

Appendix 4D

RHIPE LIMITED
ABN: 91 112 452 436

HALF-YEAR ENDED
31 DECEMBER 2018

Results for Announcement to the Market

	Half-year Ended	Half-year Ended	
Key Information	31 Dec 2018 \$'000	31 Dec 2017 \$'000	Change %
Sales - Software Products & Services	114,711	88,314	+30%
Revenue	21,484	16,509	+30%
Gross Profit	20,510	15,741	+30%
Operating Profit (1)	5,610	3,129	+79%
EBITDA	4,593	2,762	+66%
Net profit/(loss) attributable to members	3,031	1,077	+181%

(1) Operating profit is gross profit less operating expenses and excludes any FX gains or losses, share based payments, restructuring and due diligence cost.

Dividends Paid and Proposed

The Board of rhipe Limited is also pleased to announce a fully franked interim dividend of AUD 1 cents per share to be paid from current and prior profits.

Net Tangible Assets per Share

Net tangible assets per ordinary share 16.17 cents (30 June 2018: 15.15 cents)

Control Gained or Lost over Entities in the Half-year

Control gained over entities during the period	Nil
Loss of control of entities during the period	Nil

Investments in Associates and Joint Venture Entities

Net profit/(loss) attributable to members	Nil
Aggregate share of profit/(losses) of associates and joint venture entities	Nil

Impact of AASB 15

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

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

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

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

Brief Explanation of Results

For the half year ended 31 December 2018 ("1H FY19"), rhipe Limited and all its subsidiaries ("the Group") delivered strong gross sales and revenue growth of 30%, operating expense growth of 18% which combined produced operating profit of \$5.6m, up \$2.5m or 79% compared to the previous corresponding period ('pcp'). EBITDA for the period was \$4.6m up 66% with net profit after tax for 1H FY19 \$3.0m up \$1.9m or 181% compared to 1H FY18. The net profit for the last six months of \$3.0m equates to the net profit after tax that the Company delivered in the previous full financial year.

The Group's strong operating profit and net profit after tax improvement for the six months to 31 December 2018 follows a period of further investment in a number of key strategic initiatives including an expansion in operations across South East Asia, Korea, New Zealand and Australia, investment in the Indirect Microsoft Cloud Solutions Provider ("CSP") program for Office365 and an investment in operations to support the expansion of Microsoft's Public Cloud Infrastructure platform, Microsoft Azure. These investments have underpinned the strong growth in sales, revenue and gross profit for the Group whilst lower growth rates in operating expenses, despite the need for continued investment across multiple areas of the business, has resulted in the delivery of improved operating profit. The Group continues to invest in these future growth areas to ensure we maintain our competitiveness in the rapidly expanding cloud industry.

In addition, the Company has seen increasing return from its investment in its service and support operations with an increase in sales in this area of \$1m to \$4.3m up 29% versus the pcp.

Key operating highlights in the half-year to 31 December 2018 included:

