for FY17 and FY18, and Fee Limit

Non-Executive Director fees are managed within the current annual fees limit (AFL or fee pool) 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 FY17:

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 FY18. 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 Non-Executive Directors. No additional fees were paid for additional work undertaken by a Non-Executive Director in FY17.

9. Remuneration Records for FY17 – Statutory Disclosures

9.1 Senior Executive Remuneration

The following table outlines the remuneration received by Senior Executives of the Company during FY17 prepared according to statutory disclosure requirements and applicable accounting standards:

						Base Package		STI*		LTI**					
Name	Role(s)	Year	Salary $	Superannuation Contributions $	Other Benefits $	Amount $	% of TRP	Amount $	% of TRP	Amount $	% of TRP	Total Remuneration Package (TRP)	Termination Benefits*** $	Change in Accrued Leave $	Notes
DIRECTORS															
Dominic O'Hanlon	Managing Director & CEO	2017	463,500	19,615	-	483,115	65	89,331	12	169,511	23	741,957	-	6,660	
	Managing Director & CEO	2016	450,000	19,308	-	469,308	58	100,000	12	242,609	30	811,917	-	8,917	
Dawn Edmonds	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
	Non-Executive Director	2017	30,000	-	-	30,000	100	-	-	-	-	30,000	-	-	
	Chief Operating Officer & Executive Director	2016	349,326	19,308	14,915	383,549	77	60,000	12	56,580	11	500,129	-	5,907	
Mike Hill	Chairman & Executive Director	2017	91,324	8676	-	100,000	100	-	-	-	-	100,000	-	-	2
	Non-Executive Chairman	2017	68,493	6,507		75,000	100	-	-	-	-	75,000			
	Chairman & Executive Director	2016	182,648	17,352	-	200,000	100	-	-	-	-	200,000	-	-	
Laurence Sellers	Non-Executive Director	2017	57,110	3,050	-	60,160	67	-	-	29,405	33	89,565	-	-	
	Non-Executive Director	2016	55,046	5,229	-	60,275	30	-	-	144,023	70	204,298	-	-	
Mark Pierce	Non-Executive Director	2017	57,110	3,050	-	60,160	85	-	-	10,502	15	70,662	-	-	
	Non-Executive Director	2016	55,046	5,229	-	60,275	54	-	-	51,437	46	111,712	-	-	
Michael Everett	Non-Executive Director	2017	35,000	-	-	35,000	77	-	-	10,502	23	45,502	-	-	3
	Non-Executive Director	2016	60,000	-	-	60,000	54	-	-	51,437	46	111,437	-	-	
Michael Tierney	Non-Executive Director	2017	25,000	-	-	25,000	100	-	-	-	-	25,000	-	-	4
	Non-Executive Director	2016	-	-	-	-	-	-	-	-	-	-	-	-	
Sub-Total 2017	**Directors**	**2017**	**1,002,201**	**55,757**	**$2,652**	**1,060,610**	**77**	**89,331**	**6**	**233,306**	**15**	**1,383,248**	**70,476**	**4,759**	
Sub-Total 2016	**Directors**	**2016**	**1,152,066**	**66,426**	**$14,915**	**1,233,407**	**64**	**160,000**	**8**	**546,086**	**28**	**1,939,493**	**-**	**14,824**	

1 Dawn Edmonds left her position as Chief Operating Officer and continued on as Non-Executive Director effective 1 January 2017. Termination benefits excluded payment of annual and long service leave.

2 Mike Hill moved from the position of Executive Chairman to Non-Executive chairman effective 31 January 2017.

3 Michael Everett resigned effective 27 January 2017.

4 Michael Tierney appointed to the Board 27 January 2017.

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															
Chris Sharp	Chief Strategy Officer	2017	371,252	11,652	-	382,903	86	34,031	8	26,840	6	443,774	-	-	5
	Chief Strategy Officer	2016	371,112	14,240	-	385,352	71	57,142	11	99,210	18	541,704	-	-	
Warren Nolan	Chief Commercial Officer	2017	267,342	19,615	13,043	300,000	75	89,331	22	9,265	2	398,596	-	10,351	6
	Chief Commercial Officer	2016	237,650	19,308	13,043	270,001	54	100,000	20	126,796	26	496,797	-	4,994	
Mark McLellan	Chief Financial Officer	2017	300,000	19,615	-	319,615	83	35,733	9	30,888	8	386,235	-	8,330	
	Chief Financial Officer	2016	-	-	-	-	-	-	-	-	-	-	-	-	
Patara Yongvanich	MD SEA	2017	271,299	14,279	-	285,578	86	38,095	11	9,265	3	332,938	-	-	5
	MD SEA	2016	284,787	14,673	-	299,460	84	57,142	16	623	-	357,225	-	-	
Athena Thompson	Chief Marketing Officer	2017	210,385	19,615	-	230,000	83	30,000	11	17,104	6	277,104	-	5,369	
	Chief Marketing Officer	2016	200,000	19,000	-	219,000	80	45,000	16	9,862	4	273,862	-	5,743	
Cameron McFie	Chief Technology Officer	2017	205,479	19,521	-	225,000	91	19,499	0	2,485	1	246,985	-	6,232	
	Chief Technology Officer	2016	200,000	19,000	-	219,000	87	32,742	13	-	-	251,742	-	4,823	
Ravi Samuel	Chief Financial Officer	2017	57,673	4,827	-	62,500	79	-	-	17,065	21	79,565	57,673	2,957	
	Chief Financial Officer	2016	230,693	19,308	-	250,001	66	70,000	19	56,724	15	376,725	-	4,838	7
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**	**33,238**	
Sub-Total 2016	**Other Executives**	**2016**	**1,524,242**	**105,529**	**13,043**	**1,642,814**	**71**	**362,026**	**16**	**293,215**	**13**	**2,298,055**	**-**	**20,398**	
Grand Total 2017	**All KMP**	**2017**	**2,685,631**	**164,881**	**15,695**	**2,866,207**	**81**	**336,021**	**9**	**346,217**	**10**	**3,548,445**	**128,149**	**37,997**	
Grand Total 2016	**All KMP**	**2016**	**2,676,308**	**171,955**	**27,958**	**2,876,221**	**68**	**522,026**	**12**	**839,301**	**20**	**4,237,548**	**-**	**35,222**	

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 will be paid in SGD on payment date.

