

APPENDIX 4D

The information contained in this report is for the half year ended 31 December 2018 and the previous corresponding period ended 31 December 2017 for RPMGlobal Holdings Limited and its controlled entities.

This report is presented in Australian dollars. The report has been subjected to independent review and is not subject to qualification.

Results for announcement to the market

\$'000	1H19	1H18	Movement
Revenues from ordinary activities	36,915	33,034	11.7%
Loss from ordinary activities after tax	(1,729)	(1,808)	4.6%
Loss for the period	(1,729)	(1,808)	4.6%

Dividend information

	Amount per Share (cents)	Franked Amount per Share (cents)	Conduit Foreign Income Amount per Share
Interim dividend	-	-	-

Brief explanation to figures reported above

Refer to review of operations on page 2.

	31 Dec 2018	31 Dec 2017
Net tangible assets per security (cents)	12.8	12.6

Details of entities over which control has been gained or lost during the period

During the six-month period the company established a wholly owned subsidiary RPMGlobal LLC in Russia.

DIRECTORS' REPORT

Your Directors present their report on RPMGlobal Holdings Limited and its subsidiaries for the half year ended 31 December 2018 (referred to hereafter as "RPM" and the "Group").

Directors

The directors of RPMGlobal Holdings Limited at any time during or since the end of the period are:

Non-executive

Mr Allan Brackin – *Chairman*

Mr Stewart Butel - appointed 1 September 2018

Mr Ross Walker

Executive

Mr Richard Mathews – *CEO & Managing Director*

Review and Results of Operations

	Six months ended 31 Dec 2018 \$m	Six months ended 30 Jun 2018 \$m	Variance to 30 Jun 2018 %	Six months ended 31 Dec 2017 \$m	Variance to 31 Dec 2017 %
Software Division	23.1	24.9	-7%	19.8	17%
Advisory Division	11.0	13.2	-17%	10.7	3%
GeoGAS	2.2	2.2	-	2.4	-8%
Other	0.6	0.3	100%	0.2	200%
Revenue	36.9	40.6	-9%	33.1	11%
Direct costs	(3.0)	(3.0)	0%	(3.1)	-3%
Net Revenue	33.9	37.6	-10%	30.0	13%
Operating Expenses	(33.0)	(33.1)	-	(30.1)	10%
Operating EBITDA*	0.9	4.5	-80%	(0.1)	N/A
Depreciation & Amortisation	(2.0)	(1.9)	5%	(1.5)	33%
Russian Litigation	-	(0.3)	-	-	-
Net finance income	(0.1)	(0.2)	-50%	0.1	N/A
Profit/(Loss) before Tax	(1.2)	2.1	N/A	(1.5)	20%

* Operating Earnings before Interest, Tax, Depreciation, Amortisation, and Litigation provisions is a non-IFRS disclosure. In the opinion of the Directors, the Group's EBITDA reflects the results generated from ongoing operating activities and is calculated in accordance with AICD/Finsia principles. The non-operating adjustments outlined above are considered to be non-cash and/or non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the underlying result. Operating EBITDA has not been audited or reviewed.

Revenue

For the half year ending 31 December 2018, the Group's Revenue of \$36.9 million increased by 11% over the previous corresponding six month period (December 2017: \$33.1 million).

The company's revenue is historically skewed to the second half of the financial year.

DIRECTORS' REPORT

Review and Results of Operations (Continued)

Software Division

	Six months ended 31 Dec 2018 \$m	Six months ended 30 Jun 2018 \$m	Variance to 30 Jun 2018 %	Six months ended 31 Dec 2017 \$m	Variance to 31 Dec 2017 %
Licence Sales	5.1	8.8	-42%	4.8	6%
Subscriptions	0.8	0.5	60%	0.3	167%
Maintenance	10.9	10.0	9%	9.6	14%
Consulting	6.3	5.6	13%	5.1	24%
Software Revenue	23.1	24.9	-7%	19.8	17%
Cost of Sales	(1.1)	(0.9)	22%	(1.5)	-27%
Net Revenue - Software	22.0	24.0	-8%	18.3	20%

Net Revenue from the Software division increased by 20% to \$22.0 million compared against the corresponding half (December 2017: \$18.3 million).

