# APPENDIX 4E
# WiseTech Global Limited
# For the year ended 30 June 2019

**Results for announcement to the market**

| For the year ended 30 June | | | | 2019 | 2018 |
|---|---|---|---|---|---|
| Revenue from ordinary activities ($000) | Up | 57.16% | to | 348,266 | 221,598 |
| Profit from ordinary activities after tax attributable to members ($000) | Up | 32.65% | to | 54,120 | 40,799 |
| Net profit for the period attributable to members ($000) | Up | 32.65% | to | 54,120 | 40,799 |
| Earnings per share (cents) | Up | 27.34% | to | 17.7 | 13.9 |

| Dividends - Ordinary shares | Amount per security | Franked amount per security | Record date | Payment date |
|---|---|---|---|---|
| FY19 interim dividend | 1.50 cents | 1.50 cents | 11 March 2019 | 5 April 2019 |
| FY19 final dividend | 1.95 cents | 1.95 cents | 9 September 2019 | 4 October 2019 |

**Dividend reinvestment plan**

WiseTech has a dividend reinvestment plan ("DRP") under which eligible shareholders can reinvest all or part of any dividends to acquire additional WiseTech shares. The price of the shares under the DRP will be the volume weighted average price per share of all shares sold in the ordinary course of trading on the Australian Securities Exchange ("ASX") for the five trading days from 11 September 2019 to 17 September 2019, rounded to the nearest cent. The last date of receipt of election notices from shareholders wanting to commence, cease or vary their participation in the DRP for the 2019 final dividend is by 5pm (Sydney time) on 10 September 2019.

**Net tangible asset (NTA) backing**

| As at 30 June | 2019 | 2018 |
|---|---|---|
| NTA ($000) | (17,111) | (8,190) |
| Number of shares (000) | 318,161 | 299,932 |
| NTA per share (cents) | (5) | (3) |

**Entities for which control has been gained**

During the year, the Group acquired the following businesses:

| Acquired businesses/entities | Date control gained |
|---|---|
| Ulukom Bilgisayar Yazılım Donanım Danışmanlık ve Ticaret Anonim Şirketi ("Ulukom") | 2 Jul 2018 |
| SaaS Transportation[1] | 2 Jul 2018 |
| Fenix Data Systems Inc. ("Fenix") | 2 Jul 2018 |
| Pierbridge Holdings, Inc. ("Pierbridge") | 2 Jul 2018 |
| - Pierbridge Finland Oy | |
| - Pierbridge Ltd | |
| - Pierbridge Inc. | |
| Multi Consult[1] | 19 Sep 2018 |
| Trinium[1] | 1 Oct 2018 |
| Taric, S.A.U. ("Taric") | 2 Oct 2018 |
| - Taric Canarias, S.A. | |
| - Taric Trans, S.L. | |
| Tankstream Systems Pty Ltd ("Tankstream") | 8 Oct 2018 |
| - ComplianceNet Pty Ltd | |
| CargoIT Holding i Skandinavien AB ("CargoIT") | 1 Nov 2018 |
| IFS Global Holdings Pty Ltd ("SmartFreight") | 1 Nov 2018 |
| - Compdata Technology Services Pty Ltd | |
| - IFS Global Pty Ltd | |
| - IFS NZ Pty Ltd | |
| - Interactive Freight Systems Pty Ltd | |
| LSI - Sigma Software Limited ("DataFreight") | 1 Nov 2018 |
| Systema AS ("Systema") | 1 Feb 2019 |
| Candent Singapore Pte Ltd ("Containerchain") | 1 Apr 2019 |
| - Candent Australia Pty Ltd | |
| - Container Chain Pty Ltd | |
| - Containerchain Australia Pty Ltd | |

- Containerchain Australia Holdings Pty Ltd
- Containerchain Unit Trust
- Maximas Pty Ltd
- Containerchain Germany GmbH
- Containerchain Hong Kong Ltd
- Containerchain Malaysia Sdn Bhd
- Maxframe Technologies Sdn Bhd
- Containerchain Netherlands B.V.
- Containerchain New Zealand Ltd
- Containerchain Global Holdings Pte Ltd
- Containerchain (Singapore) Pte Ltd
- Containerchain (Thailand) Pte Ltd
- Containerchain USA Inc.

X Ware Aktiebolag ("Xware") 1 May 2019

[1]Asset acquisitions.

**Audit**

This report is based on the consolidated financial statements for the year ended 30 June 2019 which are in the process of being audited by KPMG.

# Operating and Financial Review

## For the year ended 30 June 2019

## Review of operations

### Principal activities

We are a leading provider of software solutions to the logistics industry globally. We develop, sell and implement software solutions that enable logistics service providers to facilitate the movement and storage of goods and information, domestically and internationally. We provide our solutions to over 12,000 logistics organisations across over 150 countries.

Our industry-leading flagship technology, CargoWise One, is a deeply integrated global software solution for logistics service providers that enables our customers to execute highly complex logistics transactions and manage their operations on one database across multiple users, functions, offices, corporations, currencies, countries and languages. We operate our own data centres and deliver our CargoWise One software principally through the cloud. We provide our software on demand, and as a service, which customers access as needed and pay for usage monthly.

Our customers range from small and mid-sized regional and domestic enterprises to large multi-national companies including 25 of the top 25 global freight forwarders and 43 of the top 50 global 3PLs[1]. Our software is designed to assist our customers to better address the complexities of the logistics industry while dramatically increasing productivity, reducing costs and mitigating risks in a global integrated software platform.

Innovation and productivity are at the core of what we do. We invest relentlessly in product development and have achieved strong and profitable growth during our history. Through relentless product development and our targeted strategic acquisitions, we are expanding CargoWise One's integrated global platform. Our vision is of a comprehensive global logistics execution solution for our customers, capable of managing from the first-mile road movement, connecting to long-haul air, sea, rail and road, crossing international borders, all while navigating complex regulatory burdens with improved compliance, safety, visibility, predictability, manageability and productivity.

In addition to the strong organic growth from our existing technology platform, since the beginning of FY19, we have announced the acquisition of 15 software businesses – either spanning new geographies focusing primarily on customs or new adjacencies with the potential to grow to global capacity. These acquisitions are at various stages of completion and integration and, once fully integrated, they will expand the functionality, scope and value of our industry-leading technology and provide strong bases for further accelerating our organic growth.

We have over 30 product development centres worldwide and over 50 offices including in Australia, Argentina, Belgium, Brazil, Canada, China, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, the Philippines, Singapore, South Africa, Spain, Sweden, Taiwan, Turkey, the United Kingdom, the United States and Uruguay.

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1. *Armstrong & Associates: Top 50 Global Third Party Logistics Providers List ranked by 2017 logistics gross revenue/turnover. Armstrong & Associates: Top 25 Global Freight Forwarders List ranked by 2017 logistics gross revenue/turnover.*

## Summary of statutory financial performance

During the year to 30 June 2019, we continued to deliver significant revenue growth driven by continued strong organic growth across our global business, supported by the addition of over 830 internally developed product enhancements to our CargoWise One technology platform, and the acquisition of strategic assets in new geographies and adjacent technologies from which we will accelerate our future growth.

**Revenue for FY19 increased 57% to $348.3m** (FY18: $221.6m)

**Operating profit increased 37% to $80.2m** (FY18: $58.4m)

**Net profit after tax increased 33% to $54.1m** (FY18: $40.8m)

**Earnings per share increased 27% to 17.7 cents** (FY18: 13.9 cents)

| ***Summary financial results***[1] | **FY19 $m** | **FY18 $m** | **Change $m** | **Change %** |
|---|---|---|---|---|
| Recurring On-Demand revenue | 249.8 | 171.0 | 78.8 | *46%* |
| Recurring One-Time-Licence ("OTL") maintenance revenue | 57.8 | 27.7 | 30.1 | *109%* |
| OTL and support services | 40.7 | 22.9 | 17.8 | *77%* |
| **Total revenue** | **348.3** | **221.6** | **126.7** | ***57%*** |
| Cost of revenues | (66.7) | (38.7) | (28.0) | *72%* |
| **Gross profit** | **281.6** | **182.9** | **98.7** | ***54%*** |
| Product design and development[2] | (84.2) | (53.4) | (30.8) | *58%* |
| Sales and marketing | (47.7) | (24.6) | (23.1) | *94%* |
| General and administration | (69.5) | (46.6) | (22.9) | *49%* |
| **Total operating expenses** | **(201.3)** | **(124.6)** | **(76.7)** | ***62%*** |
| **Operating profit** | **80.2** | **58.4** | **21.8** | ***37%*** |
| Net finance costs | (3.8) | (1.2) | (2.6) | *212%* |
| Share of profit of equity accounted investees | - | 0.0 | 0.0 | *n.a.* |
| **Profit before income tax** | **76.4** | **57.2** | **19.2** | ***34%*** |
| Tax expense | (22.3) | (16.4) | (5.9) | *37%* |
| **Net profit after tax** | **54.1** | **40.8** | **13.3** | ***33%*** |
| | | | | |
| **Net profit after tax attributable to:** | | | | |
| Equity holders of the parent | 54.1 | 40.8 | 13.3 | *33%* |
| Non-controlling interests | (0.0) | (0.0) | 0.0 | *n.a.* |
| **Net profit after tax** | **54.1** | **40.8** | **13.3** | ***33%*** |

| **Key financial metrics** | **FY19** | **FY18** | **Change** |
|---|---|---|---|
| Recurring revenue % | **88%** | 90% | (2)pp |
| Gross profit margin % | **81%** | 83% | (2)pp |
| Product design and development as % total revenue[2] | **24%** | 24% | - |
| Sales and marketing as % total revenue | **14%** | 11% | 3pp |
| General and administration as % total revenue | **20%** | 21% | (1)pp |
| Capitalised development investment ($m)[3] | **46.9** | 35.3 | 11.6 |
| R&D as a % of total revenue[4] | **32%** | 34% | (2)pp |

1. *Differences in tables are due to rounding.*
2. *Product design and development includes $18.1m (FY18: $12.2m) depreciation and amortisation but excludes capitalised development investment.*
3. *Includes patents and purchased external software licences used in our products.*
4. *R&D is total investment in product design and development expense, excluding depreciation and amortisation, but including capitalised development investment.*

### *Revenue*

Total revenue grew 57% to $348.3m (FY18: $221.6m). Increased revenue growth came from:

- increased transaction and user growth within the existing customer base;
- new customers won in the year and growth from customers won in FY18 and FY17; and
- strategic acquisitions completed in FY19 and the full year impact of FY18 acquisitions.

*Organic revenues from our existing and new customers* delivered $54.5m of growth on FY18. Growth in organic revenue from existing and new customers was driven by:

- continued increased usage of the CargoWise One platform by existing customer organisations – adding transactions, users, new sites, moving into new modules, and consolidating operations;
- transition of customer licensing to standard transaction-based licensing;
- revenue from new products and features; and
- on-boarding of new sales and increased usage by new customers.

*Revenue from existing customers* increased by $46.8m (FY18: $32.1m) and revenue from new customers increased by $7.7m (FY18: $12.5m). Given our growing global reach across thousands of logistics organisations, many new sales will appear in the existing customer category due to an existing relationship for a select component or region.

Existing and new customer growth included $9.2m of favourable foreign exchange movements.

In FY19, once again, revenue growth for CargoWise One was achieved across all existing customer cohorts (from FY06 through to FY19).

*Revenue from customers on acquired platforms* increased by $72.2m, up over 200% year on year, primarily $69.0m from the 29 acquisitions completed in FY18 and FY19. Our strategic acquisitions bring seamless entry into new markets, local leadership, quality customer bases and local infrastructure and development teams which, over time, we will utilise to expand the reach of CargoWise One geographically and build globally scalable adjacencies. Initially, as we reshape these businesses the revenue from strategic acquisitions may not be as high growth as our CargoWise One business, nor can they have our high recurring revenue levels as their revenues tend to have higher levels of OTL and/or support services revenue, from which we will transition over time.

*Revenue from customers on acquired platforms* included $0.8m of favourable foreign exchange movements.

*Revenue from OTL and support services* rose to $40.7m (FY18: $22.9m), reflecting the contribution of revenue from strategically acquired businesses as they typically have higher proportions of consulting or OTL revenue.

*Recurring revenue* 99% of our CargoWise One revenue is recurring revenue. The change from 100% in 1H19 reflects increases in revenue from development of new technologies to meet specific customer pain points (paid feature requests) which we will ultimately deploy across the global platform and make available to all customers. Even with our significant volume of acquisitions in FY18 and FY19, which have higher levels of OTL and support services revenue, our recurring revenue for the Group overall was 88% of total revenue (FY18: 90%).

*Customer attrition* The attrition rate for the CargoWise One technology platform continued to be extremely low, at under 1%, as it had been for the previous seven years since we started measuring[2]. Our customers stay and grow their transaction usage due to the productivity of our platform.

*Licensing and transition* All new CargoWise One customers use our transaction-based Seat Plus Transaction Licensing (“STL”) revenue model. We have transitioned customers from historical OTL agreements to On-Demand licence models and are focusing on the transition of customers from:
- our Module User Licence (“MUL”) model to STL; and
- acquired platforms, over time, to CargoWise One.

For the CargoWise One application suite for FY19, the percentage of revenue from our On-Demand licensing was 98%. Overall, including acquisitions, the percentage of On-Demand licence model revenue is 72% of total revenue (FY18: 77%), reflecting the higher levels of OTL and support services revenue in acquisitions compared to our CargoWise One platform.

*Foreign exchange* Our revenue is invoiced in a range of currencies, reflecting the global nature of our customer base, and as a result, may be positively or negatively impacted by movements in foreign exchange rates. As we continue to acquire businesses in new geographies, the range of currencies in which we invoice and incur costs, expands.

### *Gross profit and gross profit margin*

Gross profit increased by $98.7m, up 54%, to $281.6m (FY18: $182.9m). Gross profit growth was mainly driven by organic revenue growth and the FY18 and FY19 acquisitions.

We experienced continued strength in gross profit margin of 81% (FY18: 83%), reflecting the power of our CargoWise business, even with the impact of 14 acquisitions during FY19 and the full year impact of the 15 acquisitions in FY18. The acquired businesses have, on average, higher product and service support costs and lower cost leverage due to their smaller size and commercial/licence model maturity which mean they typically have a lower gross profit margin than CargoWise. For each business acquired, we expect the dilutive impact of their existing gross profit margin to reduce over time as they evolve to our more efficient commercial model and as they integrate with or convert onto the CargoWise One global platform. The transition of acquired businesses occurs over multiple years.

### *Operating expenses*

*Total research and development investment* We continued our relentless product innovation to further develop our software platform and build our innovation pipeline, with our research and development investment at $113.0m in FY19 (FY18: $76.4m), reflecting 32% of total revenue (FY18: 34%). Within our research and development investment:

*Product design and development expense* increased by 58% to $84.2m (FY18: $53.4m), reflecting:
- our significant ongoing investment in the development and maintenance of CargoWise One;
- increased investment in expanding and retaining our skilled development workforce;
- $23.8m related to investments in acquired businesses which typically have higher levels of maintenance and support costs; and

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[2] Annual attrition rate is a customer attrition measurement relating to the CargoWise One application suite (excluding any customers on acquired legacy platforms). A customer’s users are included in the customer attrition calculation upon leaving i.e. having not used the product for at least four months.

- increased depreciation and amortisation of new commercialised products, including PAVE and additional language capabilities, which were commercialised and started to generate revenue in FY18 and enhanced functionality developed in air waybill and container automation in FY19.

*Capitalised development investment* rose 33% to $46.9m (FY18: $35.3m), reflecting growth in the multi-year pipeline of commercialisable innovation assets, additional investment in industry experts and skilled software developers, additional product developments including further investment in our customs, GLOW and international logistics products and improvements in our internal development management and time capturing processes through PAVE.

*Sales and marketing expense* During FY19, we invested 14% of revenue (FY18: 11%) or $47.7m (FY18: $24.6m) in sales and marketing. The increase primarily reflects an additional $16.2m sales and marketing expenses from businesses we have acquired, commissions for new sales of CargoWise and expansion in business development resources. In addition, we are investing in expanding our capabilities, marketing capacity and content infrastructure to support our geographic expansion and multi-lingual capabilities to support new regions and growth into new technology adjacencies.