6 Base salary including Superannuation of Mr Nolan was increased by $30,000 in FY17 but STI was reduced by $25,000 to closer align the target STI% with other KMP.

7 Ravi Samuel resigned 30 September 2016.

Please note that the STI value reported in this table is the STI that was paid during FY17, being the award earned during FY16.
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. 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.

Remuneration (continued)

10. Employment Terms for Key Management Personnel

10.1 Service Agreements

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

Name	Position Held at Close of FY17	Duration of Contract	From Company	From KMP	Termination Payments
Dominic O'Hanlon	Managing Director & CEO	Open ended	6 months	6 months	Up to 12 months*
Chris Sharp	Chief Strategy Officer	Open ended	1 month	1 month	Up to 12 months*
Warren Nolan	Chief Commercial Officer	Open ended	3 months	3 months	Up to 12 months*
Mark McLellan	Chief Financial Officer	Open ended	6 months	3 months	Up to 12 months*
Patara Yongvanich	Managing Director of SEA	Open ended	1 month	2 months	Up to 12 months*
Athena Thompson	Chief Marketing Officer	Open ended	1 month	1 month	Up to 12 months*
Cameron McFie	Chief Technology Officer	Open ended	1 month	1 month	Up to 12 months*
Ravi Samuel	Chief Financial Officer	Open ended	3 months	3 months	Up to 12 months*
Mike Hill	Chairman & Non-Executive Director	Open ended	3 months	3 months	Up to 12 months*
Dawn Edmonds[1]	Non-Executive Director	Open ended	12 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 Non-Executive Directors 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 Non-Executive KMP is presented below:

Name	Position Held at Close of FY17	Duration of Contract	From Company	From KMP	Termination Payments
Mike Hill	Non-Executive Chairman	3 years	1/3 months (with/without cause)	3 months	3 months
Dawn Edmonds	Non-Executive Director	3 years	1/3 months (with/without cause)	3 months	3 months
Laurence Sellers	Non-Executive Director	3 years	1/3 months (with/without cause)	3 months	3 months
Mark Pierce	Non-Executive Director	3 years	1/3 months (with/without cause)	3 months	3 months
Michael Tierney	Non-Executive Director	3 years	1/3 months (with/without cause)	3 months	3 months
Michael Everett	Non-Executive Director	3 years	1/3 months (with/without cause)	3 months	3 months

Termination payments consist of notice period only, no other benefits apply. The termination components of the agreement are the subject of review in FY18.

Remuneration (continued)

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;
- During the reporting period, the Company made a grant of 40,000 Deferred Rights (called Performance Rights in the documentation, but not subject to performance conditions) to Cameron McFie, as per the terms of the employment contract, in consideration for the transfer of ownership of intellectual property to the Company (relating to Office 365 and Azure management tools). These rights have no exercise price, and were subject to a 12-month disposal restriction from the date of grant, and vest 12 months following the date of grant;
- 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:

- Ravi Samuel CFO resigned and departed the company on 30 September 2016. In accordance with the employment contract, payment of three months' salary in lieu of notice was made amounting to $57,673 and accrued annual leave of $36,332. As a good leaver, Ms Samuel retained her options previously granted.
- Michael Everett NED resigned 27 January 2017 and no termination benefits were paid.

11. 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 the overall remuneration arrangements applicable to KMP, and improvements that could be made to the Remuneration Report. As at the date of writing of this report, no fees had been charged by the consultant. Fees will be disclosed for the reporting period in which they fall due, i.e. the FY18 Remuneration Report.

Auditor's Independence Declaration

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 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, 21 August 2017

Consolidated Statement of Profit or Loss

And Other Comprehensive Income For The Year Ended 30 June 2017

rhipe Limited And Controlled Entities

CONSOLIDATED GROUP	Note	2017 $'000	Restated 2016 $'000
Revenue	3(a)	**156,970**	137,120
Cost of Sales – licensing fees		**(128,780)**	(111,353)
Gross Profit		**28,190**	25,767
Other income	3(b)	**27**	2,648
Sales and Marketing	4	**(11,347)**	(13,857)
General and Administration	4	**(13,400)**	(13,222)
Other expenses	4(c)	**(126)**	(128)
Finance cost		**-**	(40)
Profit before income tax		**3,344**	1,168
Tax expense	5	**(837)**	(1,297)
Profit/(loss) after tax for the year attributable to owners of the parent entity		**2,507**	(129)
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)		**86**	1,949
Reclassification adjustment on disposal of investment in LiveTiles Limited (net of tax)		**-**	(1,669)
Exchange differences on translating foreign operations		**(796)**	(22)
Other comprehensive income for the year		**(710)**	258
Total comprehensive income for the year attributable to owners of the parent entity		**1,797**	129
EARNINGS/(LOSS) PER SHARE			
From continuing and discontinued operations:			
Basic earnings/(loss) per share (cents)	6	**1.83**	(0.10)
Diluted earnings/(loss) per share (cents)	6	**1.80**	(0.10)

The accompanying notes form part of these financial statements.

rhipe Annual Report 2017

Consolidated Statement of Financial Position

As at 30 June 2017

rhipe Limited And Controlled Entities

CONSOLIDATED GROUP	Note	2017 $'000	2016 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**19,812**	13,761
Trade and other receivables	8	**36,121**	28,754
Other assets	9	**2,910**	3,559
Total Current Assets		**58,843**	46,074
NON-CURRENT ASSETS			
Other financial assets	10	**946**	833
Property, plant and equipment	11	**766**	773
Deferred tax assets	15	**1,084**	828
Intangible assets	12	**21,887**	21,102
Total Non-Current Assets		**24,683**	23,536
Total Assets		**83,526**	69,610
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	**36,240**	25,295
Unearned revenue	14	**1,547**	2,302
Current tax liabilities	15	**678**	342
Provisions	16	**656**	870
Total Current Liabilities		**39,121**	28,809
NON-CURRENT LIABILITIES			
Deferred tax liabilities	15	**1,443**	688
Provisions	16	**156**	116
Total Non-Current Liabilities		**1,599**	804
Total Liabilities		**40,720**	29,613
Net Assets		**42,806**	39,997
EQUITY			
Issued capital	17	**40,977**	39,089
Reserves		**1,620**	3,246
Accumulated profits/(losses)		**209**	(2,338)
Total Equity		**42,806**	39,997