- Group sales from software products and services was \$115m for the period, up 30% or \$26m compared to the prior year comparative period. Overall rhipe's Sales from software products were \$110m for 1H FY19, up 30% year on year driven by strong growth in Office365 and Azure sales and also continued strong growth in our Asian footprint with local sales up 53% versus pcp.
- Strong growth in CSP operations (Office365 and Azure) with sales of circa \$27m in the 6 months to 31 December 2018 compared to \$13m in the pcp, an increase of +100%. The current annualised run-rate sales ("ARR") for CSP is now \$62m up 100% compared to ARR in pcp. At 31 December 2018 rhipe had approximately 385,000 CSP O365 seats including 30,000 seats from a one-off transaction in 1H FY19 involving academic O365 products sold at zero value. The installed base of +385,000 seats at December 2018 compared to ~186,000 CSP O365 seats at 31 December 2017 and 260,000 at 30 June 2018.
- Group revenue for 1H FY19 was \$21.5m compared to \$16.5m in the pcp, up 30% in line with sales growth. Licensing revenue of \$17.2m for 1H FY19 was up 30% compared to pcp with Licensing net sales margin remaining stable at 15.6% compared to 15.5% in the pcp. The net sales margin remained stable in the first half of FY19 despite an increase in competitive pressures, changes to standard rebates earned from software vendors which were offset by the benefit of a 'strategic growth accelerator' rebate from a key software vendor.
- Revenue from our services and support activities was \$4.3m for the period, up 29% on the pcp driven by growth in our support activities.
- Group gross profit for 1H FY19 was \$20.5m up \$4.8m or 30% year on year. Licensing gross profit grew 30% year on year to \$17.2m for the period and gross profit from our services and support operations grew by 29% to \$3.3m following the restructure of the business in FY17 and expansion of its technical support offering;
- Group operating expenses increased by 18% or \$2.3m year on year to \$14.9m, mainly driven by additional headcount employed to support the increased activities;
- Operating profit, which represents reported EBITDA excluding non-cash share-based payments, FX gains or losses, non-recurring due diligence costs and non-recurring one-off costs was up 79% to \$5.6m compared to pcp.
- Group reported EBITDA for the six months ended 31 December 2018 increased by 66% to \$4.6m. rhipe delivered a positive net profit after tax of \$3.0m compared to a net profit after tax of \$1.1m in pcp. The Company delivered the same net profit after tax in 1H FY19 as it delivered in the whole of FY18.
- Cash at 31 December 2018 was \$23.2m versus \$17.3m at 31 December 2017, up \$5.9m or 34% compared to twelve months ago. For 1H FY19 net operating cashflow was \$3.8m compared to \$0.6m in the pcp. At the same time rhipe has invested \$1.9m in its share buyback in 1H FY19, paid dividends of \$1.3m and invested a further \$1.3m in our key platform, PRISM.

Our share buyback program, which was originally announced in August 2017, continued during 1H FY19 with rhipe acquiring 1.63m shares in the current financial year at a total cost of \$1.9m and an average buyback price of \$1.19 per share. Since the program was launched the Company has acquired 5.1m or 3.8% of its own ordinary shares from the market at a total cash outlay of \$4.35m and at an average buy back price of 85 cents.

Earnings per share for the six months to 31 December 2018 was AUD 2.22 cents per share versus AUD 0.79 cents per share in the pcp an increase of 181%.

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Directors Report

The directors of rhipe Limited ("rhipe" or "the Company") and consolidated entities ("the Group") are pleased to submit herewith the financial statements of the Group for the six months ended 31 December 2018.

Directors

The names and details of the Company's directors in office during the half-year and until the date of this report are as follows:

Mike Hill	- Non-Executive Chairman
Dominic O'Hanlon	- Managing Director and Chief Executive Officer
Dawn Edmonds	- Non-Executive Director
Laurence Sellers	- Non-Executive Director (resigned 8 November 2018)
Mark Pierce	- Non-Executive Director
Michael Tierney	- Non-Executive Director

Directors were in office for the entire period except as noted.

Review of operations

The results presented in these financial statements reflect the operations of rhipe Limited ("rhipe" or "the Company") and all subsidiaries (together "the Group") for the six months from 1 July 2018 to 31 December 2018. The results for the comparative period reflect the operations of rhipe Limited and all its subsidiaries for 1 July 2017 to 31 December 2017.

Background to rhipe's operations

Rhipe is a cloud software reseller operating in Asia Pacific. rhipe provides a cloud subscription management platform with value added services such as training, consulting, marketing and 24x7 support. rhipe's platform helps multinational software vendors to migrate their traditional I.T. channel customers from on premise software infrastructure to cloud computing business models with subscription-based software as a service ("SAAS"). rhipe's Licensing division includes key software vendor relationships with Microsoft, VMWare, Citrix, Symantec, Red Hat, Trend Micro, and Veeam, as well as other independent software vendors. rhipe sells and manages subscription software to Channel customers including Managed Service Providers ("MSPs"), Independent Software Vendors ("ISVs") and System Integrators ("SIs").

rhipe's heritage for over a decade has been to provide subscription-based licensing programs to data centres and hosting companies (Private Cloud). However, in more recent years, Microsoft and other global software vendors have been adding their own 'Public cloud' infrastructure so that customers have choice of on-premise, private, public and hybrid cloud software implementations. This addition of public cloud has significantly increased the available market size for rhipe and driven the majority of the revenue growth in the last three years.

