



ABN 87 112 872 009

ANNUAL REPORT

30 June 2019

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This financial report covers hipages Group Pty Limited (the "Company") and its subsidiaries as a consolidated entity (the "Group"). The financial report is presented in the Australian currency.

hipages Group Pty Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principle place of business is:

Level 10, 255 Pitt Street
Sydney NSW 2000

A description of the nature of the entity's operations and its principal activities is included in the Directors Report. The financial report was authorised for issue by the directors on 27 September 2019. The company has the power to amend and reissue the financial report.

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of hipages Group Pty Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors & Officers

The following persons were directors and/or officers of hipages Group Pty Limited during the financial year or as at the date of this report:

Heith Mackay-Cruise

Qualifications

Experience

Special Responsibilities

Listed Entity Directorships

Other Directorships

Board Chair (Resigned 21st March 2019)

B.Ec FAICD

Independent Non Executive Director. A background in FMCG, media, education, health and technology sectors with more than 20 years of corporate experience.

Chair of the Board

Member of Audit & Risk Committee

Member of Remuneration and Nominations Committee

Bailador Technology Investments Limited

LifeHealthcare Group Limited.

Non-Executive Chair of Literacy Planet

Non-Executive Chair of ACG Education in New Zealand.

Non-Executive Director of Vision Australia Limited

David Vitek

Qualifications

Experience

Special Responsibilities

Listed Entity Directorships

Other Directorships

Co-Founder & Non-Executive Director

B. Eng

Non-Executive Director and Co-Founder of hipages Group for over 15 years. Led development teams for IBM globally before founding the business in 2003. National Finalist E&Y Entrepreneur of the Year 2016.

Non-Executive Director

Nil

Nil

Robert Sharon-Zipser

Qualifications

Experience

Special Responsibilities

Listed Entity Directorships

Other Directorships

Co-Founder & Chief Executive Officer

B. Comm CA GAICD

Executive Director, CEO, and Co-Founder of hipages Group for over 15 years. Prior to founding hipages, Robert held senior executive roles in the chartered accountancy industry before founding a boutique accounting firm. National Finalist E&Y Entrepreneur of the Year 2016.

Chief Executive Officer

Nil

Nil

Directors & Officers (cont)

Ari Klinger

Qualifications

Experience

Special Responsibilities

Listed Entity Directorships

Other Directorships

Non-Executive Director

B. Arts

Non-Executive Director. Over 20 years experience in starting, scaling and selling technology related businesses. Partner at Right Click Capital, Sydney Seed Fund and Wavemaker Partners.

Non-Executive Director.

Chair of Remuneration and Nominations Committee.

Nil

Chair of Mwave

Non-Executive Director HotDoc

David Leslie

Qualifications

Experience

Special Responsibilities

Listed Entity Directorships

Other Directorships

Non-Executive Director

B. Bus

Non-Executive Director. Over 20 years experience in technology and investment markets including his role as Investment Director at Ellerston Ventures Fund.

Non-Executive Director.

Chair of Audit & Risk Committee.

Nil

Non-Executive Director of Mable

Non-Executive Director ansarada

Alternate Director Friendsurance Australia

Emma Fawcett

Qualifications

Experience

Special Responsibilities

Listed Entity Directorships

Other Directorships

Non-Executive Director

B. Arch

Non-Executive Director. General Manager of News Xtend, a rapidly growing digital marketing services business within News Corp Australia. Extensive executive experience in the media, marketing and advertising industries.

Non-Executive Director

Member of the Remuneration and Nominations Committee

Nil

Nil

Stacey Brown

Qualifications

Experience

Special Responsibilities

Listed Entity Directorships

Other Directorships

Non-Executive Director (Appointed 21st March 2019)

B. Bus

Non-Executive Director. Chief Financial Officer of News Corp Australia,.

Non-Executive Director

Chair of the Remuneration and Nominations Committee

Alternate Non-Executive Director REA Group

A number of News Corp entities, and entities related to News Corp

Directors & Officers (cont)

Melissa Fahey

Qualifications

Experience

Chief Financial and Operating Officer and Company Secretary

B. Comm CA, Grad Diploma in Applied Finance & Investment
Senior Executive with extensive experience including Senior Finance and Investment roles both abroad and in Australia. Prior to being Group CFO for the Lux Group, previously held roles with HT&E, AMP Henderson Private Equity and PwC.

Karl Cope was Chief Financial Officer and Company Secretary until he resigned on 5 October 2018.

Robert Sharon-Zipser was interim Chief Financial Officer and Company Secretary until Melissa Fahey, Chief Financial and Operating Officer commenced on 8 November 2018. Robert Sharon-Zipser was Company Secretary until Melissa Fahey became Company Secretary on 8 November 2018.

David Vitek resigned as CEO on 30 April 2019 and Roby Sharon-Zipser commenced as CEO on the same date.

Heith Mackay-Cruise resigned as Chair on 21 March 2019 and the Chair position is currently vacant.

Stacey Brown was appointed to the board on 21 March 2019.

Meetings of Directors

During the financial year, 24 meetings of Directors (including committees of Directors) were held. Attendances by each director during the year were as follows:

	Directors Meeting		Audit & Risk Committee		Remunerations & Nominations Committee	
	Number Attended	Number Held	Number Attended	Number Held	Number Attended	Number Held
David Leslie	19	19	3	3	0	2
Heith Mackay*	15	19	2	3	1	2
Brett Clegg*	14	19	1	3	0	2
David Vitek	13	19	0	3	0	2
Roby Sharon-Zipser	19	19	3	3	2	2
Emma Fawcett	14	19	0	3	2	2
Ari Klinger	18	19	0	3	2	2
Stacey Brown*	3	19	0	3	0	2

- Denotes meetings attended whilst holding office

Principal activities

The Group's principal continuing activities during the year was the provision of a two sided online market place which enables consumers to connect with trade service providers. The Group facilitates these market places in the home improvement, natural therapy and pet sectors primarily in Australia.