Revenue from software subscriptions grew by 167% as at the end of December 2018. The current Annual Recurring Revenue (ARR) for software subscriptions is now \$2.2 million up \$0.9 million from 30 June 2018 (ARR of \$1.3 million).

Recurring maintenance annuity revenue grew by \$1.3 million (14%) to \$10.9 million (Dec 2017: \$9.6 million). This is the highest half year result in the company's history.

Software consulting revenue was up 24% to \$6.3 million from the prior corresponding six-month period (December 2017: \$5.1 million). This is the highest half year revenue result in six years.

Advisory and GeoGAS

In the last six months commodity prices have remained strong which has driven demand for the company's Advisory and GeoGAS testing services.

Revenue from Advisory services increased to \$11.0 million which represents a 3% increase on the corresponding period (Dec 2017: \$10.7 million).

The GeoGAS revenue decline of \$0.2 million was mainly due to a drop off in gas consulting revenue.

DIRECTORS' REPORT

Review and Results of Operations (Continued)

Operating Expenses

	Six months ended 31 Dec 2018 \$m	Six months ended 30 Jun 2018 \$m	Variance to 30 Jun 2018 %	Six months ended 31 Dec 2017 \$m	Variance to 31 Dec 2017 %
Field	(21.8)	(22.4)	-3%	(18.6)	17%
Software Development	(6.8)	(7.2)	-6%	(6.8)	0%
Corporate and FX	(4.4)	(3.5)	25%	(4.7)	-6%
Operating Expenses	(33.0)	(33.1)	-1%	(30.1)	10%

Operating Expenses for the Group decreased by 1% to \$33.0 million from the immediately preceding half year (June 2018: \$33.1 million).

Field Expenses relate to the operating divisions of the Group. These costs increased by 17% on the prior comparative half (December 2017: \$18.6 million) as a result of the MinVu acquisition and the company hiring new Advisory and Software consultants.

RPM's investment in Software Development reduced by 6% to \$6.8 million compared to the prior half (June 2018: \$7.2 million).

Earnings Before Interest Depreciation and Amortisation – Non-IFRS

	Six months ended 31 Dec 2018 \$m	Six months ended 30 Jun 2018 \$m	Variance to 30 Jun 2018 %	Six months ended 31 Dec 2017 \$m	Variance to 31 Dec 2017 %
Software Division	3.2	5.5	-42%	1.8	78%
Advisory Division	0.5	1.5	-67%	1.4	-64%
GeoGAS	1.0	1.0	0%	1.1	-9%
Corporate and FX	(3.8)	(3.5)	9%	(4.4)	-14%
Operating EBITDA	0.9	4.5	-80%	(0.1)	

The Group's Operating EBITDA profit of \$0.9 million is up \$1.0 million on the previous corresponding six-month period (December 2017: \$0.1 million loss). A \$0.3 million doubtful debts provision was made in the half year against a Chinese Advisory customer and a \$0.2 million doubtful debts provision was made against an African Software customer.

Profit Before Tax

The reported Loss before Tax of \$1.2 million is a \$0.3 million improvement over the comparative first half of last year (December 2017: \$1.5 million loss).

Financial Position

On 31 December 2018 the Group had net assets of \$63.9 million (June 2018: \$65.3 million), including cash of \$19.9 million (June 2017: \$23.3 million) and no debt.

Net Operating cash outflow in the half was \$1.4 million which was pleasing given the larger majority of Software Maintenance payments are made in the second half of the year.

The Group continues to impose tight controls on capital expenditure spending \$0.3 million on property, plant and equipment during the half (June 2018 half-year: \$0.2 million, December 2017: \$0.3 million).