Impact of AASB 15

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

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

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

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

Directors' Report (continued)

Review of Financial Results

For the half year ended 31 December 2018 ("1H FY19"), the Group delivered strong gross sales and revenue growth of 30%, operating expense growth of 18%, which combined produced Operating Profit of \$5.6m, up \$2.5m or 79% compared to the previous corresponding period ('pcp'). EBITDA for the period was \$4.6m up 66% with net profit after tax for 1H FY19, \$3.0m up \$1.9m or 181% compared to 1H FY18. The net profit for the last six months of \$3.0m equates to the net profit after tax that the Company delivered in the previous full financial year.

The Board of rhipe Limited is also pleased to announce, following commencement of dividends in the last financial year that the company has declared a fully franked interim dividend of AUD 1.0 cents per share to be paid from current and prior profits.

The table below summarises the financial performance of the Group for 1H FY19 compared to the pcp.

Financial Summary \$'000	1H FY19	1H FY18	Change
Sales – Software Products & Services	114,711	88,314	+30%
Revenue	21,484	16,509	+30%
Gross Profit	20,510	15,741	+30%
Operating Profit ⁽¹⁾	5,610	3,129	+79%
Reported EBITDA	4,593	2,762	+66%
Profit/(loss) after tax	3,031	1,077	+181%

(1) Operating profit is gross profit less operating expenses and excludes any FX gains or losses, share based payments, restructuring and due diligence costs. Further details provided in table 2.

The Group's strong operating profit and net profit after tax improvement for the six months to 31 December 2018 follows a period of significant investment in a number of key strategic initiatives including continued expansion in operations across South East Asia, Korea, New Zealand and Australia, investment in the Indirect Microsoft Cloud Solutions Provider ("CSP") program for Office365 and an investment in operations to support the expansion of Microsoft's Public Cloud Infrastructure platform, Microsoft Azure. These investments have under-pinned the strong growth in sales, revenue and gross profit for the Group whilst lower growth rates in operating expenses, despite the need for continued investment across multiple areas of the business, has resulted in the delivery of improved operating profit. The Group continues to invest in these future growth areas to ensure we maintain our competitiveness in the rapidly expanding cloud

Key operating highlights in the half-year to 31 December 2018 included:

- Group sales from software products and services was \$115m for the period, up 30% or \$26m compared to the prior year comparative period. Overall rhipe's Sales from Software products were \$110m for 1H FY19, up 30% year on year driven by strong growth in Office365 and Azure sales and also continued strong growth in our Asian footprint with sales up 53% versus pcp.
- Strong growth in CSP operations (Office365 and Azure) with sales of circa \$27m in the 6 months to 31 December 2018 compared to \$13m in the pcp, an increase of +100%. The current annualised run-rate sales ("ARR") for CSP is now \$62m up 100% compared to ARR in pcp. At 31 December 2018 rhipe had approximately 385,000 CSP O365 seats including 30,000 seats from a one-off transaction in 1H FY19 involving academic O365 products sold at zero value. The installed base of +385,000 seats at December 2018 compares to ~186,000 CSP O365 seats at 31 December 2017 and 260,000 at 30 June 2018.
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- Revenue from our services and support activities was \$4.3m for the period, up 29% on the pcp driven by growth in our support activities.
- Group gross profit for 1H FY19 was \$20.5m up \$4.8m or 30% year on year. Licensing gross profit grew 30% year on year to \$17.2m for the period and gross profit from our services and support operations grew by 29% to \$3.3m following the restructure of the business in FY17 and expansion of its technical support offering.

Directors' Report (continued)

- Group operating expenses increased by 18% or \$2.3m year on year to \$14.9m, mainly driven by additional headcount employed to support increased activities.
- Operating profit, which represents reported EBITDA excluding non-cash share-based payments, FX gains or losses, non-recurring due diligence costs and non-recurring one-off costs was up 79% to \$5.6m compared to pcg.
- Group reported EBITDA for the six months ended 31 December 2018 increased by 66% to \$4.6m. rhipec delivered a positive net profit after tax of \$3.0m compared to a net profit after tax of \$1.1m in pcg. The Company delivered the same net profit after tax in 1H FY19 as it delivered in the whole of FY18.
- Cash at 31 December 2018 was \$23.2m versus \$17.3m at 31 December 2017, up \$5.9m or 34% compared to twelve months ago. For 1H FY19 net operating cashflow was \$3.8m compared to \$0.6m in the pcg. At the same time rhipec has invested \$1.9m in its share buyback in 1H FY19, paid dividends of \$1.3m and invested a further \$1.3m in our key platform, PRISM.

