

**APPENDIX 4D
HALF-YEAR INFORMATION GIVEN TO THE ASX
UNDER LISTING RULE 4.2A**

**RHIPE LIMITED
ABN 91 112 452 436**

**HALF-YEAR ENDED
31 DECEMBER 2017**

The information provided in this report should be read in conjunction with the most recent annual financial statements and ASX announcements.

RHIPE LIMITED

Results for Announcement to the Market

Key Information	Half-year Ended	Half-year Ended	Change %
	31 Dec 2017	31 Dec 2016	
	\$'000	\$'000	
Revenue from ordinary activities	88,314	72,451	+22%
Gross Profit	15,741	13,282	+19%
Operating Profit	3,129	1,442	+117%
EBITDA	2,762	684	+304%
Net profit/(loss) attributable to members	1,077	15	+7,080%

Dividends Paid and Proposed

The Board of rhipe Limited is also pleased to announce a maiden fully franked interim dividend of AUD 0.5 cents per share to be paid from current and prior profits.

Net Tangible Assets per Share

Net tangible assets per ordinary share 13.78 cents (30 June 2017: 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

Equity accounted associates and joint venture entities	Nil
Aggregate share of Profit / (losses) of associates and joint venture entities	Nil

Brief Explanation of Results

For the half-year ended 31 December 2017, the Group delivered strong revenue growth of 22% which combined with modest operating expense growth of 7%, produced operating profit of \$3.1m, up 117% and reported EBITDA of \$2.8m, up over 300% compared to the previous corresponding period ('pcp'). Net profit after tax increased to \$1.1m from a broadly break even position in the pcp.

Group revenue was \$88.3m for the period, up 22% or \$16m compared to the prior year comparative period. The majority of rhipe's revenue growth during the half year ended 31 December 2017 is in the form of monthly subscription based licensing revenue generated from more than 2,500 technology service provider customers across Asia Pacific. rhipe's Licensing revenue was \$85m for the six months to 31 December 2017, up 21% year on year. Revenue from our services and support activities was \$3.3m for the period, up 37% on the pcp driven by growth in our support activities.

Gross profit for the period was \$15.7m up \$2.5m or 19% for the period with Group gross margin being 17.8% compared to 18.3% in the pcp.

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 of \$0.4m (pcp \$0.8m), was up 117% to \$3.1m compared to pcp.

Group reported EBITDA for the six months ended 31 December 2017 has increased by 304% to \$3.1m.

rhipe delivered a positive net profit after tax of \$1.1m compared to a net profit after tax of \$15k in pcp.

RHIPE LIMITED

The Group's strong operating profit and net profit after tax improvement for the six months to 31 December 2017 follows a period of significant investment in a number of key strategic initiatives including an expansion in operations across South East Asia and Korea, investment in the Indirect Microsoft Cloud Solutions Provider ("CSP") program for Office365 and an investment in its operations to support the expansion of Microsoft's Public Cloud Infrastructure platform, Microsoft Azure. These investments have underpinned the strong growth in revenue and gross profit for the Group whilst modest growth in operating expenses 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.

Key operating highlights in the half-year to 31 December 2017 included:

- Licensing revenue growth of 21% year on year driven by strong growth in Office365 and Azure revenue (see below) and in our South East Asia operations of 85% compared to the pcg;
- Strong growth in CSP operations (Office365 and Azure) with revenue in excess of \$13m in the 6 months to 31 December 2017 compared to \$5m in the pcg, with a current annualised run-rate revenue of more than \$31m. At 31 December 2017 rhipe had over 186,000 CSP O365 seats compared to 126,000 at 30 June 2017.
- Licensing gross profit grew 19% year on year to \$13.2m for the period with gross margin remaining broadly stable at around 15.5%;
- rhipe Solutions, our services and support activities, increased its revenue by 37% to \$3.3m and its gross profit by 14% to \$2.6m following the restructure of the business in the prior financial year and expansion of its technical support offering;
- Group operating expenses increased by a modest 7% year on year due to careful cost management and allocation of spend to growth areas;
- Investment of \$0.3m in the six months to 31 December 2017 in our new operations in South Korea following award of Microsoft SPLA and CSP licences for South Korea in early 2017, a market which is second only in size to Australia in Asia Pacific (excluding Japan) for SPLA;
- Continued investment in rhipe's Platform for Reporting and Subscription Management ("PRISM") of \$1.3m compared to \$0.7m in pcg;
- Cash at 31 December 2017 was \$17.3m up \$5.9m or 52% compared to 31 December 2016 after the share buyback of \$2.3m (see below) and PRISM investment of \$1.3m. For the six months to 31 December 2017 net operating cashflow was \$0.6m compared to a net operating cash outflow of \$2.1m in the pcg; and
- rhipe continues to evaluate new geographic markets and also new vendor licensing relationships with a number of smaller complementary software vendors to allow strategic bundled offers to our customer base. For example, we announced in November a new partnership with Symantec, a global leader in security software.