*General and administration expense* We increased our investment in supporting and growing our business globally to $69.5m (FY18: $46.6m), being 20% of total revenue (FY18: 21%). The increase was driven by:

- costs from acquired businesses with their own general and administration costs with $14.1m from FY19 acquisitions and the full year impact of FY18 acquisitions;
- costs of key management teams, including CEO Founders, for almost all of the strategic assets acquired;
- cost of M&A activities to support the execution of transactions to acquire strategic assets; and
- headcount additions in Finance, Legal and People teams to support the expansion of our global operations.

## *Net finance costs*

Net finance costs in FY19 of $3.8m reflect the non-cash interest unwind and fair value adjustments on contingent consideration, net of interest received on cash reserves or paid on debt facilities.

## *Cash flow*

We continued to generate positive cash flows, with $112.5m of net cash flows from operating activities. Investing activities included:

- $237.3m in new acquisitions as well as contingent payments for acquisitions made in prior years (FY18: $104.2m);
- $43.7m in intangible assets as we further developed and expanded our global platform, resulting in capitalised development investment for both commercialised products and those yet to be launched (FY18: $32.8m); and
- $6.7m in assets mostly related to our IT infrastructure to enhance the scalability and reliability of our platform and increase capacity for future growth and facilities upgrade for acquired businesses.

Financing activities included:

- adding $335.7m in proceeds from our Institutional Equity Raising and subsequent Share Purchase Plan for retail shareholders, completed in March and April 2019; and

- replacing our previous debt facility with a $190m unsecured syndicated debt facility (and a further $200m accordion facility) in January 2019. See note 16 to the financial statements.

Dividends of $9.0m (FY18: $6.0m) were paid during FY19, with shareholders choosing to reinvest an additional $0.5m of dividends via the dividend reinvestment plan.

## Delivery on our growth strategy

The key strategic focal points, investment areas and developments in FY19 were:

***Expansion of our global platform***

We invested $113.0m and 47% of our people in product development, further expanding our pipeline of commercialisable innovations, and delivered over 830 product enhancements and upgrades seamlessly across the CargoWise One global platform. We are accelerating our development capability within our development teams in over 30 countries.

The hundreds of FY19 upgrades include initiatives such as:
- real-time container and vessel visibility along with expanded and embedded global automation covering air waybills movement and flight tracking and process automation;
- additional China solution interface and localised CargoWise One platform;
- extension of localisation of our comprehensive accounting solution to further countries;
- increased rates shopping, automation and bookings direct to ocean carriers;
- completion of border compliance engine, BorderWise, for the US market;
- consolidation planning board module to allow export forwarders, transshipment agents and gateways to optimise space and cost allocation over multiple shipments and consolidations; and
- regulatory upgrades for a myriad of government changes including UK regulatory CDS platform replacement, China Single Window (31 provinces), Canada Trans-Pacific Partnership revisions, Malaysian uCustoms, Australian GST, EU Union Customs Code implementation, South Africa NCAP and German ATLAS release.

We progressed our larger pipeline components including:
- web-based international fulfilment ecommerce integrated solution for 3PLs, managing shipments from origin to door with Shipper Portal, export consolidation warehouse and import deconsolidation warehouse automations and optimisations all deeply integrated to CargoWise functionality along with connections to customs and last mile and parcel delivery;
- comprehensive global port integration for all ports in the Netherlands and all automated ports across South Africa, Germany and Australia. This was completed for Shanghai and Ningbo-Zhoushan covering the majority of ports in China (with the world's largest global forwarder, DHL GF, already live);
- additional machine learning, natural language and data robotics that monitor, retrieve and process data sets automatically, across myriad sources and providers in the supply chain;
- expansion of the Universal Customs Engine designed to deliver complex, multi-year localisations;
- progress in the development of CargoWise NeXus, with early beta release to select BCO and 3PL customers at the end calendar year 2020. NeXus is designed for the users of logistics services, connecting logistics providers, importers, exporters and other logistics users;
- integration of acquired adjacencies and our innovation developments to build out the cargo chain ecosystem for rates, schedules, contracts, quoting and bookings; and
- commenced scaling of database models (including new SQL and non-SQL database structures),

sharding and decoupling projects to further scale WiseCloud infrastructure, increasing redundancy and expanding performance capacity.

In addition, we have also invested resources into in-application machine learning, natural language processing, process automation and guided decision support, driven by vast volumes of transactional, carrier and border agency data sets to enable enhanced productivity, automation, visibility, predictability, compliance, due diligence, risk assessment and risk mitigation for the logistics industry.

Within our acquired strategic assets, significant development work is progressing. A sample of activities include:

- commencing integration between our specialist Transport Management Solutions ("TMS") adjacencies and direct integration with CargoWise One and our international ecommerce;
- simultaneous build-out of embedded customs for acquired geographies and expansion of European customs solutions to encompass bonded warehousing;
- our Spanish subsidiary, Taric, was re-appointed as European Commission content provider for the development of the commercial exchange of goods between the EU and other countries;
- multiple-solution design development ahead of Brexit to accommodate potential outcomes for the UK and key countries across Europe;
- expanding CargoSphere capability and integration to CargoWise One, with 3 of the world's largest global ocean carriers, including Maersk and Hapag Lloyd, along with other key regional players, now live on the global rates platform;
- integration of Taiwan customs and compliance modules expanding our CargoWise Asian capability;
- utilising our local acquired operations to build out regional components for our global engines; and
- leveraging select geographic and adjacent technology acquisitions to address new customer segments or expand regional presence.

***Greater usage by existing customers***

We experienced continuing existing customer revenue growth of $46.8m in addition to:

- our large customer base increasing its use of the CargoWise One platform, adding transactions, users and geographies and moving into more modules;
- increasing usage by many of the world's largest freight forwarding groups. We have 25 of the top 25 global freight forwarders as customers and seven of the top 25 are in progress, or have completed, global forwarding rollouts, including DSV, DHL, Toll and Yusen. The DHL Global Forwarding rollout continues to make significant progress with strong increase in both core users and countries;
- continued transition of customer licensing (excluding acquisitions), with 98% of CargoWise One revenues generated from On-Demand licensing, an access-as-needed, monthly payment based on usage licence. Our transaction-based licensing (STL) now accounts for 81% of CargoWise One revenues (FY18: 57%);
- further growth in revenue from larger multi-region customers with 43 of the top 50 global 3PLs now customers, yet even our global relationships are still in early penetration and our top 10 customers contribute only 22% of revenue (FY18: 29%); and
- each cohort of customers from FY06 to FY19 grew revenue in the period.

***Increasing the number of new customers on the platform***

We continue to bring new customers onto the platform with new regional customer deals including

Bon Voyage Logistics, HAVI Freight Management and a full global rollout for Bolloré Logistics. Bolloré Logistics, the global forwarding operating unit of Bolloré Transport & Logistics, a global leader in supply chain management ranking among the world's top 10 in transport and logistics with an integrated network of 609 offices in 107 countries.

New customers take time to roll out and then transaction revenue grows over time. Our Delta team builds relationships with global 3PLs and international freight forwarders. As we increase our global penetration, we also continue to sign new deals with customers where we have a pre-existing relationship which add to our existing customers' revenue. We are seeing larger potential global logistics organisations engaging with us and we expect to see this trend expand into further major new customer contracts.

In addition, through industry consolidation, CargoWise is capable of capturing large global rollouts without further sales activity – e.g.: DSV's acquisition of UTi and recent acquisition of Panalpina. However, we are still in early penetration of both new and existing customers.

***Stimulated network effects***

We harness important natural network effects that exist because of the necessarily collaborative nature of supply chain execution and the inherent effect of our deeply integrated global software platform. We further stimulate these effects with targeted partner programs through Wise Partners, CargoWise Certified Professional and deeper WiseIndustry programs for freight forwarding network groups globally.

We now have over 270 external WisePartner organisations across the world, actively referring, promoting or implementing our platform. In FY19, we certified a further 4,000 CargoWise One practitioners, who work within the logistics industry across our customer or partner organisations. We now have over 15,000 who utilise and promote the features of our platform. We also added 25 WiseService Partner organisations, fortifying our capability to support growing customer bases in expanding markets. In FY19, we added 16 global independent freight forwarding and industry trade networks as WiseIndustry Partners. We now have 47 partner networks with member base of over 8,700 logistics service professionals.

In addition, each new geography and adjacency we acquire adds a valuable point on our strategic map, accelerates the network effects and makes CargoWise One even more compelling to local and global logistics providers and their customers. In FY19, we continued to leverage our acquired business relationships with key global customers and explored connections between the adjacent acquisitions, CargoWise One and geographic footholds.

Our reach now extends out from international freight forwarding and 3PL logistics, making inroads into the 2PL, 1PL and domestic transportation globally. We also implemented five development partnerships with large regional and global rollout customers on pilot developments or technological expansions of our platform capabilities that will drive product value and network effects across the customer base.

***Accelerating organic growth through acquisitions***

In expanding geographically, we buy into market positions that would take years to build, and we then integrate the acquired industry and developer talent and customers over time to accelerate our organic growth. We further utilise acquisitions in key adjacent technologies to facilitate our development of globally scalable innovations, to fuel the convergence of technologies that add to our next generation of automations and machine learning and to grow and enhance our extensive global data and transaction sets.

In FY19, we have progressed product development in China, Italy, Germany, Brazil, Ireland, the US, and Australasia and across our global adjacencies. In addition, since 1 July 2018, we have announced a further 15 valuable geographic and adjacent acquisitions across Turkey, North America, Spain, Italy, Australia, the United Kingdom, Sweden, Norway and Singapore.

In FY19, our acquisitions for geographic expansion comprised:

- on 2 July 2018, we completed the acquisition of *Ulukom*, a leading logistics and customs solutions provider in Turkey – one of Europe's largest trading partners bridging Europe, the Middle East and Asia;
- on 2 July 2018, we completed the acquisition of *Fenix*, a Canadian customs management solutions provider with specialised focus on cross-border road and rail movements;
- on 19 September 2018, we completed the acquisition of *Multi Consult*, the leading Italian customs and freight forwarding solution provider with domestic TMS capabilities;
- on 2 October 2018, we completed the acquisition of *Taric*, a leading provider of customs management solutions in Spain who will assist to extend customs and compliance capabilities for our recent acquisitions of freight forwarding solutions providers across Latin America;
- on 1 November 2018, we completed the acquisition of *DataFreight*, a leading provider of customs, freight forwarding and warehouse management software solutions in the UK who will strengthen our development capacity in preparation for Brexit;
- on 1 November 2018, we completed the acquisition of *CargoIT*, a leading customs management and logistics solutions provider in Sweden; and
- on 1 February 2019, we completed the acquisition of *Systema*, a leading customs management solutions provider in Norway.

In FY19, and to 20 August 2019, our acquisitions for adjacencies and technologies convergent with our innovation pipeline comprised:

- on 2 July 2018, we completed the acquisition of *SaaS Transportation*, a specialist Less Than Truckload ("LTL") TMS provider in the US with LTL road rate capabilities which will expand our road booking and rates offering;
- on 2 July 2018, we completed the acquisition of *Pierbridge*, a leading parcel TMS provider whose enterprise-class, multi-carrier, parcel shipping solution, allows freight forwarders, warehouses and shippers, such as online retailers, to more efficiently manage high volumes of parcel shipments, and will enable our customers to ship with US-based global couriers;
- on 1 October 2018, we completed the acquisition of *Trinium*, a leading intermodal trucking TMS and container tracking provider in the US and Canada;
- on 8 October 2018, we completed the acquisition of *Tankstream*, a learning management system provider in Australia;
- on 1 November 2018, we completed the acquisition of *SmartFreight*, a leading parcel and LTL shipping software provider in Australia;
- on 1 April 2019, we completed the acquisition of *Containerchain*, a leading container optimisation solutions provider to the shipping and landside logistics communities in Asia Pacific, Europe and the US;
- on 1 May 2019, we completed the acquisition of *Xware*, a leading messaging integration solutions provider in Sweden; and
- on 19 August 2019, we announced the acquisition of *Depot Systems*, the leading provider of container yard and terminal management logistics solutions in the US.

Our acquisitions are at various stages of integration and, once fully embedded over the coming years, they will expand the functionality, scope and value of our industry-leading technology and provide a strong base for further accelerating our long-term organic growth. Accordingly, we will continue to execute on our considerable pipeline of near-term, mid-term and long-term acquisition opportunities in our target areas of Asia, Europe and North America.

### Post balance date events

As summarised above, since 30 June 2019, we have announced the strategic acquisition of Depot Systems. Since period end, the Directors have declared a fully-franked final dividend of 1.95 cents per share, payable on 4 October 2019. The dividend will be recognised in subsequent period financial statements.

### Expectation for year ending 30 June 2020

The strong momentum and significant organic growth of the Group during FY19, the power of the CargoWise One platform, annual customer attrition rate of less than 1%, continued relentless investment in innovation, expansion across our global business and the full year impact of FY19 acquisitions give us confidence to expect, subject to currency movements[3].

**FY20 revenue of $440m - $460m, revenue growth of 26% - 32%,**
**EBITDA[4] of $145m - $153m and EBITDA growth of 34% - 42%.**

[3] *Our revenue is invoiced in a range of currencies, reflecting the global nature of our customer base and as a result is impacted by movements in foreign exchange rates. Our FY20 guidance is based on rates provided within the Investor briefing materials released to the ASX on 21 August 2019.*

[4.] *The application of AASB 16 Leases, brought into effect from 1 July 2019, is expected to add $6m to EBITDA for FY20 with no change to revenue. The total is reflected in the guidance provided.*

# Consolidated statement of profit or loss and other comprehensive income

## For the year ended 30 June 2019

| | Notes | 2019<br>$000 | 2018<br>$000 |
|---|---|---|---|
| Revenue | 3 | 348,266 | 221,598 |
| Cost of revenues | | (66,675) | (38,672) |
| **Gross profit** | | **281,591** | **182,926** |
| Product design and development | | (84,170) | (53,372) |
| Sales and marketing | | (47,680) | (24,550) |
| General and administration | | (69,492) | (46,641) |
| **Total operating expenses** | | **(201,342)** | **(124,563)** |
| **Operating profit** | | **80,249** | **58,363** |
| Finance income | 4 | 1,891 | 1,451 |
| Finance costs | 26 | (5,712) | (2,676) |
| **Net finance costs** | | **(3,821)** | **(1,225)** |
| **Share of profit of equity accounted investees, net of tax** | | **-** | **14** |
| **Profit before income tax** | | **76,428** | **57,152** |
| Income tax expense | 5 | (22,339) | (16,358) |
| **Net profit for the year** | | **54,089** | **40,794** |
| **Net profit for the year attributable to:** | | | |
| Equity holders of the parent | | 54,120 | 40,799 |
| Non-controlling interests | | (31) | (5) |
| | | **54,089** | **40,794** |
| **Other comprehensive income/(loss)** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Exchange differences on translation of foreign operations | | **6,190** | **(3,696)** |
| **Other comprehensive income/(loss) for the year, net of tax** | | **6,190** | **(3,696)** |
| **Total comprehensive income for the year, net of tax attributable to:** | | **60,279** | **37,098** |
| **Total comprehensive income for the year, net of tax attributable to:** | | | |
| Equity holders of the parent | | 60,383 | 37,053 |
| Non-controlling interests | | (104) | 45 |
| | | **60,279** | **37,098** |
| **Earnings per share** | | | |
| Basic earnings per share (cents) | 6 | 17.7 | 13.9 |
| Diluted earnings per share (cents) | 6 | 17.7 | 13.9 |

These financial statements should be read in conjunction with accompanying notes.