Review of operations

Total revenue and other income for the year ended 30 June 2019 has increased by \$0.5m to \$45.07m, an increase of 1%, while the operating loss increased by \$4.57m to \$13.54m (2018: \$8.98m) during the period due to a number of factors including:

Review of Operations (cont)

- In the second half of 2019 the company commenced a transformational change project, resetting the business for growth. The business saw a reduction in Employee benefits expenses by 2% (2018: growth 30%) with Operations and administration expenses growing by 1% (2018 growth 24%). Further cost saving are expected to be realised in the 2020 financial year.
- A continued investment in trade service provider and consumer acquisition via our marketing channels of \$20.42m which represents an increase of \$2.92m on the prior year. This investment includes our high profile above the line advertising campaign aimed at increasing brand awareness and increasing marketplace activity;
- On-going increased investment in product and system development of \$6.01m (2018: \$6.14m);
- Increased property expenses having relocated to new larger premises to accommodate growth.

Throughout FY19 there was focus on the development of our business strategy. Clear focus was on introducing operational efficiency and rightsizing and positioning the business for future growth.

A summary of revenue and results is set out below:

	2019 (\$)	2018 (\$)
Total revenue and other Income	44,907,038	44,329,187
Expenditure excluding depreciation, amortisation and interest	(50,272,805)	(47,942,549)
EBITDA	(5,365,766)	(3,613,361)
Depreciation and amortisation	(6,685,611)	(5,423,339)
EBIT	(12,051,377)	(9,036,701)
Net interest expense	(1,491,145)	60,522
Operating (loss) before income tax	(13,542,523)	(8,976,179)

Financing and Cashflow

The Company had debt of \$11,019,118 (2018: \$2,968,054), and cash reserves of \$8,576,460 (2018: \$7,192,153) as at 30 June 2019. Net cash outflow from operations for the year ended 30 June 2019 was (\$1,863,642) (2018: \$322,841 inflow), with a total net cash inflow for the year of \$1,384,307 (2018: \$6,978,935 outflow) after allowing for cash inflow from the Marshalls loan of \$12.39m, investments in product and development (\$6.14m), office equipment (\$0.64m), and repayment of borrowings (\$2.58m).

Significant changes in state of affairs

No other significant changes in the Group's state of affairs occurred during the financial year.

Events arising since the end of the reporting period

Subsequent to year end, in September 2019 the Group issued a Convertible Note to the value of \$3,500,000. The coupon on the note is 13.5% pa paid monthly and the term of the note is three years. Transaction fees were \$27,436 providing a net cash financing injection of \$3,472,564. The notes will convert to equity on either an IPO or exit event. If these do not occur before the end of the three years, the noteholder can choose to convert to equity or redeem the note. This same choice applies, if there is a capital raising of more than \$20m before the end of the term. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Material Business Risks

Risk management is carried out in accordance with a framework governed by the Board and Audit and Risk Committee. The Company faces a variety of material risks including but not limited to strategic, operational, financial and regulatory risks. Management regularly undertake reviews to identify key risks and to implement strategies to mitigate those risks.

Key risks include disruption from new competitor entry and/or competitor consolidation, IT security, key staff retention and regulatory risks through government policy change in Australia and the Philippines.

Dividends

No dividends have been paid or declared during the financial period and up to the date of this report. (2018 – \$Nil)

Options

There were 1,738 options granted during the financial year. There were 9,564 options outstanding at the date of this report.

Indemnities given and insurance premiums paid for auditors and officers

During the year, hipages Group Pty Ltd paid a premium of \$12,031 (2018: \$16,659) to insure the directors and officers of the Company and its wholly owned subsidiaries.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

Proceedings on behalf of Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

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

Environmental regulation

The Group is not subject to any particular or significant environmental regulations.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Corporate Social Responsibility

Corporate responsibility takes many forms at hipages as we continually look to make a positive impact through our role in society, our people and the way we do business.

Guided by our mission of 'enabling effortless home improvement' we actively consider the environmental, social and economic impacts and influence of our business, and look for ways to use our unique capabilities and resources to make a positive contribution beyond our core business.

hipages recognises its unique position to positively impact on our communities through encouraging better standards of home improvement services and encouraging philanthropy in our two-sided marketplace. In 2019 we provided employees with paid leave to volunteer to charitable causes.

hipages supports an inclusive and diverse work environment where employees have equal access to career opportunities, training and benefits.

Gender, age, sexual orientation, disability, and ethnicity equality and diversity is a business priority and hipages is committed to supporting the equal participation of all in the workforce.

Non-Audit Services

The Board of Directors, in accordance with advice from the Audit and Risk Committee, are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditors independence for the following reasons:

- All non-audit services are reviewed and approved by either the Board or the Audit & Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and;
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2019:

	2019 \$	2018 \$
Taxation Services – PwC Australia	1,200	3,705
Employment Services – PwC Australia	10,513	12,884
	<u>11,713</u>	<u>16,589</u>

Auditors Independence Declaration

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2001 for the year ended 30 June 2019 has been received and can be found on page 10 of the financial report.

Signed in accordance with a resolution of the Board of Directors.

Remuneration Policies and Framework

The Directors present the hipages Group Pty Limited remuneration report outlining key aspects of our remuneration policy and framework.

Key management personnel covered in this report

The table below lists the executives who, together with the Non-Executive Directors, are considered to be Key Management Personnel (KMP) under accounting standards.

KMP are those persons having authority for planning, directing and controlling the strategic direction of the Company and the Group. Non-Executive Directors have oversight of the strategic direction of the Company but have no direct involvement in the day-to-day management of the business.

Key Management Personnel at 30 June 2019

Non-Executive Directors	Ari Klinger	Director (Non-Executive)
	David Leslie	Director (Non-Executive)
	Emma Fawcett	Director (Non-Executive)
	Stacey Brown	Director (Non-Executive)
	David Vitek	Co-Founder, Director (Non-Executive)
Executive Director	Robert Sharon-Zipser	Co-Founder, Chief Executive Officer
Other Executive	Melissa Fahey	Chief Financial & Operating Officer

Remuneration policy and link to performance

The Company's remuneration framework is designed to attract, motivate, reward and retain executives and employees through a remuneration approach that is relevant, competitive, aligns with shareholder interests and has a high perceived value.

