



empowering and enabling global logistics

**ASX Announcement: 2020/40**

19 August 2020

### **WTC FY20 Appendix 4E and financial report**

Attached is the Appendix 4E and financial report for the year ended 30 June 2020.

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Authorised for release to ASX by David Rippon, Corporate Governance Executive and Company Secretary.

#### **About WiseTech Global**

WiseTech Global is a leading developer and provider of software solutions to the logistics execution industry globally. Our customers include over 17,000 of the world's logistics companies across 160 countries, including 42 of the top 50 global third-party logistics providers and 25 of the 25 largest global freight forwarders worldwide<sup>1</sup>. Our flagship platform, CargoWise, forms an integral link in the global supply chain and executes over 60 billion data transactions annually.

Our mission is to change the world by creating breakthrough products that empower those that own, enable and operate the supply chains of the world. We strive to create products that are renowned for their productivity, functional depth, data integration, regulatory compliance, global capability and value.

At WiseTech, we are relentless about innovation, adding over 3,900 product enhancements to our global platform in the past five years while bringing meaningful continual improvement to the world's supply chains. Our breakthrough software solutions are renowned for their powerful productivity, extensive functionality, comprehensive integration, deep compliance capabilities, and truly global reach.

For more information about WiseTech Global or CargoWise, please visit [wisetechglobal.com](https://www.wisetechglobal.com) and [cargowise.com](https://www.cargowise.com)

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<sup>1</sup> Armstrong & Associates: Top 50 Global Third-Party Logistics Providers List, ranked by 2019 logistics gross revenue/turnover. Armstrong & Associates: Top 25 Global Freight Forwarders List, ranked by 2019 logistics gross revenue/turnover and freight forwarding volumes.

# APPENDIX 4E

## WiseTech Global Limited For the year ended 30 June 2020

### Results for announcement to the market

For the year ended 30 June (\$M)		2020	2019
Revenue from ordinary activities	Up 23.30% to	429.4	348.3
Profit from ordinary activities after tax attributable to members	Up 197.06% to	160.8	54.1
Net profit for the period attributable to members	Up 197.06% to	160.8	54.1
Earnings per share (cents)	Up 184.66% to	50.3	17.7

Dividends – Ordinary shares	Amount per security	Franked amount per security	Record date	Payment date
FY20 interim dividend	1.70 cents	1.70 cents	9 March 2020	3 April 2020
FY20 final dividend	1.60 cents	1.60 cents	7 September 2020	2 October 2020

### Dividend reinvestment plan

WiseTech has a dividend reinvestment plan ("DRP") under which eligible shareholders can reinvest all or part of any dividends to acquire additional WiseTech shares. The price of the shares under the DRP will be the average of the daily volume weighted average price per share of all shares sold in the ordinary course of trading on the Australian Securities Exchange ("ASX") for the five trading days from 9 September 2020 to 15 September 2020, rounded to the nearest cent. The last date for receipt of election notices from shareholders wanting to commence, cease or vary their participation in the DRP for the FY20 final dividend is by 5pm (Sydney time) on 8 September 2020.

### Net tangible asset ("NTA") backing<sup>1</sup>

As at 30 June	2020	2019
NTA (\$M)	118.4	(17.1)
Number of shares (million)	323.3	318.2
NTA per share (cents)	37	(5)

1. The right-of-use assets and related lease liabilities under AASB 16 Leases are included in the NTA calculations above.

### Audit

This report is based on the Consolidated financial statements for the year ended 30 June 2020 which have been audited.

# WiseTech Global Limited

## FY20 Financial Report

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# Operating and Financial Review

## For the year ended 30 June 2020

### Review of operations

#### Principal activities

We are a leading provider of software solutions to the logistics industry globally. We develop, sell and implement software solutions that enable logistics service providers to facilitate the movement and storage of goods and information, domestically and internationally. We provide our solutions to over 17,000 customers across 160 countries.

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

Our customers range from small and mid-sized domestic and regional logistics providers to large multi-national and global logistics providers, including all of the top 25 global freight forwarders and 42 of the top 50 global third party logistics providers (3PLs)<sup>1</sup>. Our software solutions are designed to assist our customers to better address the complexities of the logistics industry. Our flagship solution, CargoWise can dramatically increase productivity, reduce costs and mitigate risks and is delivered as a single, global, highly integrated software platform.

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

In addition to the strong organic growth from our existing CargoWise platform, since the beginning of FY20, we have completed the acquisition of five additional software businesses – either spanning new geographies focusing primarily on customs or new adjacencies with the potential to grow to global capacity. These acquisitions are at various stages of integration and, once fully integrated, they will expand the functionality, scope and value of our industry-leading technology to provide a strong base to further accelerate our growth.

We have now secured a strong foundation for future technology development and geographic expansion, with 40 product development centres worldwide and our people in more than 55 offices across Australia, Argentina, Belgium, Brazil, Canada, Chile, China, Finland, France, Germany, Ireland, Italy, Japan, Malaysia, the Netherlands, New Zealand, Norway, Poland, the Philippines, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Turkey, the United Arab Emirates, the United Kingdom, the United States and Uruguay.

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<sup>1</sup>Armstrong & Associates: Top 50 Global Third Party Logistics Providers List ranked by 2019 logistics gross revenue/turnover. Armstrong & Associates: Top 25 Global Freight Forwarders List ranked by 2019 logistics gross revenue/turnover and freight forwarding volumes.

## Summary of statutory financial performance

During the year to 30 June 2020, despite the impact of COVID-19 on industry volumes and deferred product rollout, we delivered significant revenue growth driven by continued strong organic growth across our global business as we increased market penetration, customer usage and increased adoption of our technology. We continued our significant investment in innovation and development, expanding our global footprint and securing strategic assets in new geographies and adjacent technologies which together will accelerate our future growth.

**Revenue for FY20 increased 23% to \$429.4m** (FY19: \$348.3)

**Operating profit increased \$0.3m to \$80.5m** (FY19: \$80.2m)

**Net profit after tax increased 197% to \$160.8m** (FY19: \$54.1m)

**NPATA<sup>2</sup> increased 3% to \$64.6m** (FY19: \$63.0m)

**Basic earnings per share increased 185% to 50.3 cents** (FY19: 17.7 cents)

## Summary financial results<sup>1</sup>

	FY20 \$m	FY19 \$m	Change \$m	Change %
Recurring On-Demand revenue	309.2	249.8	59.4	24%
Recurring One-Time-Licence ("OTL") maintenance revenue	72.8	57.8	15.0	26%
OTL and support services	47.4	40.7	6.7	17%
<b>Total revenue</b>	<b>429.4</b>	<b>348.3</b>	<b>81.1</b>	<b>23%</b>
Cost of revenues	(83.5)	(66.7)	(16.8)	25%
<b>Gross profit</b>	<b>345.9</b>	<b>281.6</b>	<b>64.3</b>	<b>23%</b>
Product design and development <sup>2</sup>	(115.4)	(84.2)	(31.2)	37%
Sales and marketing	(62.3)	(47.7)	(14.6)	31%
General and administration	(87.7)	(69.5)	(18.2)	26%
<b>Total operating expenses</b>	<b>(265.4)</b>	<b>(201.3)</b>	<b>(64.1)</b>	<b>32%</b>
<b>Operating profit</b>	<b>80.5</b>	<b>80.2</b>	<b>0.3</b>	-
Net finance costs	(9.8)	(5.4)	(4.4)	81%
Fair value gain on contingent consideration	111.0	1.6	109.4	n.a.
<b>Profit before income tax</b>	<b>181.8</b>	<b>76.4</b>	<b>105.4</b>	<b>138%</b>
Tax expense	(21.0)	(22.3)	1.3	(6)%
<b>Net profit after tax</b>	<b>160.8</b>	<b>54.1</b>	<b>106.7</b>	<b>197%</b>
<b>Net profit after tax attributable to:</b>				
Equity holders of the parent	160.8	54.1	106.7	197%
Non-controlling interests	-	-	-	n.a.
<b>Net profit after tax</b>	<b>160.8</b>	<b>54.1</b>	<b>106.7</b>	<b>197%</b>
<b>Key financial metrics</b>	<b>FY20</b>	<b>FY19</b>	<b>Change</b>	<b>FY20<sup>5</sup></b>
Recurring revenue %	89%	88%	1pp	97%
Gross profit margin %	81%	81%	-	91%
Product design and development as % total revenue <sup>2</sup>	27%	24%	3pp	19%
Sales and marketing as % total revenue	15%	14%	1pp	12%
General and administration as % total revenue	20%	20%	-	21%
Capitalised development investment (\$m) <sup>3</sup>	74.2	46.9	27.3	56.3
R&D as a % of total revenue <sup>4</sup>	37%	32%	5pp	34%

1. Differences in tables are due to rounding.

2. Product design and development includes \$30.5m (FY19: \$18.1m) depreciation and amortisation but excludes capitalised development investment.

3. Includes patents and purchased external software licences used in our products.

4. R&D is total investment in product design and development expense, excluding depreciation and amortisation, but including capitalised development investment.

5. Excluding acquisitions; acquisitions are those businesses acquired since 2012 and not embedded into the CargoWise platform.

<sup>2</sup>NPATA – net profit after tax attributable to equity holders of the parent before: acquired amortisation net of tax, contingent consideration interest unwind net of tax, and fair value changes on contingent consideration. NPATA is a non-statutory measure and is a primary measure used by the Chief Operating Decision Maker (CODM) for the purpose of assessing the Group's performance.

## Revenue

Total revenue grew 23% to \$429.4m (FY19: \$348.3m). Increased revenue growth came from:

- increased transaction and user growth within the existing CargoWise customer base;
- new CargoWise customers won in the period and growth from customers won in FY19 and FY18;
- growth in revenue from paid product enhancements from large customers; and
- growth in revenue from strategic assets (primarily the full year impact of FY19 acquisitions).

*Revenues from our existing and new CargoWise customers* increased by \$43.4m, a 20% growth on FY19 with \$31.0m (FY19: \$46.8m) from existing customers and \$12.4m (FY19: \$7.7m) from new customers. Growth predominantly reflected increased usage of the CargoWise platform by existing customers adding transactions, seats and new sites, utilising additional modules, use of new products and features and growth from industry consolidation. The impact of COVID-19 disruptions on industry volumes and necessary deferment of some new products planned for 2H20, was partially offset by further on-boarding of new users, deeper penetration with large customers, increasing paid product enhancements and increased platform adoption.

During 2H20 we delivered an increase in paid product enhancement revenue as large customers paid for technology developments in the pipeline to be accelerated – ensuring earlier delivery of technology enhancements for their use. Over time these paid product enhancements are deployed across the global platform and available to all customers, which drives future recurring revenue growth. We expect this customer-led paid product enhancements demand to continue to grow.

Existing and new CargoWise customer revenue growth included \$11.4m of favourable foreign exchange movements (FY19: \$9.2m of favourable foreign exchange movements).

In FY20, revenue growth for CargoWise was achieved across all existing customer cohorts (from FY06 through to FY20).

*Revenue from customers on acquired platforms* increased by \$37.8m, driven by the \$27.6m full period impact of acquisitions completed in FY19 and \$10.3m increase related to five acquisitions completed in FY20. Revenue from acquired platforms included \$0.6m of favourable foreign exchange movements.

We buy strategic assets in the form of software companies and specialist technology teams. These bring additional skills, increase speed to market and access to intellectual property (IP) to converge with our own technology. Smaller, targeted acquisitions are a risk reduction and global expansion strategy. These provide safer, faster, stronger entry into new key markets along with talented industry experts and developers, local management, local infrastructure and relevant customer bases. Over time, we utilise these assets to expand the reach of CargoWise geographically and build globally scalable adjacencies. These assets tend to have higher levels of one time licence (OTL) and/or support services revenue and the revenues may be flat or reduce as we transition the businesses over time to our commercial model.

*Revenue from OTL and support services* rose to \$47.4m (FY19: \$40.7m), reflecting the contribution from acquired businesses as they typically have higher proportions of OTL or consulting revenue.

*Recurring revenue* 97% of our CargoWise revenue is recurring revenue. The change from 99% in prior year reflected the increase in paid product enhancement revenue from large customers paying for technology development to be accelerated for their use. This is classified as non-recurring revenue. Recurring revenue for the Group increased from 88% in FY19 to 89% in FY20 reflecting lower levels of non-recurring professional services in the acquired businesses.

*Customer attrition* The attrition rate for the CargoWise platform continued to be extremely low, at

under 1%, as it had been for the previous eight years since we started measuring<sup>3</sup>. Our customers stay and grow their transaction usage due to the productivity of our platform.

*Licensing and transition* All new CargoWise customers use our transaction-based Seat Plus Transaction Licensing (“STL”) revenue model. In FY20 we significantly progressed the conversion of all CargoWise customers on the historical OTL and Module User Licence (“MUL”) models to STL. Over time, we will transition the licence models of our acquired businesses.

Overall, including acquisitions, the percentage of On-Demand licence model revenue is 72% of total revenue (FY19: 72%), reflecting the higher levels of OTL and support services revenue in acquisitions compared to our CargoWise platform.

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

## Gross profit and gross profit margin

Gross profit increased by \$64.3m, up 23%, to \$345.9m (FY19: \$281.6m). Gross profit growth was mainly driven by organic revenue growth and the full period impact of the FY19 acquisitions.

Gross profit margin remained steady at 81% (FY19: 81%), reflecting the power and efficiency of the CargoWise platform, even with the impact of over 40 lower margin acquisitions and COVID-19. During FY20 CargoWise gross profit margin rose to 91% (FY19: 89%). The acquired businesses have, on average, higher product and service support costs and lower cost leverage due to their smaller size and commercial/licence model maturity, which means they typically have a lower gross profit margin than CargoWise. For each business acquired, we expect the dilutive impact of their existing gross profit margin to reduce over time as they evolve to our more efficient commercial model and as they integrate with or convert onto the CargoWise platform. The transition of acquired businesses occurs over multiple years.

## Operating expenses

*Total research and development investment* In FY20 we continued our significant investment in product innovation to further develop our software platform and to build our innovation pipeline. Our research and development investment for the year was \$159.1m (FY19: \$113.0m), reflecting 37% of total revenue (FY19: 32%). With our research and development investment we delivered over 1,100 product upgrades to our CargoWise platform in FY20, further improving the scalability, functionality, productivity and performance, and also building out more technology assets across our businesses utilising our 40 product development centres worldwide.

*Product design and development expense* increased by 37% to \$115.4m (FY19: \$84.2m), reflecting:

- our significant ongoing and accelerated investment in the development and maintenance of CargoWise;
- increased investment in expanding and retaining our skilled development workforce;
- increased amortisation, primarily due to continued capitalised development investment, the full-year impact of FY19 and newly commercialised products including GLOW; and
- \$17.7m increase in FY20 for acquired businesses which typically have relatively higher levels of maintenance and support costs.

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<sup>3</sup>Annual attrition rate is a customer attrition measurement relating to the CargoWise platform (excluding any customers on acquired platforms). A customer's users are included in the customer attrition calculation upon leaving i.e. having not used the product for at least four months.

*Capitalised development investment* rose significantly, up 58% to \$74.2m (FY19: \$46.9m) reflecting increased commercialisable technology assets from product developments focused on extending CargoWise functionality, building out our global customs capability (including native customs builds in Asia, Europe and LATAM), international logistics, international ecommerce and acquisition product integrations. Costs related to development activity that is not commercialisable and maintenance costs are expensed.

*Sales and marketing expense* During FY20, we invested 15% of revenue (FY19: 14%) or \$62.3m (FY19: \$47.7m) in sales and marketing. The increase reflects \$7.6m from acquisitions (mostly driven by the full period impact of FY19 acquisitions). The remainder of the spend relates to investments to support CargoWise's geographic expansion, multi-lingual capabilities and growth into new technologies.

*General and administration expense* We increased our investment in supporting and growing our business globally to \$87.7m (FY19: \$69.5m), representing 20% of total revenue (FY19: 20%). The increase was driven by:

- the full period impact of FY19 acquisitions and costs from newly acquired businesses in FY20 with their own general and administration costs;
- costs of key management teams, including Founder MDs, for almost all of the strategic assets acquired; and
- headcount additions in finance, people, administration and IT to support the expansion of our global operations in addition to increase in global compliance and corporate governance costs (such as increased D&O Insurance premiums).

Our G&A expense, excluding M&A costs, was 19% of revenue in FY20.

The Group applied AASB 16 Leases from 1 July 2019. Refer to Note 3 in the Financial Statements for further information.

Throughout FY20 we did not receive any material benefit from any COVID-19 government support programs globally.

## Net finance income

*Fair value gain on contingent consideration* This reflects the impact of contingent consideration liability reassessment in 1H20 and the renegotiated earnout arrangements completed in May and July 2020. In FY20, these arrangements resulted in a reduction of the contingent consideration liability and a corresponding fair value gain of \$111.0m (FY19: \$1.6m).

*Other net finance costs* Net finance costs in FY20 of \$9.8m (FY19: \$5.4m) included \$10.0m of non-cash interest unwind on contingent consideration of which \$4.1m (\$2.9m net of tax) relates to the closeout of earnouts relating to 22 acquisitions as disclosed by the Company in May and July 2020. Finance income of \$3.1m (FY19: \$1.9m) reflected interest received on cash reserves.