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For The Year Ended 30 June 2017

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 2015	**38,714**	**(2,209)**	**(3)**	**-**	**(27)**	**1,985**	**38,460**
COMPREHENSIVE INCOME							
Loss for the year	-	(129)	-	-	-	-	(129)
Other comprehensive income for the year							
Revaluation of investments, net of tax	-	-	-	280	-	-	280
Exchange differences on translation of subsidiaries	-	-	(22)	-	-	-	(22)
Total comprehensive income for the year	**-**	**(129)**	**(22)**	**280**	**-**	**-**	**129**
TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS, AND OTHER TRANSFERS							
Shares issued during the year	380	-	-	-	-	70	450
Transaction costs, net of tax	(5)	-	-	-	-	-	(5)
Share-based payments	-	-	-	-	-	963	963
Total transactions with owners and other transfers	375	-	-	-	-	1,033	1,408
Balance at 30 June 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**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For The Year Ended 30 June 2017

rhipe Limited And Controlled Entities

CONSOLIDATED GROUP	Note	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**148,846**	141,980
Payments to suppliers and employees		**(141,980)**	(141,520)
Interest received		**27**	107
Net income tax paid		**(5)**	(1,921)
Net cash provided by / (used in) operating activities	20	**6,888**	(2,104)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(253)**	(443)
Proceeds from sale of asset held for sale		**-**	83
Net cash outflow for acquisition of subsidiary		**-**	(320)
Payments for intangibles		**(1,212)**	(817)
Proceeds from sale of investments		**-**	4,467
Payments for investments		**-**	(6)
Net cash (used in) / provided by investing activities		**(1,465)**	2,964
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**608**	450
Payment for share issue costs		**(4)**	(5)
Net cash provided by financing activities		**604**	445
Net increase in cash held		**6,027**	1,305
Cash and cash equivalents at beginning of financial year		**13,761**	12,423
Effect of exchange rates on cash holdings in foreign currencies		**24**	33
Cash and cash equivalents at end of financial year	7	**19,812**	13,761

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For The Year Ended 30 June 2017

rhipe Limited And Controlled Entities

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

The financial statements were authorised for issue on 21 August 2017 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 below 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 27.

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 purchases when it is at below fair net asset value.

(d) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity 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.

Notes to the Financial Statements (continued)

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 displayed 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 at "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.

Notes to the Financial Statements (continued)

(g) Employee Benefits

Short-term employee benefits

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements 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 parent entity 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 required to be 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 consolidated entity 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 BlackScholes 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.

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Notes to the Financial Statements (continued)

(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.

  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 and an available for sale asset. The directors do not anticipate that transition to AASB 9 will have a material impact on the financial statements. The available for sale asset is expected to be classified as a Fair Value through OCI equity instrument and therefore the treatment is expected to remain consistent except for any gains on disposal of AFS will be transferred to retained earnings through the statement of changes in equity rather than through the profit or loss.

- **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 revenue from the Group is derived from distribution of software subscriptions and services. The adoption of the new standard is not expected to affect the timing of revenue recognition. Software subscriptions are not accessible without monthly payments, as such it is deemed that control is passed over time. The revenue recognition policy under the new accounting standard will require revenue to be recognised over time, which is consistent with the current policy. Therefore, the directors expect that the impact of implementing AASB15 will not be material. The effect of AASB 2016-3, in particular the updated agent and principal classification, may change how the entity accounts for revenue and cost of sales. The financial impact of this is yet to be determined.

Notes to the Financial Statements (continued)

- **AASB 16:** ***Leases (applicable to annual reporting periods beginning on or after 1st 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 balance sheet and a change in how related expenses are incurred. The financial impact of this has not yet been determined.

- **AASB 2014-10:** ***Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods beginning on or after 1 January 2018).***

  This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3: Business Combinations to an associate or joint venture, and requires that:

  - a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
  - the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
  - any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

  The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

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

- **AASB 2016-1:** ***Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for reporting periods beginning on or after 1 January 2017)***

  This standard clarifies that deferred tax asset recognition on unrealised losses arising from assets measured at fair value in the financial statements should carried out after taking into account any restrictions imposed under tax laws on the source of taxable profits against which the deductible temporary differences can be offset. Further the future taxable profits should not include any amounts that are reversal of the deductible temporary differences.

  AASB 2016-1 is not expected to impact the Group's financial statements since the directors believe that the Group's accounting policy for deferred tax assets in relation to assets measured at fair value is already in compliance with the standard.

- **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.

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	2017 $'000	Restated 2016 $'000
Australia	**93,887**	83,765
South East Asia	**42,455**	38,335
New Zealand	**18,187**	13,147
Other	**2,441**	1,873
Total rhipe group	**156,970**	137,120

Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2017 and 2016.

Information about major vendors

Included in revenues arising from sales of cloud based licensing programs and services of $156,970,000 (2016 Restated: $137,120,000) are revenues from products of two major vendors of $105,797,000 (2016 Restated:$89,400,000) and $29,079,000 (2016 Restated: $26,720,000). There are no other sales of a single vendors' product which contributed 10% or more to the Group's revenue for both 2017 and 2016.

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	2017 $'000	2016 $'000
Profit before income tax	**3,344**	1,168
Share based payments	**409**	963
Restructuring and due diligence	**485**	-
Impairment of asset held for sale	**-**	128
Gain on disposal of LiveTiles	**-**	(2,384)
Depreciation and amortisation	**687**	365
Foreign exchange loss/(gain)	**126**	(157)
Interest income	**(27)**	(67)
Operating profit	**5,024**	16

Notes to the Financial Statements (continued)

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	2017 $'000	Restated 2016 $'000
(a) Revenue from continuing operations		
Sales revenue		
- Licensing revenue	**151,830**	130,899
- Service & support revenue	**5,140**	6,221
Total revenue	**156,970**	137,120
(b) Other income		
Interest income	**27**	107
Other gains		
- Gain on disposal of LiveTiles Limited shares	**-**	2,384
- Foreign exchange gains	**-**	157
	27	2,648

(c) Rebates methodology

To ensure consistency with accounting standards, the company has changed the accounting treatment of rebates in the consolidated statement of Profit and Loss. Prior to 1 July 2016 rebates received from vendors were part of total revenue while from 1 July 2016 rebates are now included as part of Cost of Sales.