In August 2017, rhipe announced an on market share buy back program and by the end of 2017 rhipe had acquired 3.4m or 2.5% of its own ordinary shares from the market. Total cash spent on the share buy back program up to 31 December 2017 was \$2.3m at an average buy back price of 67 cents.

Earnings per share for the six months to 31 December 2017 was AUD 0.79 cents per share versus AUD 0.01 cents per share in the pcg.

Rhipe Limited

ABN 91 112 452 436

**Interim Financial Report
for the period ended 31 December 2017**

RHIPE LIMITED

INTERIM FINANCIAL REPORT

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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 2017.

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
Mark Pierce	Non-Executive Director
Michael Tierney	Non-Executive Director

Directors were in office for the entire period.

Review of operations

The results presented in these financial statements reflect the operations of rhipe Limited and all subsidiaries for the six months from 1 July 2017 to 31 December 2017. The results for the comparative period reflect the operations of rhipe Limited and all its subsidiaries for 1 July 2016 to 31 December 2016.

For the half year ended 31 December 2017, rhipe Group delivered strong revenue growth of 22% which combined with modest operating expense growth of 7%, produced operating profit of \$3.1m, up 117% and reported EBITDA of \$2.8m up over 300% compared to the previous corresponding period ('pcp'). Net profit after tax increased to \$1.1m from a broadly break even position in the pcp.

Group revenue was \$88.3m for the period, up 22% or \$16m compared to the prior year comparative period. The majority of rhipe's revenue growth during the half year ended 31 December 2017 is in the form of monthly subscription based licensing revenue generated from more than 2,500 technology service provider customers across Asia Pacific. rhipe's Licensing revenue was \$85m for the six months to 31 December 2017, up 21% year on year. Revenue from our services and support activities was \$3.3m for the period, up 37% on the pcp driven by growth in our support activities.

Gross profit for the period was \$15.7m up \$2.5m or 19% for the period with Group gross margin being 17.8% compared to 18.3% in the pcp.

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 of \$0.4m (pcp \$0.8m), was up 117% to \$3.1m compared to pcp

rhipe delivered a positive net profit after tax of \$1.1m compared to a net profit after tax of \$15k in the pcp.

The Board of rhipe Limited is also pleased to announce a maiden fully franked interim dividend of AUD 0.5 cents per share to be paid from current and prior profits.

Table 1.

Financial Summary \$'000	1H FY18	1H FY17	Change
Revenue	88,314	72,451	+22%
Gross Profit	15,741	13,282	+19%
Operating Profit ⁽¹⁾	3,129	1,442	+117%
Reported EBITDA	2,762	684	+304%
Profit/(loss) after tax	1,077	15	+7,080%

(1) Operating profit is gross margin less operating expenses and excludes any FX gains or losses, share base payments and one-off cost including restructuring or due diligence costs. Further details provided in table 2

Directors' report (continued)

The Group's strong operating profit and net profit after tax improvement for the six months to 31 December 2017 follows a period of significant investment in a number of key strategic initiatives including an expansion in operations across South East Asia and Korea, investment in the Indirect Microsoft Cloud Solutions Provider ("CSP") program for Office365 and an investment in its operations to support the expansion of Microsoft's Public Cloud Infrastructure platform, Microsoft Azure. These investments have underpinned the strong growth in revenue and gross profit for the Group whilst modest growth in operating expenses 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.

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- Licensing revenue growth of 21% year on year driven by strong growth in Office365 and Azure revenue (see below) and in our South East Asia operations of 85% compared to the pcp;
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- rhipe continues to evaluate new geographic markets and also new vendor licensing relationships with a number of smaller complementary software vendors to allow strategic bundled offers to our customer base. For example, we announced in November a new partnership with Symantec, a global leader in security software.