# Consolidated statement of financial position

## As at 30 June 2019

| | Notes | 2019 $000 | 2018 $000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 10 | 260,092 | 121,824 |
| Trade receivables | 11 | 50,812 | 27,978 |
| Current tax receivables | | 3,761 | 3,325 |
| Other current assets | 12 | 9,204 | 7,652 |
| **Total current assets** | | **323,869** | **160,779** |
| | | | |
| **Non-current assets** | | | |
| Intangible assets | 8 | 783,678 | 360,345 |
| Property, plant and equipment | 9 | 15,818 | 14,291 |
| Deferred tax assets | 5 | 6,525 | 1,650 |
| Other non-current assets | 12 | 755 | 161 |
| **Total non-current assets** | | **806,776** | **376,447** |
| **Total assets** | | **1,130,645** | **537,226** |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 35,183 | 23,076 |
| Borrowings | 16 | 471 | 1,080 |
| Deferred revenue | 14 | 18,959 | 10,133 |
| Current tax liabilities | | 4,661 | 637 |
| Employee benefits | 21 | 13,142 | 9,182 |
| Other current liabilities | 15 | 96,629 | 35,462 |
| **Total current liabilities** | | **169,045** | **79,570** |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | 16 | 739 | 1,408 |
| Employee benefits | 21 | 1,377 | 993 |
| Deferred tax liabilities | 5 | 33,695 | 23,939 |
| Other non-current liabilities | 15 | 159,222 | 79,161 |
| **Total non-current liabilities** | | **195,033** | **105,501** |
| **Total liabilities** | | **364,078** | **185,071** |
| | | | |
| **Net assets** | | **766,567** | **352,155** |
| | | | |
| **Equity** | | | |
| Share capital | 17 | 668,466 | 288,847 |
| Reserves | | (25,699) | (22,206) |
| Retained earnings | | 123,800 | 85,095 |
| **Equity attributable to equity holders of the parent** | | **766,567** | **351,736** |
| Non-controlling interests | | - | 419 |
| **Total equity** | | **766,567** | **352,155** |

These financial statements should be read in conjunction with accompanying notes.

# Consolidated statement of changes in equity

## For the year ended 30 June 2019

| | Notes | Share capital $000 | Treasury share reserve $000 | Acquisition reserve $000 | Share - based payment reserve $000 | Foreign currency translation reserve $000 | Retained earnings $000 | Total $000 | Non-controlling interest $000 | Total equity $000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 July 2017** | | **166,606** | **(6,767)** | **(11,352)** | **10,690** | **(906)** | **53,855** | **212,126** | **1,636** | **213,762** |
| Net profit for the year | | - | - | - | - | - | 40,799 | 40,799 | (5) | 40,794 |
| Other comprehensive (loss)/income | | - | - | - | - | (3,746) | - | (3,746) | 50 | (3,696) |
| Total comprehensive (loss)/income | | **-** | **-** | **-** | **-** | **(3,746)** | **40,799** | **37,053** | **45** | **37,098** |
| **Transactions with owners** | | | | | | | | | | |
| Issue of share capital | 17 | 119,397 | (18,847) | - | - | - | - | 100,550 | - | 100,550 |
| Shares issued under acquisition agreements | | 2,448 | - | - | - | - | - | 2,448 | - | 2,448 |
| Dividends declared and paid | 7 | - | - | - | - | - | (6,547) | (6,547) | - | (6,547) |
| Dividend paid by subsidiary to non-controlling interest | | - | - | - | - | - | - | - | (19) | (19) |
| Shares issued under Dividend reinvestment plan ("DRP") | 17 | 530 | - | - | - | - | - | 530 | - | 530 |
| Vesting of share rights | 17 | - | 10,710 | - | (5,676) | - | (5,034) | - | - | - |
| Vesting shares withheld | | - | (1,283) | - | - | - | - | (1,283) | - | (1,283) |
| Transaction costs including deferred tax | | (134) | - | - | - | - | - | (134) | - | (134) |
| Equity settled share-based payment expense | | - | - | - | 7,777 | - | - | 7,777 | - | 7,777 |
| Tax benefit from equity remuneration | | - | 2,621 | - | - | - | 2,022 | 4,643 | - | 4,643 |
| Total contributions and distributions | | 122,241 | (6,799) | - | 2,101 | - | (9,559) | 107,984 | (19) | 107,965 |
| **Changes in ownership interest** | | | | | | | | | | |
| Acquisition of non-controlling interest without a change in control | | - | - | (5,427) | - | - | - | (5,427) | (1,243) | (6,670) |
| **Balance as at 30 June 2018** | | **288,847** | **(13,566)** | **(16,779)** | **12,791** | **(4,652)** | **85,095** | **351,736** | **419** | **352,155** |

## Consolidated statement of changes in equity (continued)

| | Notes | Share capital | Treasury share reserve | Acquisition reserve | Share - based payment reserve | Foreign currency translation reserve | Retained earnings | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **Balance as at 1 July 2018** | | **288,847** | **(13,566)** | **(16,779)** | **12,791** | **(4,652)** | **85,095** | **351,736** | **419** | **352,155** |
| Net profit/(loss) for the year | | - | - | - | - | - | 54,120 | 54,120 | (31) | 54,089 |
| Other comprehensive (loss)/income | | - | - | - | - | 6,263 | - | 6,263 | (73) | 6,190 |
| Total comprehensive income/(loss) | | **-** | **-** | **-** | **-** | **6,263** | **54,120** | **60,383** | **(104)** | **60,279** |
| **Transactions with owners** | | | | | | | | | | |
| Issue of share capital | 17 | 360,147 | (24,412) | - | - | - | - | 335,735 | - | 335,735 |
| Shares issued under acquisition agreements | 17 | 23,486 | - | (93) | - | - | - | 23,393 | - | 23,393 |
| Dividends declared and paid | 7 | - | - | - | - | - | (9,477) | (9,477) | - | (9,477) |
| Shares issued under Dividend reinvestment plan ("DRP") | 17 | 510 | - | - | - | - | - | 510 | - | 510 |
| Vesting of share rights | 17 | - | 14,629 | - | (6,045) | - | (8,584) | - | - | - |
| Revaluation by subsidiary due to hyperinflationary economy | | - | - | - | - | - | (38) | (38) | - | (38) |
| Vesting shares withheld | | - | (6,028) | - | - | - | - | (6,028) | - | (6,028) |
| Transaction costs including deferred tax | | (4,524) | - | - | - | - | - | (4,524) | - | (4,524) |
| Equity settled share-based payment expense | | - | - | - | 10,859 | - | - | 10,859 | - | 10,859 |
| Tax benefit from equity remuneration | | - | 3,448 | - | - | - | 2,684 | 6,132 | - | 6,132 |
| **Total contributions and distributions** | | **379,619** | **(12,363)** | **(93)** | **4,814** | **-** | **(15,415)** | **356,562** | **-** | **356,562** |
| **Changes in ownership interest** | | | | | | | | | | |
| Acquisition of non-controlling interest without a change in control | 20 | - | - | (2,114) | - | - | - | (2,114) | (315) | (2,429) |
| **Balance as at 30 June 2019** | | **668,466** | **(25,929)** | **(18,986)** | **17,605** | **1,611** | **123,800** | **766,567** | **-** | **766,567** |

These financial statements should be read in conjunction with the accompanying notes.

# Consolidated statement of cash flows

## For the year ended 30 June 2019

| | Notes | 2019 $000 | 2018 $000 |
|---|---|---|---|
| **Operating activities** | | | |
| Receipts from customers | | 373,349 | 222,980 |
| Payments to suppliers and employees[1] | | (246,923) | (141,731) |
| Income tax paid | | (13,967) | (9,631) |
| **Net cash flows from operating activities** | 24 | **112,459** | **71,618** |
| | | | |
| **Investing activities** | | | |
| Acquisition of businesses, net of cash acquired | 20 | (237,245) | (104,162) |
| Payments for intangible assets[1] | | (43,847) | (32,719) |
| Purchase of property, plant and equipment | | (6,556) | (5,046) |
| Disposal of assets held for sale | | 703 | - |
| Interest received | | 1,851 | 1,011 |
| Other income | | 40 | 440 |
| **Net cash flows used in investing activities** | | **(285,054)** | **(140,476)** |
| | | | |
| **Financing activities** | | | |
| Proceeds from issue of shares | | 360,147 | 119,397 |
| Transaction costs on issue of shares | | (6,620) | (134) |
| Treasury shares acquired | | (30,440) | (20,130) |
| Repayments of finance lease liabilities | | (745) | (2,233) |
| Repayments of borrowings | | (1,237) | (1,470) |
| Interest paid | | (1,891) | (554) |
| Dividends paid | 7 | (8,962) | (6,017) |
| Dividends paid by subsidiary to non-controlling interest | | - | (19) |
| **Net cash flows from financing activities** | | **310,252** | **88,840** |
| | | | |
| Net increase in cash and cash equivalents | | 137,657 | 19,982 |
| Cash and cash equivalents at 1 July | 10 | 121,824 | 101,603 |
| Effect of exchange differences on cash balances | | 611 | 239 |
| **Net cash and cash equivalents at 30 June** | 10 | **260,092** | **121,824** |

[1]Prior year comparatives have been adjusted removing non-cash additions (share-based payment capitalised) to intangible assets of $2.6m.

These financial statements should be read in conjunction with accompanying notes.

# Notes to the financial statements

## For the year ended 30 June 2019

## Contents of the notes to the financial statements

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 1. Corporate information

WiseTech Global Limited ("Company") is a company domiciled in Australia. The consolidated financial statements comprise the Company and its controlled entities (collectively "Group") for the year ended 30 June 2019. The Company's registered office is at Unit 3a, 72 O'Riordan Street, Alexandria, NSW 2015, Australia.

The Group is a for-profit entity and its principal business is providing software to the logistics services industry globally.

### 2. Basis of preparation

**Statement of compliance**

The preliminary financial statements ("financial statements") have been prepared in accordance with the Australian Securities Exchange ("ASX") Listing Rule 4.3A and have been derived from the unaudited consolidated annual financial report. The financial statements are prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board and also comply with the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

Material accounting policies adopted in the preparation of these financial statements are presented alongside the relevant notes and have been consistently applied unless stated otherwise. Other significant accounting policies which are relevant to understand the basis of preparation of these financial statements are included in note 30.

The financial statements have been prepared on an accruals basis and are based on historical costs except for:

- derivative financial assets and liabilities which are measured at fair value in accordance with AASB 9 *Financial Instruments;* and
- deferred acquisition consideration which is measured at fair value in accordance with AASB 13 *Fair Value Measurement.*

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The consolidated annual financial report is in the process of being audited and is expected to be made available on 23 September 2019. This preliminary final report does not include all the notes of the type normally included in a consolidated annual financial report. Accordingly, this report should be read in conjunction with any public announcements made by the Company during the year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and ASX Listing Rules.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 2. Basis of preparation (continued)

**New accounting standards**

***AASB 9 Financial Instruments***

The Group has applied AASB 9 *Financial Instruments* from 1 July 2018, the date of initial application.

AASB 9 replaces the guidance in AASB 139 *Financial Instruments: Recognition and Measurement* for classification, measurement and recognition of financial instruments. AASB 9 also introduces a new general hedge accounting model, which requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy, and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

(i) Classification and measurement of financial assets and liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income, and fair value through profit and loss. Classification under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

AASB 9 largely retains the existing requirements of AASB 139 for the classification of financial liabiliites.

The change in classification categories applied to the Group's financial assets and liabilities has not had any impact on their measurement on the date of initial application, and consequently there is no adjustment to equity as a result of the changes in classification.

(ii) Expected credit loss on financial assets

AASB 9 replaces the “incurred loss” model in AASB 139 with an “expected credit loss” ("ECL") model. The change generally results in earlier recognition of credit losses. The new ECL model applies to financial assets measured at amortised cost which are comprised of cash and cash equivalents, and trade receivables.

The Group has taken into account relevant forward-looking information in determining the credit loss to be provided for, as of the date of initial application. No adjustment was required to the balances recognised as of the date of initial application.

(iii) Hedge accounting

From time to time, the Group uses derivative financial instruments such as forward currency contracts and foreign currency option contracts, to manage its risks associated with foreign currency movements.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are remeasured at their fair values.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit or loss account.

The Group did not hold derivative financial instruments at the date of initial application. The Group entered into forward exchange contracts during the period. There were no open contracts at 30 June 2019. Consequently, the application of the new hedge accounting model through the newly adopted hedge accounting policy, has not resulted in any adjustments upon transition or had an impact on the financial statements during the period.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 2. Basis of preparation (continued)

***AASB 15 Revenue from Contracts with Customers***

The Group has applied AASB 15 *Revenue from Contracts with Customers* from 1 July 2018, the date of initial application.

AASB 15 replaces all existing revenue requirements in Australian Accounting Standards, which included AASB 118 *Revenue*, AASB 111 *Construction Contracts*, and related interpretations. The previously effective accounting standards required a consideration of the timing of transfer of risks and rewards when determining revenue recognition, whereas AASB 15 aligns revenue recognition with the pattern for transfer of control of the output from satisfying a performance obligation to a customer. In order to achieve this, the standard requires the application of a five-step model in recognising revenue from contracts with customers:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to performance obligations based on their relative standalone selling price; and
5. Recognise revenue when, or as, performance obligations are satisfied.

Revenue is recognised upon transfer of control of promised products and services to customers in the amount that reflects the consideration expected to be received in exchange.

The Group's revenue primarily consists of licence fees from customers to access or to use the computing software.

**Revenue recognition approach**

*Recurring On-Demand Licence revenue*

The majority of revenue is derived from recurring On-Demand Licences, where customers are provided the right to access the Group's software as a service, without taking possession of the software. These arrangements include the ongoing provision of standard customer support and software maintenance services.

Revenue is recognised over the contract period and is based on the utilisation of the software (numbers of users and transactions). Customers are typically billed on a monthly basis in arrears and revenue is recognised for the amount billed.

*Recurring One-Time-Licence ("OTL") maintenance revenue*

Additional recurring revenue is derived from the recurring maintenance fees charged to customers on OTL arrangements and is recognised over time during the maintenance period.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 2. Basis of preparation (continued)

*OTL revenue and support services*

OTL fee revenue is derived when the Group sells, in a one-off transaction, the perpetual right to use the software. This licence revenue is recognised at the point in time when access is granted to the customer and the one-off billing is raised.

Support services revenue mainly consists of fees charged for business consultancy and paid feature services delivered upon specific customer requests. These contracts are typically short-term (less than 12 months) and are charged on a fixed-fee basis. Consulting revenue is recognised on a proportional performance basis and ratably over the contract term. Paid features service revenue is recognised at the time when the requested feature is completed and can be accessed by customers.

**Transition**

The Group has adopted the modified retrospective transition method, whereby the comparative period is not required to be restated to align with the new accounting policy. The new accounting policy does not result in a change in the amount and timing of revenue recognition or changes the opening cumulative retained earnings.

Comparative revenue disaggregation has been presented in note 3 and note 25 for illustrative purposes only and is not required under the modified retrospective transition method.

**Significant judgements**

*Contracts with multiple performance obligations*

The Company enters into contracts with its customers that can include promises to transfer multiple performance obligations. A performance obligation is a promise in a contract with a customer to transfer products or services that are distinct.

For On-Demand licensing contracts, there are a series of distinct goods and services including access to software maintenance and support provided to customers that are treated as a single performance obligation because they are delivered in the same pattern over a period of time.

*Material rights in the form of contract renewal options or incremental discounts*

Contracts may involve customers having the option to obtain discounts upon renewal of existing arrangements. AASB 15 considers a material right to be a separate performance obligation in a customer contract which gives the customer an option to acquire additional goods or services at a discount or free of charge. The inclusion of these clauses may give rise to deferral or earlier recognition of revenue.

The Group assessed renewal options on current contracts. Based on this assessment; there were no renewal options which gave rise to material rights, which would need to be accounted for as separate performance obligations.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 2. Basis of preparation (continued)

*Costs of obtaining a customer contract*

AASB 15 requires that incremental costs associated with acquiring a customer contract, such as sales commissions, be recognised as an asset and amortised over a period that corresponds with the period of benefit.

An assessment of commissions paid by the Group was performed in connection with the sale of software products. This assessment concluded that as these commissions were conditional on future performance or service by the recipient of the commission, and therefore were not incremental to obtaining the contract. Consequently, under current arrangements costs of obtaining a contract are expensed in the period incurred.

*Disaggregation of revenue*

AASB 15 requires that an entity shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This required a review of industry practice and Group contractual terms.