The impact on the 30 June 2016 financial year is as follow:

CONSOLIDATED GROUP	30 Jun 2016 $'000	Adjustment $'000	Restated 30 Jun 2016 $'000
Sales Revenue	**143,043**	**(5,923)**	137,120
Cost of Sales – licensing fees	**(117,276)**	**5,923**	(111,353)
Gross Profit	**25,767**	**-**	25,767

Notes to the Financial Statements (continued)

Note 4. Expenses

CONSOLIDATED GROUP	2017 $'000	2016 $'000
(a) Employee benefits		
Share-based payments	**409**	963
Defined contribution superannuation expenses	**1,129**	904
Other employee benefits	**15,316**	17,439
	16,854	19,306

During the year $412,959 of employee benefits were capitalised to software development.

(b) Depreciation and amortisation		
Depreciation	**427**	189
Amortisation	**260**	176
	687	365
(c) Other expenses		
Impairment of asset held for sale	**-**	128
Foreign exchange loss	**126**	-
(d) Rental expense		
Rental expenses on operating leases	**847**	614

Notes to the Financial Statements (continued)

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 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	2017 $'000	2016 $'000
(a) The components of tax (expense)/income comprise:			
Current tax		**681**	1,296
Deferred tax	16	**464**	1
Over provision in respect of prior years		**(308)**	-
		837	1,297

(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% (2016: 30%)			
- Consolidated Group		**1,003**	350
- Effect of tax rates of subsidiaries operating in other jurisdictions		**85**	106
Add tax effect of:			
- Other non-allowable items		**347**	373
Less tax effect of:		**1,435**	829
Under/(over) provision of prior year income tax		**(308)**	-
- Over Provision of prior year income tax		**209**	468
- Research and development offset		**(498)**	-
		837	1,297

(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**	120

Notes to the Financial Statements (continued)

Note 6. Earnings per Share

CONSOLIDATED GROUP	2017 cents	2016 cents
Basic EPS	**1.83**	(0.10)
Diluted EPS	**1.80**	(0.10)

NET PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	$000	$000
(a) Reconciliation of earnings to profit or loss		
Profit/(Loss)	**2,507**	(129)
Earnings used to calculate basic EPS	**2,507**	(129)
Earnings used in the calculation of dilutive EPS	**2,507**	(129)

	2017 No.of Shares	2016 No.of Shares
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**136,782,823**	134,232,325
Weighted average number of dilutive options outstanding[(i)]	**2,529,505**	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**139,312,328**	134,232,325

(i) The Company is in a loss making position in financial year 2016, accordingly options outstanding are not dilutive.

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	2017 $'000	2016 $'000
Cash at bank and on hand	**19,784**	13,734
Short-term bank deposits	**28**	27
	19,812	13,761

The effective interest rate on short-term bank deposits was 1.50% (2016: 1.40%); these deposits have an average maturity of 31 days (2016: 31 days).

Notes to the Financial Statements (continued)

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(e) for further discussion on the determination of impairment losses.

CONSOLIDATED GROUP	Note	2017 $'000	2016 $'000
CURRENT			
Trade receivables		**20,548**	15,381
Provision for impairment	8(a)	**(487)**	(248)
Indirect taxes		**1,462**	658
Accrued revenue		**14,598**	12,963
		36,121	28,754

Debtor Concentration

As of 30 June 2017 only one customer had a balance greater than 5% of trade receivables. This customer's balance represented 14% of total receivables and this was unusually high due to a seasonal increase in sales. In May 2017 the receivable balance from this customer was only 4% and is expected to return to this level from August 2017 onwards. This corporate customer's corporate bonds are rated "A" by S&P. The average credit period on sales is 30 days. Refer to Note 25(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 1 Jul 2015 $'000	Impairment For The Year $'000	Amounts Written Off During The Year $'000	Closing Balance 30 Jun 2016 $'000
(i) Current trade receivables 2016	104	200	(56)	248
	104	200	(56)	248

CONSOLIDATED GROUP	Opening Balance 1 Jul 2016 $'000	Impairment For The Year $'000	Amounts Written Off During The Year $'000	Closing Balance 30 Jun 2017 $'000
(ii) Current trade receivables 2017	248	461	(222)	487
	248	461	(222)	487

Notes to the Financial Statements (continued)

(b) Credit risk

Other than one customer that represented 14% of total receivable the Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. Outstanding balance has now been collected. Trade and Other Receivables is 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	2017 $'000	2016 $'000
Australia	**16,532**	16,045
Singapore	**8,352**	5,283
New Zealand	**3,162**	2,674
Philippines	**3,226**	2,571
Thailand	**1,539**	1,092
Other	**3,310**	1,089
	36,121	28,754

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 with 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	Past Due and Impaired	Past Due But Not Impaired (Days Overdue)			Within Initial Terms
			<30	31-60	>60	
	$'000	$'000	$'000	$'000	$'000	$'000
2016 Trade and term receivables	15,381	(248)	2,783	1,627	3,251	7,720
2017 Trade and term receivables	20,548	(487)	3,787	3,444	2,987	10,330

(c) Financial Assets Classified as Loans and Receivables

CONSOLIDATED GROUP	Note	2017 $'000	2016 $'000
TRADE AND OTHER RECEIVABLES			
Total current	8	**36,121**	28,754
		36,121	28,754
Less: Indirect taxes		**(1,462)**	(658)
Financial assets as trade and other receivables		**34,659**	28,096

Notes to the Financial Statements (continued)

Note 9. Other Assets

CONSOLIDATED GROUP	2017 $'000	2016 $'000
CURRENT		
Prepayments	**2,368**	3,046
Bonds & deposits	**542**	513
	2,910	3,559

Note 10. Available for Sale Equity Investment

CONSOLIDATED GROUP	2017 $'000	2016 $'000
Investment at cost	**6**	16
Investment at fair value	**940**	817
	946	833

At 30 June 2017 the Group held 4,085,380 shares, approximately 1% of their issued capital, in LiveTiles Limited an ASX listed software vendor. Due to the availability of quoted prices in active markets, this asset is a level 1 financial asset and revalued according to its fair value at reporting date. The movement between 30 June 2016 and 30 June 2017 of $123,000 is the change in fair value which has been recognised in equity.