DIRECTORS' REPORT

Outlook

With commodity prices expected to remain strong the Company's Board and Management feel confident that the group will deliver a strong second half of this financial year across all revenue lines (Advisory, Software and GeoGas).

Whilst Mining companies are looking for productivity improvements through the use of technology their procurement, contracting (legal) and approval processes remain cautious which is stretching out the sales closure cycle for suppliers to the industry.

The Software division is particularly pleased with the momentum of its Maintenance (AMT) and Short Interval Control (XECUTE and MinVu) products. The company added eight new Software customers during the half year and expects that number to increase in the second half of the financial year.

In the next six months the company will release the final three planned Mine Scheduling Solutions (Underground Coal, Potash and Alloys) and the third major release of XERAS Enterprise which will complete six years of new development effort for both suites of products.

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DIRECTORS' REPORT

Rounding of Amounts

RPMGlobal Holdings Limited is a company of a kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191 and in accordance with that Instrument amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the board of directors of RPMGlobal Holdings Limited.



Allan Brackin

Chairman

Brisbane

Dated: 25 February 2019

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AUDITOR'S INDEPENDENCE DECLARATION



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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF RPMGLOBAL HOLDINGS LIMITED

As lead auditor for the review of RPMGlobal Holdings Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of RPMGlobal Holdings Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'T R Mann', with a long horizontal flourish extending to the right.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 25 February 2019

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Notes	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Revenue from continuing operations			
Services		19,646	18,114
Licence sales		5,011	4,872
Software subscriptions		791	328
Software maintenance		10,870	9,528
Rent and outgoings revenue		71	192
Foreign exchange gains		526	-
Revenue		36,915	33,034
Direct Costs		(2,960)	(3,078)
Net revenue		33,955	29,956
Expenses			
Amortisation		(1,597)	(1,133)
Depreciation		(443)	(370)
Employee benefits expense		(26,246)	(23,546)
Foreign exchange losses		-	(211)
Office expenses		(1,289)	(1,387)
Professional services		(953)	(807)
Rent		(1,660)	(1,740)
Other expenses		(2,859)	(2,414)
Total Expenses		(35,047)	(31,608)
Profit/(Loss) before finance costs and income tax		(1,092)	(1,652)
Finance income		201	145
Finance costs		(10)	(11)
Fair value adjustments		(256)	(48)
Net Finance Income/(Costs)		(65)	86
Profit/(Loss) before income tax		(1,157)	(1,566)
Income tax	4	(572)	(242)
Net profit/(loss)		(1,729)	(1,808)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Net profit/(loss)	(1,729)	(1,808)
Other comprehensive income		
<i>Items that may be classified subsequently to profit or loss:</i>		
Foreign currency translation differences	(52)	(124)
Other comprehensive loss, net of tax	(52)	(124)
Total comprehensive loss	(1,781)	(1,932)
Earnings per share		
Basic and diluted earnings per share (cents)	(0.80)	(0.85)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	31 Dec 2018 \$'000	30 June 2018 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	19,934	23,319
Trade and other receivables	16,616	21,388
Work in progress	2,317	3,133
Current tax receivable	262	328
Other assets	1,726	1,213
Total current assets	40,855	49,381
Non-current assets		
Trade and other receivables	224	233
Property, plant and equipment	1,766	1,876
Deferred tax assets	9,172	9,145
Intangible assets	35,780	37,140
Total non-current assets	46,942	48,394
Total assets	87,797	97,775
LIABILITIES		
Current liabilities		
Trade and other payables	4,440	7,521
Provisions – employee benefits	4,022	4,077
Provisions – Russian litigation	-	273
Provisions – onerous lease contracts	443	300
Current tax liabilities	249	129
Income in advance	10,644	13,547
Contingent and deferred consideration	2,407	2,744
Lease incentive	65	195
Total current liabilities	22,270	28,786
Non-current liabilities		
Deferred tax liabilities	-	16
Contingent and deferred consideration	660	2,082
Provisions – employee benefits	1,020	949
Provisions – onerous lease contracts and make good obligations	279	467
Lease incentive	134	176
Total non-current liabilities	2,093	3,690
Total liabilities	24,363	32,476
Net assets	63,434	65,299
EQUITY		
Contributed equity	87,783	87,708
Reserves	(1,999)	(2,284)
Accumulated losses	(22,350)	(20,125)
Total equity	63,434	65,299