*Principal versus agent*

Where the Group has arrangements involving multiple parties to provide goods and services to customers, judgement is required to determine if the Group acts as a principal or an agent.

The Group is an agent if its role is to arrange a third party to provide the goods or service; or it is to deliver a third party's goods or service on their behalves. The Group is a principal if it has the primary responsibility for fulfilling the promised goods or service delivery; and has the discretion in establishing the price for the specified goods or service.

Where the Group is acting as a principal, revenue is recognised on a gross basis in accordance with the transaction price defined in contracts with customers. Where the Group is acting as an agent, revenue is recognised at a net amount reflecting the commission or margin earned.

*Contract balances*

The timing of revenue recognition, customer billings and cash collections results in trade receivables, unbilled receivables (contract assets) and deferred revenue (contract liabilities) on the Group's Consolidated Balance Sheet.

Generally, the Group invoices customers as service is provided in accordance with the agreed-upon contract terms, either at periodic intervals (e.g. monthly or quarterly) or upon completion; also at times, billing occurs after the revenue recognition, resulting in contract assets (unbilled receivables). For certain customer contracts, the Group receive advance payments before revenue is recognised, resulting in contract liabilities (deferred revenue). These balances, as well as their movements from the prior reporting period are disclosed in notes 12 and 14 respectively.

**Functional and presentational currency**

The financial report is presented in Australian dollars.

**Rounding of amounts**

The Group is of a kind referred to in Australian Securities and Investments Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by ASIC, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with this Instrument to the nearest thousand dollars unless otherwise stated.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 2. Basis of preparation (continued)

**Presentation of results**

The Group has presented the expense categories within the Consolidated statement of profit or loss on a functional basis. The categories used are cost of revenues, product design and development, sales and marketing and general and administration. This presentation style provides insight into the Company's business model and enables users to consider the results of the Group compared to other major Software as a Service ("SaaS") companies. The methodology and the nature of costs within each category are further described below.

*Cost of revenues*

Cost of revenues consists of expenses directly associated with securely hosting the Group's services and providing support to customers. Costs include data centre costs, personnel and related costs (including salaries, benefits, bonuses and share-based payments) directly associated with cloud infrastructure and customer consulting, implementation and customer support, contracted third party costs, related depreciation and amortisation and allocated overheads.

*Product design and development expenses*

Product design and development expenses consist primarily of personnel and related costs (including salaries, benefits, bonuses and share-based payments) directly associated with the Company's product design and development employees, as well as allocated overheads. When future economic benefits from development of an intangible asset are determined probable and the development activities are capable of being reliably measured, the costs are capitalised as an intangible asset and then amortised to profit or loss over the estimated life of the asset created. The development activities comprise the design, coding and testing of a chosen alternative for new or improved software products, processes, systems and services. The amortisation of those costs capitalised is included as a product design and development expense.

*Sales and marketing expenses*

Sales and marketing expenses consist of personnel and related costs (including salaries, benefits, bonuses, commissions and share-based payments) directly associated with the sales and marketing team's activities to acquire new customers and grow revenue from existing customers. Other costs included are external advertising, digitial platforms, marketing and promotional events as well as allocated overheads.

*General and administration expenses*

General and administration expenses consist of personnel and related costs (including salaries, benefits, bonuses and share-based payments) for the Company's executive, Board of Directors, finance, legal, human resources, mergers and acquisitions and administration employees. They also include legal, accounting and other professional services fees, insurance premiums, acquisition and integration costs associated with the Company's ongoing acquisition strategy, other corporate expenses and allocated expenses.

*Overhead allocation*

The presentation of the Consolidated statement of profit or loss and other comprehensive income by function requires certain overhead costs to be allocated to functions. These allocations require management to apply judgement. The costs associated with Group's facilities, internal information technology and non-product related depreciation and amortisation are allocated to each function based on respective headcount.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 3. Revenue

**Disaggregation of revenue**

AASB 15 requires disclosure of revenue disaggregation that best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

The Group disaggregates revenue by categories shown in the table below for the year ended 30 June 2019:

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| **Revenue** | | |
| Recurring On-Demand revenue | 249,824 | 170,951 |
| Recurring OTL maintenance revenue | 57,784 | 27,702 |
| OTL and support services | 40,658 | 22,945 |
| **Total revenue** | **348,266** | **221,598** |

### 4. Finance income

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Interest income | 1,851 | 1,011 |
| Other income | 40 | 440 |
| **Total finance income** | **1,891** | **1,451** |

### 5. Income tax

**(a) Income tax expense**

Income tax expense/(benefit) comprises current and deferred tax expense/(benefit) and is recognised in profit or loss, except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

The components of tax expense comprise:

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Current tax | 19,919 | 11,209 |
| Deferred tax | 2,278 | 5,844 |
| Adjustment for prior years - current tax | (326) | (786) |
| Adjustment for prior years - deferred tax | 468 | 91 |
| **Income tax expense** | **22,339** | **16,358** |

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 5. Income tax (continued)

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Accounting profit before tax | 76,428 | 57,152 |
| **Accounting profit before income tax** | **76,428** | **57,152** |
| At Australia's statutory income tax rate of 30% (2018:30%) | 22,928 | 17,146 |
| Add: | | |
| Non-deductible expenses | 540 | 291 |
| Capital gain on asset disposal | 136 | - |
| Non-deductible acquisition expense | 994 | 1,699 |
| Under/(over) provision for income tax in prior year | 143 | (694) |
| | 24,741 | 18,442 |
| Less: | | |
| Tax effect of: | | |
| Different tax rates in overseas jurisdictions | 384 | 59 |
| Research and development | (1,642) | (1,790) |
| Deferred tax adjustments | (674) | (346) |
| Non-taxable income | (512) | - |
| Other | 42 | (7) |
| **Income tax expense** | **22,339** | **16,358** |

**Significant accounting policies**

**Current tax**

Current tax comprises the expected payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates for each jurisdiction enacted or substantively enacted at the reporting date.

**Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

• temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
• temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
• taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 5. Income tax (continued)

**(b) Movement in deferred tax balances**

| 2018 | Opening balance $000 | Charged to profit or loss $000 | Charged to goodwill $000 | Exchange differences $000 | Charged to equity $000 | Total $000 |
|---|---|---|---|---|---|---|
| Software development costs | 19,158 | 8,103 | - | 2 | - | 27,263 |
| Customer relationships and brands | 1,823 | (410) | 2,658 | 18 | - | 4,089 |
| Provisions | (4,530) | (1,473) | 1,274 | 12 | - | (4,717) |
| Straight-line revenue | 944 | (843) | - | - | - | 101 |
| Deferred revenue | - | 252 | (363) | - | - | (111) |
| Unrealised foreign exchange | 130 | (363) | - | - | - | (233) |
| Intellectual property | 602 | (122) | 977 | 25 | - | 1,482 |
| Property, plant and equipment | (457) | (209) | - | 3 | - | (663) |
| Future income tax benefits attributable to tax losses and offsets | 56 | (623) | (111) | 4 | - | (674) |
| Transaction costs | (2,427) | 866 | - | - | - | (1,561) |
| Employee equity compensation | (3,032) | 429 | - | (37) | - | (2,640) |
| Other | (157) | 328 | (217) | (1) | - | (47) |
| **Net tax liabilities** | **12,110** | **5,935** | **4,218** | **26** | **-** | **22,289** |

| | Opening balance $000 | Charged to profit or loss $000 | Charged to goodwill $000 | Exchange differences $000 | Charged to equity $000 | Total $000 |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| Software development costs | 27,263 | 8,002 | - | - | - | 35,265 |
| Customer relationships and brands | 4,089 | (587) | 1,525 | 128 | - | 5,155 |
| Provisions | (4,717) | (2,198) | 1,581 | (148) | - | (5,482) |
| Straight-line revenue | 101 | 18 | - | 3 | - | 122 |
| Deferred revenue | (111) | (372) | 495 | (3) | - | 9 |
| Unrealised foreign exchange | (233) | (81) | - | (7) | - | (321) |
| Intellectual property | 1,482 | (641) | 1,876 | 46 | - | 2,763 |
| Property, plant and equipment | (663) | (195) | - | (21) | - | (879) |
| Future income tax benefits attributable to tax losses and offsets | (674) | (2,672) | (624) | (21) | - | (3,991) |
| Transaction costs | (1,561) | 1,295 | (663) | 71 | (2,096) | (2,954) |
| Employee equity compensation | (2,640) | 215 | - | (83) | - | (2,508) |
| Other | (47) | (38) | 65 | 11 | - | (9) |
| **Net tax liabilities** | **22,289** | **2,746** | **4,255** | **(24)** | **(2,096)** | **27,170** |

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 5. Income tax (continued)

**Critical accounting estimates and assumptions**

The Group is subject to tax in numerous jurisdictions. Significant judgement is required in determining the related assets or provisions as there are transactions in the ordinary course of business and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amount that was initially recognised, such differences will impact on the results for the year and the respective income tax and deferred tax assets or provisions in the year in which such determination is made. The Group recognises tax assets based on forecasts of future profits against which those assets may be utilised, tax losses in a subsidiary of $1.9m have not been recognised.

### 6. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share ("EPS") computations:

| | 2019 | 2018 |
|---|---|---|
| Profit attributable to equity holders of the Company ($000) | 54,120 | 40,799 |
| Basic weighted average number of ordinary shares | 306,353,442 | 293,518,539 |
| Basic EPS (cents) | 17.7 | 13.9 |
| | | |
| Profit attributable to equity holders of the Company ($000) | 54,120 | 40,799 |
| Basic weighted average number of ordinary shares | 306,353,442 | 293,518,539 |
| Shares issuable in relation to equity-based compensation schemes | 74,058 | 122,474 |
| Diluted weighted average number of ordinary shares | 306,427,500 | 293,641,013 |
| Diluted EPS (cents) | 17.7 | 13.9 |

**Significant accounting policies**

Basic EPS is calculated by dividing profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 7. Dividends

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved prior to the reporting date.

The following dividends were declared and paid by the Company during the year:

| | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| **Dividends on ordinary shares declared and paid:** | | |
| **Final dividend in respect of previous reporting period** | | |
| **(FY18: 1.65 cents per share, FY17: 1.20 cents per share)** | | |
| - Paid in cash | 4,686 | 3,178 |
| - Paid via DRP | 266 | 312 |
| - DRP dividend clearing account | 8 | - |
| **Interim dividend for the current reporting period** | | |
| **(FY19: 1.50 cents per share, FY18: 1.05 cent per share)** | | |
| - Paid in cash | 4,276 | 2,839 |
| - Paid via DRP | 244 | 218 |
| - DRP dividend clearing account | (3) | - |
| | **9,477** | **6,547** |

| | | |
|---|---|---|
| **Franking credit balance** | | |
| Franking amount balance as at the end of the financial year | 19,410 | 11,248 |
| **Final dividend on ordinary shares** | | |
| Final dividend for FY19: 1.95 cents per share (FY18: 1.65 cents per share) | 6,205 | 4,949 |

After the reporting date, a dividend of 1.95 cents per share was declared by the Board of Directors. The dividend has not been recognised as a liability and will be franked at 100%.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 8. Intangible assets

| | Computer software | Development costs (WIP) | External software licences | Goodwill | Intellectual property | Customer relationships | Trade names | Patents | Total |
|---|---|---|---|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **At 1 July 2017** | | | | | | | | | |
| Cost | 51,343 | 31,756 | 4,803 | 55,360 | 12,705 | 9,235 | 1,429 | 187 | 166,818 |
| Accumulated amortisation and impairment | (18,270) | - | (2,189) | (63) | (9,144) | (3,260) | (172) | - | (33,098) |
| **Net book value** | **33,073** | **31,756** | **2,614** | **55,297** | **3,561** | **5,975** | **1,257** | **187** | **133,720** |
| | | | | | | | | | |
| At 1 July 2017 | 33,073 | 31,756 | 2,614 | 55,297 | 3,561 | 5,975 | 1,257 | 187 | 133,720 |
| Additions | - | 35,258 | - | - | - | - | - | 25 | 35,283 |
| Transfers/reclassifications | 30,500 | (30,500) | (783) | 762 | - | - | - | - | (21) |
| Amortisation | (7,414) | - | (824) | - | (2,348) | (1,406) | (359) | - | (12,351) |
| Acquisition via business combination | - | - | 757 | 181,331 | 10,371 | 7,607 | 4,765 | - | 204,831 |
| Disposals | - | - | - | (100) | - | - | - | - | (100) |
| Exchange differences | 4 | 42 | (2) | (767) | (193) | (74) | (27) | - | (1,017) |
| **Net book value at 30 June 2018** | **56,163** | **36,556** | **1,762** | **236,523** | **11,391** | **12,102** | **5,636** | **212** | **360,345** |
| | | | | | | | | | |
| **At 30 June 2018** | | | | | | | | | |
| Cost | 81,847 | 36,556 | 3,795 | 236,586 | 23,425 | 16,757 | 6,174 | 212 | 405,352 |
| Accumulated amortisation and impairment | (25,684) | - | (2,033) | (63) | (12,034) | (4,655) | (538) | - | (45,007) |
| **Net book value** | **56,163** | **36,556** | **1,762** | **236,523** | **11,391** | **12,102** | **5,636** | **212** | **360,345** |

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 8. Intangible assets (continued)

| | Computer software | Development costs (WIP) | External software licences | Goodwill | Intellectual property | Customer relationships | Trade names | Patents | Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2018 | 56,163 | 36,556 | 1,762 | 236,523 | 11,391 | 12,102 | 5,636 | 212 | 360,345 |
| Additions | - | 46,810 | 110 | - | 9 | - | - | 112 | 47,041 |
| Transfers/reclassifications | 34,670 | (34,670) | - | - | - | - | - | - | - |
| Acquisition via business combination | - | - | 790 | 352,588 | 14,175 | 6,880 | 7,302 | - | 381,735 |
| Amortisation | (10,075) | - | (860) | - | (5,228) | (2,174) | (1,058) | (32) | (19,427) |
| Exchange differences | 214 | 50 | 60 | 12,388 | 406 | 613 | 253 | - | 13,984 |
| **Net book value at 30 June 2019** | **80,972** | **48,746** | **1,862** | **601,499** | **20,753** | **17,421** | **12,133** | **292** | **783,678** |
| | | | | | | | | | |
| **At 30 June 2019** | | | | | | | | | |
| Cost | 116,150 | 48,746 | 4,717 | 601,562 | 38,627 | 24,332 | 13,761 | 324 | 848,219 |
| Accumulated amortisation and impairment | (35,178) | - | (2,855) | (63) | (17,874) | (6,911) | (1,628) | (32) | (64,541) |
| **Net book value** | **80,972** | **48,746** | **1,862** | **601,499** | **20,753** | **17,421** | **12,133** | **292** | **783,678** |

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 8. Intangible assets (continued)

**Significant accounting policies**

**Computer software**

Development costs for products which are considered ready for their intended use are transferred to the computer software balance. The computer software balance comprises the historic cost of development activities for products that have been transferred and the historic cost of acquired software, less accumulated amortisation and any accumulated impairment losses.

**Development costs (WIP)**

Development costs are capitalised where future economic benefits from development of a chosen alternative for new or improved software products, processes, systems or services are considered probable, and expenditure in relation to such activities is capable of reliable measurement. Future economic benefits are considered probable where commercial benefit and technical feasibility have been established. The expenditure capitalised comprises all directly attributable costs, including external direct costs of materials, services, direct labour and overheads.

Other development expenditure that does not meet these criteria, which includes research activities and the expenditure on maintenance of computer software, is expensed as incurred.

**External software licences**

External software licences costs relate to fees paid to an external provider for licences relating to specific components of software.

**Goodwill**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

The Group tests goodwill for impairment annually or more frequently if events or changes in circumstances indicate that goodwill may be impaired. The recoverable amount of the collective cash generating units ("CGUs"), which is the lowest level within the Group for which information about goodwill is monitored by internal management, is determined based on a value in use calculation which requires the use of cash flow projections based on approved financial budgets, which is extrapolated over a five year period. The growth rate used does not exceed the long-term average growth rate for the market in which the segment operates. The discount rate used reflects the Group's pre-tax weighted average cost of capital. No individual CGUs contain goodwill. Goodwill is maintained and monitored at the Group segment level.