## Cash flow

We continued to generate positive operating cash flows, with \$146.3m of operating cash flow, up 16% on FY19. FY20 net cash flows from operating activities were \$129.9m (FY19: \$112.5m). Investing activities in long-term assets to fund future growth included:

- \$57.0m in new acquisitions as well as contingent payments for acquisitions made in prior years (FY19: \$237.2m);
- \$70.4m in intangible assets as we further developed and expanded our commercialisable technology, resulting in capitalised development investment for both commercialised products and



- those yet to be launched (FY19: \$43.8m); and
- \$20.1m in assets mostly related to spend on data centres and IT infrastructure to enhance the scalability and reliability of our platform, increase capacity for future growth and for upgrades to our facilities (FY19: \$6.6m).

Dividends of \$11.1m (FY19: \$9.0m) were paid in cash during FY20, with shareholders choosing to reinvest an additional \$0.5m of their dividends via the dividend reinvestment plan.

Our closing cash balance of \$223.7m at 30 June 2020 provides significant liquidity and ability to fund our strategic growth opportunities.

## FY20 strategic highlights

We are focused on our long term vision of delivering the operating system to drive efficiency and digital transformation in global logistics, and throughout FY20 we have continued investing to expand our technology and operations globally. We are extending the reach of the global CargoWise integrated platform, expanding technology to increase market penetration and new addressable markets, growing our commercial foundation to new geographies, investing in transforming our content architectures, channels and brand while also growing our R&D capacity.

- Overall, 42 of the top 50 global 3PLs<sup>4</sup> are now WiseTech Global customers, as are all of the top 25 Global Freight Forwarders<sup>5</sup> with 23 of those on CargoWise, yet global penetration is still in the early stage with significant growth runway for years to come. Additionally, of the top 25 Global Freight Forwarders, 10 have either rolled out or are currently in the process of global rollouts on CargoWise with current rollouts for DHL Global Forwarding and DSV/Panalpina progressing well. Recent multi-year contract signings include freight forwarding and customs global rollout UAE-based Aramex International (35 countries), Seafrigo Group (12 countries) and top-25 global forwarder Hellmann Worldwide (42 countries).
- Throughout FY20 we continued our extensive product development program, investing \$159.1m and 51% of our people in product development delivering over 1,100 product upgrades (up 32% on FY19) and enhancements to the CargoWise platform. We also progressed innovations in Australasia, Brazil, China, Taiwan, Europe, and the United States and across our global adjacencies including global rates management, border compliance, transport management solutions and landside logistics. We invested resources into machine learning, natural language processing, process automation and guided decision support, driven by vast volumes of transactional and global data sets to enable enhanced compliance, due diligence, risk assessment and risk mitigation.
- We invested over \$60m in sales and marketing, continuing to drive adoption of our technologies while also investing in our global re-brand of WiseTech and CargoWise along with expansion of our content and digital delivery platforms.
- Throughout FY20 we progressed the integration of our strategic acquisition assets. These businesses are performing to our expectations through various stages of operational integration, product and technology development, and reshaping their commercial foundation, while managing their day-to-day operations. In 2H20, we worked collaboratively with 22 of our acquisitions to close out or restructure earnouts, with equity replacing cash payments to provide the Company additional liquidity. This action will allow us now to better align resources into the core, ensure prioritisation of our CargoWise technology development and facilitate future actions to drive group efficiency.

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<sup>4</sup> Armstrong & Associates: Top 50 Global Third Party Logistics Providers List, ranked by 2019 logistics gross revenue/turnover.

<sup>5</sup> Armstrong & Associates: Top 25 Global Freight Forwarders List, ranked by 2019 logistics gross revenue/turnover and freight forwarding volumes.

- In FY20 we completed a further five valuable geographic and adjacent acquisitions across North America, South Korea, Poland and Switzerland covering customs, machine learning and container yard and terminal management. Having completed over 40 acquisitions in recent years, we have now assembled the significant resources and development capability to fuel our CargoWise technology pipeline and therefore we intend to slow our pace of acquisitions for the near term.

## Post balance date events

Since period end, the Directors have declared a fully-franked final dividend of 1.60 cents per share, payable on 2 October 2020. The dividend will be recognised in subsequent period financial statements.

## Outlook for 2021

The impacts of COVID-19 are continuing to evolve with the situation remaining fluid. Whilst there has been a marked short-term recovery as economies reopen, considerable uncertainty remains given recent COVID outbreaks and the ongoing risk of a second wave. There is also prevailing uncertainty in relation to sovereign risk and geopolitical risk.

WiseTech provides the following guidance on the basis that market conditions do not materially change, noting in particular that declines in industrial production and/or global goods trade may adversely impact guidance and vice versa. Based on and subject to the underlying assumptions set out in the WiseTech FY20 Investor Presentation the Company currently anticipates FY21 revenue growth in the range of 9% to 19% (representing revenue of \$470 million – \$510 million) and EBITDA growth of 22% to 42% (representing \$155 million – \$180 million).

# Remuneration Report

This Remuneration Report sets out our approach to remuneration for key management personnel (“KMP”) in accordance with the requirements of section 300A of the *Corporations Act 2001*. The report covers company performance and remuneration outcomes for the period from 1 July 2019 to 30 June 2020. The information provided in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

## Remuneration Committee and governance

The Board is responsible for ensuring that WiseTech’s remuneration strategy and framework support the Group’s performance and that executives and Non-Executive Directors are rewarded fairly and responsibly with regard to legal and corporate governance requirements. The Remuneration Committee oversees remuneration matters and, where appropriate, makes recommendations to the Board. The Committee comprises three independent Non-Executive Directors: Teresa Engelhard (Chair), Charles Gibbon and Michael Gregg. Further information on the Committee’s responsibilities is set out in the Remuneration Committee Charter available at: <http://ir.wisetechglobal.com/investors/?page=corporate-governance>

## Annual remuneration review

The Remuneration Committee and the Board review remuneration annually to ensure there is an appropriate balance between fixed and at-risk pay and that it reflects both short and long-term performance objectives linked to WiseTech’s strategy.

## Independent remuneration consultants

WiseTech Global has protocols in place to ensure that any external advice is provided in an appropriate manner and is free from undue influence of management. To inform remuneration policy reviews, during FY20, the Remuneration Committee engaged Ernst & Young to advise on market practices. For the purposes of section 206L of the *Corporations Act 2001*, Ernst & Young did not provide remuneration recommendations in relation to KMP.

## Key management personnel

WiseTech’s KMP comprise all Directors and those executives who have specific authority and responsibility for planning, directing and controlling the activities of the Group. In this report, the term “Executive KMP” refers to the KMP excluding Non-Executive Directors.

The KMP for the period from 1 July 2019 to 30 June 2020 were:

<b>Andrew Harrison</b>	Chair and Non-Executive Director
<b>Teresa Engelhard</b>	Non-Executive Director
<b>Charles Gibbon</b>	Non-Executive Director
<b>Michael Gregg</b>	Non-Executive Director
<b>Christine Holman</b>	Non-Executive Director, resigned 18 October 2019
<b>Arlene Tansey</b>	Non-Executive Director, appointed 1 June 2020
<b>Richard White (“RW”)</b>	Executive Director, Founder and Chief Executive Officer (“CEO”)
<b>Maree Isaacs (“MI”)</b>	Executive Director, Co-founder and Head of Invoicing & Licensing
<b>Andrew Cartledge (“AC”)</b>	Chief Financial Officer
<b>Brett Shearer (“BS”)</b>	Chief Technology Officer.

## Our remuneration strategy and framework

WiseTech's future growth and innovation rely on the talent, motivation and enthusiasm of our people across the world. We aim to reward our high-performance global workforce with a remuneration and incentive program aligned to our business strategy, specialised operations, and aspirations for sustained growth.

Our remuneration framework reflects our goals to:

- attract, develop, motivate and retain highly skilled people;
- drive a culture where financial rewards are directly linked to contributions and performance;
- ensure all reward decisions are made free from bias and in a way that supports diversity;
- drive commercially responsible decisions on remuneration; and
- deliver market competitive fixed remuneration across our workforce.

As a priority, we build multi-year deferred equity components into fixed base remuneration across our global workforce to further align employees' interests with those of shareholders, encourage value-creating behaviours and support staff retention within the Group. This equity is granted at the start of the financial year and vests in four equal annual tranches.

During FY20, WiseTech has sought to further increase the proportion of total remuneration that is delivered as a multi-year deferred equity component across our global team members. Where appropriate, deferred equity is also used to deliver a component of sales incentives and for sign-on or retention awards for key team members. Development team bonus pool incentives related to specific innovation achievements that require extra discretionary effort from team members are also delivered as deferred equity.

Our Invest As You Earn equity investment program enables employees to acquire WiseTech shares by investing up to 20% of their post-tax salary with an annual incentive of one free share right for each five shares acquired during the year. The free share rights vest two years after grant. In FY20, approximately 21% of eligible employees across 19 countries have chosen to participate and invest in WiseTech shares via this program.

## Executive performance incentive framework

Our executive team's performance incentive framework is focused on annual financial targets and operational Key Performance Indicators ("KPIs") that are lead measures for key strategic priorities. In any year, our financial and strategic outcomes reflect the successful execution of many prior years' deliverables. Conversely, the operational and strategic actions undertaken this year are expected to deliver shareholder value for many years into the future. Product development deliverables are examples of leading operational KPIs focused on strategic priorities.

To ensure alignment with shareholders' interests, we aim for 100% of performance incentives to be paid in deferred equity (other than for Executive Director, Maree Isaacs, due to the size of her co-founder equity holding). Our view is that this approach: fixed-remuneration equity vesting over four years, combined with performance equity incentives vesting over three years, removes the need for a separate long-term incentive.

## Remuneration outcomes and the link between performance and reward for our people

Component	Structure	Strategic objective/performance link
Fixed annual remuneration	Cash and deferred equity ( <i>Remuneration equity</i> : granted during the financial year with deferred vesting over the following three years)	<p>Total fixed remuneration set at competitive levels to attract and retain talent who can support growth, execute strategy, deliver economic outcomes and build shareholder value</p> <p>Based on:</p> <ul style="list-style-type: none"> <li>• role and responsibility;</li> <li>• capability, competencies and contribution; and</li> <li>• internal and external relativities</li> </ul> <p>Deferred equity fixed remuneration aligns with long-term shareholder interests and supports staff retention</p>
Performance equity incentives	<p>Deferred equity with a one-year performance period and vesting over the following three years</p> <p>Performance measures:</p> <ul style="list-style-type: none"> <li>• financial and operational targets weighted to individual areas of control and key actions with measurable effects; and</li> <li>• development team pool bonuses are related to specific innovation pipeline achievements</li> </ul>	<p>Ensures execution and accountability with actions, direct outcomes and meaningful lead measures that correlate to lag economic outcomes but may have limited fiscal impact on current period financials</p> <p>Longer-term lag outcomes ultimately reflected in growth in revenue, EBITDA and Total Shareholder Return ("TSR")</p> <p>Reflects our focus and strategy</p> <p>Deferred equity ensures strong link with creation of shareholder value, aligns with long-term shareholder interests and supports staff retention</p>
Optional post-tax investment program: Invest As You Earn ("IAYE")	<p>Invest up to 20% of post-tax salary monthly with potential to receive one free share right for every five shares purchased – the share rights have a two-year vesting period</p> <p>Available for all employees (subject to local regulations)</p>	Builds further alignment with long-term shareholder interests
Minimum equity holding requirement	Executive KMP must maintain 100% of fixed remuneration in WiseTech equity (in the form of shares or share rights)	Ensures alignment with long-term shareholder interests

It is expected that, in the event of an employee (including Executive KMP) ceasing employment, unvested share rights (whether related to performance incentives or remuneration equity) will lapse; however, in exceptional circumstances (including genuine retirement), the Board retains discretion to determine that some, or all, of the unvested share rights will not lapse.

### Executive KMP share ownership policy

Executive KMP are required to maintain a minimum WiseTech equity holding equal to 100% of fixed remuneration within five years of appointment. Each Executive KMP satisfied this objective as at 30 June 2020.

## Trading in WiseTech securities

All KMP must comply with WiseTech's Securities Trading Policy, which includes a requirement that Restricted Employees (including non-director Executive KMP) can only trade WiseTech securities during specified trading windows and after obtaining written clearance to trade. The policy prohibits short-term trading of WiseTech securities and the purchase or creation of hedge or derivative arrangements which operate to limit the economic risk of WiseTech securities under employee share plans.

## New share issues

To meet the Company's obligations when share rights vest, the Board prefers the issue of new shares (to a maximum of 1% of issued share capital in any 12-month period) while reserving the right to buy shares on-market and off-market where appropriate. During FY20, 76,122 shares were purchased on-market, at an average price of \$22.92 per share, primarily on behalf of participants in the IAYE program.

## Outcomes for FY20 and the link to WiseTech performance

The tables below summarise the performance of WiseTech shares for the period since our ASX listing in April 2016 and for FY20, and our financial performance for the five years from FY16 to FY20. The information has been considered in conjunction with an assessment of individual performance of senior managers by the CEO, which is reviewed by the Remuneration Committee, when determining Executive KMP remuneration.

Period	Period start	Share price at start of period	Share price 30 June 2020	Change in share price	Change in ASX 200	WTC performance v ASX 200	Dividends paid per share	WTC TSR <sup>2</sup>
Since listing	11 April 2016	\$3.35 <sup>1</sup>	\$19.35	477.6%	19.6%	<b>458.0%</b>	<b>\$0.1005</b>	<b>482.0%</b>
FY20	1 July 2019	\$27.71	\$19.35	-30.2%	-10.9%	<b>-19.3%</b>	<b>\$0.0365</b>	<b>-30.0%</b>

1. IPO offer price.

2. Total shareholder return with dividends reinvested.

	FY16	FY17	FY18	FY19	FY20
Revenue (\$m)	102.8	153.8	221.6	348.3	<b>429.4</b>
Revenue growth	47%	50%	44%	57%	<b>23%</b>
EBITDA (\$m)	15.8	53.9	78.0	108.1	<b>126.7</b>
NPAT <sup>1</sup> (\$m)	2.2	31.9	40.8	54.1	<b>160.8</b>
NPATA <sup>2</sup> (\$m)	3.7	33.6	44.8	63.0	<b>64.6</b>
Earnings per share (cents)	0.8	10.9	13.9	17.7	<b>50.3</b>
Dividends <sup>3</sup> per share (cents)	0.60	2.20	2.70	3.45	<b>3.30</b>
Change in share price during the year <sup>4</sup>	32%	56%	126%	77%	<b>-30%</b>

1. NPAT attributable to equity holders of the parent.

2. NPATA is net profit after tax attributable to equity holders of the parent before acquired amortisation and contingent consideration interest unwind (net of tax) and before contingent consideration fair value changes. NPATA is a non-statutory measure and is a primary measure used for the purpose of assessing the performance of the Group. It is derived from audited financial statements.

3. Dividends declared in respect of the financial year.

4. Percentage change in the closing share price on the last business day in the current year over that on the last business day in the prior year. FY16 share price change is calculated based on the change in the closing price on 30 June 2016 over the IPO offer price of \$3.35.

## Board assessment of WiseTech's FY20 performance against key indicators

In assessing performance in relation to determining equity incentives of Executive KMP, the Board considers the market conditions and short-term performance in the context of WiseTech's longer-term strategy. In FY20, key indicators were impacted by the changed market conditions due to the COVID-19 pandemic which caused a reduction in FY20 financial performance consistent with revised guidance provided to the market on 19 February 2020.

In light of the challenges and extra demands from the COVID-19 crisis, the Board viewed the performance of the executive team and global workforce to be exemplary, in particular the timely and effective efforts to:

- implement remote ways of working;
- implement targeted cost reduction and cash bolstering initiatives including the restructuring of earnouts for acquired entities;
- continue to deliver key product development outcomes and innovations;
- generate customer sales and support the acceleration of global rollouts by large customers; and
- evolve integration and alignment plans with acquired entities.

Notwithstanding the Board's assessment of strong executive performance in the face of the COVID-19 crisis, in order to ensure alignment and shared impact from the lower than planned financial results across shareholders and executives, the Board determined that no stretch (above target) performance bonuses would be awarded across the executive team. For the 13-member senior management team reporting to the CEO, 37% of the total target performance incentive pool was distributed for FY20. For Executive KMP, the specific KPIs and performance assessments which underpin the FY20 performance incentive awards, and the Board's assessment of the performance of the CEO, are detailed below.

Key performance indicator	Performance outcome	Board assessment	Executive KMP
Revenue growth	23% growth in revenue to \$429m vs \$440m to \$460m target	<b>Below target</b>	RW, AC, MI
EBITDA	17% growth in EBITDA to \$127m vs \$145m to \$153m target	<b>Below target</b>	RW, AC, MI
Recurring revenue	24% growth in recurring revenue to \$382m Recurring revenue 97% of CargoWise revenue and 89% of total revenue	<b>Below target</b>	RW, AC, MI
Operational efficiency	Operating expenses control, total operating expenses 62% of total revenue	<b>At target</b>	RW, AC, BS
Product development outcomes	1,100 product enhancements and upgrades delivered during FY20 from a multi-year pipeline of key technologies, and development	<b>Above target</b>	RW, BS
Customer sales and global rollouts	Large customer wins and global rollouts agreed, including deugro, Aramex and Hellmann Worldwide Logistics	<b>Above target</b>	RW
Customer and licence transition	Transition of CargoWise customers to STL, our preferred licence model, effectively completed	<b>At target</b>	RW, MI

Performance against the relevant financial and operational criteria above makes up at least 70% of each Executive's performance incentive opportunity. The remainder relates to strategic outcomes particular to each Executive's role in the organisation as described below:

- Maree Isaacs: contract management, legacy conversion, licensing transition and pricing;
- Andrew Cartledge: integration of acquired businesses, cash flow, and financial risk management; and
- Brett Shearer: global rollout progress, platform scalability, reliability, security, and cyber-risk management.