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Contributed equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total equity \$'000
Balance at 30 June 2018	87,708	(2,284)	(20,125)	65,299
Adoption of IFRS 9 (note 2(a))	-	-	(496)	(496)
Balance at 1 July 2018	87,708	(2,284)	(20,621)	64,803
Profit / (loss) for the period	-	-	(1,729)	(1,729)
Other comprehensive income	-	(52)	-	(52)
Total comprehensive income for the period	-	(52)	(1,729)	(1,781)
Transactions with owners in their capacity as owners				
Share issue, net of transaction costs	75	-	-	75
Employee share options	-	337	-	337
	75	337	-	412
Balance at 31 December 2018	87,783	(1,999)	(22,350)	63,434
Balance at 1 July 2017	85,175	(2,995)	(20,380)	61,800
Profit / (loss) for the period	-	-	(1,808)	(1,808)
Other comprehensive income	-	(124)	-	(124)
Total comprehensive income for the period	-	(124)	(1,808)	(1,932)
Transactions with owners in their capacity as owners				
Share issue, net of transaction costs	275	-	-	275
Employee share options	-	456	-	456
	275	456	-	731
Balance at 31 December 2017	85,450	(2,663)	(22,188)	60,599

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Cash flows from operating activities		
Receipts from customers	40,571	43,189
Payments to suppliers and employees	(41,743)	(39,365)
Interest received	202	145
Finance costs	(10)	(59)
Income taxes paid	(430)	(677)
Net cash inflow/(outflow) from operating activities	(1,410)	3,233
Cash flows from investing activities		
Payments for property, plant and equipment	(318)	(273)
Payment for intangible assets	(240)	(1,019)
Payments for contingent and deferred consideration	(2,015)	(1,971)
Net cash outflow from investing activities	(2,573)	(3,263)
Cash flows from financing activities		
Contributions of equity	83	292
Share issue costs	(8)	(8)
Share buyback	-	(9)
Net cash inflow/(outflow) from financing activities	75	275
Net increase/(decrease) in cash and cash equivalents held	(3,908)	246
Cash and cash equivalents at the beginning of the period	23,319	20,278
Effects of exchange rate changes on cash and cash equivalents	523	167
Cash and cash equivalents at the end of the period	19,934	20,691

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

SELECTED NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation

This general purpose interim financial report for the half year ended 31 December 2018 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual report of the Group for the year ended 30 June 2018 and any public announcements made by RPMGlobal Holdings Limited during the interim reporting period.

The accounting policies and methods of computation applied in this interim financial report are consistent with those applied in the previous financial year and the corresponding interim reporting period except for the adoption of new and amended standards as set out below.

1 (a). New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- AASB 9 *Financial Instruments*, and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2 below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

1 (b). Fair values

The fair values of Consolidated Entity's financial assets and financial liabilities approximate their carrying value due to being short-term in nature. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

1 (c). Impact of standards issued but not yet applied by the entity

AASB 16 Leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable undiscounted operating lease commitments of \$6,085,000. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

SELECTED NOTES TO THE FINANCIAL STATEMENTS

2. Changes in Accounting Policies

2 (a). AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as detailed below.

(i) Impairment of financial assets

The group has two types of financial assets that are subject to AASB 9's new expected credit loss model:

- Trade receivables; and
- Work in progress.