**Intellectual property**

Intellectual property acquired as part of a business combination is recognised separately from goodwill. The intellectual property assets are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.

**Customer relationships**

Customer relationships acquired as part of a business combination are recognised separately from goodwill. The customer relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 8. Intangible assets (continued)

**Trade names**

Trade names acquired as part of a business combination are recognised separately from goodwill. They are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.

**Patents**

Patents comprise filing costs for the Group's patents. These are subsequently amortised from the point at which the asset is ready for use. They are stated at cost less accumulated amortisation and impairment losses.

**Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

**Amortisation**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Goodwill is not amortised.

Intangible assets, other than goodwill, have finite useful lives. Goodwill has an indefinite useful life. The estimated useful lives are as follows:

| Class of intangible | Amortisation period |
|---|---|
| Computer software | 3 - 10 years |
| External software licences | 3 - 10 years |
| Intellectual property | 3 - 8 years |
| Customer relationships | 10 years |
| Trade names | 10 years |
| Patents | 10 years |

**Critical judgements**

Management has made judgements in respect of intangible assets when assessing whether an internal project in the development phase meets the criteria to be capitalised, and on measuring the costs and economic life attributed to such projects. On acquisition, specific intangible assets are identified and recognised separately from goodwill and then amortised over their estimated useful lives. These include such items as customer relationships to which value is first attributed at the time of acquisition. The capitalisation of these assets and the related amortisation charges are based on judgements about the value and economic life of such items.

The economic lives for intangible assets are estimated at between three and ten years for internal projects, which includes internal use software and internally generated software, and between three and ten years for acquired intangible assets. Management has also made judgements and assumptions when assessing the economic life of intangible assets and the pattern of consumption of the economic benefits embodied in the assets. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 8. Intangible assets (continued)

**Impairment testing for CGUs containing goodwill**

At 30 June 2019, the lowest level within the Group for which information is available and monitored for internal management purposes is the consolidated Group which comprises a group of CGUs. This reflects the management of assets and synergies across the Group and is consistent with the Group's segment reporting.

The recoverable amount of this group of CGUs, is based on value in use, estimated using discounted cash flows.

**Key assumptions**

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

| | **2019** | **2018** |
|---|---|---|
| Post-tax discount rate per annum | 10.2% | 11.0% |
| Pre-tax discount rate per annum | 13.3% | 14.1% |
| Long-term perpetuity growth rate | 3.0% | 3.0% |

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter.

Management has performed sensitivity analysis and assessed reasonable changes for key assumptions and has not identified any instances that could cause the carrying amount of the group of CGUs, over which goodwill is monitored, to exceed its recoverable amount.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 9. Property, plant and equipment

| | Land and buildings | Plant and equipment | Leasehold improvements | Total |
|---|---|---|---|---|
| | **$000** | **$000** | **$000** | **$000** |
| **At 30 June 2017** | | | | |
| Cost | 975 | 24,309 | 6,166 | 31,450 |
| Accumulated depreciation | (154) | (12,601) | (1,857) | (14,612) |
| **Net book value** | **821** | **11,708** | **4,309** | **16,838** |
| At 1 July 2017 | 821 | 11,708 | 4,309 | 16,838 |
| Additions | - | 4,021 | 95 | 4,116 |
| Acquisition via business combination | - | 933 | 286 | 1,219 |
| Transfers | (724) | 21 | - | (703) |
| Depreciation | (72) | (5,997) | (1,284) | (7,353) |
| Exchange differences | (25) | 245 | (46) | 174 |
| **Net book value at 30 June 2018** | **-** | **10,931** | **3,360** | **14,291** |
| **At 30 June 2018** | | | | |
| Cost | - | 30,356 | 6,522 | 36,878 |
| Accumulated depreciation | - | (19,425) | (3,162) | (22,587) |
| **Net book value** | **-** | **10,931** | **3,360** | **14,291** |
| At 1 July 2018 | - | 10,931 | 3,360 | 14,291 |
| Additions | - | 5,765 | 1,425 | 7,190 |
| Acquisition via business combination | - | 2,390 | 99 | 2,489 |
| Inflation adjustment | - | 26 | 5 | 31 |
| Depreciation | - | (7,329) | (1,100) | (8,429) |
| Exchange differences | - | 307 | 29 | 336 |
| Disposals | - | (90) | - | (90) |
| **Net book value at 30 June 2019** | **-** | **12,000** | **3,818** | **15,818** |
| **At 30 June 2019** | | | | |
| Cost | - | 39,062 | 8,097 | 47,159 |
| Accumulated depreciation | - | (27,062) | (4,279) | (31,341) |
| **Net book value** | **-** | **12,000** | **3,818** | **15,818** |

**Significant accounting policies**

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

Any gain or loss on disposal of an item of plant and equipment is recognised in the Consolidated statement of profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the Consolidated statement of profit or loss during the financial period in which they are incurred.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 9. Property, plant and equipment (continued)

**Depreciation**

Items of property, plant and equipment are depreciated on a straight-line basis calculated using the cost of the item less its estimated residual values over its estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain the ownership by the end of the lease term. Land is not depreciated.

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The annual depreciation rates used for each class of depreciable assets are:

| Class of fixed asset | Depreciation rate |
|---|---|
| Buildings | 2%; |
| Plant and equipment | 5% - 50%; and |
| Leasehold improvements | 10% - 20%. |

If an asset's carrying amount is greater than its estimated recoverable amount, it is immediately written down to the recoverable amount.

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

### 10. Cash and cash equivalents

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Cash at bank and on hand | **260,092** | **121,824** |

The effective interest rate on cash and cash equivalents was 2.25% per annum (2018: 1.93% per annum).

**Significant accounting policies**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 11. Trade receivables

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Trade receivables | 52,527 | 29,510 |
| Provision for impairment of trade receivables | (1,715) | (1,532) |
| | **50,812** | **27,978** |

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 11. Trade receivables (continued)

The movement in the provision for impairment of trade receivables during the year was as follows:

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Opening balance | 1,532 | 455 |
| Acquisition via business combination | 436 | 567 |
| Impairment loss recognised | 412 | 783 |
| Amount written off | (665) | (273) |
| | **1,715** | **1,532** |

Trade receivables that were considered recoverable as at 30 June 2019 were as follows:

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Not past due | 40,093 | 25,988 |
| Past due 0 - 30 days | 5,911 | 732 |
| Past due 31 - 60 days | 3,428 | 683 |
| Past due more than 60 days | 1,380 | 575 |
| | **50,812** | **27,978** |

**Significant accounting policies**

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

Trade receivables are initially recognised at fair value. A specific provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. An expected credit loss provision is recognised in respect of all other receivables.

The Group does not hold any collateral as security over any trade receivable balances.

### 12. Other assets

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| **Current** | | |
| Unbilled receivables | 3,005 | 2,382 |
| Prepayments | 3,377 | 2,190 |
| Deposits | 1,206 | 893 |
| Indirect tax receivables | 918 | 686 |
| Assets held for sale | - | 724 |
| Other | 698 | 777 |
| | **9,204** | **7,652** |
| | | |
| **Non-current** | | |
| Unbilled receivables | 26 | 55 |
| Other | 729 | 106 |
| | **755** | **161** |

In January 2018, management committed to a plan to sell certain tangible assets classified as land and buildings in South Africa. These assets were used by the business prior to moving to newly leased premises. Accordingly, these assets were classified as held for sale. The sale of the asset was completed in December 2018.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

**12.** Other assets (continued)

Movements during the year in unbilled receivables are as under:

| | 2019 |
|---|---|
| | **$000** |
| Opening balance | 2,437 |
| Acquisition via business combination | 623 |
| Accrued revenue recognised in current year | 2,511 |
| Subsequently invoiced and transferred to receivable in current year | (2,509) |
| Exchange differences | (31) |
| **Closing balance** | **3,031** |

**Significant accounting policies**

Unbilled receivables represent the revenue recognised to date but not yet invoiced to customers due to the timing of the accounting invoicing cycle.

### 13. Trade and other payables

| | 2019 | 2018 |
|---|---|---|
| | **$000** | **$000** |
| Trade payables | 7,772 | 2,573 |
| Other payables and accrued expenses | 27,411 | 20,503 |
| | **35,183** | **23,076** |

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

**Significant accounting policies**

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.

### 14. Deferred revenue

| | 2019 | 2018 |
|---|---|---|
| | **$000** | **$000** |
| Deferred revenue | 18,959 | 10,133 |
| | **18,959** | **10,133** |

Deferred revenue reflects the value of advance payments made by customers who have been invoiced for services that will be provided in the future.

Movements during the year are as under:

| | 2019 |
|---|---|
| | **$000** |
| Opening balance | 10,133 |
| Acquisition via business combination | 5,628 |
| Revenue recognised in current year | (32,008) |
| Advanced payments received | 34,877 |
| Exchange differences | 329 |
| **Closing balance** | **18,959** |

Applying the practical expedient of AASB 15, paragraph 121, the Group does not disclose further qualitative information related to remaining performance obligations, as they are either part of a contract that has an original expected duration of one year or less; or their associated revenue is recognised in the amount to which the Group has a right to invoice.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 15. Other liabilities

| | 2019 | 2018 |
|---|---|---|
| | **$000** | **$000** |
| **Current** | | |
| Contingent consideration | 69,763 | 23,420 |
| Customer deposits | 21,747 | 10,501 |
| Other current liabilities | 5,119 | 1,541 |
| | **96,629** | **35,462** |
| **Non-current** | | |
| Contingent consideration | 157,158 | 77,792 |
| Other non-current liabilities | 2,064 | 1,369 |
| | **159,222** | **79,161** |
| | **255,851** | **114,623** |

Customer deposits represent amounts paid in advance by customers to prepay for services in exchange for price discounts.

### 16. Borrowings

| | 2019 | 2018 |
|---|---|---|
| | **$000** | **$000** |
| **Current** | | |
| Finance lease liability | 239 | 459 |
| Bank loans | 232 | 621 |
| | **471** | **1,080** |
| **Non-current** | | |
| Finance lease liability | 233 | 189 |
| Bank loans | 506 | 1,219 |
| | **739** | **1,408** |
| | **1,210** | **2,488** |

*Bank debt facilities*

A new unsecured syndicated facility was executed on 24 December 2018 between Westpac Banking Corporation, The Hongkong and Shanghai Banking Corporation and Citibank, N.A. The new facility has a total syndicated commitment of $190m, plus an additional $200m accordion facility, and matures in March 2022. The new facility was first utilised on 9 January 2019 when the prior facility was repaid and closed. The entire facility is unutilised as at 30 June 2019.

Prior to the new unsecured facility, the Group had available debt facilities with Westpac Banking Corporation ("Westpac facility") of $100m (2018: $55m) maturing in January 2020. The Westpac facility agreement was secured by fixed and floating charges over the whole of the Group's assets including goodwill and uncalled capital.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 16. Borrowings (continued)

*Other bank loans*

The Group acquired a controlling interest in Softship AG ("Softship") on 1 July 2016. In June 2014, Softship entered into a debt contract with Commerzbank for $1.4m (Euro 1.0m), having a maturity of eight years and a fixed interest rate of 3.29% per annum. The outstanding balance at 30 June 2019 was $0.7m (Euro 0.5m). The bank loan is not secured.

The Group also acquired 100% ownership of EasyLog on 1 May 2018. Prior to being acquired, EasyLog entered into debt contracts with Credit Agricole bank for $1.2m (Euro 0.8m) having maturity dates between 48 and 84 months and varying interest rates from 0.84% to 2.31% per annum. During the year, all EasyLog debt contracts have been repaid.

### 17. Share capital and reserves

| ***Ordinary shares issued and fully paid*** | **Shares (000)** | **$000** |
|---|---|---|
| **At 1 July 2017** | **290,827** | **166,606** |
| Shares issued for cash | 7,560 | 100,550 |
| Shares issued for acquisition of subsidiaries | 239 | 2,448 |
| Shares issued to employee share trust | 1,249 | 18,847 |
| Shares issued under DRP | 57 | 530 |
| Transaction costs | - | (134) |
| **At 30 June 2018** | **299,932** | **288,847** |
| **At 1 July 2018** | **299,932** | **288,847** |
| Shares issued for cash | 16,064 | 335,735 |
| Shares issued for acquisition of subsidiaries | 1,291 | 23,486 |
| Shares issued to employee share trust | 850 | 24,412 |
| Shares issued under DRP | 24 | 510 |
| Transaction costs | - | (4,524) |
| **At 30 June 2019** | **318,161** | **668,466** |

Ordinary shares participate in dividends and the proceeds on winding-up of the Company 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.

The Company does not have a par value in respect of its issued shares.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 17. Share capital and reserves (continued)

**Nature and purpose of reserves**

**(i) Treasury share reserve**

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the WiseTech Global Limited Employee Share Trust. At 30 June 2019, the Trust held 1,283,578 of the Company's shares (2018:1,048,737 shares).

**(ii) Acquisition reserve**

The acquisition reserve comprises the cumulative consideration paid to acquire minority interests in excess of the fair value of the net assets when attaining control, in addition to any premium or discount recognised when the Group's shares are issued under acquisition agreements.

**(iii) Share-based payment reserve**

The share-based payment reserve represents the value of unvested shares and unissued shares as part of the share-based payment scheme.

**(iv) Foreign currency translation reserve**

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

**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 capital and debt include ordinary share capital and financial liabilities, supported by financial assets.

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 and share issues.

On 27 March 2019, the Group issued $300m in shares through an institutional placement. On 23 April 2019, the Group issued $35.7m in shares on account of a share purchase plan to retail shareholders announced on 19 March 2019. Throughout FY19 the Group issued $23.5m in shares to pay for obligations under acquisition agreements. In addition, at 30 June 2019 the Group has an undrawn debt facility of $190m, to apply towards future strategic initiatives. The total equity of the Group at 30 June 2019 is $766.6m (2018: $352.2m) and total cash and cash equivalents at 30 June 2019 are $260.1m (2018: $121.8m). The total borrowings at 30 June 2019 are $1.2m (2018: $2.5m).

The Group is not subject to any externally imposed capital requirements.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 18. Parent entity information

As at, and throughout the financial year ended, 30 June 2019 the parent entity of the Group was WiseTech Global Limited.

| | 2019 | 2018 |
|---|---|---|
| | **$000** | **$000** |
| **Result of parent entity** | | |
| Net profit for the year | 59,224 | 40,239 |
| **Total comprehensive income for the year** | **59,224** | **40,239** |

| | 2019 | 2018 |
|---|---|---|
| | **$000** | **$000** |
| **Financial position of parent entity at year end** | | |
| Current assets | 508,798 | 183,975 |
| Total assets | 833,479 | 409,940 |
| Current liabilities | 16,003 | 17,786 |
| Total liabilities | 46,179 | 38,439 |
| **Net assets** | **787,300** | **371,501** |

| | 2019 | 2018 |
|---|---|---|
| | **$000** | **$000** |
| **Total equity of parent entity comprising:** | | |
| Share capital | 668,466 | 288,847 |
| Reserves | (8,324) | (775) |
| Retained earnings | 127,158 | 83,429 |
| **Total equity** | **787,300** | **371,501** |

**(a) Parent entity contingent liabilities**

The parent entity has provided guarantees for the future settlement of a portion of deferred consideration (cash and shares) recognised in subsidiaries of the Group. There are no other contingent liabilities as at 30 June 2019 or 30 June 2018.

**(b) Parent entity capital commitments for acquisition of property, plant and equipment**

The parent entity had no capital commitments as at 30 June 2019 or 30 June 2018.

**(c) Parent entity guarantees in respect of the debts of its subsidiaries**

The parent entity has entered into a Deed of Cross Guarantee. Refer to note 29 for further details.