## Remuneration awarded for FY20

The remuneration awarded to the Executive KMP in relation to performance during FY20 is set out in the table below, including the performance incentives resulting from the assessment of KPI outcomes described above. The table also shows the performance outcome for each Executive KMP as a percentage of target opportunity and of maximum opportunity. Performance incentives outcomes for senior managers, including the Executive KMP, are determined by the CEO with input and review by the Remuneration Committee and approval by the Board.

Equity incentives for Executive KMP are delivered as multi-year deferred equity, with a grant date, post year-end, in August 2020 and vesting in four equal instalments, immediately on grant and then in July

2021, 2022 and 2023. The grant of equity was determined using the market value based on the WiseTech share price at the end of the annual performance period in June 2020.

In FY20, our Founder and CEO, Richard White, was remunerated solely with fixed pay as we believe that his significant equity holdings provide adequate motivation and alignment with those of other shareholders. Co-founder and Executive Director, Maree Isaacs, also owns a significant amount of WiseTech equity, thus her performance incentive is paid in cash.

The timeline for FY20 performance equity incentives is shown below:



#### Remuneration awarded for FY20

	Short-term			Deferred equity				Total potential remuneration	% of target/maximum incentive awarded
	Fixed cash <sup>1</sup>	Cash incentive	Equity incentive	Jul 20	Jul 21	Jul 22	Jul 23		
<b>Richard White</b>	\$1,000,000	-	-	-	-	-	-	\$1,000,000	N/A
<b>Maree Isaacs</b>	\$400,000	\$100,000	-	-	-	-	-	\$500,000	50% / 50%
<b>Andrew Cartledge</b>	\$625,000	-	\$62,500	\$25,000	\$87,500	\$87,500	\$87,500	\$975,000	50% / 30%
<b>Brett Shearer</b>	\$375,000	-	\$50,000	\$37,500	\$87,500	\$87,500	\$87,500	\$725,000	100% / 67%

1. Fixed includes superannuation but excludes any allowances or non-monetary benefits. In particular, the amounts do not include the value related to annual and long service leave entitlements.

Short-term remuneration awarded for FY20 includes any performance incentives paid in cash after the period end and the value of the first tranche of FY20 performance equity incentives which vest immediately on grant in August 2020. Subsequent tranches of FY20 performance incentives, which vest in a further three annual tranches: July 2021 to July 2023, are shown under the 'Deferred equity' heading. Andrew Cartledge and Brett Shearer were awarded total FY20 performance equity incentives of \$250,000 and \$200,000, respectively. Andrew Cartledge and Brett Shearer were awarded fixed remuneration equity of \$100,000 and \$150,000 respectively in FY20, which vest in four equal annual tranches: July 2020 to July 2023. These values are also included under the 'Deferred equity' heading.

The value of the equity incentives in the table reflects face value at the date the grant was determined. The actual value at vesting will depend on the WiseTech share price at the date of vesting. It is expected that, in the event of an Executive KMP ceasing employment, unvested share rights will lapse; however, in exceptional circumstances (including genuine retirement), the Board retains discretion to determine that some, or all, of the unvested share rights will not lapse.



## Actual remuneration received in FY20

	Current year remuneration			Prior years' remuneration	Total	Equity growth	Total including equity growth
	Fixed cash <sup>1</sup>	Cash incentive	Equity incentive	Deferred equity			
<b>Richard White</b>	\$1,000,000	–	–	–	\$1,000,000	–	\$1,000,000
<b>Maree Isaacs</b>	\$400,000	\$100,000	–	–	\$500,000	–	\$400,000
<b>Andrew Cartledge</b>	\$625,000	–	\$62,500	\$295,822	\$983,822	\$437,697	\$1,421,019
<b>Brett Shearer</b>	\$375,000	–	\$50,000	\$169,257	\$594,257	\$234,691	\$828,947

1. Fixed includes superannuation but excludes any allowances or non-monetary benefits. In particular, the amounts do not include the value related to annual and long service leave entitlements.

In this table, Executive KMP remuneration received in FY20 is separated into remuneration received for employment in FY20 and deferred equity incentives from previous years that vested in FY20.

*Current year remuneration* FY20 fixed cash remuneration, plus any FY20 performance incentive payments paid in cash or equity which vested immediately on grant in August 2020.

*Prior years' remuneration* Any deferred equity awards from prior periods that vested during FY20, but excluding the value of any vested equity disclosed as 'current year remuneration' in the corresponding table in the FY19 Remuneration Report.

*Equity growth* The value of the vested equity shown in the table is the face value at date of original award (under the headings *Equity incentive* and *Deferred equity*). *Equity growth* is the value contribution from the change in share price change from award to vesting dates.

For any share rights that do not automatically convert to ordinary shares at vesting but are exercisable at the discretion of the Executive KMP, the values in the table reflect the market value at the vesting date regardless of whether the share rights have been exercised.

Please note the actual remuneration outcomes in the tables above differ from the required statutory disclosures on page 20 which are prepared in accordance with the relevant accounting standards and represent a blend of actual amounts and accounting accruals. We believe that presenting the information above provides shareholders with greater clarity and transparency of Executive KMP remuneration.

### Vesting of previous performance equity incentives

Vesting of deferred equity components of Executive KMP performance incentives each year is subject to consideration by the Board. The Board assessed the longer-term impacts of the historical operational performance on the business along with TSR relative to the ASX 200 accumulated index and determined that the relevant tranches of FY18 and FY19 performance equity incentives be vested fully in July 2020.

## FY21 remuneration

The Board considers that the existing remuneration approach and framework is working effectively. As such, no substantive changes are planned for FY21.

The timelines for FY21 fixed remuneration equity and performance equity incentives are shown below:

### Remuneration equity



### Performance equity incentives



### Executive Directors

Our Executive Directors, Richard White and Maree Isaacs, as co-founders of WiseTech Global, each have significant equity interests and, as such, their motivations and interests are firmly aligned with those of our other shareholders. Therefore, their FY21 remuneration will contain no deferred equity components.

Founder and CEO, Richard White, will continue to receive fixed remuneration of \$1 million per annum in FY21. Co-founder and Head of Invoicing & Licensing, Maree Isaacs, will receive fixed remuneration of \$400,000 per annum and a performance incentive opportunity of up to 50% of fixed remuneration annually, based on achievement of multi-year strategic goals related to operational delivery on contract management, legacy conversion and pricing. In view of Maree Isaacs' significant existing ownership of WiseTech equity, the Board determined this performance incentive will be cash-based.

### Non-director Executive KMP

Our non-director Executive KMP remuneration structure features:

- *fixed remuneration consisting of cash base salary, superannuation and remuneration equity.* The combination of cash and deferred equity to comprise fixed remuneration is designed to encourage long-term sustainable decision-making and alignment of interests with those of shareholders. The remuneration equity is priced at the start of the financial year and vests in four equal tranches in July 2021, 2022, 2023 and 2024; and
- *a target performance equity incentive opportunity set as a percentage of fixed remuneration for target high performance.* Performance criteria will include company financial outcomes and

achievement of strategic goals and project outcomes related to each Executive KMP's role. For non-director Executive KMP, the performance incentives will be in the form of deferred equity over three years, normally delivered as share rights with vesting after the end of the performance period in four equal tranches: immediately on grant in August 2021, July 2022, July 2023 and 2024. Prior to any vesting in a given year, the Board considers relative TSR compared to the ASX 200 accumulated index and retains the discretion to cancel the vesting of that tranche. The grant of equity will be determined using the market value based on the WiseTech share price at the end of the annual performance period in June 2021.

### Executive KMP FY21 remuneration

	Founder and CEO Richard White	Co-founder and Head of Invoicing & Licensing Maree Isaacs	Chief Financial Officer Andrew Cartledge	Chief Technology Officer Brett Shearer
Fixed remuneration – cash	\$1,000,000	\$400,000	\$625,000	\$475,000
Fixed remuneration – remuneration equity	–	–	\$100,000	\$150,000
Total fixed remuneration	\$1,000,000	\$400,000	\$725,000	\$625,000
Target performance incentives (% of fixed remuneration)	N/A	50%	69%	32%
Maximum performance incentives (% of fixed remuneration)	N/A	50%	103%	48%
Form of performance incentives	N/A	Taking into account Maree Isaacs' significant equity holding, incentive will be in cash	3-year deferred equity	3-year deferred equity
Performance criteria applicable to performance incentives	<ul style="list-style-type: none"> <li>at least 70% financial, operational and strategic lead targets, including measures such as revenue growth, EBITDA, operational efficiency, product development outcomes; customer sales and global rollouts; and</li> <li>up to 30% for individual outcomes, as selectively applied to individual roles with incentive outcomes, determined by the CEO with approval by the Board</li> </ul>			

As in prior years, for any individual Executive KMP, the Board, on the recommendation of the CEO, may use discretion to grant an additional reward for substantial outperformance (maximum), usually capped at an additional 50% of target.

## Overview of Non-Executive Director remuneration

The Board sets Non-Executive Director remuneration at a level that enables the Group to attract and retain Directors with an appropriate mix of skills and experience. The remuneration of the Non-Executive Directors is determined by the Board on recommendation from the Remuneration Committee within a maximum annual fee pool.

Non-Executive Directors receive a base fee inclusive of statutory superannuation contributions. Non-Executive Directors do not receive any performance-based remuneration.

## Non-Executive Director fee pool and structure

The maximum amount of fees than can be paid to Non-Executive Directors is capped by a pool approved by shareholders. The current fee pool is \$1,500,000 per annum, approved by shareholders at the 2018 Annual General Meeting.

Market practice and survey data are considered when determining the appropriate level of fee for Board members. The table below outlines the Board and committee fees effective for FY20 and FY21. During

FY20, the presentation of the fees was amended to be inclusive of superannuation. The Board has determined to not increase fees for FY21.

	Chair fee	Member fee
<b>Board</b>	<b>\$271,003</b>	<b>\$164,250</b>
<b>Audit Committee</b>	<b>\$21,900</b>	<b>\$10,950</b>
<b>Nomination Committee</b>	<b>\$10,950</b>	<b>–</b>
<b>Related Party Committee</b>	<b>–</b>	<b>–</b>
<b>Remuneration Committee</b>	<b>\$10,950</b>	<b>–</b>

## Non-Executive Director remuneration and equity holdings

The following tables detail Non-Executive Directors' remuneration in respect of FY20 and the prior period, together with details of WiseTech Global Limited ordinary shares held directly, indirectly or beneficially by each Non-Executive Director and their related parties:

		Board and committee fees	Superannuation	Total
<b>Andrew Harrison</b>	<b>FY20</b>	<b>\$260,475</b>	<b>\$21,003</b>	<b>\$281,478</b>
	FY19	\$239,577	\$19,436	\$259,013
<b>Teresa Engelhard</b>	<b>FY20</b>	<b>\$170,000</b>	<b>\$16,150</b>	<b>\$186,150</b>
	FY19	\$172,962	\$16,431	\$189,393
<b>Charles Gibbon</b>	<b>FY20</b>	<b>\$160,000</b>	<b>\$15,200</b>	<b>\$175,200</b>
	FY19	\$182,692	\$16,314	\$199,006
<b>Michael Gregg</b>	<b>FY20</b>	<b>\$163,768</b>	<b>\$15,558</b>	<b>\$179,326</b>
	FY19	\$165,000	\$15,675	\$180,675
<b>Christine Holman<sup>1</sup></b>	<b>FY20</b>	<b>\$56,667</b>	<b>\$5,383</b>	<b>\$62,050</b>
	FY19	\$92,500	\$8,787	\$101,288
<b>Arlene Tansey<sup>2</sup></b>	<b>FY20</b>	<b>\$12,500</b>	<b>\$1,188</b>	<b>\$13,688</b>
	FY19	–	–	–
<b>Total</b>	<b>FY20</b>	<b>\$823,410</b>	<b>\$74,481</b>	<b>\$897,891</b>
	FY19	\$852,731	\$76,643	\$929,374

1. Christine Holman resigned on 18 October 2019.

2. Arlene Tansey was appointed on 1 June 2020.

	Shares held on 30 June 2019 <sup>1</sup>	Shares acquired	Shares disposed	Shares held on 30 June 2020 <sup>2,3</sup>
Andrew Harrison	40,567	–	–	40,567
Teresa Engelhard	42,894	–	–	42,894
Charles Gibbon	17,349,014	–	–	17,349,014
Michael Gregg	13,850,738	14,104	–	13,864,842
Christine Holman	5,717	3,000	–	8,717
Arlene Tansey	–	1,000	–	1,000

1. Or date of appointment, if later. Arlene Tansey was appointed on 1 June 2020.

2. Or date of resignation, if earlier. Christine Holman resigned on 18 October 2019.

3. Number of shares held on 30 June 2020 and at the date of this report for current Non-Executive Directors.

## Non-Executive Director KMP share ownership policy

The Board has established a policy that each Non-Executive Director should accumulate and hold WiseTech shares equivalent to the value of their base Director's fees within three years of their appointment to the Board. Each Non-Executive Director satisfied this objective as at 30 June 2020, other than Arlene Tansey, who was appointed to the Board effective 1 June 2020.

## Related party transactions

During FY20, the Group was party to ongoing arrangements with entities associated with Executive Director, Founder and CEO, Richard White. These transactions were negotiated and agreed on normal terms and conditions no more favourable than those it is reasonable to expect the entity would have adopted if dealing with an unrelated person at arm's length. Further details of these arrangements are disclosed in note 22 to the financial statements included in this annual report.

## Key terms of Executive KMP employment contracts

The following table outlines the key terms of the Executives' employment contracts as at the date of this report:

	Richard White	Maree Isaacs	Andrew Cartledge	Brett Shearer
<b>Commencement date</b>	15 April 2019	1 July 2017	7 September 2015	1 April 2018
<b>Notice period</b>	12 months	3 months	6 months	3 months

The employment contracts do not contain contractual termination benefits.

## Executive KMP equity ownership

The following tables provide details of ordinary shares and share rights (being rights to acquire ordinary shares) held in WiseTech Global Limited directly, indirectly or beneficially by each Executive KMP and their related parties:

	Shares held on 30 June 2019 <sup>1</sup>	Shares acquired as part of remuneration <sup>1</sup>	Other shares acquired	Shares disposed	Shares held on 30 June 2020
<b>Richard White</b>	142,501,537	–	–	(2,452,364)	<b>140,049,173<sup>2</sup></b>
<b>Maree Isaacs</b>	11,642,252	–	–	(218,087)	<b>11,424,165<sup>2</sup></b>
<b>Andrew Cartledge</b>	235,340	25,396	60	(77,005)	<b>183,791</b>
<b>Brett Shearer</b>	490,066	25,814	–	(35,998)	<b>479,882</b>

1. Shares acquired from vesting or exercise of share rights granted as part of remuneration.

2. Number of shares held on 30 June 2020 and as at the date of this report.

	Share rights held on 30 June 2019	Awarded	Vested and converted or exercised	Lapsed	Share rights held on 30 June 2020	Including share rights vested but not yet exercised <sup>1</sup>
<b>Richard White<sup>2</sup></b>	–	–	–	–	–	–
<b>Maree Isaacs<sup>2</sup></b>	–	–	–	–	–	–
<b>Andrew Cartledge</b>	40,398	28,880	(25,396)	–	<b>43,882</b>	6,329
<b>Brett Shearer</b>	33,943	16,041	(25,814)	–	<b>24,170</b>	–

1. Depending on the terms of a grant, on vesting, share rights may automatically convert to ordinary shares, or become exercisable. The Executive KMP can choose when to convert the exercisable share rights to ordinary shares. Share rights are converted to ordinary shares at nil cost to the Executive KMP.

2. Richard White and Maree Isaacs have not been awarded any share rights as at the date of this report.

## Schedule of Executive KMP share rights and conditions

### Details of share rights granted in FY20

	Grant	Share rights granted	Grant date	Fair value at grant date	Vesting schedule
<b>Andrew Cartledge</b>	FY19 Performance Equity Incentives	25,319	30-Aug-19	\$36.93	4 annual tranches commencing 30 Aug 2019
	FY20 Remuneration Equity	3,553	30-Aug-19	\$36.93	4 annual tranches commencing 1 Jul 2020
	2019 IAYE Share Rights	8	24-Jan-20	\$24.74	2 years after vesting
<b>Brett Shearer</b>	FY19 Special Project Bonus	51	30-Aug-19	\$36.93	4 annual tranches commencing 30 Aug 2019
	FY19 Performance Equity Incentives	10,660	30-Aug-19	\$36.93	4 annual tranches commencing 30 Aug 2019
	FY20 Remuneration Equity	5,330	30-Aug-19	\$36.93	4 annual tranches commencing 1 Jul 2020

Notes:

1. Share rights are rights to acquire ordinary shares at no cost to the participant.

2. There are no further performance conditions after grant but share rights generally lapse on ceasing employment.
3. FY19 Performance Equity Incentives and FY20 Remuneration equity become exercisable on vesting and expire 10 years after grant date.
4. The first annual tranches of the FY19 Performance Equity Incentives and the FY19 Special Project Bonus vested immediately on grant, then subsequent tranches vest on 1 July each year.
5. 2019 IAYE Share Rights automatically convert to shares on vesting.
6. The allocation price, the share price used to calculate the number of share rights granted for the FY19 Performance Equity Incentives and Special Project Bonus and FY20 Remuneration Equity, was \$28.14 – the VWAP for the 5 business days to 30 June 2019.
7. Our plan rules grant the Board clawback powers. If, in the opinion of the Board, a participant acts fraudulently or dishonestly or is in breach of his or her obligations to any Group company, the Board may deem any award of share rights held by the participant to be forfeited. No clawbacks occurred in FY20.
8. No dividends or dividend equivalents are paid on share rights.