Notes to the Financial Statements (continued)

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(f) for details of impairment of assets).

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.

CONSOLIDATED GROUP	2017 $'000	2016 $'000
PLANT AND EQUIPMENT		
At cost	**1,433**	1,181
Accumulated depreciation	**(667)**	(408)
	766	773

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
Balance at 30 June 2015	127	61	331	519
Additions	362	-	81	443
Depreciation expense	(91)	(14)	(84)	(189)
Balance at 30 June 2016	**398**	**47**	**328**	**773**
Additions	203	48	-	251
Depreciation expense	(163)	(13)	(82)	(258)
Balance at 30 June 2017	**438**	**82**	**246**	**766**

Notes to the Financial Statements (continued)

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(f) 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.

Notes to the Financial Statements (continued)

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.

CONSOLIDATED GROUP	2017 $'000	2016 $'000
GOODWILL		
Cost and net carrying amount	**19,897**	19,897
TRADEMARKS AND LICENCES		
Cost and net carrying amount	**10**	10
SOFTWARE DEVELOPMENT		
Cost	**2,731**	1,519
Accumulated amortisation	**(751)**	(324)
Net carrying amount	**1,980**	1,195
Total intangibles	**21,887**	21,102

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.

Notes to the Financial Statements (continued)

CONSOLIDATED GROUP	Goodwill $'000	Trademarks & Licences $'000	Software Development $'000
Year ended 30 June 2016			
Balance at the beginning of the year	22,518	10	554
Additions	-	-	817
Acquisitions through business combinations[i]	(2,621)	-	-
Amortisation charge	-	-	(176)
Closing value at 30 June 2016	**19,897**	**10**	**1,195**
Year ended 30 June 2017			
Balance at the beginning of the year	19,897	10	1,195
Additions	-	-	1,213
Amortisation charge	-	-	(427)
Closing value at 30 June 2017	**19,897**	**10**	**1,981**

(i) Includes $3,000,000 reduction in deferred consideration which was reversed to reflect the amendment to the nSynergy acquisition agreement, less adjustments to assets and liabilities from finalising provisional accounting.

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 has an indefinite useful life.

Impairment

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

	2017 $'000	2016 $'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 2017, 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 2018 financial year for the cash-generating unit. This budget is adjusted for future years and uses an initial growth rate of 35% decreasing over five years to a terminal growth of 5% and a real pre-tax discount rate of 13.25% (30 June 2016: 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 2017, 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.

Notes to the Financial Statements (continued)

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 the 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	2017 $'000	2016 $'000
CURRENT			
Unsecured liabilities			
Trade payables		**23,754**	12,372
Sundry payables and accrued expenses		**12,457**	12,923
Forward Contracts		**29**	-
Total trade and other payables	26	**36,240**	25,295

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

Trade and other payables, unearned revenue and employee benefits			
— Total current		**36,240**	25,295
— Total non-current		**-**	-
	26	**36,240**	25,295
Financial liabilities as trade and other payables		**36,240**	25,295

Notes to the Financial Statements (continued)

Note 14. Unearned Revenue

CONSOLIDATED GROUP	2017 $'000	2016 $'000
CURRENT		
Unearned revenue	**1,547**	2,302

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

Note 15. Tax

CONSOLIDATED GROUP	2017 $'000	2016 $'000
CURRENT		
Income tax payable	**678**	342
	678	342

CONSOLIDATED GROUP	Opening Balance $'000	Recognised To Income $'000	Recognised To Equity $'000	Closing Balance $'000
DEFERRED TAX ASSET				
Provisions - employee benefits	240	141	-	381
Provisions - doubtful debts	30	33	-	63
Accrued COS	10	11	-	21
Other	490	(127)	-	363
Balance at 30 June 2016	**770**	**58**	**-**	**828**
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**
DEFERRED TAX LIABILITY				
Accrued revenue	346	102	-	448
Other	162	(42)	120	240
Balance at 30 June 2016	**508**	**60**	**120**	**688**
Accrued revenue	448	305	-	754
Other	240	293	157	680
Balance at 30 June 2017	**688**	**598**	**157**	**1,443**

Notes to the Financial Statements (continued)

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 included in Note 1(h).

CONSOLIDATED GROUP	2017 $'000	2016 $'000
CURRENT		
Employee Benefits	**656**	870
NON CURRENT		
Employee Benefits	**156**	116

	Opening Balance 1 Jul 2015 $'000	Additional Provision For The Year $'000	Utilisation Of Provision During The Year $'000	Closing Balance 30 Jun 2016 $'000
Employee benefits – Current	756	926	(812)	870
Employee benefits – Non-Current	73	79	(36)	116

	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

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Notes to the Financial Statements (continued)

Note 17. Issued Capital

RHIPE LIMITED	2017 $'000	2016 $'000
138,091,614 (2016: 135,049,948) fully paid ordinary shares	**40,977**	39,089
	40,977	39,089

RHIPE LIMITED	No.	Value $'000
(a) Movement in ordinary shares on issue		
rhipe Limited shares as at 30 June 2016	135,049,948	39,089
Shares issued upon exercise of $0.20 options	3,041,666	608
Transfer from equity settled employee benefits reserve	-	1,284
Share issue costs, net tax	-	(4)
Closing balance at 30 June 2017	**138,091,614**	**40,977**

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 not subject to any externally imposed capital requirements.

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	2017 $'000	2016 $'000
Adjusted franking account balance	**4,237**	3,524

The weighted average conversion price of the above options is $0.448 (2015: $0.315)

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 19.