Our share buyback program, which was originally announced in August 2017, continued during 1H FY19 with rhipec acquiring 1.63m shares in the current financial year at a total cost of \$1.9m and an average buyback price of \$1.19 per share. Since the program was launched the Company has acquired 5.1m or 3.8% of its own ordinary shares from the market at a total cash outlay of \$4.35m and at an average buy back price of 85 cents.

Earnings per share for the six months to 31 December 2018 was AUD 2.22 cents per share versus AUD 0.79 cents per share in the pcg an increase of 181%.

Table 2, below outlines the operating profit and reported EBITDA contribution from the Group for the six month period to 31 December 2018:

Earnings reconciliation \$'000	Notes	31 Dec 2018	31 Dec 2017
Operating profit		5,610	3,129
Adjustments:			
Foreign exchange gain or (loss)	3(b)	311	(427)
Non-recurring transaction costs incurred		(240)	(147)
Non- cash share based payments expensed in accordance with accounting standards	4(a)	(1,088)	(108)
Gain on sale of investment in LiveTiles		-	315
EBITDA Reported		4,593	2,762
Interest	3(b)	102	(5)
Depreciation	4(b)	(794)	(540)
Profit/(loss) before tax		3,901	2,217
Tax expense (1)		870	1,140
Profit after tax		3,031	1,077

(1) The tax expense for period is \$870,000 on a profit before income tax of \$3,901,000. The current year tax expense has been impacted by the recognition in 1H FY19 of income tax losses in rhipec Singapore which has been recognised as Deferred Tax Asset as the entity was profitable in the last 2 periods providing evidence that rhipec Singapore is expected to utilise the prior year tax losses.

Directors' Report (continued)

Events after the reporting date

rhipec has entered into binding legal agreements to acquire 100% of the share capital of Dynamics Business IT Solutions Pty Limited ('DBITS'). DBITS is a privately-owned IT services, integration and support business that specialises in services centered on Microsoft's Enterprise Resources Planning System known as 'Dynamics 365 Business Central'.

The share purchase agreement was executed on 30 January 2019 and completion of the acquisition is subject to certain condition precedents. The transaction is expected to complete during February 2019.

Total consideration payable for DBITS is up to \$8.0m of which \$4.5m is payable on completion and the remainder is contingent on future performance over the next two years.

Auditor independence and non-audit services

The auditor's independence declaration under s307c of the Corporations Act 2001 is set out on page 9 for the half-year ended 31 December 2018.

Signed in accordance with a resolution of the directors.



Mike Hill
Chairman Sydney

18 February 2019

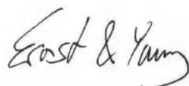
Auditor's Independence Declaration to the Directors of rhipe Limited

As lead auditor for the review of rhipe Limited for the half-year ended 31 December 2018,

I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Graham Leonard
Partner
18 February 2019

Independent Auditor's Review Report to the members of rhipe Limited Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of rhipe Limited (the Company) and its subsidiaries (collectively the Group) which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'Ernst & Young', is placed above the company name.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Graham Leonard', is placed above the name.

Graham Leonard
Partner
Sydney
18 February 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2018

rhipe Limited And Controlled Entities

	Note	31 Dec 2018 \$'000	Restated 31 Dec 2017 \$'000
Revenue	3(a)	21,484	16,509
Cost of Sales		(974)	(768)
Gross Profit		20,510	15,741
Other income	3(b)	413	319
Sales and Marketing		(8,994)	(7,176)
General and Administration		(8,008)	(6,229)
Other expenses		(20)	(427)
Finance cost		-	(11)
Total expenses		(17,022)	(13,843)
Profit before income tax		3,901	2,217
Tax expense		(870)	(1,140)
Profit after tax for the period attributable to owners of the parental entity		3,031	1,077
Other comprehensive income/(loss)			
Items that will be reclassified subsequently to profit or loss			
Revaluation of investment (net of tax)		-	(366)
Unrealised exchange differences on translating foreign operations		416	(2)
Other comprehensive loss for the period		416	(368)
Total comprehensive income for the period attributable to owners of the parent entity		3,448	709
Earnings per share			
-Basic earnings per share (cents)	5	2.22	0.79
-Diluted earnings per share (cents)	5	2.17	0.78