The framework, which includes a combination of fixed annual remuneration inclusive of superannuation, an at-risk short term incentives for relevant employees and an at risk share based equity only long term incentive scheme that is awarded on achievement of performance conditions over a three year period.

Remuneration Governance

The Remuneration and Nominations Committee ("RN Committee") is established to assist and advise the board of directors to fulfil its responsibilities to the members of the Company on matters relating to compensation, incentives and remuneration of the Directors, Senior Leadership Team and employees.

The RN Committee includes a minimum of two members who are not executive directors and a Chair of the Committee that is not the Chair of the Board. Ari Klinger is the Non-Executive Chair of the Remuneration and Nominations Committee. A quorum is at least two committee members. The Company Secretary undertakes the duties of the secretariat.

Remuneration Policies and Framework (cont)

The RN Committee is responsible for reviewing, assessing outcomes and making recommendations to the Board on:

- Remuneration policy and framework;
- Remuneration packages of the Senior Leadership Team;
- Performance based (at-risk) components of remuneration;
- Remuneration framework of the non-executive directors; and
- Structure and balance of the board.

From time to time the RN Committee engages external remuneration consultants to assist with their responsibilities.

Remuneration Policies

The Company has established a number of policies to support the remuneration and governance framework. These policies include the Remuneration Philosophy Framework and Code of Conduct.

Reliance on External remuneration consultants

From time to time, the RN Committee seeks external independent advice on remuneration and board performance.

During 2019 the RN Committee engaged Mercer to benchmark remuneration levels.

The Board were satisfied that recommendations provided by external advisory during the year were free from undue influence from any members of the key management personnel.

Non-executive director arrangements

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought as required, and such advice was obtained during the 2019 year.

The current remuneration of the Non-Executive Directors are:

Board Fees

Board Chair	\$110,000
Directors	\$50,000

Committee Fees

Committee Chair	\$10,000
Committee Member	-

The Director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Sydney
27 September 2019



Auditor's Independence Declaration

As lead auditor for the audit of hipages Group Pty Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of hipages Group Pty Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'S. Horlin'.

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
27 September 2019

PricewaterhouseCoopers, ABN 52 780 433 757

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019 (\$)	2018 (\$)
Revenue from continuing operations		43,648,054	43,558,635
Other Income	2	1,419,534	1,009,272
Operating Expenses			
Employee benefits expenses	3	16,089,940	16,404,646
Marketing related expenses	3	20,435,639	17,517,999
Operations and administration expenses	3	13,363,602	13,286,505
Finance expense	3	1,651,695	178,198
Employee Share Plan	3	383,624	733,399
Depreciation and amortisation expense	3	6,685,611	5,423,339
Total Operating Expenses		58,610,111	53,544,086
Loss before income tax expense		(13,542,523)	(8,976,179)
Income tax expense		-	-
Loss for the year		(13,542,523)	(8,976,179)
Loss for the year attributable to the owners of hipages Group Pty Limited		(13,542,523)	(8,976,179)
Other Comprehensive Income		-	-
Total comprehensive (loss)/income for the year attributable to the owners of hipages Group Pty Limited		(13,542,523)	(8,976,179)

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

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 (\$)	2018 (\$)
ASSETS			
Current assets			
Cash and cash equivalents	6	5,287,176	3,153,179
Funds on Deposit	7	3,289,284	4,038,974
Trade and other receivables	8	1,623,329	2,244,403
Other current assets	9	6,057,235	6,470,741
Total current assets		16,257,024	15,907,297
Non-current assets			
Property, plant and equipment	10	3,027,631	3,802,655
Deferred tax assets	4	-	-
Intangible assets	11	9,912,298	9,604,021
Prepayments	12	-	2,217,168
Investments	13	1,868,853	1,868,853
Total non-current assets		14,808,782	17,492,697
Total assets		31,065,806	33,399,994
LIABILITIES			
Current liabilities			
Trade and other payables	14	8,048,647	6,821,647
Deferred income	15	4,457,884	4,688,728
Borrowings	16	2,164,505	2,834,785
Employee benefits	17	1,359,865	1,637,714
Total current liabilities		16,030,901	15,982,874
Non-current liabilities			
Borrowings	16	8,854,612	133,269
Employee benefits	18	263,441	284,215
Other liabilities	19	534,084	-
Total non-current liabilities		9,652,137	417,484
Total liabilities		25,683,038	16,400,358
Net assets/(liabilities)		5,382,767	16,999,636
EQUITY			
Contributed equity	20	47,985,531	46,443,501
Reserves	21	3,600,843	3,217,219
Retained earnings/(Accumulated losses)	22	(46,203,607)	(32,661,084)
Total equity		5,382,767	16,999,636

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Note	Share Capital (\$)	Share Based Payment Reserve (\$)	Retained earnings/ (accumulated losses) (\$)	Total (\$)
Balance at 1 July 2017	20	46,453,321	2,483,820	(23,684,905)	25,252,236
(Loss) for the year		-	-	(8,976,179)	(8,976,179)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year		-	-	(8,976,179)	(8,976,179)
Transactions with owners in their capacity as owners:					
Share Based Payment Expense		-	733,399	-	733,399
Contributions of equity net of transaction costs		(9,820)	-	-	(9,820)
Dividends paid or provided for		-	-	-	-
Balance at 30 June 2018		46,443,501	3,217,219	(32,661,084)	16,999,636
(Loss) for the year		-	-	(13,542,523)	(13,542,523)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year		-		(13,542,523)	(13,542,523)
Transactions with owners in their capacity as owners:					
Share Based Payment Expense		-	383,624	-	383,624
Risk participation fee	20	1,542,030	-	-	1,542,030
Dividends paid or provided for		-	-	-	-
Balance at 30 June 2019		47,985,531	3,600,843	(46,203,607)	5,382,767