## For the year ended 30 June 2019

### 19. Group information

| **Parent entity** | **Country of incorporation** |
|---|---|
| WiseTech Global Limited | Australia |

| | | % Equity interest | |
|---|---|---|---|
| **Subsidiaries** | **Country of incorporation** | **2019** | **2018** |
| Candent Australia Pty Ltd | Australia | 100.0 | - |
| Cargo Community Network Pty Ltd | Australia | 100.0 | 100.0 |
| CMS Transport Systems Pty Ltd | Australia | 100.0 | 100.0 |
| Compdata Technology Services Pty Ltd | Australia | 100.0 | - |
| Container Chain Pty Ltd | Australia | 100.0 | - |
| Containerchain Australia Pty Ltd | Australia | 100.0 | - |
| Containerchain Australia Holdings Pty Ltd | Australia | 100.0 | - |
| Containerchain Unit Trust | Australia | 100.0 | - |
| IFS Global Holdings Pty Ltd | Australia | 100.0 | - |
| IFS Global Pty Ltd | Australia | 100.0 | - |
| IFS NZ Pty Ltd | Australia | 100.0 | - |
| Interactive Freight Systems Pty Ltd | Australia | 100.0 | - |
| Maximas Pty Ltd | Australia | 100.0 | - |
| Microlistics International Pty Ltd | Australia | 100.0 | 100.0 |
| Microlistics Pty Ltd | Australia | 100.0 | 100.0 |
| Tankstream Systems Pty Ltd | Australia | 100.0 | - |
| Translogix (Australia) Pty Ltd | Australia | 100.0 | 100.0 |
| WiseTech Academy Pty Ltd | Australia | 100.0 | - |
| WiseTech Global (Australia) Pty Ltd | Australia | 100.0 | 100.0 |
| WiseTech Global (Europe) Holdings Pty Ltd | Australia | 100.0 | - |
| WiseTech Global (Financing) Pty Ltd | Australia | 100.0 | - |
| Wisetech Global (Licensing) Pty Ltd | Australia | 100.0 | 100.0 |
| Wisetech Global (Trading) Pty Ltd | Australia | 100.0 | 100.0 |
| WiseTech Global Holdings Pty Ltd | Australia | 100.0 | - |
| WiseTech Global Limited Employee Share Trust | Australia | 100.0 | 100.0 |
| WiseTech Global (Argentina) S.A.U. | Argentina | 100.0 | 100.0 |
| Intris N.V. | Belgium | 100.0 | 100.0 |
| Bysoft Solucoes em Sistemas Para Comercio Exterior Ltda | Brazil | 100.0 | 100.0 |
| CargoWise Brasil Solucoes em Sistemas Ltda | Brazil | 100.0 | 100.0 |
| Fenix Data Systems Inc. | Canada | 100.0 | - |
| WiseTech Global (CA) Ltd | Canada | 100.0 | 100.0 |
| Softcargo Chile SpA | Chile | 100.0 | 100.0 |
| WiseTech Global (China) Information Technology Ltd | China | 100.0 | 100.0 |
| Pierbridge Finland Oy | Finland | 100.0 | - |
| EasyLog SAS | France | 100.0 | 100.0 |
| CargoWise GmbH | Germany | 100.0 | 100.0 |
| Containerchain Germany GmbH | Germany | 100.0 | - |
| Softship GmbH (formerly Softship AG) | Germany | 100.0 | 95.1 |
| znet group GmbH | Germany | 100.0 | 100.0 |
| Containerchain Hong Kong Ltd | HongKong | 100.0 | - |
| WiseTech Global (HK) Ltd | Hong Kong | 100.0 | 100.0 |
| ABM Data Systems Ltd | Ireland | 100.0 | 100.0 |
| Cargo Community Systems Ltd | Ireland | 100.0 | 100.0 |
| CargoWise (Ireland) Ltd | Ireland | 100.0 | 100.0 |
| A.C.O. Informatica S.r.l. | Italy | 100.0 | 100.0 |
| WiseTech Global (Japan) K.K. | Japan | 100.0 | 100.0 |
| Containerchain Malaysia Sdn Bhd | Malaysia | 100.0 | - |
| Maxframe Technologies Sdn Bhd | Malaysia | 100.0 | - |
| Cargoguide International B.V. | Netherlands | 95.0 | 95.0 |
| Containerchain Netherlands B.V. | Netherlands | 100.0 | - |
| LSP Solutions B.V. | Netherlands | 100.0 | 100.0 |

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 19. Group information (continued)

| Subsidiaries | Country of incorporation | % Equity interest 2019 | % Equity interest 2018 |
|---|---|---|---|
| Containerchain New Zealand Ltd | New Zealand | 100.0 | - |
| WiseTech Global (NZ) Ltd | New Zealand | 100.0 | 100.0 |
| Systema AS | Norway | 100.0 | - |
| Softship Inc. | Philippines | 100.0 | 95.1 |
| Candent Singapore Pte Ltd | Singapore | 100.0 | - |
| Containerchain Global Holdings Pte Ltd | Singapore | 100.0 | - |
| Containerchain (Singapore) Pte Ltd | Singapore | 100.0 | - |
| Softship Dataprocessing Pte Ltd | Singapore | 100.0 | 95.1 |
| WiseTech Global (SG) Pte Ltd | Singapore | 100.0 | 100.0 |
| Compu-Clearing (Pty) Ltd | South Africa | 100.0 | 100.0 |
| Compu-Clearing Drome Road Property (Pty) Ltd | South Africa | 100.0 | 100.0 |
| Compu-Clearing Outsourcing Ltd | South Africa | 100.0 | 100.0 |
| Core Freight Systems (Pty) Ltd | South Africa | 100.0 | 100.0 |
| Drome Road Share Block (Pty) Ltd | South Africa | 100.0 | 100.0 |
| EDI Enterprise (Pty) Ltd | South Africa | 100.0 | 100.0 |
| Wisetechglobal (Pty) Ltd | South Africa | 100.0 | 100.0 |
| WiseTech Global LLC | South Korea | 100.0 | - |
| Taric Canarias S.A. | Spain | 100.0 | - |
| Taric S.A.U. | Spain | 100.0 | - |
| Taric Trans S.L. | Spain | 100.0 | - |
| CargoIT i Skandinavien AB | Sweden | 100.0 | - |
| X Ware Aktiebolag | Sweden | 100.0 | - |
| WiseTech Global (Taiwan) Ltd | Taiwan | 100.0 | 100.0 |
| Containerchain (Thailand) Pte Ltd | Thailand | 100.0 | - |
| Ulukom Bilgisayar Yazılım Donanım Danışmanlık ve Ticaret A.Ş. | Turkey | 100.0 | - |
| WiseTech Global FZ-LLC | UAE | 100.0 | - |
| LSI - Sigma Software Limited | UK | 100.0 | - |
| Pierbridge Ltd | UK | 100.0 | - |
| WiseTech Global (UK) Ltd | UK | 100.0 | 100.0 |
| Eyalir S.A. | Uruguay | 100.0 | 100.0 |
| Ilun S.A. | Uruguay | 100.0 | 100.0 |
| Containerchain USA Inc. | USA | 100.0 | - |
| Pierbridge Holdings Inc. | USA | 100.0 | - |
| Pierbridge Inc. | USA | 100.0 | - |
| Planet Traders Inc. | USA | 100.0 | 100.0 |
| Softship America Inc. | USA | 100.0 | 95.1 |
| WiseTech Global (US) Inc. | USA | 100.0 | 100.0 |

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 20. Business combinations and acquisition of non-controlling interests

### Acquisitions in 2019

During the period ended 30 June 2019, the Group completed the following 14 acquisitions:

| Business acquired | Date of acquisition | Description of acquisition |
|---|---|---|
| Ulukom | 2 Jul 2018 | Logistics and customs solutions provider in Turkey |
| SaaS Transportation[1] | 2 Jul 2018 | Less Than Truckload (LTL) transport management solution provider in the United States |
| Fenix | 2 Jul 2018 | Canadian customs management solutions provider |
| Pierbridge | 2 Jul 2018 | Parcel shipping transportation management solutions provider to medium and large enterprises in the United States |
| Multi Consult[1] | 19 Sep 2018 | Customs solutions, freight forwarding, local transport management solutions and warehouse management solutions provider in Italy |
| Trinium[1] | 1 Oct 2018 | Intermodal trucking transportation management systems provider in the United States and Canada |
| Taric | 2 Oct 2018 | Customs management solutions provider in Spain |
| Tankstream | 8 Oct 2018 | Learning management system provider in Australia |
| CargoIT | 1 Nov 2018 | Customs management and logistics solutions provider in Sweden |
| SmartFreight | 1 Nov 2018 | Parcel and LTL shipping software provider |
| DataFreight | 1 Nov 2018 | Customs, freight forwarding and warehouse management software solutions provider in the United Kingdom |
| Systema | 1 Feb 2019 | Customs management solutions provider in Norway |
| ContainerChain | 1 Apr 2019 | Container optimisation solutions provider to the shipping and landside logistics communities in Asia Pacific, Europe and the United States |
| Xware | 1 May 2019 | Messaging integration solutions provider in Sweden |

[1]Asset acquisitions.

Containerchain is considered a significant acquisition during FY19. All other acquisitions completed during the period are not considered individually significant and key information on these acquisitions has been presented on an aggregated basis.

Provisional details of the fair value of identifiable assets acquired, liabilities assumed, and goodwill determined are set out in the following tables. These values are provisional and amendments may be made to these figures up to 12 months following the date of acquisition if new information is obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date.

| | Containerchain | Other acquisitions | Total |
|---|---|---|---|
| | **$000** | **$000** | **$000** |
| Cash and cash equivalents | 5,660 | 11,490 | 17,150 |
| Trade receivables | 4,765 | 5,862 | 10,627 |
| Other current assets | 1,867 | 3,342 | 5,209 |
| Intangible assets | 6,626 | 23,410 | 30,036 |
| Property, plant and equipment | 682 | 1,448 | 2,130 |
| Trade and other payables | (7,067) | (4,957) | (12,024) |
| Deferred revenue | (155) | (5,473) | (5,628) |
| Current tax liabilities | (3) | (4,740) | (4,743) |
| Employee benefits | (867) | (1,322) | (2,189) |
| Other current liabilities | (1,034) | (870) | (1,904) |
| Borrowings | (61) | (170) | (231) |
| Deferred tax asset/(liabilities) | 225 | (4,481) | (4,256) |
| Other non-current liabilities | - | (32) | (32) |
| **Fair value of net identifiable assets acquired (100%)** | **10,638** | **23,507** | **34,145** |
| **Acquisition related costs** | **1,419** | **3,267** | **4,686** |

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 20. Business combinations and acquisition of non-controlling interests (continued)

**Acquisitions in 2019 (continued)**

| | Containerchain | Other acquisitions | Total |
|---|---|---|---|
| | **$000** | **$000** | **$000** |
| Total consideration paid and payable | 97,594 | 291,812 | 389,406 |
| Less: Fair value of net identifiable assets acquired | (10,638) | (23,507) | (34,145) |
| **Goodwill** | **86,956** | **268,305** | **355,261** |

***Containerchain***

On 1 April 2019, the Group acquired a 100% interest in Containerchain. The total consideration paid was $97.6m, including $5.7m cash acquired.

A valuation was undertaken in relation to the acquired intangibles with respect to trade name ($2.1m) and intellectual property ($4.3m). Intangibles valued at ($0.2) were also acquired at date of acquisition.

The methodology used to derive the value of customer relationships was the multi-period excess earnings method ("MEEM"). The MEEM considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

The royalty relief method was used to value the trade name whereby it considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned.

The trade receivables balance represents the gross contractual amounts due of $5.0m, of which $0.2m was expected to be uncollectible at the date of acquisition.

The goodwill is attributable predominantly to the key management, specialised know-how of the workforce, employee relationships, competitive position and service offerings that do not meet the recognition criteria as an intangible asset at the date of acquisition. The goodwill is not deductible for tax purposes.

Containerchain contributed $4.0m to Group revenue and a reduction to net profit of $0.1m from the date of acquisition. If it had been acquired from 1 July 2018, the contribution to the Group revenue would have been $16.1m with a reduction to net profit of $0.5m.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 20. Business combinations and acquisition of non-controlling interests (continued)

### Acquisitions in 2019 (continued)

***Other acquisitions***

*Goodwill*

The total goodwill arising on other acquisitions is $268.3m which relates predominantly to the key management, specialised know-how of the workforce, employee relationships, competitive position and service offerings that do not meet the recognition criteria as an intangible asset at the date of acquisition. The total amount of goodwill expected to be deductible for tax purposes is $33.1m.

*Consideration paid*

Total consideration was $159.0m ($136.3m paid in cash and $22.7m in equity shares issued) with further contingent and deferred consideration payable of $141.1m. Contingent consideration is based on a number of milestones, which are provisionally assessed, including performance-related targets and the integration of the acquired businesses with the Group such as the development of pre-existing capabilities into the Group's existing product. At acquisition, the discounted value of these arrangements is $132.8m. The Group will continue its review of this liability during the measurement period and make necessary adjustments against the liability and goodwill. Other acquisitions included $11.5m of cash acquired.

In addition to the consideration paid, an additional $1.0m of debt like items were settled by the Group following the completion of the acquisitions and are recorded in Consolidated statement of cashflows as investing activities, acquisition of business, net of cash acquired.

*Contribution of acquisitions to revenue and profits*

In total, these acquisitions contributed $45.3m to Group revenue and a reduction to net profit of $0.9m from their respective dates of acquisition. If the acquisitions had been acquired from 1 July 2018, the contribution to the Group revenue would have been $60.8m and nil change to net profit.

***Additional investment in Softship AG***

During the year ended 30 June 2019, the Group acquired all remaining shares of Softship through a squeeze-out process under German law, such that it is now a wholly-owned subsidiary. The squeeze out process is expected to conclude in FY20. $2.4m was paid for the additional shares, with $2.1m recorded as an increase in the acquisition reserve and $0.3m offset to the remaining non-controlling interest balance.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 20. Business combinations and acquisition of non-controlling interests (continued)

### Acquisitions in 2018

During the period ended 30 June 2018, the Group completed the following 15 acquisitions:

| Business acquired | Date of acquisition | Description of acquisition |
|---|---|---|
| TradeFox[1] | 26 Jul 2017 | Tariff research and compliance tools provider utilised by the Australian customs broking community |
| Bysoft | 31 Jul 2017 | Customs and logistics compliance solutions provider across Brazil |
| Digerati[1] | 9 Aug 2017 | Tariff research and compliance tools provider utilised by the Australian customs broking community |
| Prolink[1] | 31 Aug 2017 | Customs and forwarding solutions provider across Taiwan and China |
| CMS | 31 Aug 2017 | Road transport and logistics management systems provider across Australia and New Zealand |
| Cargoguide | 12 Sep 2017 | Global air freight rate management solutions provider |
| CargoSphere | 29 Sep 2017 | Global ocean freight rate management solutions provider |
| ABM | 31 Jan 2018 | Pan-European developer and provider of customs clearance solutions |
| Customs Matters | 31 Jan 2018 | Customs solutions provider |
| Microlistics | 1 Feb 2018 | Warehouse management solutions provider |
| Intris | 28 Feb 2018 | Freight forwarding, customs and warehousing management solutions provider across Belgium and the Netherlands |
| LSP | 31 Mar 2018 | Customs and warehouse management solutions provider in the Netherlands |
| Forward | 1 May 2018 | Freight forwarding management and accounting compliance solutions provider across South America |
| Softcargo | 1 May 2018 | Freight forwarding management and logistics solutions across South America |
| Easylog | 1 May 2018 | Customs clearance and tracking solutions provider in France |

[1]Asset acquisitions.