*The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

rhipe Limited And Controlled Entities

		31 Dec 2018	Restated 30 Jun 2018
ASSETS	Note	\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents	6	23,235	22,696
Trade and other receivables	7	32,373	25,931
Prepayments and other assets		7,614	4,650
TOTAL CURRENT ASSETS		63,222	53,267
NON-CURRENT ASSETS			
Other financial assets		-	6
Property, plant and equipment		968	917
Deferred tax assets		365	203
Intangible assets		24,151	23,463
TOTAL NON-CURRENT ASSETS		25,484	24,589
TOTAL ASSETS		88,707	77,856
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		33,325	27,800
Unearned revenue		5,966	2,718
Current tax liabilities		1,709	1,572
Provisions		841	679
TOTAL CURRENT LIABILITIES		41,840	32,769
NON-CURRENT LIABILITIES			
Deferred tax liabilities		247	924
Provisions		223	185
TOTAL NON-CURRENT LIABILITIES		470	1,109
TOTAL LIABILITIES		42,310	33,878
NET ASSETS		46,397	43,978
EQUITY			
Issued capital	8(a)	41,327	39,287
Reserves		1,040	2,051
Accumulated profits		4,030	2,640
TOTAL EQUITY		46,397	43,978

The accompanying notes form part of these financial statement

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2018

rhipe Limited And Controlled Entities

	SHARE CAPITAL		RESERVES					Equity Settled Employee Benefits Reserve	Total
	Ordinary	Accumulated Profits	Foreign Currency Translation Revenue	Investment Revaluation Reserve	Reserve				
	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
Balance at 1 July 2017	40,977	209	(821)	366	(27)		2,102	42,806	
Profit for the period	-	1,077	-	-	-		-	1,077	
Revaluation of investment in LiveTiles, net of tax	-	-	-	(366)	-		-	(366)	
Unrealised foreign exchange on consolidation	-	-	(2)	-	-		-	(2)	
Total comprehensive loss for the period	-	1,077	(2)	(366)	-		-	709	
Shares issued during the period	85	-	-	-	-		-	85	
Shares bought back during the period	(2,269)	-	-	-	-		-	(2,269)	
Transaction costs, net of tax	(9)	-	-	-	-		-	(9)	
Reclassification of reserves to accumulated profits	-	(27)	-	-	27		-	-	
Share based payments	-	-	-	-	-		108	108	
Transfer from SBP Reserves-options exercised	207	-	-	-	-		(207)	-	
Balance at 31 Dec 2017	38,991	1,259	(823)	-	-		2,003	41,430	
Balance at 1 July 2018	39,287	2,640	(664)	-	-		2,715	43,978	
Effect of adoption of new accounting standards	-	(357)	-	-	-		-	(357)	
Balance at 1 July 2018 (Restated)	39,287	2,283	(664)	-	-		2,715	43,621	
Profit for the period	-	3,030	-	-	-		-	3,030	
Revaluation of investment in LiveTiles, net of tax	-	-	-	-	-		-	-	
Exchange differences on translations of subsidiaries	-	-	416	-	-		-	416	
Total comprehensive loss for the period	-	3,030	416	-	-		-	3,446	
Shares bought back during the period	(1,909)	-	-	-	-		-	(1,909)	
Shares issued during the period	1,493	-	-	-	-		-	1,493	
Transaction costs, net of tax	(11)	-	-	-	-		-	(11)	
Dividend paid	-	(1,331)	-	-	-		-	(1,331)	
Reclassification of reserves to accumulated profits	-	-	-	-	-		-	-	
Share based payments	-	-	-	-	-		1,088	1,088	
Transfer from SBP Reserves-options expired	-	48	-	-	-		(48)	-	
Transfer from SBP Reserves-options exercised	2,467	-	-	-	-		(2,467)	-	
Balance at 31 December 2018	41,327	4,031	(248)	-	-		1,288	46,397	