The group was required to revise its impairment methodology under AASB 9 for each of these classes of assets.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

The impact of the change in impairment methodology on the group's retained earnings and equity is disclosed below.

Impairment of Contract Assets - Trade receivables and Work In Progress

The Group applies simplified impairment approach using a provision matrix for all trade receivables and contract assets to recognise lifetime expected credit losses. In this credit loss matrix all customers are segregated into different risk classes mainly based on their country of origin and days past due. Determining credit losses allowance involves significant judgement, where the Group considers historical experience with credit losses in a particular country, success of recovery as well as current and historical data on overdue receivables.

Receivables balances are written off either partially or in full where the Group estimates the likelihood of recovery to be remote.

In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated. The adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 30 June 2018, but are recognised in the opening balance sheet on 1 July 2018.

On that basis, the loss allowance as at 1 July 2018 was determined as follows for both trade receivables and Work in Progress:

1 July 2018	Current	More than 30 days past due	More than 90 days past due	More than 120 days past due	Total
Expected loss rate	0.4%	1.3%	19.2%	40.4%	4.7%
Gross carrying amount	20,557	2,416	1,659	1,937	26,568
Loss allowance	73	31	318	783	1,205

The loss allowances for trade receivables and contract assets as at 30 June 2018 reconcile to the opening loss allowances on 1 July 2018 as follows:

SELECTED NOTES TO THE FINANCIAL STATEMENTS

2. Changes in Accounting Policies (Continued)

2 (a). AASB 9 Financial instruments (continued)

	Work in Progress \$'000	Trade Receivables \$'000
At 30 June 2018 – calculated under AASB 139	-	709
Amounts restated through opening retained earnings	21	475
Opening loss allowance as at 1 July 2018 – calculated under AASB 9	21	1,184

As a result trade receivables and work in progress and opened retained earnings are lower by \$496,000, which resulted from the application of the expected credit loss model, based on historical collection results mainly from the Advisory Division.

The loss allowances increased by a further \$613,000 to \$1,797,000 for trade receivables and decreased by \$4,000 to \$16,000 for work in progress during the six months to 30 December 2018.

AASB 9 Financial Instruments – Accounting policies applied from 1 July 2018

(i) Investments and other financial assets

Classification

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

SELECTED NOTES TO THE FINANCIAL STATEMENTS

2. Changes in Accounting Policies (Continued)

2 (a). AASB 9 Financial instruments (continued)

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Again or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

From 1 July 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2 (b). AASB 15 Contracts with Customers

The group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in AASB 15, the group has adopted the new rules retrospectively however there was no material impact on the amounts disclosed previously and as a result there has been no restatement required as a result of reclassification or remeasurement. The group's updated accounting policies are shown below.

Revenue Recognition

i) Sale of licences

Revenue from the sale of perpetual licences is recognised at a point in time when the customer has access and thus control of the software and where the licences are considered distinct from other services provided to the customer.

ii) Software subscriptions

Revenue from the sale of term (subscription) licences is recognised on a straight line basis over the subscription term.

iii) Consulting

Revenue from the provision of consulting services is recognised typically over time when the Group has an enforceable right to payment for its performance completed to date.

SELECTED NOTES TO THE FINANCIAL STATEMENTS

2. Changes in Accounting Policies (Continued)

2 (b). AABS 15 Contracts with Customers (Continued)

iv) *Software support (maintenance)*

Revenue for software support is recognised on a straight line basis over the service period as performance obligations require the company to respond to requests made by customers to provide technical product support and unspecified updates, upgrades and enhancements on a when-available and if-available basis.

i) *Laboratory testing revenue*

Revenue from sample testing is recognised at a point in time when the laboratory completes testing and the customer receives testing results for their samples.

ii) *Customer contract with multiple performance obligations*

The Group frequently enters into multiple contracts with the same customer and where that occurs the company treats those arrangements as one contract if the contracts are entered into at or near the same time and are commercially interrelated. The group does not consider contracts closed more than three months apart as a single contract.