### Details of share rights affecting current and future remuneration

	Grant	Grant date	Vested in prior years	Vested in FY20	Unvested at 30 Jun 2020	Future vesting schedule
<b>Andrew Cartledge</b>	FY17 Performance Equity Incentives	29-Sep-17	53,711	17,903	-	N/A
	FY18 Performance Equity Incentives	29-Sep-18	-	7,493	14,986	2 annual tranches from 1 July 2020
	FY19 Performance Equity Incentives	30-Aug-19	-	6,329	18,990	3 annual tranches from 1 July 2020
	FY20 Remuneration Equity	30-Aug-19	-	-	3,553	4 annual tranches from 1 July 2020
	2018 IAYE Share Rights	25-Jan-19	-	-	16	vesting on 15 Jan 2021
	2019 IAYE Share Rights	24-Jan-20	-	-	8	vesting on 24 Jan 2022
<b>Brett Shearer</b>	FY17 Remuneration Equity	1-Jun-17	1,196	598	-	N/A
	FY17 Performance Equity Incentives	27-Nov-17	17,360	8,681	-	N/A
	FY18 Performance Equity Incentives	29-Sep-18	-	4,732	9,465	2 annual tranches from 1 July 2020
	FY19 Special Project Bonus	1-May-19	-	446	1,341	3 annual tranches from 1 July 2020
	FY19 Special Project Bonus	30-Aug-19	-	12	39	3 annual tranches from 1 July 2020
	FY19 Performance Equity Incentives	30-Aug-19	-	2,665	7,995	3 annual tranches from 1 July 2020
	FY20 Remuneration Equity	30-Aug-19	-	-	5,330	4 annual tranches from 1 July 2020

#### Notes:

1. Share rights are rights to acquire ordinary shares at no cost to the participant.
2. There are no further performance conditions after grant but share rights generally lapse on leaving service.
3. Share rights awarded for Performance Equity Incentives, Special Project Bonuses and Remuneration Equity become exercisable on vesting and expire 10 years after grant date. IAYE Share Rights automatically convert to ordinary shares on vesting.
4. No share rights under the above grants have lapsed.
5. Our plan rules grant the Board clawback powers. If, in the opinion of the Board, a participant acts fraudulently or dishonestly or is in breach of his or her obligations to any Group company, the Board may deem any award of share rights held by the participant to be forfeited. No clawbacks occurred in FY20.
6. No dividends or dividend equivalents are paid on share rights.

## Other statutory disclosures – Executive KMP remuneration

The following table of Executive KMP remuneration has been prepared in accordance with accounting standards and the *Corporations Act 2001* requirements, for the period from 1 July 2019 to 30 June 2020 and the prior period:

		Short-term benefits Base salary and benefits	Cash incentive	Post employment Super-annuation	Share-based payments Share rights	Long-term benefits Other <sup>1</sup>	Total	Total Performance-related
<b>Richard White</b>	<b>FY20</b>	<b>\$978,997</b>	–	<b>\$21,003</b>	–	<b>\$245,661</b>	<b>\$1,245,661</b>	–
	FY19	\$975,001	–	\$24,999	–	\$184,104	\$1,184,104	–
<b>Maree Issacs</b>	<b>FY20</b>	<b>\$378,997</b>	<b>\$150,000</b>	<b>\$21,003</b>	–	<b>\$102,467</b>	<b>\$652,647</b>	<b>23%</b>
	FY19	\$345,000	\$150,000	\$25,000	–	\$68,790	\$588,790	25%
<b>Andrew Cartledge</b>	<b>FY20</b>	<b>\$605,557</b>	–	<b>\$21,003</b>	<b>\$678,728</b>	<b>\$156,075</b>	<b>\$1,461,363</b>	<b>46%</b>
	FY19	\$602,025	–	\$24,535	\$490,520	\$139,355	\$1,256,345	39%
<b>Brett Shearer</b>	<b>FY20</b>	<b>\$355,687</b>	–	<b>\$21,003</b>	<b>\$385,752</b>	<b>\$101,740</b>	<b>\$864,182</b>	<b>39%</b>
	FY19	\$326,440	–	\$20,531	\$280,431	\$75,581	\$702,983	40%
<b>Total</b>	<b>FY20</b>	<b>\$2,319,239</b>	<b>\$150,000</b>	<b>\$84,010</b>	<b>\$1,064,481</b>	<b>\$605,943</b>	<b>\$4,223,674</b>	<b>N/A</b>
	FY19	\$2,248,466	\$150,000	\$95,065	\$770,951	\$467,830	\$3,732,312	N/A

1. Long-term benefits – Other relate to annual and long service leave.

# Board of Directors

## Andrew Harrison

## Independent Chair and Non-Executive Director

Andrew joined the Board in 2015 and was appointed Chair in September 2018. Andrew is an experienced company director and corporate adviser. He is currently the non-executive chairman of ASX-listed Bapcor Limited (a director since March 2014) and a non-executive director of Moorebank Intermodal Company Ltd and Vend Ltd.

Andrew has previously held executive roles and non-executive directorships with public and private companies, including as CFO of Seven Group Holdings, group finance director of Landis+Gyr, CFO and a director of Alesco Limited and a director of Estia Health Limited (November 2014 to October 2018), IVE Group Limited (November 2015 to November 2018) and Xenith IP Limited (October 2015 to September 2018). Andrew's experience includes senior manager at Ernst & Young (Sydney and London) and Gresham Partners Limited, and an associate at Chase Manhattan Bank (New York). Andrew holds a Bachelor of Economics from The University of Sydney and a Master of Business Administration from the Wharton School at the University of Pennsylvania and is a Chartered Accountant.

## Richard White

## Executive Director, Founder and CEO

Richard founded WiseTech Global in 1994 and has been CEO and an Executive Director since then. Richard has over 30 years of experience in software development, embedded systems and business management and over 20 years of freight and logistics industry experience. Prior to founding WiseTech Global, Richard was the managing director of Real Tech Systems Integration (a provider of computer consulting and systems integrations services) and CEO of Clear Group (a distributor of computer related equipment).

Richard holds a Master of Business in IT management from the University of Technology, Sydney.

## Teresa Engelhard

## Independent Non-Executive Director

Teresa joined the Board in 2018 and is chair of the Nomination Committee and the Remuneration Committee. Teresa has more than 20 years' international experience as a director, executive and venture capitalist in the technology, software and energy sectors. Teresa is currently a non-executive director of ASX-listed Origin Energy Limited (since May 2017) and two non-profit organisations: StartupAUS and LaunchVic. She is also a former director of ASX-listed Redbubble Limited (August 2011 to October 2017) and a former managing partner of Jolimont Capital.

Teresa holds a Bachelor of Science (Hons) from the California Institute of Technology (Caltech) and a Master of Business Administration from Stanford University and is a graduate of the Australian Institute of Company Directors.

## Charles Gibbon

## Independent Non-Executive Director

Charles joined the Board in 2006, served as Chair from 2006 to 2018, and has been a shareholder since 2005. Charles is a director of Shearwater Growth Equity Pty Ltd and has previously been a director of Monbeef Pty Ltd, Photolibary Pty Ltd and the former ASX-listed Health Communication Network Limited. Charles has over 20 years of experience in institutional funds management, has previously been a member of the Investment Committee of Quadrant Capital Funds I, II and III for Quadrant Private Equity and has held roles as the CEO of Russell Private Equity, CEO of Risk Averse Money Managers Pty Ltd, a director of Morgan Grenfell Australia, and an associate director of Schroders Australia.

Charles holds a Bachelor of Science in Mathematics from Otago University and Master of Commerce (Hons) from the University of Canterbury.



## Michael Gregg

Independent Non-Executive Director

Michael joined the Board in 2006 and has been a shareholder since 2005. Michael is also chair of the Audit Committee and the Related Party Committee. Michael is a director of Shearwater Growth Equity Pty Ltd, is the chairman of Community Connections Australia and is a former director of Jeenee Communications Pty Ltd and Playground (XYZ) Holdings Pty Ltd. Previously, Michael was the managing director of the former ASX-listed Health Communication Network Limited. Michael has also held executive positions in the telecommunications, transport and retail industries.

Michael holds a Bachelor of Science from The University of Sydney and a Master of Business Administration from the Australian Graduate School of Management and is a Graduate of the Australian Institute of Company Directors.

## Maree Isaacs

Executive Director, Co-founder  
and Head of Invoicing & Licensing

Maree co-founded WiseTech with Richard White in 1994 and has been an Executive Director since 1996. Maree is focused on invoicing and licensing, group operations, quality control and administration. Maree is also a Company Secretary of WiseTech Global. Prior to co-founding WiseTech Global, Maree worked at Real Tech Systems Integration and Clear Group.

## Arlene Tansey

Independent Non-Executive Director

Arlene joined the Board in June 2020 and is a professional director with more than 30 years' international experience in financial services and investment banking. Arlene is currently a non-executive director of ASX-listed Aristocrat Leisure Limited (since July 2016), Healius Limited (since August 2012) and TPG Telecom Ltd (since July 2020). She is also a non-executive director of Infrastructure NSW, Lendlease Investment Management Limited and the Australian National Maritime Museum Foundation and Council. She is a former non-executive director of Adelaide Brighton Limited (April 2011 to October 2019).

Arlene has a Juris Doctor from the University of Southern California Law Center and an MBA Finance and International Business from New York University and is a Fellow of the Australian Institute of Company Directors and a member of Chief Executive Women and the International Women's Forum Australia.

## Director attendance at meetings in FY20

The number of Directors' meetings and meetings of committees of Directors held during the financial year and the number of meetings attended by each Director are set out below. The table reflects the number of meetings held during the time the Director held office, or was a member of the committee, during the year. Directors also frequently attend meetings of committees of which they are not members.

	Board		Audit Committee		Nomination Committee		Related Party Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Andrew Harrison	18	18	6	6	2	2	5	5	-	-
Richard White	18	18	-	-	2	2	-	-	-	-
Teresa Engelhard	18	18	-	-	2	2	-	-	3	3
Charles Gibbon	18	18	6	6	-	-	5	5	3	3
Michael Gregg	18	18	4	4	-	-	5	5	3	3
Christine Holman <sup>1</sup>	4	4	2	2	-	-	-	-	-	-
Maree Isaacs	18	18	-	-	-	-	-	-	-	-
Arlene Tansey <sup>2</sup>	2	2	-	-	-	-	-	-	-	-

1. Christine Holman resigned from the Board on 19 October 2019.

2. Arlene Tansey was appointed to the Board on 1 June 2020.

# Directors' Report

The Directors present their report together with the consolidated financial statements of the Group, comprising WiseTech Global Limited and its controlled entities, for the financial year ended 30 June 2020 and the auditor's report thereon. Information in the Financial Report referred to in this report, including the Operating and Financial Review and the Remuneration Report, or contained in a note to the financial statements referred to in this report, forms part of, and is to be read as part of, this report.

## Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

- Andrew Charles Harrison (Chair);
- Richard John White (Founder & CEO);
- Teresa Engelhard;
- Charles Llewlyn Gibbon;
- Michael John Gregg;
- Christine Francis Holman (resigned 19 October 2019);
- Maree McDonald Isaacs; and
- Arlene Mary Tansey (appointed 1 June 2020)

The qualifications, experience and special responsibilities of the Directors, including details of other listed company directorships held during the last three years, are detailed on pages 21 and 22 of this report.

Directors' meetings and their attendance at those meetings for FY20 (including meetings of committees of Directors) are detailed on page 22 of this report.

## Company Secretaries

**David Rippon**, Corporate Governance Executive and Company Secretary  
BSc (Hons) Mathematics

As Company Secretary, David is responsible for company secretarial and corporate governance support for WiseTech Global Limited and the WiseTech Group. After an initial career in the UK as an actuary, David held senior corporate office roles at AMP Limited and Henderson Group (now Janus Henderson Group plc) in Australia, before joining WiseTech Global as Corporate Governance Executive and Company Secretary in 2017.

## Maree Isaacs

Details of Maree's qualifications and experience are disclosed on page 22 of this report.

## Review of operations

Information on the principal activities, operations and financial position of the Group and its business strategies and prospects is set out in the Operating and Financial Review on pages 1 to 7 of this report.

## Dividends

Details of dividends paid during FY20 and the prior period are disclosed in note 8 to the financial statements included in this report.

## Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the year.

## Events subsequent to balance date

Since the period end, the Directors have declared a fully franked final dividend of 1.6 cents per share, payable on 2 October 2020. The dividend will be recognised in subsequent financial statements.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

## Likely developments and expected results

For further information about likely developments in the operations of the Group, refer to the Operating and Financial Review on pages 1 to 7 of this report.

## Environmental regulation and performance

The operations of the Group are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law of Australia.

## Indemnification and insurance of Directors and other officers

WiseTech's constitution provides that every person who is or has been a Director or Company Secretary of the Company or a subsidiary of the Company is indemnified by the Company to the maximum extent permitted by law. The indemnity covers liabilities and legal costs incurred by the person as a director or company secretary.

In accordance with the Company's constitution, the Company has entered into deeds with each of the Directors providing indemnity, insurance and access. No Director has received benefits under an indemnity from the Company during or since the end of the financial year.

During FY20, the Company paid a premium under a contract insuring certain current and former officers of the Group (including the Directors) against liability that they may incur as an officer of the Company. Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

## Share rights

At the date of this report, WiseTech had 2,339,252 share rights outstanding across 1,099 holders. The share rights relate to grants of deferred equity to employees under the Equity Incentives Plan and have a range of vesting dates through to July 2024. The share rights are not subject to further performance conditions, but are subject to employment conditions. On vesting, the holder is entitled to receive one ordinary share at no cost to the holder. 1,059,940 share rights were converted to ordinary shares during the financial year.

## Proceedings on behalf of the Group

Under section 237 of the *Corporations Act 2001*, no application has been made in respect of the Group and no proceedings have been brought or intervened in or on behalf of the Group under that section.

## Remuneration Report

Information on WiseTech's remuneration framework and the outcomes for FY20 for key management personnel and the proposed framework for FY21, is included in the Remuneration Report on pages 8 to 20 of this report.

## Corporate governance

Our Corporate Governance Statement for FY19 is available from our website:

<https://ir.wisetechglobal.com/investors/?page=corporate-governance>

Our FY20 statement will be published in September 2020.

## Non-audit services

During the year, KPMG, the Company's auditor, performed certain other services in addition to the audit and review of the financial statements. Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services are provided in note 23 to the financial statements included in this report.

The Board has considered the non-audit services provided during FY20 by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during FY20 by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided did not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Group or jointly sharing risks and rewards.

## Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 26 of this report and forms part of the Directors' Report for the financial year ended 30 June 2020.

Signed in accordance with a resolution of the Directors.

**Andrew Harrison**

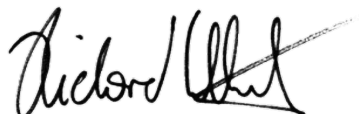
Chair



18 August 2020

**Richard White**

Executive Director, Founder and CEO



18 August 2020



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of WiseTech Global Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of WiseTech Global Limited for the financial year ended 30 June 2020 there have been:

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

KPMG

KPMG

Caoimhe Toouli

Caoimhe Toouli

*Partner*

Sydney

18 August 2020

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

		2020	2019
	Notes	\$M	\$M
Revenue	4	429.4	348.3
Cost of revenues		(83.5)	(66.7)
<b>Gross profit</b>		<b>345.9</b>	<b>281.6</b>
Product design and development		(115.4)	(84.2)
Sales and marketing		(62.3)	(47.7)
General and administration		(87.7)	(69.5)
<b>Total operating expenses</b>		<b>(265.4)</b>	<b>(201.3)</b>
<b>Operating profit</b>		<b>80.5</b>	<b>80.2</b>
Finance income	5	3.1	1.9
Finance costs	26	(12.9)	(7.3)
Fair value gain on contingent consideration	26	111.0	1.6
<b>Net finance income/(costs)</b>		<b>101.3</b>	<b>(3.8)</b>
<b>Profit before income tax</b>		<b>181.8</b>	<b>76.4</b>
Income tax expense	6	(21.0)	(22.3)
<b>Net profit for the year</b>		<b>160.8</b>	<b>54.1</b>
<b>Net profit for the year attributable to:</b>			
Equity holders of the parent		160.8	54.1
Non-controlling interests		-	-
		<b>160.8</b>	<b>54.1</b>
<b>Other comprehensive income</b>			
<i>Items that are/or may be reclassified to profit or loss</i>			
Cash flow hedges - effective portion of changes in fair value, net of tax		3.2	-
Exchange differences on translation of foreign operations		(19.2)	6.2
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(16.0)</b>	<b>6.2</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>144.7</b>	<b>60.3</b>
<b>Total comprehensive income for the year, net of tax attributable to:</b>			
Equity holders of the parent		144.7	60.4
Non-controlling interests		-	(0.1)
		<b>144.7</b>	<b>60.3</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)	7	50.3	17.7
Diluted earnings per share (cents)	7	50.3	17.7

The Group has initially applied AASB 16 *Leases* at 1 July 2019, using the modified retrospective approach. Refer note 3. Under this approach, comparative information is not restated and the cumulative effect is recognised in retained earnings at the date of initial application.