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

Consolidated Statement of Cash flows
For the year ended 30 June 2019

	Note	2019 (\$)	2018 (\$)
Cash flows from operating activities			
Receipts from customers		48,003,250	46,429,150
Payments to suppliers and employees		(48,895,821)	(46,172,831)
Government Grant Received		-	-
Payroll Tax Rebate		6,000	6,000
Interest received		160,550	238,720
Interest paid		(1,137,622)	(178,198)
Net cash (outflow) from operating activities	22	(1,863,643)	322,841
Cash flows from investing activities			
Purchases of property, plant and equipment		(264,797)	(637,217)
Proceeds from Sale of Assets		-	-
Acquisition of Investments		-	-
Acquisition of goodwill		-	-
Acquisition of Intangible Assets		(5,954,069)	(6,137,961)
Net cash (outflow) from investing activities		(6,218,866)	(6,775,178)
Cash flows from financing activities			
Net Proceeds from Issues of Shares		-	-
Share BuyBacks		-	-
Proceeds from borrowings		12,386,637	-
Repayment of borrowings		(2,919,820)	(526,597)
Net cash inflow / (outflow) from financing activities		9,466,817	(526,597)
Net increase in cash held		1,384,307	(6,978,934)
Cash at the beginning of the financial year		7,192,153	14,171,087
Cash at the end of the financial year		8,576,460	7,192,153

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

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) General Information and basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

The consolidated financial statements of hipages Group Pty Limited and its wholly owned subsidiaries company with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

hipages Group Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. hipages Group Pty Ltd is a for-profit entity for the purpose of preparing financial statements under Australian Accounting Standards.

Basis of Preparation

The financial statements have been prepared under the historical cost convention and do not take into account changing monetary values. The accrual and going concern bases have been adopted.

The financial report is presented in Australian Dollars which is the Groups' functional and presentational currency.

Comparative figures

Where required, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

New and amended standards adopted by the Group

The Group has adopted AASB 15 Revenue from Contracts with Customers, see note 1(d) for further information.

Note 1: Summary of significant accounting policies (cont)
(b) Accounting standards issued but not yet effective

New / revised pronouncement	Nature of change	Likely impact on initial application
AASB 16 – Leases	Under the new standard issued in February 2016, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has operating lease commitments of \$14m.	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. This standard is mandatory for financial years commencing on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

Note 1: Summary of significant accounting policies (cont)**(c) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of hipages Group Pty Ltd as at 30 June 2019 and the results of all subsidiaries for the year then ended. hipages Group Pty Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of hipages Group Pty Ltd.

(d) Revenue recognition

AASB 15 Revenue from Contracts with Customers establishes a framework for revenue recognition. It is based on the principle that revenue is recognised when control of a good or service transfers to a customer, either over time or at a point in time, depending on when performance obligations are satisfied. Under the previous accounting standard AASB 118 Revenue, revenue was recognised when the risks and rewards of ownership transferred to the customer.

Upon application of the AASB 15, the services provided by Hipages is deemed to be two revenue streams; the right for customers to access potential leads, and then the right to respond to these leads. These are recognised over time (on an output method), and point in time respectively.

Consideration that is fixed or highly probable is included in the transaction price allocated to the performance obligation. Consideration that is variable or uncertain continues to be recognised when the activity occurs. The predominant billing structure for these performance obligations is either a bundled upfront fee, an upfront or ongoing subscription fee, or on a pay per lead fee.

The revenue from bundled upfront fees are allocated between the two performance obligations, and recognised accordingly. The allocation is based on their stand-alone selling prices, and any discount is proportionately allocated. Subscription fees only relates to the right for customer to access potential leads, and pay per lead fees only relates to the right to respond to leads.

Revenue for the right for customers to access potential leads is recognised over the subscription period agreed with the customer (which in most cases is 6 or 12 months). Revenue for the right to respond to leads is recognised at the time the leads are claimed.

There was no change in the ultimate revenue recognition under AASB 15, and so it did not have any impact on the consolidated statement of comprehensive income, and consolidated statement of financial position.

(e) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match

Note 1: Summary of significant accounting policies (cont)

them with the costs that they are intended to compensate.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the statement of profit and loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit and loss and other comprehensive income on a straight-line basis over the period of the lease.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Note 1: Summary of significant accounting policies (cont)**(i) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Trade receivables

The group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method as they are held in a business model for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a repayment plan with the group. Where trade receivables have been written off, the group continues to attempt to recover the receivable and if a recovery is made, these are recognised in profit or loss.

(k) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated comprehensive income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The depreciation rate for each class of assets is:

- Equipment 25%
- Leasehold improvement 25% or over the lease term

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated comprehensive income statement. When revalued assets are sold, it is entity policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of financial year which are unpaid. The amounts are unsecured.

Note 1: Summary of significant accounting policies (cont)**(m) Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from de-recognition of an intangible asset is measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

In the prior year in note 11, goodwill was incorrectly named as acquired intangible assets. This has been corrected in the current year.

Costs incurred in acquiring, developing and implementing new software are recognised as intangible assets 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. The expenditure capitalised comprises all directly attributable costs, including costs of services, licences and direct labour. Amortisation is calculated using the straight line method to allocate the costs of the developed software over their estimated useful life which is deemed to be three years.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated comprehensive income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events for which it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(p) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating vesting sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Liabilities for long service leave are recognised on the basis of the length of each individual's employment and the probability based on their length of service that such a liability will become payable at the time of separation or employment.

(q) Share based payments

The Group operates equity-settled share-based remuneration plans for its employees. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions). All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Note 1: Summary of significant accounting policies (cont)**(r) Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(t) Investments and other financial assets

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, 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.

The group measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

(u) Significant management judgements and estimates in applying accounting policies

The following estimate is considered to include significant management judgements and estimates in applying the accounting policy.

a. Impairment of assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates including future revenue uplift and projected cost savings.

2. Other Income

	2019 (\$)	2018 (\$)
Government Grants	-	194,605
Interest received	160,550	238,720
Rent received	1,258,984	575,947
Total Other Income	1,419,534	1,009,272

Government Grants represent funds received in cash under the R&D Tax Incentive up to and including the 2017 financial year which are being recognised over three years. No further income will be recognised from this.