In August 2017, rhipe announced an on market share buy back program and by the end of 2017 rhipe had acquired 3.4m or 2.5% of its own ordinary shares from the market. Total cash spent on the share buy back program up to 31 December 2017 was \$2.3m at an average buy back price of 67 cents.

Earnings per share for the six months to 31 December 2017 was AUD 0.79 cents per share versus AUD 0.01 cents per share in the pcp.

Further background

rhipe provides a cloud subscription management platform with value added services such as training, consulting 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. rhipe sells and manages subscription software to Channel customers including Managed Service Providers ("MSPs"), Independent Software Vendors ("ISVs") and System Integrators ("SIs").

Directors' report (continued)

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. rhipe has been awarded the right to distribute a number of new Public Cloud licensing programs such as the Microsoft CSP (Cloud Solution Provider) program. 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 two years. Notably, the revenue growth from Microsoft Office365 and Azure (the key components of the CSP program) has been over 150% in the six months to 31 December 2017.

Investment into Microsoft CSP, through building teams of specialists to market, advise, sell and support Public Cloud licensing, has shown positive results and builds a new subscription based recurring revenue stream for the Group. These programs and complementary software programs are the growth drivers of the business.

While much of Group's revenue continues to come from its heritage geographies of Australia and New Zealand, this has been complemented in recent years by expansion into the high growth geography of South East Asia and more recently South Korea in 2017. rhipe's Asia business continues to build momentum in cloud licensing in these less mature markets and is expanding with vendor relationships across multiple countries. Microsoft acknowledges rhipe as a significant and fast growing regional partner for its Cloud Subscription licensing business.

Table 2, below outlines the operating profit and reported EBITDA contribution from the Group for the six month period to 31 December 2017:

Table 2.

Earnings reconciliation \$'000	31 Dec 2017	31 Dec 2016
Operating profit	3,129	1,442
<i>Less</i>		
Foreign exchange loss	(427)	(171)
Non-recurring transaction costs incurred	(147)	(365)
Non- cash share based payments expensed in accordance with accounting standards	(108)	(222)
Gain on sale of investment in LiveTiles	315	-
EBITDA Reported	2,762	684
Interest	(5)	21
Depreciation	(540)	(299)
Profit/(loss) before tax	2,217	406
Tax expense ⁽¹⁾	1,140	(391)
Profit after tax	1,077	15

(1) The tax expense for period is \$1,140,000 on a profit before income tax of \$2,217,000. Income tax losses in SEA entities are prudently not taken into account for the purpose of tax expense calculation.

RHIPE LIMITED

Directors' report (continued)

Events after the reporting date

No events have occurred after the reporting date that impacts the financial statements.

Auditor independence and non-audit services

The auditor's independence declaration under s307c of the *Corporations Act 2001* is set out on page 6 for the half-year ended 31 December 2017.

Signed in accordance with a resolution of the directors.



Mike Hill
Chairman
Sydney
5 February 2018

**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 half-year ended 31 December 2017 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

ShineWing Australia

ShineWing Australia
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Sydney, 5 February 2018

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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of rhipe Limited ("the Company") and its controlled entities ("the Group") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes to the financial statements and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the review of the half-year financial report

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, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its 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*.

ShineWing Australia

ShineWing Australia
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Sydney, 5 February 2018

RHIPE LIMITED

Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Sales Revenue	3 (a)	88,314	72,451
Cost of Sales		(72,573)	(59,169)
Gross Profit		<u>15,741</u>	<u>13,282</u>
Other income	3 (b)	319	21
Sales and Marketing		(7,176)	(6,692)
General and Administration		(6,229)	(6,035)
Other expenses		(427)	(170)
Finance cost		(11)	-
Profit before income tax		<u>2,217</u>	<u>406</u>
Tax expense		(1,140)	(391)
Profit after tax for the period attributable to owners of the parent entity		<u>1,077</u>	<u>15</u>
Other comprehensive (loss)/income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Revaluation of investment in LiveTiles Limited (net of tax)		(366)	(243)
Unrealised exchange differences on translating foreign operations		(2)	(363)
Other comprehensive loss for the period		<u>(368)</u>	<u>(606)</u>
Total comprehensive income/(loss) for the period attributable to owners of the parent entity		<u>709</u>	<u>(591)</u>
Earnings per share			
- Basic earnings per share (cents)	5	0.79	0.01
- Diluted earnings per share (cents)	5	0.78	0.01

The accompanying notes form part of these financial statements.