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

# Consolidated statement of financial position

As at 30 June 2020

	Notes	2020 \$M	2019 \$M
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	223.7	260.1
Trade receivables	12	59.6	50.8
Derivative financial instruments	26	3.7	-
Current tax receivables		3.6	3.8
Other current assets	13	18.7	9.2
<b>Total current assets</b>		<b>309.3</b>	<b>323.9</b>
<b>Non-current assets</b>			
Intangible assets	9	885.0	783.7
Property, plant and equipment	10	70.0	15.8
Deferred tax assets	6	10.4	6.5
Derivative financial instruments	26	0.9	-
Other non-current assets	13	1.3	0.8
<b>Total non-current assets</b>		<b>967.6</b>	<b>806.8</b>
<b>Total assets</b>		<b>1,276.9</b>	<b>1,130.6</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	47.9	35.2
Borrowings	17	-	0.2
Lease liabilities	18	10.4	0.2
Deferred revenue	15	22.7	19.0
Current tax liabilities		5.8	4.7
Employee benefits	21	18.2	13.1
Other current liabilities	16	52.2	96.6
<b>Total current liabilities</b>		<b>157.2</b>	<b>169.0</b>
<b>Non-current liabilities</b>			
Borrowings	17	-	0.5
Lease liabilities	18	35.4	0.2
Employee benefits	21	1.8	1.4
Deferred tax liabilities	6	47.1	33.7
Other non-current liabilities	16	32.0	159.2
<b>Total non-current liabilities</b>		<b>116.4</b>	<b>195.0</b>
<b>Total liabilities</b>		<b>273.5</b>	<b>364.1</b>
<b>Net assets</b>		<b>1,003.4</b>	<b>766.6</b>
<b>Equity</b>			
Share capital	19	779.8	668.5
Reserves		(37.5)	(25.7)
Retained earnings		261.2	123.8
<b>Total equity</b>		<b>1,003.4</b>	<b>766.6</b>

The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Refer note 3. Under this approach, comparative information is not restated and the cumulative effect is recognised in retained earnings at the date of initial application.

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

## Consolidated statement of changes in equity

For the year ended 30 June 2020

	Notes	Share capital	Treasury share reserve	Acquisition reserve	Cash flow hedge reserve	Share - based payment reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Balance as at 1 July 2018</b>		288.8	(13.6)	(16.8)	-	12.8	(4.7)	85.1	351.7	0.4	352.2
Net profit for the year		-	-	-	-	-	-	54.1	54.1	-	54.1
Other comprehensive (loss)/income		-	-	-	-	-	6.3	-	6.3	(0.1)	6.2
Total comprehensive (loss)/income		-	-	-	-	-	6.3	54.1	60.4	(0.1)	60.3
<b>Transactions with owners</b>											
Issue of share capital	19	360.1	(24.4)	-	-	-	-	-	335.7	-	335.7
Shares issued under acquisition		23.5	-	(0.1)	-	-	-	-	23.4	-	23.4
Dividends declared and paid	8	-	-	-	-	-	-	(9.5)	(9.5)	-	(9.5)
Shares issued under DRP	19	0.5	-	-	-	-	-	-	0.5	-	0.5
Transaction costs (net of tax)		(4.5)	-	-	-	-	-	-	(4.5)	-	(4.5)
Vesting of share rights	19	-	14.6	-	-	(6.0)	-	(8.6)	-	-	-
Vesting shares withheld		-	(6.0)	-	-	-	-	-	(6.0)	-	(6.0)
Equity settled share-based payment	21	-	-	-	-	10.9	-	-	10.9	-	10.9
Tax benefit from equity remuneration		-	3.4	-	-	-	-	2.7	6.1	-	6.1
Revaluation by subsidiary due to hyperinflationary economy		-	-	-	-	-	-	-	-	-	-
<b>Total contributions and distributions</b>		379.6	(12.4)	(0.1)	-	4.8	-	(15.4)	356.6	-	356.6
<b>Changes in ownership interest</b>											
Acquisition of non-controlling interest without a change in control		-	-	(2.1)	-	-	-	-	(2.1)	(0.3)	(2.4)
<b>Balance as at 30 June 2019</b>		<b>668.5</b>	<b>(25.9)</b>	<b>(19.0)</b>	<b>-</b>	<b>17.6</b>	<b>1.6</b>	<b>123.8</b>	<b>766.6</b>	<b>0.0</b>	<b>766.6</b>



## Consolidated statement of changes in equity (continued)

		Share capital	Treasury share reserve	Acquisition reserve	Cash flow hedge reserve	Share - based payment reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total equity	
Notes	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	
<b>Balance as at 1 July 2019</b>		<b>668.5</b>	<b>(25.9)</b>	<b>(19.0)</b>	-	<b>17.6</b>	<b>1.6</b>	<b>123.8</b>	<b>766.6</b>	-	<b>766.6</b>
Initial application of AASB 16	3	-	-	-	-	-	-	0.1	0.1	-	0.1
<b>As at 1 July 2019</b>		<b>668.5</b>	<b>(25.9)</b>	<b>(19.0)</b>	-	<b>17.6</b>	<b>1.6</b>	<b>123.9</b>	<b>766.6</b>	-	<b>766.6</b>
Net profit/(loss) for the year		-	-	-	-	-	-	160.8	160.8	-	160.8
Other comprehensive (loss)/income		-	-	-	3.2	-	(19.2)	-	(16.0)	-	(16.0)
Total comprehensive income/(loss)		-	-	-	<b>3.2</b>	-	<b>(19.2)</b>	<b>160.8</b>	<b>144.7</b>	-	<b>144.7</b>
<b>Transactions with owners</b>											
Issue of share capital	19	24.8	(24.8)	-	-	-	-	-	-	-	-
Shares issued under acquisition	19	86.0	-	3.1	-	-	-	-	89.1	-	89.1
Dividends declared and paid	8	-	-	-	-	-	-	(11.6)	(11.6)	-	(11.6)
Shares issued under DRP	19	0.5	-	-	-	-	-	-	0.5	-	0.5
Transaction costs (net of tax)		(0.1)	-	(0.3)	-	-	-	-	(0.4)	-	(0.4)
Vesting of share rights	19	-	26.3	-	-	(8.8)	-	(17.5)	-	-	-
Vesting shares withheld		-	-	-	-	-	-	-	-	-	-
Equity settled share-based payment	21	-	-	-	-	17.2	-	-	17.2	-	17.2
Tax benefit from equity remuneration		-	(7.6)	-	-	-	-	5.5	(2.1)	-	(2.1)
Revaluation by subsidiary due to hyperinflationary economy		-	-	-	-	-	-	0.2	0.2	-	0.2
<b>Total contributions and distributions</b>		<b>111.3</b>	<b>(6.1)</b>	<b>2.7</b>	-	<b>8.4</b>	-	<b>(23.5)</b>	<b>92.8</b>	-	<b>92.8</b>
<b>Changes in ownership interest</b>											
Acquisition of non-controlling interest without a change in control	20	-	-	(0.8)	-	-	-	-	(0.8)	-	(0.8)
<b>Balance as at 30 June 2020</b>		<b>779.8</b>	<b>(32.1)</b>	<b>(17.0)</b>	<b>3.2</b>	<b>26.0</b>	<b>(17.6)</b>	<b>261.2</b>	<b>1,003.4</b>	-	<b>1,003.4</b>

The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Refer note 3. Under this approach, comparative information is not restated and the cumulative effect is recognised in retained earnings at the date of initial application. These Consolidated financial statements should be read in conjunction with the accompanying notes.

# Consolidated statement of cash flows

For the year ended 30 June 2020

	2020	2019
Notes	\$M	\$M
<b>Operating activities</b>		
Receipts from customers	456.4	373.3
Payments to suppliers and employees	(310.0)	(246.9)
Income tax paid	(16.5)	(14.0)
<b>Net cash flows from operating activities</b>	<b>129.9</b>	<b>112.5</b>
	24	
<b>Investing activities</b>		
Acquisition of businesses, net of cash acquired	(57.0)	(237.2)
Payments for intangible assets	(70.4)	(43.8)
Purchase of property, plant and equipment	(20.1)	(6.6)
Disposal of assets held for sale	-	0.7
Interest received	3.1	1.9
<b>Net cash flows used in investing activities</b>	<b>(144.4)</b>	<b>(285.1)</b>
<b>Financing activities</b>		
Proceeds from issue of shares	24.8	360.1
Transaction costs on issue of shares	(0.4)	(6.6)
Treasury shares acquired	(24.8)	(30.4)
Repayment of borrowings	(0.8)	(1.2)
Repayment of lease liabilities (2019: finance lease liabilities)	(5.9)	(0.7)
Interest paid	(2.4)	(1.9)
Dividends paid	(11.1)	(9.0)
<b>Net cash flows (used in)/from financing activities</b>	<b>(20.6)</b>	<b>310.3</b>
	8	
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(35.2)</b>	<b>137.7</b>
Cash and cash equivalents at 1 July	260.1	121.8
Effect of exchange differences on cash balances	(1.3)	0.6
<b>Net cash and cash equivalents at 30 June</b>	<b>223.7</b>	<b>260.1</b>
	11	

The application of AASB 16 has led to operating lease payments previously included in cash from operating activities that are now included as repayment of lease liabilities within financing. The net cash from operating activities and net cash used in financing activities for the current period have each increased by \$6.4m.

The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Refer note 3. Under this approach, comparative information is not restated and the cumulative effect is recognised in retained earnings at the date of initial application.

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

# Notes to the financial statements

For the year ended 30 June 2020

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# Notes to the financial statements (continued)

## For the year ended 30 June 2020

### 1. Corporate information

WiseTech Global Limited ("Company") is a company domiciled in Australia. These Consolidated financial statements comprise the Company and its controlled entities (collectively "Group") for the year ended 30 June 2020. The Company's registered office is at Unit 3a, 72 O'Riordan Street, Alexandria, NSW 2015, Australia.

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

### 2. Basis of preparation

#### Statement of compliance

These Consolidated financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AASBs) and other authoritative pronouncements of the Australian Accounting Standards Board. The Consolidated financial statements also comply with International Financial Reporting Standards (IFRS) and interpretations [IFRICs] adopted by the International Accounting Standards Board.

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

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

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

The Consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated financial statements were authorised by the Board of Directors on [18 August 2020].

#### Accounting policies

With the exception of the impact of the first time application of AASB 16 *Leases*, the impact of which is described in note 3, the accounting policies applied in these Consolidated financial statements are the same as those applied in the Group's Consolidated financial statements as at, and for the year ended 30 June 2019.

#### Going concern

The accompanying Consolidated financial statements have been prepared assuming the Company will continue as a going concern. The ability of the Company to continue as a going concern has not been impacted by the outbreak of the COVID-19 pandemic.

The Company supplies software as a service ("SaaS") to the logistics industry which is a critical service to that market sector. The logistics sector continues to be a critical element of the global economy. The Company's customer base is significant and comprises large, medium and small operators. The Company is not subject to concentration of credit risk. The Company has no borrowings at 30 June 2020 and has sufficient cash to meet all committed liabilities and future expected liabilities.

# Notes to the financial statements (continued)

## For the year ended 30 June 2020

### 2. Basis of preparation (continued)

#### Key accounting estimates and judgements

In preparing these Consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses including accompanying disclosures. Changes in these judgements, estimates and assumptions could result in outcomes that require a material adjustment in future periods. Information on key accounting estimates and judgements can be found in the following notes:

<b>Accounting judgements, estimates and assumptions</b>	<b>Note</b>	<b>Page</b>
Income tax determination in relation to assets and liabilities	6	42
Recognition and recoverability of other intangible assets	9	47
Recoverability of goodwill	9	47
Trade receivables expected credit losses	12	52
Lease terms	18	57
Valuation of contingent consideration	26	78

Revenue recognition is excluded on the grounds that the policy adopted in the area is sufficiently objective.

#### Functional and presentational currency

These Consolidated financial statements are presented in Australian dollars.

#### Rounding of amounts

Unless otherwise expressly stated, amounts have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars in accordance with ASIC Corporations Instrument 2016/191, dated 24 March 2016. Amounts shown as "-" represent zero amounts and amounts less than \$50,000 which have been rounded down. There may be differences in casting the values in the Consolidated financial statements due to rounding in millions to one place of decimals.

#### Presentation of results

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

# Notes to the financial statements (continued)

## For the year ended 30 June 2020

### 2. Basis of preparation (continued)

#### *Cost of revenues*

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

#### *Product design and development expenses*

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

#### *Sales and marketing expenses*

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

#### *General and administration expenses*

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

#### *Overhead allocation*

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

# Notes to the financial statements (continued)

## For the year ended 30 June 2020

### 3. Changes in accounting policies

The Group has initially adopted AASB 16 *Leases* from 1 July 2019. A number of other new standards are effective from 1 July 2019 but they do not have a material effect on the Group's Consolidated financial statements.

AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has introduced right-of-use assets, which are recorded in property, plant and equipment, representing its right to use underlying assets, and lease liabilities representing its obligation to make lease payments.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented has not been restated i.e. it is presented, as previously reported, under AASB 117 *Leases* and related interpretations.

The details of changes in accounting policies are disclosed in note 18.

### 4. Revenue

#### Disaggregation of revenue from contracts with customers

The Company has concluded that disclosing a disaggregation of revenue types amongst 'Recurring On-demand revenue', 'Recurring OTL maintenance revenue' and 'OTL and support services' best reflects how the nature, amount, timing and uncertainty of the Group's revenues and cash flows are affected by economic factors, and that further disaggregation is not required to achieve this objective. Revenue by geographic location is disclosed in note 25.

	<u>2020</u>	<u>2019</u>
	\$M	\$M
<b>Revenue</b>		
Recurring On-Demand licence revenue	309.2	249.8
Recurring OTL maintenance revenue	72.8	57.8
OTL and support services	47.4	40.7
<b>Total revenue</b>	<u><u>429.4</u></u>	<u><u>348.3</u></u>

The Group applies the following five steps in recognising revenue from contracts with customers:

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

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

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

# Notes to the financial statements (continued)

## For the year ended 30 June 2020

### 4. Revenue (continued)

#### Revenue recognition approach

##### *Recurring On-Demand Licence revenue*

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

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

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

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

##### *OTL and support services*

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

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

##### *Contracts with multiple performance obligations*

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

Revenue (including any discounts) is allocated between separate goods and services on a relative basis of a standalone selling prices. The standalone selling prices reflects the price that would be charged for a specific product or service if it was sold separately.

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

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

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

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



## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 4. Revenue (continued)

##### *Costs of obtaining a customer contract*

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

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

##### *Principal versus agent*

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

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

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

##### *Contract balances*

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

Generally, the Group invoices customers as service is provided in accordance with the agreed-upon contract terms, either at periodic intervals (e.g. monthly or quarterly) or upon completion; also at times, billing occurs after the revenue recognition, resulting in contract assets (unbilled receivables). For certain customer contracts, the Group receive advance payments before revenue is recognised, resulting in contract liabilities (deferred revenue). These balances, as well as their movements from the prior reporting period, are disclosed in notes 13 and 15 respectively.

#### 5. Finance income

	<b>2020</b>	<b>2019</b>
	<b>\$M</b>	<b>\$M</b>
Interest income	3.1	1.9
<b>Total finance income</b>	<b>3.1</b>	<b>1.9</b>

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 6. Income tax

##### (a) Income tax expense

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

The components of tax expense comprise:

	<b>2020</b>	<b>2019</b>
	<b>\$M</b>	<b>\$M</b>
Current tax	10.6	19.9
Deferred tax	10.0	2.3
Adjustment for prior years - current tax	4.4	(0.3)
Adjustment for prior years - deferred tax	(4.0)	0.5
<b>Income tax expense</b>	<b>21.0</b>	<b>22.3</b>

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

	<b>2020</b>	<b>2019</b>
	<b>\$M</b>	<b>\$M</b>
Accounting profit before income tax	181.8	76.4
<b>Accounting profit before income tax</b>	<b>181.8</b>	<b>76.4</b>
At Australia's statutory income tax rate of 30% (2019:30%)	54.5	22.9
Adjusted for:		
Other assessable income	0.7	0.5
Non-deductible expenses	1.3	0.6
Capital gain on asset disposal	-	0.1
Non-deductible acquisition expense	0.4	1.0
Under/(over) provision for income tax in prior year	0.1	0.1
	57.0	25.2
Adjusted for:		
Tax effect of:		
Earnout adjustments	(33.3)	(0.5)
Different tax rates in overseas jurisdictions	0.5	0.4
Research and development	(2.5)	(1.6)
Deferred tax adjustments	-	(0.7)
Non-taxable income	(0.6)	(0.5)
<b>Income tax expense</b>	<b>21.0</b>	<b>22.3</b>

# Notes to the financial statements (continued)

## For the year ended 30 June 2020

### 6. Income tax (continued)

#### Significant accounting policies

##### Current tax

Current tax comprises the expected payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received. That reflects uncertainty related to income taxes.

It is measured using tax rates for each jurisdiction enacted or substantively enacted at the reporting date.