3. Expenses

Loss before income tax includes the following specific expenses:

	2019 (\$)	2018 (\$)
External advertising and marketing expenses	20,435,639	17,517,999
Amortisation	5,645,791	4,636,950
Depreciation	1,039,819	786,389
Employee benefits expense	16,089,940	16,404,646
Employee share plan expense	383,624	733,399
Finance expense	1,651,695	178,198
External operations and administration expenses	13,363,602	13,286,505
Total Expenses	58,610,110	53,544,086

4. Tax
(a) Reconciliation of income tax to accounting profit:

	2019 (\$)	2018 (\$)
Profit from continuing operations before income tax expense	(13,542,523)	(8,975,813)
Tax at the Australian rate of 30% (2019: 30%)	(4,062,757)	(2,692,744)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Net R&D Benefit	-	(402,489)
Share based payments	115,087	220,020
Employee share scheme contributions	(71,093)	(106,151)
Non assessable income (Government Grant)	-	(58,381)
Entertainment	20,751	31,019
Non deductible legal fees	-	-
Current year tax loss not recognised	4,106,181	1,238,945
R&D Tax incentive not recognised	-	1,599,694
R&D Tax incentive now recognised	(205,426)	-
Amortisation of intangibles	-	-
Lease incentive	-	170,089
Opening balance adjustment (under & over)	97,257	-
Income tax expense	0	0

(a) Tax Losses

Unused tax losses for which no DTA has been recognised

Potential tax benefit @ 30%

	2019 (\$)	2018 (\$)
Unused tax losses for which no DTA has been recognised	32,261,997	18,520,219
Potential tax benefit @ 30%	9,678,599	5,556,666

(b) R&D Tax Incentive

Unused R&D incentive for which no DTA has been recognised

Potential tax benefit @ 38.5%

	2019 (\$)	2018 (\$)
Unused R&D incentive for which no DTA has been recognised	8,480,630	12,407,841
Potential tax benefit @ 38.5%	3,265,042	4,777,019

Notes to the Financial Statements

For the year ended 30 June 2019

(c) Deferred tax assets

The balance comprises temporary differences attributable to:

	2019 (\$)	2018 (\$)
Employee benefits	486,992	576,579
Borrowing costs	254,710	169,343
Doubtful debts	162,597	174,597
Accrued expenditure	322,288	422,020
Research and Development incentive	1,511,977	1,306,550
Total deferred tax assets	2,738,564	2,649,090
Intangible assets	(2,738,075)	(2,646,704)
Other deferred tax liabilities	(489)	(2,386)
Total deferred tax liabilities	(2,738,564)	(2,649,090)
Net deferred tax assets	-	-

5. Auditor's Remuneration

	2019 (\$)	2018 (\$)
Remuneration of the auditor, PwC for:		
Auditing the financial statements – PwC Australia	88,402	60,542
Taxation Services – PwC Australia (i)	1,200	3,705
Employment Services –PwC Australia (i)	10,513	12,884
Total Auditors Remuneration	100,115	77,131

6. Current assets – cash and cash equivalents

	2019 (\$)	2018 (\$)
Cash at bank and in hand	5,287,176	3,153,179
	5,287,176	3,153,179

7. Funds on deposit

	2019 (\$)	2018 (\$)
Funds on Deposit	1,018,106	4,038,974
Committed Cash (Bank guarantees)	2,271,178	2,271,178
	3,289,284	6,310,152

Funds on deposit in 2019 and 2018 have a maturity date of 30-90 days from the date of deposit. Committed cash is also held in term deposits.

8. Current assets – trade and other receivables

	2019 (\$)	2018 (\$)
Trade debtors	2,025,668	2,533,846
Loss provision allowance	(541,991)	(581,991)
	1,483,677	1,951,855
Other receivables	139,652	292,548
	1,623,329	2,244,403

Credit risk:

The group is exposed to credit risk if customers fail to make payments as they fall due in respect of invoices raised.

For the Group's accounting policy with respect to trade receivables, see Note 1 (j).

Loss allowance provision:

The group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision as at 30 June 2019 and 2018 is determined as follows:

2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	3.3%	16%	27%	55.3%	
Gross carrying amount	795,548	280,019	191,131	758,970	2,025,668
Loss allowance	26,203	44,796	51,610	419,382	541,991
2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	3.6%	7.1%	10.9%	57.3%	
Gross carrying amount	1,134,566	324,426	211,079	863,775	2,533,846
Loss allowance	40,770	23,009	23,080	495,132	581,991

During the year, the group wrote off \$1,429,154 in bad debts which represents 3.27% of revenue from continuing operations.

9. Current assets – other assets

	2019 (\$)	2018 (\$)
Other assets	2,925,210	1,236,788
Deposits and Prepayments	3,132,025	5,233,953
Total other current assets	6,057,235	6,470,741

10. Non-Current assets – property, plant and equipment

<u>Year ended 30 June 2019</u>	Equipment (\$)	Leasehold Improvements (\$)	Total (\$)
Cost	2,744,181	3,304,688	6,048,869
Accumulated Depreciation	(2,029,253)	(991,985)	(3,021,238)
Closing net book value	714,928	2,312,703	3,027,631

Opening net book amount	1,117,841	2,684,814	3,802,655
Additions	132,686	132,111	264,797
Disposals	-	-	-
Depreciation charge	(535,599)	(504,222)	(1,039,821)
Closing net book value	714,928	2,312,703	3,027,631

<u>Year ended 30 June 2018</u>	Equipment (\$)	Leasehold Improvements (\$)	Total (\$)
Cost	2,611,495	3,172,577	5,784,072
Accumulated Depreciation	(1,493,654)	(487,763)	(1,981,417)
Closing net book value	1,117,841	2,684,814	3,802,655

Opening net book amount	866,691	151,317	1,018,008
Additions	772,644	2,973,948	3,746,592
Disposals	(54,180)	(121,376)	(175,556)
Depreciation charge	(467,314)	(319,075)	(786,389)
Closing net book value	1,117,841	2,684,814	3,802,655