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2018

rhipe Limited And Controlled Entities

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Cash flows from operating activities		
Receipts from partners	114,087	91,247
Payments to vendors/customers and employees	(109,868)	(89,942)
Interest received	102	3
Income tax paid	(501)	(746)
Net cash provided by/(used in) in operating activities	3,820	562
Cash flows from investing activities		
Purchase of property, plant and equipment	(287)	(356)
Proceeds from sale of investment	-	733
Payment for intangibles	(1,270)	(1,280)
Net cash used in investing activities	(1,557)	(903)
Cash flows from financing activities		
Proceeds from issue of shares	1,493	85
Buy back of shares	(1,909)	(2,269)
Dividend paid	(1,331)	
Costs associated with issue of shares	(11)	(9)
Net cash (used in)/provided by financing activities	(1,758)	(2,193)
Net decrease in cash and cash equivalents	505	(2,534)
Cash and cash equivalents at beginning of period	22,696	19,812
Effect of exchange rates on cash holdings in foreign currencies	34	25
Cash and cash equivalents at end of period	23,235	17,303

*The accompanying notes form part of these financial statements.

Notes to the financial statements

For the half-year ended 31 December 2018

rhipe Limited And Controlled Entities

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of rhipe Limited ("rhipe" or "the Company") and its controlled entities ("the Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2018, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on the 18 February 2019.

(b) Basis of accounting

The consolidated financial statements have been prepared on the basis of historical cost, except for 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 values 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.

In addition, for financial reporting purposes, 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.

(c) Accounting policies and critical accounting estimates and judgments

Except as noted below, the same accounting policies, critical accounting estimates and judgements and methods of computation have been followed in this interim financial report as were applied in the most recent financial statements.

(d) Rounding of Amounts

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

(e) New Accounting Standards, interpretations and amendments adopted by the Group

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

The Group has applied, for the first time, AASB 15 Revenue from Contracts with Customers, using the full retrospective method and AASB 9 Financial Instruments retrospectively but without restatement of prior comparatives. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 Revenue from Contract with Customers

AASB 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-

Notes to the financial statements (continued)

step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

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

Principal versus agent considerations under AASB 15

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

Prior to the adoption of AASB 15, based on the existence of credit risk, the Group concluded that it has an exposure to the significant risks and rewards associated with the sale of software products to its customers, and accounted for the contracts as if it was a principal. Upon adoption of AASB 15, the Group determined that it does not control the products before they are transferred to customers, and hence, is an agent in these contracts because it does not have the ability to direct the use of the products or obtain benefits from the products. In addition, the Group concluded that it transfers control over the software products, upon receipt by the customer at which point the revenue is recognised. The statement of profit or loss for the six months ended 30 December 2017 was restated resulting in decreases in both Revenue from contracts with customers and Cost of sales amounting to \$71,805,000. The Statement of Financial Position as of 30 Jun 2018 was restated resulting in decreases in both Trade and Other Payables (Accrued Cost of Sales) and Trade and Other Receivables (Accrued Revenue) amounting to \$14,126,000.

The Group adopted AASB 15 using the full retrospective method of adoption. The effect of adopting AASB 15 is, as follows:

Impact on the statement of profit or loss (increase/(decrease)) for the six months ended 31 Dec 2017:

	\$'000
Revenue from contract with customers	(71,805)
Cost of sales	(71,805)
Gross profit for the period	-

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

	\$'000
Trade and Other Receivables	(14,126)
Trade and Other Payables	(14,126)

There is no impact on the statement of cash flows and calculation on basic and diluted EPS.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

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

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

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

Notes to the financial statements (continued)

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

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

The adoption of the ECL requirements of AASB 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in decreases in Trade and other receivables and Retained earnings amounting by \$357,000. There was not material change in impairment allowances amount as at 31 December 2018.

AASB 112 Income Taxes

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

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

As both of the above condition have been satisfied, the group has offset the deferred tax assets and deferred tax liabilities for the period ending 31 December 2018. This has been applied for the period ending 30 June 2018 and therefore the Statement of Financial Performances has been restated.