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

##### Deferred tax

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for rewards of existing temporary differences are considered, based on the business plans for the individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are revised when the profitability of future taxable profit improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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

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

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 6. Income tax (continued)

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

	Opening balance \$M	Charged to profit or loss \$M	Charged to goodwill \$M	Exchange differences \$M	Charged to equity \$000	Total \$M
<b>2019</b>						
Software development costs	27.3	8.0	-	-	-	35.3
Customer relationships and brands	4.1	(0.6)	1.5	0.1	-	5.2
Intellectual property	1.5	(0.6)	1.9	-	-	2.8
Property, plant and equipment	(0.7)	(0.2)	-	-	-	(0.9)
Future income tax benefits attributable to tax losses and offsets	(0.7)	(2.7)	(0.6)	-	-	(4.0)
Provisions	(4.7)	(2.2)	1.6	(0.1)	-	(5.5)
Revenue timing	-	(0.4)	0.5	-	-	0.1
Transaction costs	(1.6)	1.3	(0.7)	0.1	(2.1)	(3.0)
Employee equity compensation	(2.6)	0.2	-	(0.1)	-	(2.5)
Unrealised foreign exchange	(0.2)	(0.1)	-	-	-	(0.3)
<b>Net tax liabilities</b>	<b>22.3</b>	<b>2.7</b>	<b>4.3</b>	<b>-</b>	<b>(2.1)</b>	<b>27.2</b>

	Opening balance \$M	Charged to profit or loss \$M	Charged to goodwill \$M	Exchange differences \$M	Charged to equity \$M	Total \$M
<b>2020</b>						
Software development costs	35.3	14.4	-	-	-	49.7
Customer relationships and brands	5.2	(0.8)	0.3	(0.1)	-	4.6
Intellectual property	2.8	(3.3)	0.5	0.1	-	(0.1)
Goodwill	-	1.1	-	(0.1)	-	1.0
Property, plant and equipment	(0.9)	(0.4)	-	-	-	(1.3)
Future income tax benefits attributable to tax losses and offsets	(4.0)	(5.8)	-	0.1	-	(9.7)
Provisions	(5.5)	(3.5)	0.8	0.1	-	(8.0)
Revenue timing	0.1	(1.0)	-	-	-	(0.8)
Cash flow hedge	-	-	-	-	1.4	1.4
Transaction costs	(3.0)	0.8	0.7	-	-	(1.5)
Employee equity compensation	(2.5)	4.8	-	-	-	2.3
Unrealised foreign exchange	(0.3)	(0.4)	-	-	-	(0.8)
Other	-	0.1	-	-	(0.1)	-
<b>Net tax liabilities</b>	<b>27.2</b>	<b>6.0</b>	<b>2.3</b>	<b>0.1</b>	<b>1.3</b>	<b>36.7</b>

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 6. Income tax (continued)

##### Key accounting estimates and judgements - Income tax

The Group is subject to tax in numerous jurisdictions. Significant judgement is required in determining the related assets or provisions as there are transactions in the ordinary course of business and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amount that was initially recognised, such differences will impact on the results for the year and the respective income tax and deferred tax assets or provisions in the year in which such determination is made. The Group recognises tax assets based on forecasts of future profits against which those assets may be utilised; tax losses in subsidiaries of \$8.7m (FY19: \$1.9m) have not been recognised.

#### 7. Earnings per share

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

	2020	2019
Profit attributable to equity holders of the Company (\$M)	160.8	54.1
Basic weighted average number of ordinary shares (in millions)	319.7	306.4
Basic EPS (cents)	50.3	17.7
Profit attributable to equity holders of the Company (\$M)	160.8	54.1
Basic weighted average number of ordinary shares (in millions)	319.7	306.4
Shares issuable in relation to equity-based compensation schemes (in millions)	0.1	0.1
Diluted weighted average number of ordinary shares (in millions)	319.8	306.4
Diluted EPS (cents)	50.3	17.7

##### Significant accounting policies

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

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

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 8. Dividends

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

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

	<u>2020</u>	<u>2019</u>
	<u>\$M</u>	<u>\$M</u>
<b>Dividends on ordinary shares declared and paid:</b>		
<b>Final dividend in respect of previous reporting period</b> <b>(FY19: 1.95 cents per share, FY18: 1.65 cents per share)</b>		
- Paid in cash	5.9	4.7
- Paid via DRP	0.3	0.3
<b>Interim dividend for the current reporting period</b> <b>(FY20: 1.70 cents per share, FY19: 1.50 cents per share)</b>		
- Paid in cash	5.2	4.3
- Paid via DRP	0.2	0.2
	<u><u>11.6</u></u>	<u><u>9.5</u></u>

#### Franking credit balance

Franking amount balance as at the end of the financial year	<u>28.1</u>	<u>19.4</u>
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#### Final dividend on ordinary shares

Final dividend for FY20: 1.60 cents per share (FY19: 1.95 cents per share)	<u>5.2</u>	<u>6.2</u>
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After the reporting date, a dividend of 1.60 cents per share was declared by the Board of Directors. The dividend has not been recognised as a liability and will be franked at 100%.

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 9. Intangible assets

	Computer software	Development costs (WIP)	External software licences	Goodwill	Intellectual property	Customer relationships	Trade names	Patents	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>At 1 July 2018</b>									
Cost	81.8	36.6	3.8	236.6	23.4	16.8	6.2	0.2	405.4
Accumulated amortisation and impairment	(25.7)	-	(2.0)	(0.1)	(12.0)	(4.7)	(0.5)	-	(45.0)
<b>Net book value</b>	<b>56.2</b>	<b>36.6</b>	<b>1.8</b>	<b>236.5</b>	<b>11.4</b>	<b>12.1</b>	<b>5.6</b>	<b>0.2</b>	<b>360.3</b>
At 1 July 2018	56.2	36.6	1.8	236.5	11.4	12.1	5.6	0.2	360.3
Additions	-	46.8	0.1	-	-	-	-	0.1	47.0
Transfers/reclassifications	34.7	(34.7)	-	-	-	-	-	-	-
Acquisition via business combination	-	-	0.8	352.6	14.2	6.9	7.3	-	381.7
Amortisation	(10.1)	-	(0.9)	-	(5.2)	(2.2)	(1.1)	-	(19.4)
Exchange differences	0.2	0.1	0.1	12.4	0.4	0.6	0.3	-	14.0
<b>Net book value at 30 June 2019</b>	<b>81.0</b>	<b>48.7</b>	<b>1.9</b>	<b>601.5</b>	<b>20.8</b>	<b>17.4</b>	<b>12.1</b>	<b>0.3</b>	<b>783.7</b>
<b>At 30 June 2019</b>									
Cost	116.2	48.7	4.7	601.6	38.6	24.3	13.8	0.3	848.2
Accumulated amortisation and impairment	(35.2)	-	(2.9)	(0.1)	(17.9)	(6.9)	(1.6)	-	(64.5)
<b>Net book value</b>	<b>81.0</b>	<b>48.7</b>	<b>1.9</b>	<b>601.5</b>	<b>20.8</b>	<b>17.4</b>	<b>12.1</b>	<b>0.3</b>	<b>783.7</b>

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 9. Intangible assets (continued)

	Computer software	Development costs (WIP)	External software licences	Goodwill	Intellectual property	Customer relationships	Trade names	Patents	Total
At 1 July 2019	81.0	48.7	1.9	601.5	20.8	17.4	12.1	0.3	783.7
Additions	-	71.5	2.8	-	-	-	-	0.1	74.4
Transfers/reclassifications	101.2	(101.2)	-	-	-	-	-	-	-
Acquisition via business combination	-	-	-	60.0	3.4	0.2	1.6	-	65.1
Amortisation	(17.4)	-	(1.0)	-	(6.5)	(2.5)	(1.6)	-	(29.0)
Exchange differences	(0.3)	0.1	-	(8.5)	(0.3)	(0.2)	0.1	-	(9.1)
<b>Net book value at 30 June 2020</b>	<b>164.5</b>	<b>19.1</b>	<b>3.6</b>	<b>652.9</b>	<b>17.4</b>	<b>14.9</b>	<b>12.2</b>	<b>0.4</b>	<b>885.0</b>
<b>At 30 June 2020</b>									
Cost	217.1	19.1	6.6	653.0	41.6	24.1	15.2	0.4	977.0
Accumulated amortisation and impairment	(52.6)	-	(3.0)	(0.1)	(24.2)	(9.1)	(3.0)	(0.1)	(92.0)
<b>Net book value</b>	<b>164.5</b>	<b>19.1</b>	<b>3.6</b>	<b>652.9</b>	<b>17.4</b>	<b>14.9</b>	<b>12.2</b>	<b>0.4</b>	<b>885.0</b>



## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 9. Intangible assets (continued)

Intangible Assets	Useful Life	Amortisation method	Recognition and measurement
Computer software	5 to 10 years	Straight-line	Computer software comprises the historic cost of development activities for products transferred from development costs (WIP) when project/products are considered ready for intended use and the historic cost of acquired software. Computer software is carried at historic cost less accumulated amortisation and impairment losses.
Development costs (WIP)	Not applicable	Not amortised	Development costs are costs incurred on internal software development projects. Development costs are only capitalised when they relate to the creation of an asset that can be used or sold to generate benefits and can be reliably measured.
External software licences	1 to 10 years	Straight-line	External software licences are carried at historic cost or fair value at the date of acquisition less accumulated amortisation and impairment losses.
Goodwill	Indefinite	Not amortised	Goodwill acquired in a business combination is measured at cost and subsequently at cost less any impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets and liabilities acquired.
Intellectual property	3 to 10 years	Straight-line	Intellectual property assets are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.
Customer relationships	10 years	Straight-line	Customer relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.
Trade names	10 to 15 years	Straight-line	Trade names are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.
Patents	10 years	Straight-line	Patents costs are carried at historic cost less accumulated amortisation and impairment losses.

#### Subsequent expenditure

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

#### Key accounting estimates and judgements - Measurement of other finite life intangible assets

Management has made judgements in respect of intangible assets when assessing whether an internal project in the development phase meets the criteria to be capitalised, and on measuring the costs and economic life attributed to such projects. On acquisition, specific intangible assets are identified and amortised over their estimated useful lives. The capitalisation of these assets and the related amortisation charges are based on judgements about their value and economic life.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 9. Intangible assets (continued)

Management also makes judgements and assumptions when assessing the economic life of intangible assets and the pattern of consumption of the economic benefits embodied in the assets. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The economic lives for internal projects, which includes internal use software and internally generated software, and acquired intangibles are between five and 10 years.

##### **Recoverability of other finite life intangible assets**

Other intangible assets with finite life are reviewed at each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs of disposal and value in use.

If an impairment occurs a loss is recognised in profit or loss for the amount by which an asset's carrying amount exceeds its recoverable amount. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

##### **Impairment testing of goodwill**

The carrying amount of goodwill is tested for impairment annually at 30 June and whenever there is an indicator that the asset may be impaired. If an asset is deemed to be impaired, it is written down to its recoverable amount.

For the purposes of impairment testing, goodwill is allocated to each of the cash generating units (CGUs), or group of CGUs, expected to benefit from the synergies of the business combination. A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

At 30 June 2020, the lowest level within the Group for which information about goodwill is monitored for internal management purposes is the consolidated Group which comprises a group of CGUs. All acquisitions are made with the intention of delivering benefits of revenue growth and synergy to the group. All CGUs are expected to benefit from synergies and sharing of expertise from these acquisitions.

##### **Key accounting estimates and judgements - Impairment testing of goodwill**

Determining whether goodwill is impaired requires judgement to allocate goodwill to CGUs and judgement and assumptions to estimate the fair value of a CGU or group of CGUs. The Group has determined that goodwill is tested at a single group of CGU level. The valuation model (being a value in use model) which is used to estimate the recoverable amount of the group of CGUs, requires an estimate of the future cash flows expected to arise from the group of CGUs and a suitable discount rate in order to calculate net present value.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 9. Intangible assets (continued)

##### Key assumptions in the Group's discounted cash flow model as at 30 June 2020

A value-in-use discounted cash flow model has been used at 30 June 2020 to value the Group's CGUs. Financial plans approved by the Board for year ending 30 June 2021 and management projections for years ending 30 June 2022 to 30 June 2025. These include projected revenues, gross margins and expenses and have been determined with reference to historical company experience, industry data and management's expectation for the future. Management have considered the impacts of COVID-19 in forecast cash flows and longer term projects.

The following inputs and assumptions have been adopted:

	<b>2020</b>	<b>2019</b>
Post-tax discount rate per annum	9.4%	10.2%
Pre-tax discount rate per annum	12.0%	13.3%
Terminal value growth rate	2.5%	3.0%

##### Sensitivity analysis

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

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 10. Property, plant and equipment

	Plant and equipment	Leasehold improvements	Right of use assets	Total
	\$M	\$M	\$M	\$M
<b>At 30 June 2018</b>				
Cost	30.4	6.5	-	36.9
Accumulated depreciation	(19.4)	(3.2)	-	(22.6)
<b>Net book value</b>	<b>10.9</b>	<b>3.4</b>	<b>-</b>	<b>14.3</b>
<b>At 1 July 2018</b>				
At 1 July 2018	10.9	3.4	-	14.3
Additions	5.8	1.4	-	7.2
Acquisition via business combination	2.4	0.1	-	2.5
Depreciation	(7.3)	(1.1)	-	(8.4)
Exchange differences	0.3	-	-	0.3
Disposals	-	-	-	-
<b>Net book value at 30 June 2019</b>	<b>12.0</b>	<b>3.8</b>	<b>-</b>	<b>15.8</b>
<b>At 30 June 2019</b>				
Cost	39.1	8.1	-	47.2
Accumulated depreciation	(27.1)	(4.3)	-	(31.3)
<b>Net book value</b>	<b>12.0</b>	<b>3.8</b>	<b>-</b>	<b>15.8</b>
<b>At 1 July 2019</b>				
At 1 July 2019	12.0	3.8	-	15.8
Recognition of right-of-use assets on initial application of AASB 16	(0.4)	(0.2)	42.1	41.5
Additions	21.7	0.2	9.5	31.4
Acquisition via business combination	(0.1)	0.8	2.5	3.3
Remeasurement of ROU assets	-	-	(0.1)	(0.1)
Transfers	0.1	(0.1)	-	-
Depreciation	(7.7)	(1.0)	(10.9)	(19.6)
Exchange differences	(0.4)	(0.1)	(0.6)	(1.1)
Disposals	(0.7)	(0.3)	(0.2)	(1.1)
<b>Net book value at 30 June 2020</b>	<b>24.5</b>	<b>3.2</b>	<b>42.3</b>	<b>70.0</b>
<b>At 30 June 2020</b>				
Cost	58.1	8.1	52.8	119.0
Accumulated depreciation	(33.5)	(4.9)	(10.5)	(49.0)
<b>Net book value</b>	<b>24.5</b>	<b>3.2</b>	<b>42.3</b>	<b>70.0</b>

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

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

##### Significant accounting policies

Refer to note 18 for the accounting policy for Right of use assets.

Plant and equipment and leasehold improvements are carried at cost less, where applicable, any accumulated depreciation and impairment losses.

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

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

##### Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis calculated using the cost of the item less its estimated residual values over its estimated useful life. Prior to adoption of AASB 16 on 1 July 2019, leased assets were depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain the ownership by the end of the lease term.

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

Class of fixed asset	Depreciation rate
Plant and equipment	5% - 50%;
Leasehold improvements	10% - 20%; and
Right of use asset	Term of lease <sup>1</sup>

<sup>1</sup>Lease terms range between 1-10 years

#### 11. Cash and cash equivalents

	2020	2019
	\$M	\$M
Cash at bank and on hand	<u>223.7</u>	<u>260.1</u>

The effective interest rate on cash and cash equivalents was 1.09% per annum (2019: 2.25% per annum).

##### Significant accounting policies

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

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 12. Trade receivables

	<u>2020</u>	<u>2019</u>
	<u>\$M</u>	<u>\$M</u>
Trade receivables	61.7	52.5
Provision for impairment of trade receivables	(2.1)	(1.7)
	<u><u>59.6</u></u>	<u><u>50.8</u></u>

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

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

	<u>2020</u>	<u>2019</u>
	<u>\$M</u>	<u>\$M</u>
Opening balance	1.7	1.5
Acquisition via business combination	-	0.4
Impairment loss recognised	1.4	0.4
Amount written off	(1.0)	(0.7)
Closing balance	<u><u>2.1</u></u>	<u><u>1.7</u></u>

Trade receivables that were considered recoverable as at 30 June 2020 were as follows:

	<u>2020</u>	<u>2019</u>
	<u>\$M</u>	<u>\$M</u>
Not past due	45.7	40.1
Past due 0 - 30 days	7.0	5.9
Past due 31 - 60 days	1.5	3.4
Past due more than 60 days	5.3	1.4
	<u><u>59.6</u></u>	<u><u>50.8</u></u>

#### Significant accounting policies

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

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

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

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 12. Trade receivables (continued)

##### **Key accounting estimate and judgements on trade receivables - Expected credit losses**

The Group recognises loss allowances for expected credit losses (ECLs) on trade receivables.

When estimating ECLs, the Group considers reasonable and supportable information that is relevant and available. This includes qualitative and quantitative information and analysis, based on the Group's historical experience and informed credit assessment.

The Group assumes that credit risk on an individual trade receivable has increased if it is more than 30 days past due.