RHIPE LIMITED

Consolidated statement of financial position

As at 31 December 2017

	Note	31 Dec 2017 \$'000	30 Jun 2017 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	17,303	19,812
Trade and other receivables	7	35,962	36,121
Other assets		6,998	2,910
TOTAL CURRENT ASSETS		<u>60,263</u>	<u>58,843</u>
NON-CURRENT ASSETS			
Other financial assets	8	6	946
Property, plant and equipment		949	766
Deferred tax assets		1,149	1,084
Intangible assets	9	22,802	21,887
TOTAL NON-CURRENT ASSETS		<u>24,906</u>	<u>24,683</u>
TOTAL ASSETS		<u>85,169</u>	<u>83,526</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		36,248	36,240
Unearned revenue		4,190	1,547
Current tax liabilities		712	678
Provisions		609	656
TOTAL CURRENT LIABILITIES		<u>41,759</u>	<u>39,121</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,779	1,443
Provisions		201	156
TOTAL NON-CURRENT LIABILITIES		<u>1,980</u>	<u>1,599</u>
TOTAL LIABILITIES		<u>43,739</u>	<u>40,720</u>
NET ASSETS		<u>41,430</u>	<u>42,806</u>
EQUITY			
Issued capital	10(a)	38,991	40,977
Reserves		1,180	1,620
Accumulated profits		1,259	209
TOTAL EQUITY		<u>41,430</u>	<u>42,806</u>

The accompanying notes form part of these financial statement

RHIPE LIMITED

Consolidated statement of changes in equity

For the half-year ended 31 December 2017

	SHARE CAPITAL		RESERVES				Total
	Ordinary	Accumulated Profits/(Losses)	Foreign Currency Translation Reserve	Investment Revaluation Reserve	General Reserves	Equity Settled Employee Benefits Reserve	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 July 2016	39,089	(2,338)	(25)	280	(27)	3,018	39,997
Profit for the period	-	15	-	-	-	-	15
Revaluation of investment in LiveTiles, net of tax	-	-	-	(243)	-	-	(243)
Unrealised foreign exchange on consolidation	-	-	(363)	-	-	-	(363)
Total comprehensive loss for the period	-	15	(363)	(243)	-	-	(591)
Shares issued during the period	413	-	-	-	-	-	413
Transaction costs, net of tax	(6)	-	-	-	-	-	(6)
Share based payments	-	-	-	-	-	222	222
Transfer from ESEB reserve options exercised	844	-	-	-	-	(844)	-
Balance at 31 December 2016	40,340	(2,323)	(388)	37	(27)	2,396	40,035
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 reserve to accumulated profits	-	(27)	-	-	27	-	-
Share based payments	-	-	-	-	-	108	108
Transfer from ESEB reserve options exercised	207	-	-	-	-	(207)	-
Balance at 31 December 2017	38,991	1,259	(823)	-	-	2,003	41,430

The accompanying notes form part of these financial statements.

RHIPE LIMITED

Consolidated statement of cash flows

For the half-year ended 31 December 2017

	Consolidated Group	
	31 Dec	31 Dec
	2017	2016
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	91,247	67,221
Payments to suppliers and employees	(89,942)	(69,075)
Interest received	3	21
Income tax paid	(746)	(256)
Net cash provided by/(used in) in operating activities	562	(2,089)
Cash flows from investing activities		
Purchase of property, plant and equipment	(356)	(53)
Proceeds from sale of investment	733	-
Payment for intangibles	(1,280)	(655)
Net cash used in investing activities	(903)	(708)
Cash flows from financing activities		
Proceeds from issue of shares	85	413
Buy back of shares	(2,269)	-
Costs associated with issue of shares	(9)	(6)
Net cash (used in)/provided by financing activities	(2,193)	407
Net decrease in cash and cash equivalents	(2,534)	(2,390)
Cash and cash equivalents at beginning of period	19,812	13,761
Effect of exchange rates on cash holdings in foreign currencies	25	16
Cash and cash equivalents at end of period	17,303	11,387

The accompanying notes form part of these financial statements.

RHIPE LIMITED

Notes to the financial statements

For the half-year ended 31 December 2017

1. Summary of significant accounting policies

a. Basis of preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2017 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 2017, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on the 5 February 2018.