None of the acquisitions completed during the period are individually significant. Accordingly, key information on these acquisitions has been presented on an aggregated basis as set out below. Provisional details of the fair value of identifiable assets acquired, liabilities assumed, and goodwill determined are set out in the following tables.These values are provisional and amendments may be made to these figures up to 12 months following the date of acquisition if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

| | At acquisition | Revision in FY19* | Cumulative total |
|---|---|---|---|
| | $000 | $000 | $000 |
| Cash and cash equivalents | 4,032 | - | 4,032 |
| Trade receivables | 5,753 | - | 5,753 |
| Current tax receivables | 61 | - | 61 |
| Other current assets | 2,716 | 220 | 2,936 |
| Intangible assets | 23,500 | (888) | 22,612 |
| Property, plant and equipment | 1,219 | 360 | 1,579 |
| Other non-current assets | 52 | - | 52 |
| Trade and other payables | (10,876) | 58 | (10,818) |
| Deferred revenue | (6,047) | - | (6,047) |
| Current tax liabilities | (409) | 574 | 165 |
| Employee benefits | (2,071) | - | (2,071) |
| Other current liabilities | (2,705) | 574 | (2,131) |
| Borrowings | (2,426) | (363) | (2,789) |
| Deferred tax liabilities | (4,291) | (514) | (4,805) |
| Other non-current liabilities | (233) | 182 | (51) |
| **Fair value of net identifiable assets acquired (100%)** | **8,275** | **203** | **8,478** |
| **Acquisition related costs** | **5,274** | **-** | **5,274** |

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 20. Business combinations and acquisition of non-controlling interests (continued)

### Acquisitions in 2018 (continued)

| | At acquisition | Revision in FY19* | Cumulative total |
|---|---|---|---|
| | **$000** | **$000** | **$000** |
| Total consideration paid and payable | 189,138 | (2,470) | 186,668 |
| Less: Fair value of net identifiable assets acquired | (8,275) | (203) | (8,478) |
| **Goodwill** | **180,863** | **(2,673)** | **178,190** |

### *Total acquisitions*

*Goodwill*

The total goodwill arising on acquisition was $180.9m which related predominantly to the key management, specialised know-how of the workforce, employee relationships, competitive position and service offerings that did not meet the recognition criteria as an intangible asset at the date of acquisition.

*Consideration paid*

Total consideration is $95.9m ($94.0m paid in cash and $1.9m in equity shares issued) with further contingent consideration payable of $102.5m. Contingent consideration is based on a number of milestones, which are provisionally assessed, including performance-related targets and the integration of the acquired businesses with the Group such as the development of pre-existing capabilities into the Group's existing product. At acquisition, the discounted value of these arrangements was $93.3m. The Group will continue its review of this liability during the measurement period and make necessary adjustments against the liability and goodwill.

In addition to consideration paid, an additional $4.3m of debt like items were settled by the Group following the completion of the acquisitions and are recorded in the Consolidated statement of cash flows as investing activities, acquisition of businesses, net of cash acquired.

*Contribution of acquisitions to revenue and profits*

In total, these other acquisitions contributed $21.7m to Group revenue and a reduction to net profit of $4.5m from their respective dates of acquisition to 30 June 2018. If the acquisitions had been acquired from 1 July 2017, the contribution to the Group revenue for the year ended 30 June 2018 would have been $42.3m and a reduction to net profit of $7.4m.

*Additional investment in Softship*

During the year ended 30 June 2018, the Group acquired further shares of Softship, increasing its ownership to 95.1%. $6.1m was paid in cash and $0.6m in shares. The Group has adopted the proportionate method of accounting for non-controlling interest which resulted in a reduction of non-controlling interest by $1.2m, and an increase in acquisition reserve of $5.4m.

**Update to provisional accounting*

Goodwill in respect of acquisitions in the period ended 30 June 2018 has been reduced by $2.7m following the update to provisional accounting. This resulted in a reduction in deferred consideration of $2.5m and an increase in net assets of $0.2m.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 20. Business combinations and acquisition of non-controlling interests (continued)

### Significant accounting policy

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. Under the acquisition method, 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).

The consideration transferred in the acquisition including any contingent consideration is generally measured at fair value as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the Consolidated statement of profit or loss.

If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the Consolidated statement of profit or loss.

### 21. Employee benefits

| | 2019 | 2018 |
|---|---|---|
| | **$000** | **$000** |
| Wages and salaries | 176,969 | 106,858 |
| Share-based payment expense | 10,859 | 7,777 |
| Defined contribution superannuation expense | 10,692 | 7,054 |
| **Total employee benefit expense** | **198,520** | **121,689** |

**Annual leave and long service leave**

| | 2019 | 2018 |
|---|---|---|
| | **$000** | **$000** |
| **Current** | | |
| Annual leave | 10,007 | 6,752 |
| Long service leave | 3,135 | 2,430 |
| | **13,142** | **9,182** |
| **Non-current** | | |
| Long service leave | 1,377 | 993 |
| | **1,377** | **993** |
| **Total annual leave and long service leave** | **14,519** | **10,175** |

### 21. Employee benefits (continued)

**Significant accounting policies**

**Short-term employee benefits**

Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 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.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the Consolidated statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as employee benefits in the Consolidated statement of financial position.

**Long-term employee benefits**

Provision is made for employees' long service leave and 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. 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, duration of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for 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 employee benefits in its Consolidated 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 employee benefits.

**Defined contribution superannuation benefits**

All obligations for contributions in respect of employees' defined contribution superannuation benefits are recognised as an expense as the related service is provided.

**Share-based payment transactions**

The Company had a number of share-based payment arrangements that were granted to employees during FY19. These related to shares or share rights granted as part of employee remuneration packages (base remuneration and performance bonus), Christmas bonuses and arrangements following completion of business acquisitions. The awards were granted on various dates in FY19 based on a specified monetary value to each recipient and a share price at the time the offer is determined. The fair value of these arrangements was deemed to be the function of the number of share rights granted and the share price at grant date. Share rights granted may vest in predetermined tranches. Share rights were also granted as part of a matching process under the employee 'invest as you earn' programme which operated during the year. Vesting is dependent on continued employment with the Group. The fair value of the grant is recognised in profit or loss to match to each employee's service period until vesting. Upon cessation of employment unvested rights are forfeited. The cost recognised in prior periods in respect of forfeited rights is credited to profit or loss.

The total value of share-based payments recognised in the Consolidated statement of profit or loss with a corresponding entry to share-based payment reserve is $10.9m (2018: $7.8m).

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 22. Key management personnel transactions

**Key management personnel ("KMP") compensation**
The total remuneration of the KMP of the Company are as follows:

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Short-term employee benefits | 3,248 | 2,857 |
| Post-employment benefits | 172 | 126 |
| Other long-term benefits | 468 | 417 |
| Share-based payments | 771 | 482 |
| **Total KMP compensation** | **4,659** | **3,882** |

*Short-term employee benefits*
These amounts include fees and benefits paid to executive and non-executive Directors as well as salary, fringe benefits and cash bonuses awarded to other KMP.

*Post-employment benefits*
These amounts are the cost of superannuation contributions made during the year.

*Other long-term benefits*
These amounts represent long service leave and long-term annual leave benefits accruing during the year.

*Share-based payments*
These amounts represent the expense related to the participation of KMP in equity settled benefit schemes as measured by the fair value of the shares granted on grant date.

**KMP transactions**
Directors of the Company controlled 58.28% (2018: 63.08%) of the voting shares of the Company as at 30 June 2019. A number of KMP, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies. Some of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-KMP related companies on an arm's length basis.

The aggregate value of transactions charged/(recovered) and outstanding balances related to KMP and entities over which they have control or significant influence were as follows:

| | | Transaction values for year ended 30 June | | Balance outstanding as at 30 June | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| **Director** | **Transactions** | **$000** | **$000** | **$000** | **$000** |
| R White and M Isaacs | Company apartments rent[1] | - | 4 | - | - |
| R White | Company apartments rent[1] | 170 | 154 | - | - |
| R White and M Isaacs | US office lease[2] | - | 66 | - | - |
| R White | US office lease[2] | 866 | 721 | - | - |
| R White and M Isaacs | US data centre services[2] | - | 65 | - | - |
| R White | US data centre services[2] | 802 | 650 | - | - |
| R White | Staff training facility[3] | 218 | - | - | - |
| R White | Office services agreement[4] | (18) | (18) | - | (8) |
| R White | Sydney office lease[5] | 250 | - | (250) | - |

The above transactions are made at normal market rates.

[1]The Group has an agreement for apartment leases on properties owned by Marwood White Administrators Pty Ltd, a company controlled by R White. This agreement was transferred from RealWise Holdings Pty Ltd, a company controlled by R White and M Isaacs, on 1 December 2017.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 22. Key management personnel transactions (continued)

[2]The Group leases office space and procures data centre services from RealWise Chicago LLC, a company controlled by R White. The agreements for office lease and data centre services were transferred from RealWise Investments LLC, a company controlled by R White and M Isaacs, on 31 July 2017.

[3]Staff training courses, run by an unrelated third party service provider, are held at a facility owned by R White. The charge for usage of the facility is embedded in the service provider fees.

[4]The Group provides office accommodation and related services to RealWise Management Pty Limited, a company controlled by R White.

[5]The Group utilises office space owned by R White and it is currently negotiating a long term lease on an arm's length basis.

### 23. Auditor's remuneration

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| ***Audit and assurance related services*** | | |
| *KPMG Australia* | | |
| Audit and review of the financial reports | 752,400 | 640,550 |
| Total audit and assurance related services KPMG Australia | **752,400** | **640,550** |
| ***Audit and assurance related services*** | | |
| *KPMG overseas* | | |
| Audit of statutory financial reports | 474,316 | 202,800 |
| Total audit and assurance related services KPMG overseas | **474,316** | **202,800** |
| **Total audit and assurance related services** | **1,226,716** | **843,350** |
| ***Other services*** | | |
| *KPMG Australia* | | |
| Other assurance, advisory and taxation services | 15,000 | 65,908 |
| Total other services KPMG Australia | **15,000** | **65,908** |
| ***Other services*** | | |
| *KPMG overseas* | | |
| Other assurance, advisory and taxation services | 57,854 | 117,927 |
| Total other services KPMG overseas | **57,854** | **117,927** |
| **Total other services** | **72,854** | **183,835** |
| **Total auditor's remuneration** | **1,299,570** | **1,027,185** |

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 24. Reconciliation of net cash flows from operating activities

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| **Cash flow reconciliation** | | |
| Reconciliation of net profit after tax to net cash flows from operationg activities: | | |
| Profit after tax from continuing operations | 54,120 | 40,799 |
| Share of loss of non-controlling interests | (31) | (5) |
| Net Profit after tax | 54,089 | 40,794 |
| Adjustments to reconcile profit before tax to net cash flows from operating activities: | | |
| Depreciation | 8,429 | 7,353 |
| Amortisation | 19,427 | 12,351 |
| Doubtful debt expense | 412 | 783 |
| Net finance costs | 3,821 | 1,225 |
| Gain on disposal of property, plant and equipment | 30 | - |
| Exchange differences | 668 | 235 |
| Share-based payment expense* | 10,859 | 7,777 |
| Capitalisation of share-based payment expense* | (3,433) | (2,557) |
| Hyperinflation adjustment | (63) | - |
| Share of (profit)/loss of associate | - | (14) |
| Change in assets and liabilities: | | |
| Increase in trade receivables | (11,859) | (5,857) |
| Decrease in other current and non-current assets | 1,373 | 2,344 |
| (Decrease)/increase in trade and other payables | 966 | 3,613 |
| Increase/(decrease) in current tax liabilities | 97 | (3,680) |
| Increase in deferred tax payable | 8,281 | 10,407 |
| Increase in other liabilities | 14,592 | 1,838 |
| Increase/(decrease) in deferred revenue | 2,717 | (5,426) |
| Increase in provisions | 2,053 | 432 |
| **Net cash flows from operating activities** | **112,459** | **71,618** |

*Prior year comparatives have been adjusted removing non-cash additions (share-based payment capitalised) to intangible assets of $2.6m

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 25. Segment information

The Group manages its operations as a single business operation and there are no parts of the Group that qualify as operating segments under AASB 8 *Operating Segments*. The CEO (Chief Operating Decision Maker or "CODM") assesses the financial performance of the Group on an integrated basis only and accordingly, the Group is managed on the basis of a single segment.

Information presented to the CODM on a monthly basis is categorised by type of revenue, recurring and non-recurring. This analysis is presented below:

| **Continuing operations** | **2019** | **2018** |
|---|---|---|
| | **$000** | **$000** |
| Recurring On-Demand revenue | 249,824 | 170,951 |
| Recurring OTL maintenance revenue | 57,784 | 27,702 |
| OTL and support services | 40,658 | 22,945 |
| **Total revenue** | **348,266** | **221,598** |
| | | |
| **Segment profit before tax** | **76,428** | **57,152** |

In general, a large amount of revenue is generated by customers that are global, from transactions that cross multiple countries and where the source of revenue can be unrelated to the location of the users accessing the software. Accordingly, the Group is managed as a single segment. The amounts for revenue by region in the following table are based on the invoicing location of the customer.

There were no customers contributing more than 10% of revenue during the current and comparative period.

**Geographic information**

Revenue generated by location of customer (billing address):

| | **2019** | **2018** |
|---|---|---|
| | **$000** | **$000** |
| Asia Pacific | 102,339 | 75,646 |
| Americas | 102,634 | 55,844 |
| Europe, Middle East and Africa ("EMEA") | 143,293 | 90,108 |
| **Total revenue** | **348,266** | **221,598** |

Non-current assets by geographic location:

| | **2019** | **2018** |
|---|---|---|
| | **$000** | **$000** |
| Asia Pacific | 367,961 | 192,353 |
| Americas | 219,987 | 72,364 |
| EMEA | 218,828 | 111,730 |
| **Total non-current assets** | **806,776** | **376,447** |

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 26. 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.

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

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

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 within finance income and expense in profit or loss 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 arrangements as being subject to the requirements of accounting standards specifically applicable to financial instruments.

**(i) Loans and receivables**

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

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

**(ii) 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.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 26. Financial instruments (continued)

**Impairment**

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

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 cannot be 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.

**Fair value of assets and liabilities**

The fair values of the Level 3 contingent consideration is shown below. Please refer to note 30 for definition of assets or liabilities included in 'fair value hierarchy - level 3':

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** |
| | **$000** | **$000** | **$000** | **$000** |
| Contingent consideration | 236,814 | 226,921 | 108,990 | 101,212 |

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below.

| | **2019** | **2018** |
|---|---|---|
| | **$000** | **$000** |
| Opening balance | 101,212 | 6,935 |
| Foreign exchange differences | 8,955 | 2,420 |
| Additions | 130,316 | 93,636 |
| Change in fair value estimate | (1,554) | - |
| Unwinding interest | 5,863 | 2,013 |
| Cash and equity payments | (17,871) | (3,792) |
| Closing balance | **226,921** | **101,212** |

The Group has recognised a liability measured at fair value at 30 June 2019 in relation to contingent consideration arising out of various acquisitions made by the Group. The contingent consideration is deemed to be a Level 3 measurement of fair value which will be paid over various periods from the acquisition date. It has been discounted accordingly based on estimated time to complete a number of milestones including the successful integration of customers into CargoWise One and in certain acquisitions it’s performance in future periods based on revenue and profitability targets. These targets take account of the performance expectations of the acquisition. As part of the assessment at each reporting date, the Group has determined the fair value of contingent consideration considering a range of reasonably possible changes including historical and expected future performance. Changes in the fair value of contingent consideration after the acquisition date are recognised in profit or loss.

The effect on the Consolidated statement of profit or loss is due to unwinding of interest, change in fair value estimates and foreign exchange differences as indicated in the above reconciliation.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 26. Financial instruments (continued)

### Financial risk management objectives and policies

The Group has exposure to the following risks arising from financial instruments:

• credit risk;
• liquidity risk; and
• market risk.

**(a) Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established an Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Group.

In FY19, the Audit & Risk Committee has reviewed the financial risks of the business, the controls and mitigations in place to address those financial risks. The Committee also determined that in order to fulfil its obligations in relation to the review and oversight of internal controls, an internal audit function would be established in FY20 which was approved by the Committee and the Board.

**(b) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's standard payment and delivery terms and conditions are that payment is generally due within 30 days on receipt of any invoice and the preferred payment options are by direct debit from a bank account or credit card. No limits are used and the Group's receivables are carefully managed by the credit management team. This includes establishing customer deposits (refer to note 15).

*Trade receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base including the default risk of the industry and country in which customers operate.

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provision for impairment of those assets, as disclosed in the Consolidated statement of financial position. These predominantly relate to trade receivables. Refer to note 11 for further details.