The Group considers a trade receivable to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

##### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the customer contract and the cash flows that the Group expects to receive). At 30 June 2020, the ECL model also incorporated estimates of potential credit losses resulting from impact of COVID-19.

##### *Presentation of allowance for ECL in the Consolidated statement of financial position*

Loss allowances for trade receivables are deducted from the gross carrying amount of trade receivables.

##### *Write-off*

The gross carrying amount of a trade receivable is written off when the Group has no reasonable expectations of recovering the balance in its entirety or a portion thereof. For customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, trade receivables that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 13. Other assets

	2020	2019
	\$M	\$M
<b>Current</b>		
Prepayments	12.5	3.4
Unbilled receivables	2.8	3.0
Deposits	1.6	1.2
Indirect tax receivables	0.6	0.9
Other	1.2	0.7
	<u>18.7</u>	<u>9.2</u>
<b>Non-current</b>		
Prepayments	0.5	-
Other	0.9	0.8
	<u>1.3</u>	<u>0.8</u>

#### Movements in unbilled receivables:

	2020	2019
	\$M	\$M
Opening balance	3.0	2.4
Acquisition via business combination	0.5	0.6
Accrued revenue recognised	2.5	2.5
Subsequently invoiced and transferred to trade receivables	(3.5)	(2.5)
Exchange differences	0.3	-
<b>Closing balance</b>	<u>2.8</u>	<u>3.0</u>

#### Significant accounting policies

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



## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 14. Trade and other payables

	<u>2020</u>	<u>2019</u>
	<u>\$M</u>	<u>\$M</u>
Trade payables	19.9	7.8
Other payables and accrued expenses	27.9	27.4
	<u>47.9</u>	<u>35.2</u>

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

#### Significant accounting policies

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period.

#### 15. Deferred revenue

	<u>2020</u>	<u>2019</u>
	<u>\$M</u>	<u>\$M</u>
Deferred revenue	22.7	19.0
	<u>22.7</u>	<u>19.0</u>

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

Movements in deferred revenue:

	<u>2020</u>	<u>2019</u>
	<u>\$M</u>	<u>\$M</u>
Opening balance	19.0	10.1
Acquisition via business combination	4.2	5.7
Revenue recognised in current year	(33.0)	(32.0)
Advanced payments received	32.4	34.9
Exchange differences	0.1	0.3
<b>Closing balance</b>	<u>22.7</u>	<u>19.0</u>

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

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 16. Other liabilities

	2020	2019
	\$M	\$M
<b>Current</b>		
Contingent consideration	23.7	69.8
Customer deposits	25.4	21.7
Customer payables	0.5	2.4
Indirect taxes payable	1.8	1.7
Other current liabilities	0.8	1.1
	<u>52.2</u>	<u>96.6</u>
<b>Non-current</b>		
Contingent consideration	30.5	157.1
Other non-current liabilities	1.5	2.1
	<u>32.0</u>	<u>159.2</u>
	<u>84.2</u>	<u>255.9</u>

See note 26 for accounting policy and measurement of contingent consideration.

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

#### 17. Borrowings

	2020	2019
	\$M	\$M
<b>Current</b>		
Bank loans	-	0.2
	-	<u>0.2</u>
<b>Non-current</b>		
Bank loans	-	0.5
	-	<u>0.5</u>
	<u>-</u>	<u>0.7</u>

##### *Bank debt facilities*

An unsecured syndicated facility was executed on 24 December 2018 between Westpac Banking Corporation, The Hongkong and Shanghai Banking Corporation Limited and Citibank, N.A. The facility has a total syndicated commitment of \$190.0m, plus an additional \$200.0m accordion facility, and matures in March 2022. The facility is undrawn as at 30 June 2020.

##### *Other bank loans*

The Group acquired a controlling interest in Softship GmbH ("Softship") on 1 July 2016, which had a debt contract with Commerzbank for \$1.4m (Euro 1.0m), having a maturity of eight years and a fixed interest rate of 3.29% per annum. The unsecured bank loan was fully repaid in May 2020.

##### *Finance lease liabilities*

Prior to 1 July 2019 finance lease liabilities recognised in accordance with AASB 117 were classified as borrowings. \$0.5m of finance lease liabilities were transferred to lease liabilities upon adoption of AASB 16. Refer note 18.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 18. Lease liabilities

	<u>2020</u>	<u>2019</u>
	<u>\$M</u>	<u>\$M</u>
<b>Current</b>		
Lease liabilities	<u>10.4</u>	<u>0.2</u>
	<b>10.4</b>	<b>0.2</b>
<b>Non-current</b>		
Lease liabilities	<u>35.4</u>	<u>0.2</u>
	<b>35.4</b>	<b>0.2</b>
	<b>45.8</b>	<b>0.5</b>

#### *(i) Definition of a lease*

The Group assesses whether a contract is, or contains, a lease based on the definition of a lease under AASB 16. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases.

At inception or on reassessment of a contract that contains a lease component, the Group allocates consideration in the contract to each lease and non-lease component based on their relative standalone prices.

#### *(ii) As a lessee*

The Group leases properties, motor vehicles and office equipment. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (e.g. office equipment) and leases with lease terms with less than 12 months. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over lease term.

The Group presents right-of-use assets in "property, plant and equipment".

The Group presents lease liabilities separately on the face of the Consolidated statement of financial position.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 18. Lease liabilities (continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in substance fixed payments;
- Variable lease payments that depend on an index variation, initially measured using the index or value as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in a optional renewal period of the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the right-of-use asset carrying amount, or is recorded in profit or loss if the right-of-use carrying amount has been reduced to nil.

#### **Key accounting estimates and judgements - Lease term**

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 18. Lease liabilities (continued)

##### Transition

At transition, leases classified as operating leases under AASB 117, lease liabilities were measured at present values of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019.

At transition, leases classified as operating leases under AASB 117, right-of-use assets are measured at either:

- Their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117;

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term; and
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Did not recognise right-of-use assets and liabilities for leases of low-value asset.

At transition, for leases classified as finance leases under AASB 117, the carrying amounts of the right-of-use asset and the lease liability at 1 July 2019 were maintained at values recognised immediately before that date.

##### (a) Impacts on transition

On transition to AASB 16, the Group recognised right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	<u>1 Jul 2019</u>
	<u>\$M</u>
Right-of-use assets recognised in property, plant and equipment	42.1
Lease liabilities	(43.4)
Derecognition of previous operating lease balances	1.4
Deferred tax asset	-
Retained earnings	(0.1)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 3.8%.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019 as follows:

	<u>1 Jul 2019</u>	<u>1 Jul 2019</u>
	<u>\$M</u>	<u>\$M</u>
Operating lease commitments at 30 June 2019 (under AASB 17)	47.3	
Leases with less than 12 months of lease term at transition	(0.6)	
Non-lease component (service charges) from operating leases	(0.9)	
Extension options reasonably certain to be exercised	1.3	
Discounted using the incremental borrowing rate at 1 July 2019	<u>(4.1)</u>	
Operating leases transitioned to AASB 16		43.0
Finance lease liabilities recognised as at 30 June 2019	0.5	
Leases of low-value assets	<u>(0.1)</u>	
Finance leases transitioned to AASB 16		0.4
Lease liabilities recognised at 1 July 2019		<u><u>43.4</u></u>

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 18. Lease liabilities (continued)

##### (b) Impacts for the year

As a result of the application of AASB 16, the Group recognised \$42.1m of right-of-use assets. The movements during the year ended 30 June 2020 in right-of-use asset balances are described below:

	<u>30 Jun 2020</u>
	<u>\$M</u>
ROU assets recognised in property, plant and equipment	42.1
Additions	5.9
Additions through business combinations	2.5
Remeasurement of ROU assets	3.5
Early termination	(0.2)
Depreciation	(10.9)
Exchange difference	(0.6)
Closing balance	<u><u>42.3</u></u>

As a result of application of AASB 16, the Group recognised \$43.4m of lease liabilities. The movements during the year ended 30 June 2020 in lease liability balances are described below:

	<u>30 Jun 2020</u>
	<u>\$M</u>
Lease liabilities recognised	43.4
Additions	5.9
Additions through business combinations	2.5
Remeasurement of lease liabilities	3.5
Early termination	(0.2)
Payments	(10.1)
Unwinding interest on lease liabilities	1.8
Exchange difference	(1.1)
Closing balance	<u><u>45.8</u></u>

\$2.6m of depreciation charges and \$0.4m of interest costs were capitalised to Development costs (WIP).

The Group adopted AASB 16 using the modified retrospective approach on transition and accordingly has not restated comparative information. The reclassification and adjustments arising from the new standard are therefore recognised in the opening Consolidated statement of financial position as at 1 July 2019.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 19. Share capital and reserves

##### *Ordinary shares issued and fully paid*

	<b>Shares (thousands)</b>	<b>\$M</b>
At 1 July 2018	299,932	288.8
Shares issued for cash	16,064	335.7
Shares issued for acquisition of subsidiaries	1,291	23.5
Shares issued to employee share trust	850	24.4
Shares issued under DRP	24	0.5
Transaction costs (net of tax)	-	(4.5)
<b>At 30 June 2019</b>	<b>318,161</b>	<b>668.5</b>
At 1 July 2019	318,161	668.5
Shares issued for acquisition of subsidiaries	3,845	86.0
Shares issued to employee share trust	1,250	24.8
Shares issued under DRP	24	0.5
Transaction costs (net of tax)	-	(0.1)
<b>At 30 June 2020</b>	<b>323,280</b>	<b>779.8</b>

Ordinary shares participate in dividends and the proceeds on winding-up of the Company in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise, each shareholder has one vote on a show of hands.

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

##### **Nature and purpose of reserves**

###### **(i) Treasury share reserve**

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the WiseTech Global Limited Employee Share Trust. At 30 June 2020, the Trust held 1,474,894 shares of the Company (2019:1,283,578 shares).

###### **(ii) Acquisition reserve**

The acquisition reserve comprises the cumulative consideration paid to acquire minority interests in excess of the fair value of the net assets when attaining control, in addition to the difference between the share price at the time of the agreement to issue shares and the share price on the date of issue when the Group's shares are issued under acquisition agreements.

###### **(iii) Cash flow hedge reserve**

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cashflow hedging instruments.

###### **(iv) Share-based payment reserve**

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

###### **(v) Foreign currency translation reserve**

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements not in Australian dollar functional currency.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

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

##### Capital management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern. The Group's capital and debt include ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Throughout FY20 the Group issued \$86.0m in shares to pay for obligations under acquisition agreements. In addition, at 30 June 2020 the Group has an undrawn debt facility of \$190.0m, to apply towards future strategic initiatives. The total equity of the Group at 30 June 2020 is \$1,003.4m (2019: \$766.6m) and total cash and cash equivalents at 30 June 2020 are \$223.7m (2019: \$260.1m). The total bank loans at 30 June 2020 are \$nil (2019: \$0.7m).

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



## Notes to the financial statements (continued)

### For the year ended 30 June 2020

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

##### Acquisitions in 2020

During the year ended 30 June 2020, the Group completed the following five acquisitions:

Business acquired	Date of acquisition	Description of acquisition
Cypress <sup>1</sup>	16 Sep 2019	Tariff management software provider in the USA
Depot Systems <sup>1</sup>	1 Oct 2019	Leading US-based container yard and terminal management logistics solutions provider
Ready Korea	31 Dec 2019	Leading customs, bonded warehouse and trade compliance solutions provider in South Korea
Sisa	3 Feb 2020	Leading customs and freight forwarding solutions provider in Switzerland
SAD EC <sup>1</sup>	2 Mar 2020	Customs solutions provider in Poland

<sup>1</sup>Asset acquisitions

None of the acquisitions completed during the period is individually significant. Accordingly, key information on these acquisitions has been presented on an aggregated basis as set out below.

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

	<b>Total acquisitions</b>
	<b>\$M</b>
Cash and cash equivalents	12.8
Trade receivables	5.4
Other current assets	2.4
Intangible assets	5.2
Property, plant and equipment	3.7
Trade and other payables	(1.9)
Deferred revenue	(4.2)
Current tax liabilities	(0.9)
Other current liabilities	(0.9)
Lease liabilities	(2.5)
Deferred tax liabilities	(1.6)
<b>Fair value of net identifiable assets acquired (100%)</b>	<b>17.5</b>
	<b>Total acquisitions</b>
	<b>\$M</b>
Total consideration paid and payable	76.3
Less: Fair value of net identifiable assets acquired	(17.5)
<b>Goodwill</b>	<b>58.8</b>

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

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

##### Acquisitions in 2020 (continued)

###### *Goodwill*

The total goodwill arising on acquisitions is \$58.8m which relates predominantly to the key management, specialised know-how of the workforce, employee relationships, competitive position and service offerings that do not meet the recognition criteria as an intangible asset at the date of acquisition. The total amount of goodwill expected to be deductible for tax purposes is \$6.5m.

###### *Consideration*

Total upfront consideration was \$48.2m (equity shares issued \$3.0m and cash paid of \$45.4m including \$0.2m of foreign exchange difference arising between the acquisition date and payment) with further contingent consideration payable of \$31.0m. Contingent consideration is based on a number of milestones including the successful integration of acquired intellectual property and transfer of customers into CargoWise and in certain acquisitions performance in future periods based on selected revenue and profitability targets of the acquisition. These targets take account of the performance expectations of the acquired business in the context of their contribution across the Group. At acquisition, the discounted fair value of these arrangements is \$28.1m. These acquisitions included \$12.8m of cash and cash equivalents acquired.

In addition to consideration paid, an additional \$0.7m of debt like items were settled by the Group following the completion of the acquisition and are recorded in the Consolidated statement of cash flows as investing activities, acquisition of businesses, net of cash acquired.

The Group incurred acquisition-related costs of \$1.3m (FY19: \$4.7m) to external service providers in addition to internal costs which are recorded within general and administration expenses.

###### *Contribution of acquisitions to revenue and profits*

In total, these acquisitions contributed \$10.3m to Group revenue and a reduction to net profit of \$0.2m from their respective dates of acquisition. If the acquisitions had been acquired from 1 July 2019, the contribution to the Group revenue would have been \$22.4m and a reduction to net profit of \$0.8m.

###### *Additional investment in Softship*

During the year ended 30 June 2020, the Group made payments of \$0.8m towards obligations under previously announced share purchase agreements for the acquisition of Softship shares. This resulted in an increase in the acquisition reserve of \$0.8m.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

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

##### Acquisitions in 2019

During the year ended 30 June 2019, the Group completed the following fourteen acquisitions:

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

<sup>1</sup>Asset acquisitions.

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

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

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

##### Acquisitions in 2019 (continued)

The details of the fair value on acquisition of identifiable assets acquired, liabilities assumed, and goodwill determined are set out in the following tables and are considered final, as the measurement period for acquisition accounting has closed.

	Containerchain	Other	At	Revision in	Cumulative
	acquisitions	acquisitions	acquisition	FY20	total
	\$M	\$M	\$M	\$M	\$M
Cash and cash equivalents	5.7	11.5	17.2	-	17.2
Trade receivables	4.8	5.9	10.7	-	10.7
Other current assets	1.9	3.3	5.2	0.1	5.3
Intangible assets	6.6	23.4	30.0	-	30.0
Property, plant and equipment	0.7	1.4	2.1	(0.4)	1.7
Trade and other payables	(7.1)	(5.0)	(12.1)	(0.1)	(12.2)
Deferred revenue	(0.2)	(5.5)	(5.7)	-	(5.7)
Current tax liabilities	-	(4.7)	(4.7)	(0.1)	(4.8)
Employee benefits	(0.9)	(1.3)	(2.2)	-	(2.2)
Other current liabilities	(1.0)	(0.8)	(1.8)	-	(1.8)
Borrowings	-	(0.2)	(0.2)	-	(0.2)
Deferred tax asset	0.1	-	0.1	-	0.1
Deferred tax liabilities	-	(4.5)	(4.5)	(0.6)	(5.1)
<b>Fair value of net identifiable assets acquired (100%)</b>	<b>10.6</b>	<b>23.5</b>	<b>34.1</b>	<b>(1.1)</b>	<b>33.0</b>
Total consideration paid and payable	97.6	291.8	389.4	-	389.4
Less: Fair value of net identifiable assets acquired	(10.6)	(23.5)	(34.1)	1.1	(33.0)
<b>Goodwill</b>	<b>87.0</b>	<b>268.3</b>	<b>355.3</b>	<b>1.1</b>	<b>356.4</b>

##### Update to provisional accounting

Goodwill in respect of acquisitions in the period ended 30 June 2019 has been increased by \$1.1m following the update to provisional accounting. This resulted in a corresponding reduction in net assets of \$1.1m. Details of the update are provided in the table above.

##### Containerchain

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

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

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

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

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

# Notes to the financial statements (continued)

## For the year ended 30 June 2020

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

#### Acquisitions in 2019 (continued)

##### **Containerchain (continued)**

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

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

##### **Other acquisitions**

###### *Goodwill*

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

###### *Consideration*

Total upfront consideration was \$159.0m (\$136.3m paid in cash and \$22.7m in equity shares issued) with further contingent and deferred consideration payable of \$141.1m. Contingent consideration, consisting of fixed and variable components are based on a number of milestones, including performance-related targets and the integration of the acquired businesses with the Group such as the development of pre-existing capabilities into the Group's existing product. Deferred consideration represents the calculation of the final upfront consideration made subsequent to the completion date. At acquisition, the discounted value of these arrangements is \$132.8m. Other acquisitions included \$11.5m of cash and cash equivalents acquired.