	31 Dec 2018 \$'000	30 June 2018 \$'000	Adjustment \$'000	Restated 30 June 2018 \$'000
Deferred tax assets	365	1,524	(1,321)	203
Deferred tax liabilities	247	2,245	(1,321)	924

2. Segment information

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 licencing programs and cloud solutions for its key software customers across the Asia Pacific region.

Revenue derived from countries in the Asia Pacific region include:

	31 Dec 2018 \$'000	31 Dec 2017 \$'000	AASB 15 Adjustment \$'000	Restated 31 Dec 2017 \$'000
Oceania	17,475	63,490	(50,131)	13,359
Asia	4,009	23,959	(21,674)	2,285
Other	-	865	-	865
	21,484	88,314	(71,805)	16,509

Notes to the financial statements (continued)

3. Revenue and Other income

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

	31 Dec 2018 \$'000	Restated 31 Dec 2017 \$'000
Sales - Software Products & Services	114,711	88,314
Less Purchases of Software Products	(93,227)	(71,805)
Revenue	21,484	16,509

	31 Dec 2018 \$'000	31 Dec 2017 \$'000	Adjustment \$'000	Restated 31 Dec 2017 \$'000
(a) Revenue				
Licensing Revenue (Agency basis)	17,202	84,987	(71,805)	13,182
Service & support	4,282	3,327	-	3,327
	21,484	88,314	(71,805)	16,509
(b) Other income				
Interest income			102	4
Foreign exchange gain			311	-
Gain on disposal of LiveTiles Limited shares			-	315
			413	319

4. Expenses

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
(a) Employee benefits		
Share-based payments	1,088	108
Defined contribution superannuation expenses	643	506
Other employee benefits	8,652	8,096
	10,383	8,710
(b) Depreciation and amortisation		
Depreciation	228	177
Amortisation	566	365
	794	542
(c) Rental expense		
Rental expenses on operating leases	603	546
(d) Other expenses		
Foreign exchange loss	-	427
Bad debt expense	197	268
Marketing expenses	1,284	997
Other	3,761	2,353
	5,242	4,045
	17,022	13,843

Notes to the financial statements (continued)

5. Earnings per share

Basic earnings per share for period ending 31 December 2018 was AUD 2.22 (31 Dec 2017: AUD 0.79 cents) and diluted earnings per share was AUD 2.17 cents (31 Dec 2017: AUD 0.78 cents).

(a) Reconciliation of earnings to profit	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Profit	3,031	1,077
Earnings used to calculate basic EPS	3,031	1,077
Earnings used in calculation of diluted EPS	3,031	1,077

(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	136,203,713	136,348,700
Weighted average number of dilutive options outstanding	3,556,708	2,532,206
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	139,769,421	138,880,906

6. Cash and cash equivalents

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Cash at bank and on hand	23,235	22,696

7. Trade and other receivables

	Note	31 Dec 2018 \$'000	30 Jun 2018 \$'000	Restated 30 Jun 2018 \$'000
Trade receivable		23,927	22,367	22,367
Provision for Impairment	7(a)	(766)	(587)	(587)
Indirect taxes		1,575	1,645	1,645
Accrued Revenue	7(b)	1,637	16,622	2,496
		23,373	40,047	25,921

- (a) The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets. As a result of the adoption of AASB 9 and forward-looking expected credit loss (ECL), the Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which resulted in an increase in the Provision for Impairment as of 1 July 2018 of \$357,000.
- (b) Accrued revenue as of 30 Jun 2018 have been restated as a result of adoption of AASB 15, Revenue from contract with customers. Prior to adoption of the new standard the group accounting policy was to accrue for Sales of software products and cost of sales software products. Adoption of AASB 15 and moving recognition of software revenue from 'principal' basis to 'agent' basis resulted in reduction in Accrued revenue balance.