*Cash and cash equivalents*

The Group held cash and cash equivalents of $260.1m at 30 June 2019 (2018: $121.8m). The cash and cash equivalents are held with creditworthy bank and financial institution counterparties.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 26. Financial instruments (continued)

### Financial risk management objectives and policies (continued)

**(c) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by monitoring net cash balances, actual and forecast operating cash flows and unutilised debt facilities.

*Exposure to liquidity risk*

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

| | | Contractual cash flow | | |
|---|---|---|---|---|
| **2019** | **Carrying amount $000** | **Total $000** | **Less than 1 year $000** | **1 - 5 years $000** |
| **Financial liabilities** | | | | |
| Contingent consideration | 226,921 | (236,814) | (70,390) | (166,424) |
| Bank loans | 738 | (775) | (252) | (523) |
| Finance lease liabilities | 472 | (482) | (245) | (237) |
| Trade payables | 7,771 | (7,771) | (7,771) | - |
| Other payables and accrued expenses | 27,411 | (27,411) | (27,411) | - |
| Other liabilities | 28,930 | (28,930) | (26,866) | (2,064) |
| **Total** | **292,243** | **(302,183)** | **(132,935)** | **(169,248)** |

| | | Contractual cash flow | | |
|---|---|---|---|---|
| **2018** | **Carrying amount $000** | **Total $000** | **Less than 1 year $000** | **1 - 5 years $000** |
| **Financial liabilities** | | | | |
| Contingent consideration | 101,212 | (108,990) | (23,563) | (85,427) |
| Bank loans | 1,840 | (1,975) | (481) | (1,494) |
| Finance lease liabilities | 648 | (671) | (473) | (198) |
| Trade payables | 2,573 | (2,573) | (2,573) | - |
| Other payables and accrued expenses | 20,503 | (20,503) | (20,503) | - |
| Other liabilities | 13,411 | (13,411) | (12,042) | (1,369) |
| **Total** | **140,187** | **(148,123)** | **(59,635)** | **(88,488)** |

*Bank debt facilities*

A new unsecured syndicated facility was executed on 24 December 2018 between Westpac Banking Corporation, The Hongkong and Shanghai Banking Corporation and Citibank, N.A. The new facility has a total syndicated commitment of $190m, plus an additional $200m accordion facility, and matures in March 2022. The new facility was first utilised on 9 January 2019 when the prior facility was repaid and closed. The entire facility is unutilised as at 30 June 2019.

Prior to the new unsecured facility, the Group had available debt facilities with Westpac Banking Corporation ("Westpac facility") of $100m (2018: $55m) maturing in January 2020. The Westpac facility agreement was secured by fixed and floating charges over the whole of the Group's assets including goodwill and uncalled capital.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 26. Financial instruments (continued)

### Financial risk management objectives and policies (continued)

Finance costs are broken down as follows:

| | 2019 | 2018 |
|---|---|---|
| | **$000** | **$000** |
| Unwinding interest on contingent consideration | 5,863 | 2,013 |
| Change in fair value estimate of contingent consideration | (1,554) | - |
| Interest expense and facility fees | 1,353 | 541 |
| Interest on finance lease liabilities | 39 | 122 |
| Other | 11 | - |
| **Total finance costs** | **5,712** | **2,676** |

**(d) Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will adversely affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The source and nature of this risk arise from operations and translation risks.

The Company's reporting currency is Australian dollars. However, the international operations give rise to an exposure to changes in foreign exchange rates as the majority of its revenue from outside of Australia is denominated in currencies other than Australian dollars, most significantly US dollars ("USD"), pounds sterling ("GBP"), South African rands ("ZAR"), and euros ("EUR").

The Group has exposures surrounding foreign currencies due to non-functional transactions within operations in different overseas jurisdictions.

A reasonably possible strengthening (weakening) of the USD, GBP, ZAR or EUR against all other currencies at 30 June 2019 would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 26. Financial instruments (continued)

### Financial risk management objectives and policies (continued)

| | | Profit or loss | | Equity | |
|---|---|---|---|---|---|
| | 30 June 2019 | Change (+10%) | Change (-10%) | Change (+10%) | Change (-10%) |
| | LC '000 | LC '000 | LC '000 | LC '000 | LC '000 |
| **USD** | | | | | |
| Net trade receivables/(payables) exposure | 8,607 | (782) | 956 | - | - |
| **GBP** | | | | | |
| Net trade receivables/(payables) exposure | 244 | (22) | 27 | - | - |
| **ZAR** | | | | | |
| Net trade receivables/(payables) exposure | 23 | (2) | 3 | - | - |
| **EUR** | | | | | |
| Net trade receivables/(payables) exposure | 1,630 | (148) | 181 | - | - |

| | | Profit or loss | | Equity | |
|---|---|---|---|---|---|
| | 30 June 2018 | Change (+10%) | Change (-10%) | Change (+10%) | Change (-10%) |
| | LC '000 | LC '000 | LC '000 | LC '000 | LC '000 |
| **USD** | | | | | |
| Net trade receivables/(payables) exposure | 8,286 | (753) | 921 | - | - |
| **GBP** | | | | | |
| Net trade receivables/(payables) exposure | 220 | (20) | 24 | - | - |
| **ZAR** | | | | | |
| Net trade receivables/(payables) exposure | 23 | (2) | 3 | - | - |
| **EUR** | | | | | |
| Net trade receivables/(payables) exposure | 1,291 | (117) | 143 | - | - |

LC - Local currency

## For the year ended 30 June 2019

### 26. Financial instruments (continued)

### Financial risk management objectives and policies (continued)

*Interest rate risk and cash flow sensitivity*

At 30 June 2019, the Group held interest bearing financial liabilities (i.e. borrowings) of $1.2m (2018: $1.8m) and held interest bearing financial assets (i.e. cash and short-term deposits) of $260.1m (2018: $121.8m).

A reasonably possible change of 100 basis points in interest rates at the reporting date would have no impact on profit or loss for the year.

### 27. Leasing and capital commitments

### Finance leases

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Assets held under other leases are classified as operating leases and are not recognised in the Consolidated statement of financial position. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of lease.

Lease incentives received are recognised as an integral part of the total lease expenses over the lease term.

Finance lease liabilities are payable as follows:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Minimum payments | Interest | Present value of payments | Minimum payments | Interest | Present value of payments |
| | $000 | $000 | $000 | $000 | $000 | $000 |
| Within one year | 245 | 6 | 239 | 473 | 13 | 459 |
| After one year but not more than five years | 237 | 4 | 233 | 198 | 9 | 189 |
| | **482** | **10** | **472** | **671** | **22** | **648** |

Finance leases include motor vehicles and computer equipment for a period of three to seven years. The leases are non-cancellable but do not contain any further restrictions.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 27. Leasing and capital commitments (continued)

**Operating lease commitments - Group as lessee**

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| **Non-cancellable operating leases contracted for but not recognised in the financial statements** | | |
| Within one year | 11,119 | 6,250 |
| After one year but not more than five years | 31,250 | 11,980 |
| More than five years | 4,945 | 3,692 |
| | **47,314** | **21,922** |

The operating leases are for the Group's premises, motor vehicles and computer equipment for periods of one to ten years.

The finance and operating lease expenses charged to profit or loss for FY19 were $7.3m (2018: $5.7m).

### 28. Non-controlling interests

**Proportion of equity interest held by non-controlling interests**

| Name | Country of incorporation and operation | 2019 | 2018 |
|---|---|---|---|
| Softship AG | Germany | Nil | 5% |
| Softship America Inc. | USA | Nil | 5% |
| Softship Dataprocessing Pte Ltd | Singapore | Nil | 5% |
| Softship Inc. | Philippines | Nil | 5% |

The Group acquired the remaining shares to achieve ownership of 100% of the shares in Softship through a squeeze-out of minority interests process in accordance with German Corporate laws.

For movements in non-controlling interests, refer to the Consolidated statement of changes in equity and note 20.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 29. Deed of Cross Guarantee

Pursuant to the relief provided under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 and ASIC Instrument 18-0722 (together "Instruments"), the nine wholly-owned subsidiaries listed below are relieved from Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

In order to receive the benefit of the relief provided under the Instruments, the Company and each subsidiary must be a party to the Deed of Cross Guarantee. The effect of the Deed of Cross Guarantee is that each party guarantees to each creditor of each other party, payment in full of any debt in the event of winding up of another party to the Deed of Cross Guarantee. The Company, WiseTech Global (Trading) Pty Ltd and WiseTech Global (Australia) Pty Ltd entered into the Deed of Cross Guarantee on 26 June 2017. On 15 June 2018, WiseTech Global (Licensing) Pty Ltd, Microlistics International Pty Ltd and Microlistics Pty Ltd signed an Assumption Deed for each of them to be joined to the Deed of Cross Guarantee. On 6 June 2019, TransLogix (Australia) Pty Ltd, WiseTech Global (Financing) Pty Ltd, WiseTech Global (Europe) Holdings Pty Ltd and WiseTech Academy Pty Ltd signed an Assumption Deed for each of them to be joined to the Deed of Cross Guarantee.

The above companies represent a 'Closed Group' for the purposes of the Instruments.

The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the entities that are members of the Closed Group are as follows:

| | Closed Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$000** | **$000** |
| Profit from continuing operations before income tax | 79,845 | 62,570 |
| Income tax expense | (21,822) | (18,533) |
| Profit after tax from continuing operations | **58,023** | **44,037** |
| Net profit for the period | 58,023 | 44,037 |
| Retained earnings at the beginning of the period | 87,683 | 53,613 |
| Dividend declared and paid | (9,477) | (6,547) |
| Share premium - retained earnings | - | - |
| Vesting of share rights | (8,584) | (5,035) |
| Tax benefit from equity remuneration | 2,576 | 1,615 |
| Retained earnings at the end of the period | **130,221** | **87,683** |

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 29. Deed of Cross Guarantee (continued)

| | Closed Group 2019 $000 | 2018 $000 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 207,794 | 67,129 |
| Trade and other receivables | 22,378 | 19,066 |
| Current tax receivables | 2,549 | 457 |
| Other current assets | 3,457 | 3,111 |
| Intercompany receivables | 13,416 | 15,728 |
| **Total current assets** | **249,594** | **105,491** |
| | | |
| **Non-current assets** | | |
| Intangible assets | 184,373 | 155,874 |
| Property, plant and equipment | 6,023 | 6,901 |
| Investments in subsidiaries | 528,479 | 189,123 |
| Other non-current assets | 9,635 | 7,492 |
| **Total non-current assets** | **728,510** | **359,390** |
| **Total assets** | **978,104** | **464,881** |
| | | |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | 9,956 | 8,691 |
| Borrowings | - | 281 |
| Other current liabilities | 51,200 | 20,056 |
| Deferred revenue | 4,207 | 4,945 |
| Employee benefits | 8,609 | 6,671 |
| **Total current liabilities** | **73,972** | **40,644** |
| | | |
| **Non-current liabilities** | | |
| Employee benefits | 1,365 | 993 |
| Deferred tax liabilities | 33,069 | 19,493 |
| Other non-current liabilities | 79,115 | 26,377 |
| **Total non-current liabilities** | **113,549** | **46,863** |
| **Total liabilities** | **187,521** | **87,507** |
| | | |
| **Net assets** | **790,583** | **377,374** |
| | | |
| **Equity** | | |
| Share capital | 668,466 | 288,847 |
| Retained earnings | 130,221 | 87,683 |
| Reserves | (8,104) | 844 |
| **Total equity** | **790,583** | **377,374** |

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 30. Other disclosures

**(a) Principles of consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of WiseTech Global Limited and all of the subsidiaries. Subsidiaries are entities controlled by the Group. The Group 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.

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. When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intercompany 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.

**(b) Foreign currency transactions and balances**

**Transactions 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 exchange rate at the reporting date. 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 in a foreign currency are translated to the functional currency at the exchange rate 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 as a qualifying cash flow or net investment hedge.

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 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 including goodwill and fair value adjustments arising on acquisition are translated at exchange rates prevailing at the reporting date;
- 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 transactions.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the Consolidated 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.

**Currency of hyperinflationary economy**

If the functional currency of a foreign operation is the currency of a hyperinflationary economy, then its financial information are first adjusted to reflect the purchasing power at the current reporting date and then translated into the presentation currency using the exchange rate at the current reporting date.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 30. Other disclosures (continued)

**(c) 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

**(d) Significant accounting judgements, estimates and assumptions**

In preparing the Group financial statements, management is required to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. The resulting accounting estimates, which are based on management's best judgement at the date of the Group financial statements, will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to tax and goodwill which are disclosed in notes 5 and 8 respectively. Critical judgements relate to intangible assets which are disclosed in note 8.

**(e) Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount, and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

**(f) Measurement of fair values**

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset of liability), or, in the absence of such a market, the most advantageous market available to the entity at reporting date (i.e. the market that maximises the receipts from the sale of the asset or minimises the payment made to transfer the liability, after taking into account transaction costs and transport costs).

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 30. Other disclosures (continued)

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

**Fair value hierarchy**

Significant valuation issues are reported to the Audit and Risk Management Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
• Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The Group does not have any debt securities or derivative financial instruments which require measurement at fair value.

**(g) Standards issued but not yet effective**
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below:

AASB 16 *Leases*

The application of AASB 16 *Leases* is mandatory for the first interim period beginning on or after 1 July 2019. The standard removes the classification of leases as either operating or finance lease, and effectively introduces a single, on-balance sheet lease accounting model for leases. Under the new standard, a right-of-use asset representing the right to the underlying leased assets will be recognised along with a lease liability representing the obligation to make future lease payments.

The Group intends to adopt the modified retrospective transition method, which requires the recognition of cumulative effect of the initial application of AASB 16, as of 1 July 2019, to retained earnings and not to restate prior year comparative financials. The Group also intends to apply practical expedients available under the standard, including:

• "grandfathering" previously recognised lease arrangements;
• applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
• assessing whether a lease is onerous prior to applying the standard; and
• not recognising right-of-use assets and lease liabilities for short-term leases (<12months) and low-value asset leases.

In light of the intended transition method, the Group has performed a comprehensive impact assessment based on lease data collated across the Group, including reviews of lease contracts.

# Notes to the financial statements (continued)

## For the year ended 30 June 2019

### 30. Other disclosures (continued)

Based on these assessments, the primary impact of the new lease standard will be from the existing operating leases (those committed as at 30 June 2019, as disclosed in note 27), which mainly consist of leased premises and motor vehicles. The anticipated impact on the Group's consolidated financial statements on 1 July 2019 is estimated to be as follows:

• $43.0m increase in lease liabilities, measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate;
• $41.0m increase in right-of-use assets, measured at the amount equal to the above lease liabilities, plus the carrying value of lease incentives and make-good obligations related to leasehold improvements as at 30 June 2019;
• $0.1m increase in opening retained earnings, as a result of the transitional adjustment of existing finance liability value.

Based on the current lease portfolio as at 30 June 2019, after the transition to AASB 16 on 1st July 2019, the Group would expect an increase in the annual operating profit by approximately $1.0m; and an increase in the annual finance cost by approximately $1.5m. Overall, the Group would expect a decrease in the profit before tax for the next financial year by approximately $0.5m.

There will be no impact on cash flow resulting from the new standard. Also there will be no impact on acquisition deferred consideration and banking covenants will continue to be calculated based on the previous Lease accounting standard.

When applying AASB 16 from 1 July 2019, the Group will also make various changes in the financial statement presentation to reflect the aforementioned transition impact, which will be disclosed in the next interim reporting.

**(h) Events after reporting period**

*Acquisitions*

On 19 August 2019, the Group announced the acquisition of a 100% interest in Depot Systems, the leading provider of container yard and terminal management logistics solutions in the US. The Company will pay $4.4m upfront with a further multi-year earn-out potential of $2.7m related to customer contracting, customer conversion and product integration. With calendar year 2018 annual revenue and EBITDA of $1.3m and $0.2m, this transaction, while of strategic value, is not material to the group.

*Dividend*

Since the period end, the Directors have declared a fully franked final dividend of 1.95 cents per share, payable 4 October 2019. The dividend will be recognised in subsequent financial statements.

**(i) Contingent assets and contingent liabilities**

There were no contingent assets or liabilities that have been recognised by the Group in relation to FY19 or FY18.