The Group's subscription contracts are combining an obligation to receive a licence and software support services obligations. The provision of services and sale of licences is treated as a single performance obligation.

In all other cases, the total transaction price for a customer contract is allocated amongst the distinct performance obligations based on their relative stand-alone selling prices. Where the stand-alone prices are highly variable the Group applies a residual approach.

iii) *Incremental Costs of obtaining Customer Contracts*

Commissions on software subscriptions are capitalised and amortised over the term, where the term is greater than 12 months.

iv) *Contract Assets (Trade Receivables and Work in progress)*

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Work in progress represents costs incurred and profit recognised for services that are in progress at balance date and the Group has an enforceable right to payment for its performance completed to date.

v) *Unsatisfied performance obligations*

The Group continues to recognise its contract liabilities under AASB 15 in respect of any unsatisfied performance obligations, which are disclosed as *Unearned revenue* in the Consolidated Statement of Financial Performance.

vi) *Financing components*

The Group does not recognise adjustments to transition prices or Contract balances where the period between the transfer of promised goods or services to the customer and payment by customer does not exceed one year.

The Group reviewed its prior year contracts and did not identify material adjustments in timing and amounts recognised as revenue in prior years.

SELECTED NOTES TO THE FINANCIAL STATEMENTS

2. Changes in Accounting Policies (Continued)

2 (b). AASB 15 Contracts with Customers (continued)

vii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

2(c). Significant Estimates

In 2017 the Group completed a transaction for the sale of \$6,295,000 of perpetual licenses to a customer. The transaction included multiple elements and required management judgement on allocation of the value to the different revenue components as well as assessing whether the Group has transferred to the buyer the significant risks and rewards of ownership due to the inclusion of a reconfiguration right (between licences and maintenance) that was then only exercisable in limited specified circumstances. The Group was confident that these rights could be reliably estimated and the significant risks and rewards had transferred to the customer as at 30 June 2017. As a result, in 2017 the Group deferred revenue of \$2,833,000 against the rights to future upgrades and reliably measured reconfiguration and recognized revenue of \$3,462,000. The price allocation to these contract components or timing of revenue recognition under the AASB15 did not change.

During half year ended 31 December 2018 the customer entered into an amendment to extinguish and remove the reconfiguration right and as a result the Group has recognised a further \$1,856,000 from this deferred revenue leaving the balance unrecognised at \$230,000. The remaining deferred revenue will be recognised as revenue when it satisfies the Group's revenue recognition policies.

3. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director in order to make decisions about resource allocations and to assess performance of the Group. The reports are split into functional divisions: Software Division, Advisory Division and GeoGAS.

Segment revenue, expenses and results include transfers between segments. Such transfers are priced on an "arms-length" basis and are eliminated on consolidation.

Information about reportable segments

	December 2018				December 2017			
	Software Division	Advisory Division	GeoGAS	Total	Software Division	Advisory Division	GeoGAS	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
External Sales	23,080	10,983	2,260	36,323	19,799	10,695	2,354	32,848
Inter-segment sales	263	127	15	405	240	111	53	404
Total Revenue	23,343	11,110	2,275	36,728	20,039	10,806	2,407	33,252
Inter-segment expenses	(90)	(293)	(22)	(405)	(109)	(295)	-	(404)
Rechargeable expenses	(1,266)	(1,613)	(81)	(2,960)	(1,599)	(1,411)	(68)	(3,078)
Net revenue	21,987	9,204	2,172	33,363	18,331	9,100	2,339	29,770
Total Expenses	(11,928)	(8,650)	(1,200)	(21,778)	(9,726)	(7,679)	(1,225)	(18,630)
Software Development	(6,849)	-	-	(6,849)	(6,829)	-	-	(6,829)
Segment profit/(loss)	3,210	554	972	4,736	1,776	1,421	1,114	4,311