(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. 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

(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 2017, there were 4,349,584 options under issue (30 June 2016: 6,847,500) exercisable on a 1:1 basis for 4,349,584 ordinary shares in the Company (2016: 6,847,500). These options are exercisable as follows:

Details	Date Of Grant	Number Of Options	Date Of Expiry	Conversion Price ($)
Management incentive options issued prior to completion of reverse takeover by NewLease Pty Ltd	26/06/2013	125,000	12/03/2018	0.20
Management incentive options	10/04/2014	1,458,334	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	01/07/2018	0.75
	27/02/2015	200,000	01/07/2021	0.75
	18/03/2015	126,250	18/03/2018	1.25
	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
		4,349,584		

The weighted average conversion price of the above options is $0.703 (2016: $0.448)

Notes to the Financial Statements (continued)

	2017 No. Of Options	2016 No. Of Options
Balance at beginning of the year	6,847,500	8,397,500
Granted during the year	670,000	700,000
Exercised during the year	(3,041,666)	(2,250,000)
Expired during the year	(126,250)	-
Balance at end of year	**4,349,584**	**6,847,500**

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

CONSOLIDATED GROUP		Weighted Average Exercise Price
Options outstanding as at 30 June 2015	**8,397,500**	**$0.315**
Granted	700,000	$1.25
Exercised	(2,250,000)	$0.200
Options outstanding as at 30 June 2016	6,847,500	$0.448
Granted	670,000	$1.125
Exercised	(3,041,666)	$0.200
Expired	(126,260)	$1.250
Options outstanding as at 30 June 2017	4,349,574	-
Options exercisable as at 30 June 2017	2,853,334	$0.444
Options exercisable as at 30 June 2016	4,751,667	$0.297

As at the date of exercise, the weighted average share price of options exercised during the year was $0.20.

The weighted average remaining contractual life of options outstanding at year end was 2.08 years (2016: 2.12 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, 670,000 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 (this is usually only in the case of redundancy, death or disablement).

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Notes to the Financial Statements (continued)

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 $0.1586 (2016: $0.0989). 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), and behavioural considerations.

No. Of Options	135,000	135,000	4 00,000
Grant date	01/11/2016	01/11/2016	01/12/2016
Share price at grant date	$0.95	$0.95	$0.69
Exercise price	$0.94	$0.94	$1.25
Risk-free interest rate	1.91%	1.91%	1.81%
Expiry date	01/11/2020	01/11/2023	01/01/2019
Volatility	48%	48%	51%
Vesting conditions	(a)	(b)	(c)
Weighted average value per option before discounting for market based vesting conditions	$0.3780	$0.4883	$0.0793
Discount rate	0%	0%	50%
Weighted average value per option after discounting for market based vesting conditions	$0.3780	$0.4883	$0.0397
Further discount as options unlisted and non-transferable	20%	20%	20%
Weighted average value per option	$0.3024	$0.3906	$0.0317

(a) Vest only after one year's service with the company and when the company reports positive EBITDA earnings and positive operating cash flow generation in two consecutive half-year periods

(b) Vest only after the two years' service with the company and when the company reports positive EBITDA earnings and positive cash flow generation in two consecutive half-year periods

(c) Vest only after one year's service and after the company's share price has traded at $1.75 or above for 20 business days (using 20 day VWAP)

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 2017, there were 1,040,000 performance rights to acquire shares (30 June 2016: 1,000,000). 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	11/08/2017	Nil
	29/07/2014	500,000	11/08/2019	Nil
	28/04/2017	40,000	28/04/2018	Nil
		1,040,000		

	2017 No. Of Rights	2016 No. Of Rights
Balance at beginning of the year	1,000,000	1,000,000
Granted during the year	40,000	-
Exercised during the year	-	-
Expired during the year	-	-
Balance at end of year	**1,040,000**	**1,000,000**

Fair value of performance rights granted in the year

On 28 April 2017, 40,000 performance rights were granted to Cameron McFie.. The performance rights vest on 28 April 2018.

The fair value of the performance rights has been determined using the following assumptions:

No. of performance rights	40,000
Grant date	28/04/2017
Share price at grant date	0.45
Vesting conditions	(a)
Risk-free interest rate	2.75%
Value per option before discounting for market based vesting conditions	$0.45
Discount rate	20%
Value per option after discounting for market based vesting conditions	$0.36
Further discount as options unlisted and non transferable	n/a
Value per option	$0.36

(a) Performance rights automatically vest on 28 April 2018 and will be issued to Cameron McFie

Notes to the Financial Statements (continued)

Note 20. Cash Flow Information

CONSOLIDATED GROUP	2017 $'000	2016 $'000
(a) Reconciliation of Cash Flow from Operating Activities with Profit after Income Tax		
Profit/(Loss) after income tax	**2,507**	(129)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
Share-based payments expense	**409**	963
Amortisation	**260**	176
Depreciation	**427**	189
Gain on sale of investment	**-**	(2,384)
Net foreign exchange gain/(loss)	**(126)**	157
Provision for doubtful debt	**239**	144
Impairment of asset held for sale	**10**	128
Others	**-**	(212)
Changes in operating assets and liabilities:		
Increase in trade and term receivables	**(8,362)**	(1,957)
Increase/(decrease) in other current assets	**651**	(241)
Increase in trade payables and accruals	**9,851**	1,643
(Increase)/decrease in income taxes payable	**336**	(368)
Increase in deferred taxes payable	**755**	60
Increase in deferred taxes receivable	**(256)**	(316)
Increase/(decrease) in provisions	**157**	43
	6,888	(2,104)

(b) Bank Facilities

The group has a Trade Finance Facility of $2,000,000, which can be drawn as a bank guarantee, overdraft or trade advance. In addition the group has a bank guarantee facility of US$712,000.

Details of the facilities are below:

Provider	Facility	Utilised Total	Security
CBA	AUD 2,000,000	AUD 1,482,579	- General Security Interest by rhipe Australia Pty Ltd and rhipe Limited comprising: First ranking charge over All Present & After Acquired Property
CBA	USD 712,000	USD 712,000	- First Assignment by rhipe Australia Pty Ltd over Government Guarantee Export Finance and Insurance Corporatin
CBA	AUD 288,000	AUD 288,000	100% Cash Secured

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 21. 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 2017.