11. Non-Current assets - intangible assets

<u>Year ended 30 June 2019</u>	Goodwill on Acquisition \$	Capitalised Development Costs \$	Total (\$)
Cost	925,901	30,270,023	31,195,924
Accumulated Amortisation	(140,520)	(21,143,106)	(21,283,626)
Closing net book value	785,381	9,126,917	9,912,298
Opening net book amount	781,675	8,822,346	9,604,021
Additions	3,706	5,950,363	5,954,069
Disposals	-	-	-
Amortisation charge	-	(5,645,792)	(5,645,792)
Closing net book value	785,381	9,126,917	9,912,298

<u>Year ended 30 June 2018</u>	Goodwill on Acquisition \$	Capitalized Development Costs \$	Total (\$)
Cost	922,195	24,319,660	25,241,855
Accumulated Amortisation	(140,520)	(15,497,315)	(15,637,835)
Closing net book value	781,675	8,822,346	9,604,021
Opening net book amount	781,675	7,321,335	8,103,010
Additions	-	6,137,961	6,137,961
Disposals	-	-	-
Amortisation charge	-	(4,636,950)	(4,636,950)
Closing net book value	781,675	8,822,346	9,604,021

12. Prepayments

Prepayments – non-current

	2019 (\$)	2018 (\$)
Prepayments	-	2,217,168
Total non-current prepayments	-	2,217,168

Represents prepaid advertising services expected to be used beyond the next 12 month period.

13. Investments

Investments – non-current

	2019 (\$)	2018 (\$)
Investments – Unlisted securities – Rated People Limited	1,868,853	1,868,853
Total other non-current assets	1,868,853	1,868,853

As this investment is not held for trading, and the group elected to recognise changes in fair value through other comprehensive income (FVOCI) rather than profit or loss. Upon disposal of this investment any balance within the reserves for this will be reclassified to retained earnings and not reclassified to profit or loss.

Measurement and valuation process:

The group uses its judgement to value this investment and makes assumptions that are mainly based on performance of the investment and market conditions existing at the end of each reporting period. The analysis specifically includes considering recent financing at the investment company and applying a revenue multiple against that reported revenue to determine the fair value. The following table summarises information about the unobservable inputs used in the fair value measurement:

Level 3 instrument	Unobservable input	Sensitivity
Unlisted securities - Rated People Limited	Revenue performance of investment, and Revenue multiple	If the revenue multiple was to change by 10%, the fair value of the investment would increase/decrease by \$0.19m

Discussions of the valuation process and results are held between the Chief Financial Officer and the Audit & Risk Committee at each reporting period. The valuation is based on their knowledge of the business, recent results and financing transactions and the current economic and competitive environment in the UK.

14. Trade and other payables

	2019 (\$)	2018 (\$)
Trade Payables	5,772,256	3,675,160
GST Payable	713,673	552,140
Payroll accruals	277,608	559,085
Other Current	1,285,110	2,035,262
Total Trade and other payables	8,048,647	6,821,647

Trade payables are unsecured and typically paid within 30 days from invoice date.

15. Deferred income

	2019 (\$)	2018 (\$)
Deferred income	4,457,884	4,688,728
Total deferred income	4,457,884	4,688,728

Deferred income represents revenue from subscriptions and listings received in advance that is then recognised over the contracted period, and this is all expected to be within the next 12 months.

16. Borrowings

	2019 (\$)	2018 (\$)
Borrowings - Current	2,164,505	2,834,785
	2,164,505	2,834,785

	2019 (\$)	2018 (\$)
Borrowings - Non-current	8,854,612	133,269
	8,854,612	133,269

In October 2018 the Group entered into a Secured Loan Facility with Marshall Investments Finance Pty Limited. The principal amount of the loan was \$12,500,000 which net of the repayment of the CBA Hire Purchase Facility of \$2,520,073 and transaction fees of \$163,363 provided a net cash financing injection of \$9,866,564. An additional \$541,026 was paid to other parties as part of this re-financing.

As part of this facility, there is a risk participation fee that is payable to Marshalls on repayment of the facility, or and IPO/Trade sale, whichever occurs first. This can be settled in shares or cash, at the Group's discretion. This 1% of total shares on issue was recognised in equity.

A reconciliation of the loan balance has been included below:

	\$
Loan principal	12,500,000
Less: Transaction costs	(704,389)
Less: Risk participation fee – recognized in equity	(1,542,030)
Add: Interest for the period*	526,722
Total Marshalls Loan at 30 June 2019	10,780,303
Other borrowings	238,818
Total borrowings	11,019,117

*This is non-cash effective interest (at a rate of 7.2%) due to both the transaction costs and risk participation fee.

At 30 June 2019, \$12,500,000 is fully drawn on the Loan, there have been no principal repayments. The term of the loan is three years with the option to extend for a further 12 months. Interest at 11% p.a (2019: \$956,849) is payable monthly with interest only payments for the first 12 months and principal payments due thereafter. Any unpaid interest at 30 June 2019 is classified within trade and other payables.

Revenue, cash and EBITDA covenants apply. Meeting these covenants will require the business to continue to grow, and/or to carefully manage costs. The Directors are confident that the company will be successful in managing these matters and as such that the covenants will be met.

Subsequent to year end in September 2019 the Group issued a convertible note to the value of \$3,500,000 with funds fully received by 10 September 2019. This provided the Directors additional comfort that the company will be successful in managing covenant obligations.

Notes to the Financial Statements

For the year ended 30 June 2019

17. Employee benefits - Current

	2019 (\$)	2018 (\$)
Superannuation	389,742	501,528
Annual leave	812,203	905,680
Long service leave	157,920	230,506
Total current employee benefits	1,359,865	1,637,714

The current portion of these liabilities represents the Group's obligations to which the employee has a current legal entitlement.

18. Employee benefits - Non current

	2019 (\$)	2018 (\$)
Long service leave	263,441	284,215
Total non current employee benefits	263,441	284,215

19. Other liabilities

	2019 (\$)	2018 (\$)
PAYG	45,127	-
GST	113,326	-
Lease provisions	375,632	-
	534,084	-

20. Contributed Equity Movement

Ordinary Shares	2019 (Shares)	2019 (\$)	2018 (Shares)	2018 (\$)
Opening Fully Paid Ordinary Shares	888,394	46,443,501	886,575	46,453,321
Shares Purchased and converted to B Class	-	-	-	-
Legal Fees associated with share issue	-	-	-	(9,820)
B Class Shares converted during the year	-	-	1,819	-
Risk Participation Fee	-	1,542,030	-	-
Closing Ordinary Shares on Issue	888,394	47,985,531	888,394	46,443,321

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

As part of the debt facility with Marshalls, a risk participation fee of 1% of total shares on issue was recognised in equity. These shares have not yet been issued, and the Group retains the right to settle this fee in shares or cash.