Notes to the financial statements (continued)

8. Contributed equity

(a) Issued capital

RHIPE LIMITED		
	31 Dec 2018 \$'000	31 Jun 2017 \$'000
137,540,149 (2018: 135,429,383) fully paid ordinary shares	41,327	39,287
	No.	Value \$'000
Rhipe Limited shares as at 30 June 2018	135,429,383	39,287
Shares issued upon exercise of options	900,834	1,493
Shares issued upon exercise of performance rights	2,840,000	-
Shares bought back	(1,630,068)	(1,909)
Transfer from equity settled employed benefits reserve upon exercise options	-	2,467
Shares issue costs, net tax	-	(11)
Closing balance at 31 December 2018	137,540,149	41,327

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to number of shares held. At the 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 hand.

(b) Options

As at 31 December 2018, there were 2,655,000 unissued ordinary shares under option (30 June 2018: 3,673,334). These options are exercisable as follows:

DETAILS	NO OF OPTIONS	DATE OF EXPIRY	EXERCISE PRICE (\$)
Management incentive options	550,000	10 Apr 2019	0.20
	300,000	11 Aug 2020	0.75
	67,500	15 Sep 2021	0.75
	67,500	1 Oct 2021	0.75
	200,000	1 Jul 2021	0.75
	700,000	1 Jan 2019	1.25
	400,000	1 Jan 2019	1.25
	135,000	1 Nov 2020	0.94
	135,000	1 Nov 2023	0.94
	50,000	13 Sep 2021	0.50
	50,000	13 Sep 2022	0.50
	2,665,000		

The weighted average exercise price of the above options is \$0.853 (\$0.745 at 30 June 2018).

1,100,000 options with exercise price of \$1.25 expired in January 2019.

Notes to the financial statements (continued)

The table below shows the balance of share options in existence at 31 December 2018 and the movement during the period.

	31 Dec 2018 No.
Balance at beginning of the period	3,673,334
Granted during the period	-
Exercised during the period	(900,834)
Expired during the period	(117,500)
Closing balance at 31 December 2018	2,665,000

(c) Performance Rights

As at 31 December 2018, there were 500,000 performance rights to acquire shares (30 June 2018: 3,440,000). These performance rights are exercisable as follows:

DETAILS	DATE OF GRANT	NUMBER OF RIGHTS	DATE OF EXPIRY	EXERCISE PRICE (\$)
Management performance rights	29/7/14	500,000	11/8/22	Nil

	31 Dec 2018 No.
Balance at beginning of the period	3,440,000
Granted during the period	-
Exercised during the period	(2,840,000)
Expired during the period	(100,000)
Closing balance at 31 December 2017	500,000

9. Dividends

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

10. Events after the reporting period

rhipe has entered into binding legal agreements to acquire 100% of the share capital of Dynamics Business IT Solutions Pty Limited ('DBITS'). DBITS is a privately-owned IT services, integration and support business that specialises in services centered on Microsoft's Enterprise Resources Planning System known as 'Dynamics 365 Business Central'.

The share purchase agreement was executed on 30 January 2019 and completion of the acquisition is subject to certain condition precedents. The transaction is expected to complete during February 2019.

Total consideration payable for DBITS is up to \$8.0m of which \$4.5m is payable on completion and the remainder is contingent on future performance over the next two years.

Directors' Declaration

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

- (a) The financial statements and notes, as set out on pages 12 to 22 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, and
 - (ii) giving a true and fair view of the financial position of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
- (b) 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.

On behalf of the Directors



Mike Hill
Chairman Sydney

18 February 2019

Corporate Information

ABN 91 112 452 436

Directors

Mike Hill

Non-Executive Chairman

Dominic O'Hanlon

Managing Director and Chief Executive Officer

Dawn Edmonds

Non-Executive Director

Laurence Sellers

Non-Executive Director (resigned 8 November 2018)

Laurence Sellers

Non-Executive Director

Mark Pierce

Non-Executive Director

Michael Tierney

Non-Executive Director

Joint Company Secretary

Andrew Whitten and Maggie Niewidok

Registered Office & Principal Place of Business

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Share Register

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Auditors

Ernst & Young, Australia, 200 George Street
Sydney NSW 2000

Solicitors

Whittens & McKeough Lawyers and Consultants Level 5
126 Phillip Street, Sydney NSW 2000

Stock Exchange Listing

Securities of Rhippe Limited are listed on the Australian
Securities Exchange (ASX).

ASX Code: RHP

Web Site: www.rhippe.com



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