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

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.

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 vendors across the Asia Pacific region.

RHIPE LIMITED

Notes to the financial statements (continued)

Revenue derived from countries in the Asia Pacific region include:

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Australia	53,595	43,692
South East Asia	23,959	18,863
New Zealand	9,895	8,744
Other	865	1,152
	88,314	72,451

3. Revenue and Other income

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
(a) Revenue from continuing operations		
Sales revenue		
- Licensing revenue	84,987	70,016
- Service & support revenue	3,327	2,435
	88,314	72,451
(b) Other income		
Interest income	4	21
Other gains		
- Gain on disposal of LiveTiles Limited shares	315	-
	319	21

4. Expenses

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
(a) Employee benefits		
Share-based payments	108	222
Defined contribution superannuation expenses	506	492
Other employee benefits	8,096	7,758
	8,710	8,472
(b) Depreciation and amortisation		
Depreciation	177	126
Amortisation	365	173
	542	299

RHIPE LIMITED

Notes to the financial statements (continued)

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
(c) Other expenses		
Foreign exchange loss	427	170
	427	170
(d) Rental expense		
Rental expenses on operating leases	546	515
	546	515

5. Earnings per share

Basic earning per share for period ending 31 December 2017 was AUD 0.79 (31 Dec 2016: AUD 0.01 cents) and diluted earnings per share was AUD 0.78 cents (31 Dec 2016: AUD 0.01 cents).

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Net profit attributable to ordinary equity holders of the parent:		
(a) Reconciliation of earnings to profit		
Profit	1,077	15
Earnings used to calculate basic EPS	1,077	15
Earnings used in calculation of diluted EPS	1,077	15

	31 Dec 2017 Number	31 Dec 2016 Number
(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	136,348,700	135,958,691
Weighted average number of dilutive options outstanding	2,532,206	3,877,174
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	138,880,906	139,835,865

6. Cash and cash equivalents

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Cash at bank and on hand	17,303	19,784
Short term bank deposits	-	28
	17,303	19,812

The effective interest rate on short-term bank deposits was 1.40% (30 Jun 2017: 1.50%); these deposits have an average maturity of 31 days (Jun 2017: 31 days).

RHIPE LIMITED

Notes to the financial statements (continued)

7. Trade and other receivables

		31 Dec 2017 \$'000	30 Jun 2017 \$'000
CURRENT	Note		
Trade receivable		16,706	20,548
Provision for Impairment	7(a)	(299)	(487)
Indirect taxes		1,429	1,462
Accrued Revenue		18,126	14,598
		35,962	36,121

(a) Provision For Impairment of Receivables

Movement in provision for impairment of receivables is as follows:

	OPENING BALANCE 1 Jul 2017 \$'000	IMPAIRMENT FOR THE PERIOD \$'000	AMOUNTS WRITTEN OFF 31 Dec 2017 \$'000	CLOSING BALANCE 31 Dec 2017 \$'000
Current trade receivables 31 Dec 2017	487	260	(448)	299

	OPENING BALANCE 1 Jul 2016 \$'000	IMPAIRMENT FOR THE PERIOD \$'000	AMOUNTS WRITTEN OFF 31 Dec 2016 \$'000	CLOSING BALANCE 31 Dec 2016 \$'000
Current trade receivables 31 Dec 2016	248	175	(12)	411

8. Other financial assets

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Investment at cost	6	6
Investment at fair value (LiveTiles Limited)	-	940
	6	946

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. These shares were sold in September 2017.

9. Intangible assets

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Goodwill		
Cost and net carrying amount	19,897	19,897

RHIPE LIMITED

Notes to the financial statements (continued)

	31 Dec 2017	31 Jun 2017
	\$'000	\$'000
Trademarks & Licensing		
Cost and net carrying amount	10	10
Capitalised development		
Cost	4,011	2,731
Accumulated amortisation	(1,116)	(751)
Net carrying amount	2,895	1,980
Total intangibles	22,802	21,887

Total capitalised software development costs for the six month period were \$1,280,000 (31 Dec 2016: \$665,000) and relate to cost of external consultants and internal IT team costs incurred in developing our Platform for Reporting and Subscription Management (“PRISM”). Amortisation for the period was \$365,000 (31 Dec 2016: \$173,000) with the Group commencing amortisation of PRISM Portal from August 2016.