Class B Shares	2019 (Shares)	2018 (Shares)	2019 (\$)	2018 (\$)
Opening Class B Shares on issue	11,536	12,615	-	-
Ordinary Shares converted to B Class	-	-	-	-
Class B Shares issued during the year	-	740	-	-
Class B Shares converted to Ordinary shares	-	(1,819)	-	-
Closing B Class Shares on issue	11,536	11,536	-	-

Class B Shares do not entitle the holder to participate in dividends and the proceeds of winding up and are non-voting shares. These Class B shares can be converted to Ordinary shares in the Company in accordance with the terms and conditions of the ESP.

21. Share Based Payments

The establishment of the Employee Share Plan ('ESP') and Employee Share Option plan ('ESOP') were approved by the Board on the 27 April 2014 and 25 June 2015 respectively. These plans are designed to provide long-term incentives for senior management and employees to deliver long-term shareholder returns.

(a) ESP1 and ESP2

Under the ESP 1 and ESP 2 plan, participants are granted loans to purchase units in a unit trust, which in turn purchases Class B shares in the Company which have no voting or dividend entitlements. These Class B shares can be converted to Ordinary shares in the Company if certain conditions are met, in accordance with the terms and conditions of the ESP. This is in substance a zero priced option arrangement. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on the valuation of the company or revenue per share at the end of each financial year. Under both ESP1 and ESP2 the valuation of the company target has already been met, and so the only remaining vesting condition, is a service condition.

Once the service and performance conditions are met, the B Class shares are converted to Ordinary shares, however the shares are held in trust on behalf of the participants until an IPO or trade sale event.

Set out below are summaries of units issued under the ESP 1 and ESP 2 plan:

Number of Units Held (Options)	2019	2018
Issued as at 1 July	44,754	44,947
Granted during the year	-	-
Forfeited During the year	-	(193)
Issued as at 30 June	44,754	44,754
Vested at 1 July	44,754	42,935
Vested during the year	-	1,819
Vested at 30 June	44,754	44,754

While these have been converted to ordinary shares, the shares are held in trust on behalf of participants until an IPO or trade sale event.

Options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry Date	Exercise Price	Fair Value	Options 2018	Options 2017
1 July 2014	30 June 2018	\$0.00	\$39.39	-	-
1 July 2015	30 June 2019	\$0.00	\$87.89	-	-

The assessed fair value at grant date of ESP 1 and ESP 2 was \$39.39 and \$87.89 respectively. The fair value at grant date is independently determined by most recent share price on transfer between unrelated shareholders.

(b) ESP3

Under the ESP3 plan, participants are granted rights to shares (zero-priced options) which will only be received if certain performance standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

21. Share Based Payment (cont)

The amount of options that will vest depends on whether revenue and EBITDA hurdles have been met by the end of 30 June 2020. The performance period is three years, with the remaining life of the fund being 30 June 2020.

The shares are held in trust on behalf of the participants and will be transferred to the employee upon all conditions being met and the employee electing to convert their performance rights into ordinary shares. Once vested, there is an option for these rights to be settled in cash rather than equity by the company, this option remains at the company's discretion.

Set out below are summaries of options granted under the plan:

Number of Performance Rights	2019	2018
As at 1 July	7,826	5,464
Granted during the year	1,738	2,362
As at 30 June	9,564	7,826
Vested and exercisable at 30 June	-	-

Options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry Date	Exercise Price	Fair Value	Options 2018
1 July 2016	30 June 2020	\$0.00	\$171.35	5,464
1 July 2017	30 June 2020	\$0.00	\$243.43	2,362
1 July 2018	30 June 2020	\$0.00	\$171.35	1,738

The assessed fair value at grant date of ESOP was \$171.35 and \$243.43. The fair value at grant date is independently determined by most recent share price on transfer between unrelated shareholders.

(c) ESP4

Under the ESP 4 plan, it was communicated to potential participants that if certain financial targets were met in FY19 then they would be granted rights to shares (zero-priced options). The shares would then have been received in three equal tranches, over the preceding three years. No options were granted as none of the financial targets were met, these options have lapsed.

(d) hipages Employee Share Trust

Both employee share schemes are administered by the hipages Employee Share Plan Trust. Shares held by the trust on behalf of the participants are a combination of newly issued and acquired shares in hipages Group Pty Limited. Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as B Class shares in the financial statement. When issued to employees they are converted to Ordinary shares.

(e) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2019 (\$)	2018 (\$)
Options under ESP1 and ESP 2	0	167,723
Options under ESP 3	383,624	565,676
	383,624	733,399

22. Reconciliation of loss from ordinary activities to net cash inflow from operating activities

	2019 (\$)	2018 (\$)
Operating Profit/Loss	(13,542,523)	(8,976,179)
Adjustment for non cash items:		
Depreciation and Amortisation	6,685,612	5,423,339
Loss on disposal of assets	-	175,556
Employee Share Options Plan	383,624	733,399
Add - increase in trade and other payables	1,887,359	2,064,106
Less - Increase in Other Current Assets (prepayments)	413,507	(4,341,808)
Add - Decrease in NCA Prepayments	2,217,168	5,177,343
Add - increase in employee liabilities	(298,622)	347,376
Less - Decrease in deferred revenue	(230,843)	(506,596)
Add - Decrease in Debtors	621,074	(122,537)
Add - Decrease in other receivables	-	128,183
Add- Decrease in other current assets	-	222,660
Net cash (outflow) from operating activities	(1,863,643)	324,842

23. Financial Risk Management

(a) Market Risk – Foreign exchange

The majority of the Group's transactions are carried out in Australian dollars. The Group currently receives less than 1% of its revenue (2018: <1%) from countries other than Australia which include the UK and New Zealand. The Group's main contracts are on fixed rates in Australian dollars and hence not exposed to foreign exchange fluctuations during the contracted term. Given the immaterial size of this exposure the Group currently does not hedge its foreign exchange risk exposure, but reviews this position on a regular basis.