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

CONSOLIDATED GROUP	2017 $'000	2016 $'000
Short-term employee benefits	**3,089**	3,030
Post-employment benefits	**169**	153
Other long term benefits	**-**	-
Termination benefits	**256**	-
Share-based payments	**346**	839
Total KMP compensation	**3,860**	4,022

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.

(b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

CONSOLIDATED GROUP	2017 $'000	2016 $'000
1. Other Related Parties		
Recharge of services:		
Director fees charged to LiveTiles Limited	**-**	8
Recharge of shared services from rhipe Solutions to LiveTiles Limited	**-**	94

Notes to the Financial Statements (continued)

Note 22. Auditors' Remuneration

CONSOLIDATED GROUP	2017 $'000	2016 $'000
Remuneration of the auditor for:		
— auditing or reviewing the financial report	**205**	165
— taxation and other services	**88**	26
	293	191
Remuneration of other auditors of subsidiaries for:		
— auditing or reviewing the financial statements of subsidiaries	**29**	26

Note 23. 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 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	2017 $'000	2016 $'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	**703**	576
— between 12 months and five years	**1,663**	831
— greater than five years	**73**	-
	2,439	1,407

The Group has leases in Sydney, Melbourne, Singapore, Philippines, Thailand, Malaysia, Indonesia, South Korea and USA. During the year the company has subleased the office in the USA with materially all the rental obligation covered by sub tenant.

As of 30 June 2017 amount receivable from the subtenant for the remaining life of the lease, being 30 September 2020 is $725,000.

Notes to the Financial Statements (continued)

Note 24. Contingent Liabilities and Contingent Assets

There were no contingent assets or liabilities as at 30 June 2017.

Note 25. 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	2017 $'000	2016 $'000
FINANCIAL ASSETS			
Cash and cash equivalents	7	**19,812**	13,761
Receivables	8	**34,659**	28,096
Bonds & deposits	9	**542**	513
Available for sale equity investment	10	**940**	833
Total Financial Assets		**55,953**	43,203
FINANCIAL LIABILITIES			
Trade and other payables	13	**36,211**	25,295
Forward Contract Liability		**29**	-
Total Financial Liabilities		**36,240**	25,295
Net Financial Assets		**19,713**	17,908

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 27(c) for details).

For details on concentration of credit risk and geographic break down of trade receivables refer to Note 8.

Notes to the Financial Statements (continued)

(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

CONSOLIDATED GROUP	Within 1 Year		Over 1 Year		No Maturity		Total	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Financial liabilities due for payment								
Trade and other payables	36,211	25,295	-	-	-	-	36,211	25,295
Forward contract liability	29	-	-	-	-	-	29	-
Total expected outflows	**36,240**	**25,295**	**-**	**-**	**-**	**-**	**36,240**	**25,095**
Financial Assets - cash flows realisable								
Cash and cash equivalents	19,812	13,761	-	-	-	-	19,812	13,761
Trade and other receivables	34,659	28,096			-	-	34,659	28,096
Bonds and deposits	542	513			-	-	542	513
Other investments		-	-	-	940	833	940	833
Total anticipated inflows	**55,013**	**42,370**	**-**	**-**	**940**	**833**	**55,953**	**43,203**
Net inflow on financial instruments	**18,773**	**17,075**	**-**	**-**	**940**	**833**	**19,713**	**18,108**

Notes to the Financial Statements (continued)

(c) Market Risk

i. Interest rate risk

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2017 would decrease/increase by $35,000 (2016: $34,000). This is mainly attributable to the Group's exposure to interest rates on its cash and cash equivalents.

ii. Foreign exchange risk

The Group has invested in businesses in Australia, New Zealand, Singapore and other South East 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 and this creates an exchange rate risk. The Group has started hedging some of this risk via use of forward contracts. 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 Group.

In addition to the US exchange risk identified the group has material operations in Singapore and New Zealand and fluctuations in the Singapore 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.

NET FINANCIAL ASSETS IN CONSOLIDATED GROUP	2017 $'000	2016 $'000
Functional currency of entity		
Australian Dollars	**8,512**	11,197
NZ Dollars	**2,075**	1,474
SG Dollars	**1,479**	753
Other	**4,259**	2,182
Statement of financial position exposure	**16,325**	15,606

Foreign currency sensitivity analysis

The Group is mainly exposed to the Singapore 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		SGD	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Equity	**26**	36	**(129)**	(102)

There is no significant exposure to foreign currency that would impact the profit or loss.

(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 26. 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. Based on the closing bid price per share of $0.23, the investment is now worth $940,000.

CONSOLIDATED GROUP	2017 $'000	2016 $'000
Investment at Fair Value		
Opening balance	**817**	-
Transfer	**-**	2,500
Fair value adjustment during the year	**123**	400
Disposal	**-**	(2,083)
Closing balance at fair value	**940**	817

CONSOLIDATED GROUP	2017 $'000	2016 $'000
Forward contract at Fair Value		
Opening balance	**-**	-
Fair value adjustment at balance date	**29**	-
Closing balance at fair value	**29**	-

Notes to the Financial Statements (continued)

Note 27. Interests in Subsidiaries

(a) Information about Principal 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**	**2017 (%)**	**2016 (%)**	**2017 (%)**	**2016 (%)**
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%	**-**	-
PT rhipe International Indonesia	Indonesia	**100%**	100%	**-**	-
rhipe UK Pty Ltd	United Kingdom	**100%**	-	**-**	-
rhipe Licensing Technology Korea Ltd.[v]	Republic of Korea	**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 wholly-owned subsidiary which was incorporated during the year.