Impairment

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

	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Asia Pacific segment	19,897	19,897
Total	19,897	19,897

No impairment indicators were identified in the review of goodwill for the period ended 31 December 2017.

10. Contributed equity

(a) Issued capital

	RHIPE LIMITED	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
135,132,433 (2017: 138,091,614) fully paid ordinary shares	38,991	40,977

RHIPE LIMITED

Notes to the financial statements (continued)

	No.	Value \$'000
Rhipe Limited shares as at 30 June 2017	138,091,614	40,977
Shares issued upon exercise of \$0.20 options	425,000	85
Shares bought back	(3,384,181)	(2,269)
Transfer from equity settled employee benefits reserve upon exercise of options	N/a	207
Share issue costs, net tax	N/a	(9)
Closing balance at 31 December 2017	135,132,433	38,991

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 2017, there were 4,124,584 unissued ordinary shares under option (30 June 2017: 6,847,500). These options are exercisable as follows:

DETAILS	NO OF OPTIONS	DATE OF EXPIRY	EXERCISE PRICE (\$)
Management incentive options issued prior to completion of reverse takeover by NewLease Pty Limited	125,000	12/03/2018	0.20
Management incentive options	1,033,334	10/04/2019	0.20
	300,000	11/08/2018	0.75
	300,000	11/08/2020	0.75
	67,500	15/09/2018	0.75
	67,500	15/09/2021	0.75
	67,500	01/10/2018	0.75
	67,500	01/10/2021	0.75
	200,000	01/07/2018	0.75
	200,000	01/07/2021	0.75
	126,250	18/03/2018	1.25
	700,000	01/01/2019	1.25
	135,000	01/11/2020	0.94
	135,000	01/11/2023	0.94
	400,000	01/01/2019	1.25
	100,000	13/09/2021	0.50
	100,000	13/09/2022	0.50
	4,124,584		

The weighted average exercise price of the above options is \$0.745 (\$0.703 at 30 June 2017)

RHIPE LIMITED

Notes to the financial statements (continued)

	31 Dec 2017
	No.
Balance at beginning of the period	4,349,584
Granted during the period	200,000
Exercised during the period	(425,000)
Expired during the period	-
Closing balance at 31 December 2017	4,124,584

During the period, 200,000 share options were granted to employees under the rhipe Limited management incentive plan to take up ordinary shares at exercise price of 50 cents.

(c) Performance Rights

As at 31 December 2017, there were 3,540,000 performance rights to acquire shares (30 June 2017: 1,040,000). These performance rights are exercisable as follows:

DETAILS	NO OF PERFORMANCE RIGHTS	DATE OF EXPIRY IF UNVESTED	EXERCISE PRICE (\$)
Management performance rights	500,000	11/08/2017	Nil
	500,000	11/08/2019	Nil
	40,000	28/04/2018 ¹	Nil
	2,500,000	01/01/2019	Nil
	3,540,000		

Note 1: Unlisted and unvested performance rights vest one year from the date of issue.

	31 Dec 2017
	No.
Balance at beginning of the period	1,040,000
Granted during the period	2,500,000
Exercised during the period	-
Expired during the period	-
Closing balance at 31 December 2017	3,540,000

On 17 November 2017 2,500,000 performance rights were granted to senior management of rhipe limited. The performance rights vest if the Company delivers an Operating Profit of not less than \$8,900,000 on a prior 12 months basis at any stage prior to 31 December 2018 (Profit Target) and the Participant must remain employed or engaged by a Group Company at the time of achievement of the Profit Target.

11. Events after the reporting period

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.

RHIPE LIMITED

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 9 to 19 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 2017 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
5 February 2018

RHIPE LIMITED

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
Mark Pierce	Non-Executive Director
Michael Tierney	Non-Executive Director

Joint Company Secretary

Andrew Whitten and Maggie Niewidok

Registered Office & Principal Place of Business

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

Share Register

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne VIC 3000
Telephone 1300 554 474

Auditors

ShineWing Australia
Level 8, 167 Macquarie Street
Sydney NSW 2000

Solicitors

Whittens & McKeough Lawyers and Consultants
Level 29, 201 Elizabeth Street
Sydney NSW 2000

Stock Exchange Listing

Securities of Rhipe Limited are listed on the Australian Securities Exchange (ASX).
ASX Code: RHP

Web Site: www.rhipe.com