(b) Market Risk – Interest rates

The Group had fully paid the principle and interest relating to the equipment borrowing. \$0 balance as at 30 June 2019 (2018: \$2,968,054).

The Marshalls loan agreement has a fixed interest rate of 11%. An interest rate movement would not affect the profit before tax.

(c) Credit Risk

With the exception of small carrying balances in foreign currency accounts, all cash held and funds on deposit are held with two of the four major Australian banks who have a long term rating with Moody's of AA3.

For credit risk analysis with respect to trade receivables refer to Note 8.

24. Commitments

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

Rent and operating leases:	2019 (\$)	2018 (\$)
Within one year	2,926,164	3,071,360
After one year but not more than five years	11,101,966	14,566,633
More than 5 years	0	1,873,395
Total	14,028,130	19,511,388

The main commitment relates to the property leases including the two level Sydney premises that will allow for future expansion. The Company has sublet approximately 100% of one of the levels across periods of 1-3 years. The total future minimum sub lease payments expected to be received under non-cancellable leases at the end of the period is \$2.92m.

25. Contingent assets and liabilities

The group has been and is involved from time to time in various claims and proceedings arising from the conduct of its business. There are no claims or proceedings on foot, either individually or in aggregate, where the quantum of the claim is likely to have a material effect on the Group's financial position. Whenever appropriate to do so, the Group provides for such items.

The group also holds guarantees in respect of operating leases to the value of \$2.2m as at 30 June 2019 (\$2.5m at 30 June 2018). These guarantees give rise to liabilities in hipages group if the group does not meet their obligations under the terms of the leases.

26. Events after reporting date

Subsequent to year end, in September 2019 the Group issued a Convertible Note to the value of \$3,500,000. The coupon on the note is 13.5% pa paid monthly and the term of the note is three years. Transaction fees were \$27,436 providing a net cash financing injection of \$3,472,564. These will convert to equity on either an IPO or exit event, if these do not occur before the end of the three years, the noteholder can choose to convert to equity or redeem the note. This same choice applies, is there is a capital raising of more than \$20m before the end of the term. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

27. Dividends

During the year ended 30 June 2019 no dividends were declared or paid (2018: Nil).

28. Franking Credits

As at 30 June 2019 there were no franking credits available to the company (2018: Nil).

29. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.

	Country of Incorporation	Equity Holding	
		2019 (%)	2018 (%)
hipages Group Pty Ltd	Australia	100	100
hipages.com.au Pty Ltd	Australia	100	100
Natural Therapy Pages Pty Ltd	Australia	100	100
Pet Pages Pty Ltd	Australia	100	100
UK Pages Pty Ltd	Australia	100	100
NZ Pages Pty Ltd	Australia	100	100
Alternative Health Business Solutions Pty Ltd	Australia	100	100
Home Improvement Pages Pty Ltd	Australia	100	100
hipay Pty Ltd	Australia	100	100
hipages ESP Pty Ltd	Australia	100	100
Start Local Pty Limited	Australia	100	100
hipages Personnel Pty Limited	Australia	100	100
hipages Philippines Pty Limited	Australia	100	100
Personnel Pty Ltd Philippines ROHQ	Philippines	100	100

30. Parent entity financial information

Summary financial information - The individual financial statements for the parent entity show the following aggregate amounts:

	2019 (\$)	2018 (\$)
<i>Balance sheet</i>		
Current assets	14,976,220	22,252,358
Total assets	25,115,068	26,982,972
Current liabilities	9,921,739	7,477,687
Total liabilities	19,732,301	9,983,336
Net assets	5,382,767	16,999,636
<i>Shareholders equity</i>		
Issued capital	47,985,532	46,443,502
Reserves	3,600,843	3,217,219
Retained earnings	(46,203,608)	(32,661,085)
Total Equity	5,382,767	16,999,636
Loss for the period	(2,341,245)	(5,551,410)
Total comprehensive income	-	-

31. Related Party Transactions

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.

(a) Parent entity

The Group is controlled by hipages Group Pty Limited with no single shareholder achieving control over that entity.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 29.

(c) Key management personnel compensation

	2019 (\$)	2018 (\$)
Short-term employee benefits	1,098,150	1,280,556
Post employment benefits	82,419	79,550
Long term benefits	76,518	17,058
Termination benefits	494,917	-
Share based payments	146,705	59,731
	1,898,709	1,436,895

(d) Transactions with other related parties

The following transactions occurred with other related parties:

	2019 (\$)	2018 (\$)
Provision of services to related parties	5,018	-
Services received from related parties	4,208,268	2,174,155

(e) Outstanding balances arising from related party transactions

	2019 (\$)	2018 (\$)
Balance of prepaid advertising services to be received from related parties	2,751,800	6,960,068

32. Company details

The registered office of the Company is:

hipages Group Pty Limited
Level 10, 255 Pitt Street
SYDNEY NSW 2000

The principal place of business is:

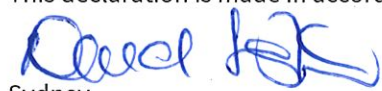
hipages Group Pty Limited
Level 10, 255 Pitt Street
SYDNEY NSW 2000

Directors' declaration

The Directors of the Company declare that:

- (a) The consolidated financial statements and notes set out on pages 11 to 35 are in accordance with the Corporations Act 2001, including:
 - i. complying with Accounting Standards - Reduced Disclosure Requirements and other mandatory professional reporting requirements and the Corporations Regulations 2001; and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in blue ink, appearing to read 'David H. H.', is written over the printed name 'David H. H.'.

Sydney

27 September 2019



Independent auditor's report

To the members of hipages Group Pty Limited

Our opinion

In our opinion:

The accompanying financial report of hipages Group Pty Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

PricewaterhouseCoopers, ABN 52 780 433 757

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Horlin

Susan Horlin
Partner

Sydney
27 September 2019