SELECTED NOTES TO THE FINANCIAL STATEMENTS

3. Operating Segments (Continued)

Reconciliation of segment profit to reported profit / (loss)

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Segment profit	4,736	4,311
Adjustments:		
Foreign exchange gains	526	(211)
Employment benefits – corporate and IT	(2,520)	(2,370)
Other unallocated costs – corporate and IT	(1,860)	(2,066)
Depreciation and amortisation	(2,040)	(1,503)
Net finance income/(costs)	(64)	86
Unallocated income	65	187
Profit / (loss) before income tax	(1,157)	(1,566)
Income tax benefit / (expense)	(572)	(242)
Profit / (loss) for the period	(1,729)	(1,808)

4. Income Tax Expense

Tax Recognised in profit or loss		
<i>Income tax benefit/(expense)</i>		
Current tax	(483)	(235)
Deferred tax	(128)	(23)
Adjustments to prior periods	39	14
Income tax expense	(572)	(242)
<i>Numerical reconciliation of income tax expense to prima facie tax</i>		
Profit/(Loss) before income tax	(1,157)	(1,566)
Tax at the Australian tax rate of 30% (Dec 2017: 30%)	347	470
Tax effect of amounts which are not taxable/(deductible) in calculating taxable income:		
Not assessable income/(non-deductible expense)	(221)	(131)
Research and development deduction	298	213
Unutilised foreign tax credits	-	(8)
Tax losses (not) recognised	(894)	(740)
	(470)	(196)
Difference in overseas tax rates	(141)	(60)
Over/(under) provision in prior years	39	14
Income tax benefit/(expense)	(572)	(242)

SELECTED NOTES TO THE FINANCIAL STATEMENTS

5. Fair Value of financial instruments

Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

- Level 1 - the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices)
- Level 3 - a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

The following financial instruments are subject to recurring fair value measurements:

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Contingent consideration – level 3	3,067	3,551

The fair value of the contingent consideration of \$3,067,000 has been estimated by calculating the present value of the future expected cash outflows based on a discount rate of 4%.

Changes to discount rate by 100 basis points would result in a change of the contingent consideration by \$20,000. Changes to the annuity revenue by 10% would result in change of the contingent consideration by \$282,000.

Reconciliation of level 3 movements

The following table sets out the movements in level 3 fair values for contingent consideration payable.

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Opening balance 1 July	4,826	5,481
Recognised on business combination	-	-
Payments of contingent consideration	(2,015)	(1,955)
Fair value adjustment – Finance Costs	256	25
Closing balance 31 December	3,067	3,551

Valuation processes for level 3 fair values

Valuations are performed every six months to ensure that they are current for the half-year and annual financial statements.

6. Contingent liabilities

The Company's wholly owned Russian subsidiary has entered into a full and final settlement agreement related to an adverse judgement disclosed in the Group's contingent liabilities note at 30 June 2018. As a result the Group has obtained full release of all further obligations and liabilities arising from the adverse judgement and relating to the original project and contract to which the judgement relates.

There has been no other changes to contingent liabilities since 30 June 2018.

DIRECTORS' DECLARATION

In the opinion of the directors of RPMGlobal Holdings Limited:

- a) the accompanying financial statements and notes comply with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position at as 31 December 2018 and of its performance for the half year ended on that date; and
- b) at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the *Corporations Act 2001*.



Allan Brackin

Chairman

Brisbane

Dated: 25 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of RPMGlobal Holdings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of RPMGlobal Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd



T R Mann
Director

Brisbane, 25 February 2019

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CORPORATE DIRECTORY

Directors

Allan Brackin

Chairman

Richard Mathews

Managing Director

Stewart Butel

Non-executive Director

Ross Walker

Non-executive Director

Group General Counsel and Company Secretary

James O'Neill

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Auditor

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Brisbane QLD 4000

Share Registry

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117 Victoria Street

West End QLD 4101

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited (ASX: RUL)

ABN 17 010 672 321

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