(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:

rhipe Annual Report 2017

Notes to the Financial Statements (continued)

CONSOLIDATED GROUP	2017 $'000	2016 $'000
Financial information in relation to:		
i. Statement of Profit or Loss and Other Comprehensive Income:		
Profit/(Loss) before income tax	**3,611**	2,548
Income tax expense	**(1,172)**	(1,313)
Profit/(Loss) after income tax	**2,439**	1,235
Profit/(Loss) attributable to members of the parent entity	**2,439**	1,235
ii. Retained Earnings:		
Retained losses at the beginning of the year	**(82)**	(1,317)
Profit after income tax	**2,439**	1,235
Retained losses at the end of the year	**2,357**	(82)
Statement of Financial Position:		
CURRENT ASSETS		
Cash and cash equivalents	**11,601**	9,594
Trade and other receivables	**16,398**	16,226
Other assets	**1,539**	2,158
Total Current Assets	**29,538**	27,978
NON-CURRENT ASSETS		
Other financial assets	**15,737**	15,502
Loans receivable	**16,082**	9,001
Property, plant and equipment	**661**	717
Deferred tax assets	**852**	625
Intangible assets	**7,540**	6,740
Total Non-Current Assets	**40,872**	32,585
Total Assets	**70,410**	60,563
CURRENT LIABILITIES		
Trade and other payables	**20,614**	15,198
Unearned revenue	**353**	825
Current tax liability	**1,646**	1,081
Provisions	**473**	553
Total Current Liabilities	**23,086**	17,657
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**1,233**	496
Other provisions	**265**	116
Total Non-Current Liabilities	**1,498**	612
Total Liabilities	**24,584**	18,269
Net Assets	**45,826**	42,294
EQUITY		
Issued capital	**40,977**	39,089
Reserves	**2,492**	3,287
Retained earnings	**2,357**	(82)
Total Equity	**45,826**	42,294

Notes to the Financial Statements (continued)

Note 28. 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.

	2017 $'000	2016 $'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total loss	**(1,721)**	(35)
Total comprehensive income	**(1,721)**	(35)
Statement Of Financial Position		
ASSETS		
Current Assets	**16,925**	5,380
Non-current Assets	**29,027**	41,371
	45,952	46,751
LIABILITIES		
Current Liabilities	**(1,050)**	1,258
Non-current Liabilities	**(157)**	120
Total Liabilities	**(1,207)**	1,378
EQUITY		
Issued Capital	**102,275**	101,430
Retained Earnings	**(61,344)**	(59,623)
Reserves	**3,814**	3,566
Total Equity	**44,745**	45,373

Contingent liabilities

At 30 June 2017, rhipe Limited had no contingent liabilities (2016: $Nil).

Contractual commitments

At 30 June 2017, rhipe Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2016: $Nil).

Note 29. Events After the Reporting Period

On 21 August 2017 the Board of Directors approved a share buy-back program up to 10% of company's issued capital on the market. Excluding the share buy-back there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Note 30. 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 42 to 84, 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 2017 and of the performance for the year ended on that date of the consolidated 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 21st day of August

Independent Auditor's Report

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

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

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of rhipe Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit and 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 report of the Group is 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 2017 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 Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ending 30 June 2017. These matters were addressed in the context of our audit of the financial report 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 annually test goodwill for impairment. 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	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 by rhipe.

Independent Auditor's Report (continued)

Key Audit Matter	How the matter was addressed during the audit
growth rates, margins and discount rates. 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.)	We assessed management's conclusion that the group has one CGU by reviewing reporting to the Chief Operating Decision Maker and assessing 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 $1,980,000 of capitalised software development as at 30 June 2017. 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 significant audit risk 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 receivables (Note 8) The Group has $20,548,000 of trade receivables outstanding as at 30 June 2017. A specific provision of $487,000 has been recognised for debts that are considered doubtful. Of the trade receivables outstanding $3,015,000 was greater than 60 days overdue. The recoverability of trade receivables and the completeness of the provision for doubtful debts are a judgement that must be carefully considered.	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 and reviewing management's assessment of debtors that were past due but not impaired.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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.

Independent Auditor's Report (continued)

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the 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 Report

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

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

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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 report, including the disclosures, and whether the financial report 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 report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (continued)

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report 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 40 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of rhipe Limited for the year ended 30 June 2017 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, 21 August 2017

Additional Information for Listed Public Companies

rhipe Limited And Controlled Entities

The following information is current as at 15 August 2017

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	123,905,424	89.73	81
10,001 to 100,000	10,839,956	7.85	363
5,001 to 10,000	1,969,116	1.43	248
1,001 to 5,000	1,190,273	0.86	401
1 to 1,000	186,845	0.14	1,045
Total	**138,091,614**	**100.00**	**2,138**

b. The number of shareholdings held in less than marketable parcels is 996.

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
CITICORP NOMINEES PTY LIMITED	16,039,621
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,058,809
J P MORGAN NOMINEES AUSTRALIA LIMITED	11,986,619
UBS NOMINEES PTY LTD	8,753,127

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	17.97
2. CITICORP NOMINEES PTY LIMITED	16,039,621	11.62
3. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,058,809	8.73
4. J P MORGAN NOMINEES AUSTRALIA LIMITED	11,986,619	8.68
5. UBS NOMINEES PTY LTD	8,753,127	6.34
6. BRISPOT NOMINEES PTY LTD	4,477,171	3.24
7. CAMPSMOUNT PTY LTD	2,786,065	2.02
8. DAWN EDMONDS	2,776,822	2.01
9. PRM INVESTMENTS PTY LTD	2,707,191	1.96
10. MIRRABOOKA INVESTMENTS LIMITED	2,500,000	1.81
11. BNP PARIBAS NOMS PTY LTD	2,465,882	1.79
12. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,450,119	1.77
13. DOMINIC JOHN O'HANLON	2,400,000	1.74
14. MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,239,800	1.62
15. BNP PARIBAS NOMINEES PTY LTD	2,084,621	1.51
16. MR DOMINIC OHANLON & MRS KAREN OHANLON	1,557,840	1.13
17. EDMONDS WALLIS PTY LTD	1,250,472	0.91
18. LYNN O'NEIL & KIM ROCKMAN	1,181,800	0.86
19. MACE GROUP PTY LTD	1,130,000	0.82
20. JOHN LEON SAYERS	900,000	0.65
	106,556,689	**77.16**

Additional Information for Listed Public Companies (continued)

In addition to the registered holders of shares in RHP as shown above, rhipe Limited has current substantial shareholder notices, in 2017, from the following:

Date	Holder pursuant to Notice	% of voting power
17 February 2017	Regal Funds Management Pty Ltd	10.01%
22 February 2017	Pie Funds Management Limited	7.03%
25 July 2017	Pie Funds Management Limited	5.86%

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
Melbourne VIC 3000

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 4,349,584 options are on issue to 5 directors and 10 employees.

rhipe

The Cloud Channel Company™