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

###### *Contribution of acquisitions to revenue and profits*

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

##### **Additional investment in Softship**

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

##### **Significant accounting policy**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. Under the acquisition method, the business combination will be accounted for from the date that control is attained whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

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

##### Significant accounting policy (continued)

Consideration transferred, including any contingent consideration is required to be measured at fair value on the date of acquisition which takes into account the perspective of a 'market participant' and is a measurement of the amount that the Group would have to pay to such a participant for them to assume the remaining obligations under the contracts to acquire these businesses.

Contingent consideration obligations are classified as equity or liability in accordance with AASB 132 *Financial Instruments: Presentation*. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. Where the accounting standards require that an obligation to be settled in shares is classified as a liability, changes in measurement from the point of initial recognition through to when the milestone is achieved and the number of shares to be granted is determined, are recognised in profit or loss. Subsequently, once the number of shares is fixed and determined, any changes in the value of the shares to be granted between the milestone being achieved and the point of settlement, are recognised in acquisition reserve within equity (see note 19).

The Group only has contingent consideration obligations classified as liabilities at the reporting date.

As a consequence any changes in the fair value of contingent consideration that do not meet the requirements above, such as a subsequent renegotiation and settlement of the obligation, does not result in any change to the measurement of goodwill. Instead, changes to the fair value of contingent consideration classified as a liability is recognised in the profit or loss.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred except if related to the issue of debt or equity securities.

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

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 21. Employee benefits

	<b>2020</b>	<b>2019</b>
	<b>\$M</b>	<b>\$M</b>
Wages and salaries	241.2	177.0
Share-based payment expense	17.2	10.9
Defined contribution superannuation expense	12.5	10.7
<b>Total employee benefit expense (Gross before capitalisation)</b>	<b>270.9</b>	<b>198.5</b>

#### Annual leave and long service leave

	<b>2020</b>	<b>2019</b>
	<b>\$M</b>	<b>\$M</b>
<b>Current</b>		
Annual leave	15.0	10.0
Long service leave	3.2	3.1
	<b>18.2</b>	<b>13.1</b>
<b>Non-current</b>		
Long service leave	1.8	1.4
	<b>1.8</b>	<b>1.4</b>
<b>Total annual leave and long service leave</b>	<b>20.0</b>	<b>14.5</b>

#### Significant accounting policies

##### Short-term employee benefits

Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

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

##### Long-term employee benefits

Provision is made for employees' long service leave and not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

Expected future payments incorporate anticipated future wage and salary levels, duration of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 21. Employee benefits (continued)

The Group's obligations for long-term employee benefits are presented as non-current employee benefits in its Consolidated statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current employee benefits.

##### **Defined contribution superannuation benefits**

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

##### **Share-based payment transactions**

The Company has a number of share-based payment arrangements that were granted to employees during FY20. These related to shares or share rights granted as part of employee remuneration packages (base remuneration and performance bonus), Christmas bonuses and arrangements following completion of business acquisitions. The awards were granted on various dates in FY20 based on a specified monetary value to each recipient and a share price at the time the offer is determined. The fair value of these arrangements was deemed to be the function of the number of share rights granted and the share price at grant date. Share rights granted may vest in predetermined tranches. Share rights were also granted as part of a matching process under the employee 'invest as you earn' programme which operated during the year. Vesting is dependent on continued employment with the Group. The fair value of the grant is recognised in profit or loss to match to each employee's service period until vesting. Upon cessation of employment unvested rights are forfeited. The cost recognised in prior periods in respect of forfeited rights is credited to profit or loss.

The total value of share-based payments recognised in the share based payment reserve during the year was \$17.2m (2019: \$10.9m) of which \$13.3m was recognised in profit and loss and \$3.9m was capitalised as part of directly attributable development costs which are required to be recognised as internally developed intangibles (refer note 9).



## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 22. Key management personnel transactions

##### Key management personnel ("KMP") compensation

The total remuneration of the KMP of the Company are as follows:

	<u>2020</u>	<u>2019</u>
	<u>\$000</u>	<u>\$000</u>
Short-term employee benefits	3,293	3,251
Post-employment benefits	158	172
Other long-term benefits	606	468
Share-based payments	1,064	771
<b>Total KMP compensation</b>	<b><u>5,122</u></b>	<b><u>4,662</u></b>

Short-term benefits comprise salary, fringe benefits and cash bonuses awarded. Post-employment benefits consist of superannuation contributions made during the year. Other Long-term benefits comprise accruals for annual leave and long service leave. Share-base payments represents the expensing over the period to vesting of the fair value at grant date of share rights granted.

##### KMP transactions

A key management person ("KMP"), holds positions in other companies that result in them having control or significant influence over these companies. Some of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-KMP related companies on an arm's length basis. The aggregate value of transactions and outstanding balances related to Richard White (CEO) and entities over which he has control or significant influence were as follows:

		<u>Transaction values for</u>		<u>Balance outstanding as</u>	
		<u>year ended 30 June</u>		<u>at 30 June</u>	
<b>Director</b>	<b>Transactions</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
R White	Office leases <sup>1</sup>	1,583	1,116	- <sup>1</sup>	(250)
R White	Staff training facility <sup>2</sup>	102	218	-	-
R White	Office services agreement <sup>3</sup>	(18)	(18)	-	-
R White	Company apartments rent <sup>4</sup>	73	170	-	-
R White	US data centre services <sup>5</sup>	1,000	802	-	-
R White	Plant and equipment <sup>5</sup>	53	-	-	-

The above transactions are made at normal market rates and approved by the Related Party Committee

<sup>1</sup>The Group leases two offices and utilised storage space owned by R White. During the year, the Group renewed its lease for an office property in Chicago, USA which has a term ending September 2024 and finalised a lease for an office property in Alexandria, Australia which has a term ending April 2025. The annual rents for the two offices are \$0.8m and \$2.5m respectively, both leases were determined in accordance with advice from independent property valuers.

<sup>2</sup>Staff training courses run by a third-party service provider are held at a facility owned by R White. The charge for usage of the facility is embedded in the service provider fees.

<sup>3</sup>The Group provides office accommodation and related services to a company controlled by R White.

<sup>4</sup>The Group had agreements for apartment leases. During the year the Group exited these leases.

<sup>5</sup>In preparation to close out certain related party transactions the Group sold new property fit-out assets in the Alexandria Office at cost for \$1.469m to R White and purchased used US data centre equipment for \$1.522m from R. White and terminated the US data centre services agreement. The value of the US data centre assets were appraised by a third-party valuation expert.

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 23. Auditor's remuneration

	<u>2020</u>	<u>2019</u>
	<u>\$000</u>	<u>\$000</u>
<b>Audit and assurance related services</b>		
<i>KPMG Australia</i>		
Audit and review of the financial reports	863.2	752.4
Total audit and assurance related services KPMG Australia	<u>863.2</u>	<u>752.4</u>
<b>Audit and assurance related services</b>		
<i>KPMG and non-KPMG overseas</i>		
Audit of statutory financial reports KPMG overseas	769.6	474.3
Audit of statutory financial reports by Non-KPMG firms	65.7	-
Total audit and assurance related services KPMG and non-KPMG overseas	<u>835.3</u>	<u>474.3</u>
<b>Total audit and assurance related services</b>	<u>1,698.5</u>	<u>1,226.7</u>
<b>Other services</b>		
<i>KPMG Australia</i>		
Other assurance, advisory and taxation services	5.0	15.0
Total other services KPMG Australia	<u>5.0</u>	<u>15.0</u>
<b>Other services</b>		
<i>KPMG overseas and Non-KPMG</i>		
Other assurance, advisory and taxation services-KPMG overseas	7.5	57.9
Other assurance, advisory and taxation services-Non KPMG	14.7	-
Total other services KPMG overseas and non-KPMG	<u>22.2</u>	<u>57.9</u>
<b>Total other services</b>	<u>27.2</u>	<u>72.9</u>
<b>Total auditor's remuneration</b>	<u>1,725.7</u>	<u>1,299.6</u>

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

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

	<u>2020</u>	<u>2019</u>
	\$M	\$M
<b>Cash flow reconciliation</b>		
Reconciliation of net profit after tax to net cash flows from operating activities:		
Profit after tax from continuing operations	160.8	54.1
Net Profit after tax	<u>160.8</u>	<u>54.1</u>
Adjustments to reconcile profit before tax to net cash flows from operating activities:		
Share-based payment expense	17.2	10.9
Depreciation	19.6	8.4
Capitalisation of share-based payment expense and depreciation	(6.5)	(3.4)
Amortisation	29.1	19.4
Doubtful debt expense	1.4	0.4
Net finance costs/(income)	(101.3)	3.8
Exchange differences	1.2	0.7
Hyperinflation adjustment	-	(0.1)
Change in assets and liabilities:		
Increase in trade receivables	(4.6)	(11.9)
(Increase)/decrease in other current and non-current assets	(8.4)	1.4
(Decrease)/increase in trade and other payables	11.1	1.0
Increase/(decrease) in current tax liabilities	0.7	0.1
(Decrease)/increase in deferred tax payable	3.9	8.3
Increase in other liabilities	0.7	14.6
(Decrease)/increase in deferred revenue	(0.7)	2.7
Increase in provisions	5.7	2.1
<b>Net cash flows from operating activities</b>	<b><u>129.9</u></b>	<b><u>112.5</u></b>

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 25. Segment information

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

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

<b>Continuing operations</b>	<b>2020</b>	<b>2019</b>
	<b>\$M</b>	<b>\$M</b>
Recurring On-Demand revenue	309.2	249.8
Recurring OTL maintenance revenue	72.8	57.8
OTL and support services	47.4	40.7
<b>Total revenue</b>	<b>429.4</b>	<b>348.3</b>
Segment profit after tax	160.8	54.1
Fair value gain on contingent consideration <sup>1</sup>	(111.0) <sup>1</sup>	(1.6)
Interest unwind on contingent consideration, net of tax <sup>1</sup>	2.9 <sup>1</sup>	-
<b>Segment profit after tax excluding fair value gain on contingent consideration</b>	<b>52.6</b>	<b>52.6</b>

In general, a large amount of revenue is generated by customers that are global, from transactions that cross multiple countries and where the source of revenue can be unrelated to the location of the users using the software. Accordingly, the Group is managed as a single segment. The amounts for revenue by region in the following table are based on the invoicing location of the customer. Customers can change their invoicing location periodically. The CODM does not review or assess financial performance on a geographical basis.

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

#### Geographic information

Revenue generated by location of customer (invoicing location):

	<b>2020</b>	<b>2019</b>
	<b>\$M</b>	<b>\$M</b>
Asia Pacific	134.5	102.3
Americas	128.9	102.6
Europe, Middle East and Africa ("EMEA")	166.1	143.3
<b>Total revenue</b>	<b>429.4</b>	<b>348.3</b>

Non-current assets by geographic location:

	<b>2020</b>	<b>2019</b>
	<b>\$M</b>	<b>\$M</b>
Asia Pacific	458.7	368.0
Americas	244.8	220.0
EMEA	264.2	218.8
<b>Total non-current assets</b>	<b>967.6</b>	<b>806.8</b>

<sup>1</sup>Realised upon the close out of earnouts relating to 22 acquisitions as disclosed by the Company in May and July 2020, along with adjustments in 1H20

# Notes to the financial statements (continued)

## For the year ended 30 June 2020

### 26. Financial instruments

#### (i) Recognition and initial measurement

Trade receivables are initially recognised when customers are invoiced. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual obligations.

A financial asset (unless it is a trade receivable) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition. Trade receivables are initially measured at the transaction price.

#### (ii) Derecognition

##### *Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from a financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

##### *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified financial liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### (iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### (iv) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge some of its foreign currency risk exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 26. Financial instruments (continued)

##### *Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income (OCI) and accumulated in the cash flow hedge reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit and loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the hedging reserve are immediately reclassified to profit or loss.

##### **(v) Credit impaired trade receivables**

At each reporting date, the Group assesses whether trade receivables are credit-impaired. A trade receivable is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows have occurred.

Evidence that a trade receivable is credit-impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- A breach of contract such as a default; or
- It is probable that the debtor will enter bankruptcy or other financial reorganisation.

# Notes to the financial statements (continued)

## For the year ended 30 June 2020

### 26. Financial instruments (continued)

#### (vi) Measurement of fair values

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

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

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

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

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

#### Fair value hierarchy

Significant valuation issues are reported to the Audit Committee.

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

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

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

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

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy as detailed above, based on the lowest level of input that is significant to the entire fair value measurement.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 26. Financial instruments (continued)

<b>Group - 2020</b>	<b>Level 1 \$M</b>	<b>Level 2 \$M</b>	<b>Level 3 \$M</b>	<b>Total \$M</b>
<i>Assets</i>				
Forward foreign exchange contracts	-	4.6	-	4.6
Total assets	-	<b>4.6</b>	-	<b>4.6</b>
<i>Liabilities</i>				
Contingent consideration	-	-	54.2	54.2
Total liabilities	-	-	<b>54.2</b>	<b>54.2</b>
<b>Group - 2019</b>				
	<b>Level 1 \$M</b>	<b>Level 2 \$M</b>	<b>Level 3 \$M</b>	<b>Total \$M</b>
<i>Liabilities</i>				
Contingent consideration	-	-	226.9	226.9
Total liabilities	-	-	<b>226.9</b>	<b>226.9</b>

#### Fair value of assets

##### *Hedging instruments*

The Group has recognised an asset measured at fair value in relation to derivative financial instrument (i.e., forward foreign exchange contracts - cash flow hedges). The derivative financial instrument is designated as a financial asset and deemed to be a level 2 measurement of fair value. Changes in the fair value of derivative financial instrument are recognised in 'other comprehensive income'. A reconciliation of movements in derivative financial assets allocated to level 2 is provided below.

	<b>2020</b>
	<b>\$M</b>
Opening balance	-
New contracts entered during the year	4.6
Closing balance	<b>4.6</b>

#### Fair value of liabilities

##### *Contingent consideration*

The Group has recognised liabilities measured at fair value in relation to contingent consideration arising out of acquisitions made by the Group. The contingent consideration is designated as a financial liability and deemed to be a Level 3 measurement of fair value. It has been discounted accordingly based on estimated time to complete a number of milestones. As part of the assessment at each reporting date, the Group has considered a range of reasonably possible changes for key assumptions and has not identified instances that could cause the fair value of contingent consideration to change significantly. Changes in the fair value of contingent consideration after the acquisition date are recognised in profit or loss, unless the changes are measurement period adjustments. Refer note 20.



## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 26. Financial instruments (continued)

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

	2020	2019
	\$M	\$M
Opening balance	226.9	101.2
Change in fair value estimate <sup>1</sup>	(111.0)	(1.6)
Equity payments	(86.4)	(0.7)
Cash payments	(22.8)	(17.2)
Additions	28.1	130.3
Unwinding interest	10.0	5.9
Foreign exchange differences	9.4	9.0
Closing balance	<u>54.2</u>	<u>226.9</u>

<sup>1</sup> The effect on the profit or loss is due to unwinding of earnout interest on acquisitions, change in fair value estimate and a portion of foreign exchange as indicated in the above reconciliation. The change in fair value estimates includes the renegotiation of 22 acquisition's earnouts as previously disclosed in ASX announcements in May and July 2020.

#### Key Accounting estimates and judgements - contingent consideration

Contingent Consideration is measured at fair value which requires management to estimate the amount likely to be paid in the future and the timing of the payment, to assess the present value using appropriate discount rates. The determination of fair value involves judgement about the probability of achievement of performance metrics of acquired business, which include both financial and non-financial results.

#### Financial risk management objectives and policies

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

- credit risk;
- liquidity risk; and
- market risk.

##### (a) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board are responsible for developing and monitoring the Group's risk management policies. The Board has delegated day-to-day responsibility for implementation of the risk management framework to the risk committee. The risk committee is a management committee comprising senior executives and is chaired by the CEO. The aim of the risk committee is to provide our Board with assurance that the major business risks are being identified and consistently assessed and that plans are in place to address risk.

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

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

The Board has approved the establishment of an internal audit function and an external service provider has been engaged since 30 June 2020.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 26. Financial instruments (continued)

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

###### (b) Credit risk

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

The Group's standard payment and delivery terms and conditions are that payment is generally due within 30 days on receipt of any invoice and the preferred payment options are by direct debit from a bank account or credit card. No limits are used and the Group's receivables are carefully managed by the credit management team. This role includes establishing customer deposits (refer to note 16).

###### *Trade receivables*

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

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provision for impairment of those assets, as disclosed in the Consolidated statement of financial position. These predominantly relate to trade receivables. Refer to note 12 for further details.

###### *Cash and cash equivalents*

The Group held cash and cash equivalents of \$223.7m at 30 June 2020 (2019: \$260.1m).

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 26. Financial instruments (continued)

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

###### (c) Liquidity risk

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

###### *Exposure to liquidity risk*

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

2020	Carrying amount \$M	Total \$M	Contractual cash flow	
			Less than 1 year \$M	1 - 5 years \$M
<b>Financial liabilities</b>				
Contingent consideration <sup>1</sup>	14.8	(15.4)	(7.4)	(8.0)
Lease liabilities	45.7	(46.0)	(12.0)	(34.1)
Trade payables	19.9	(19.9)	(19.9)	-
Other payables and accrued expenses	27.9	(27.9)	(27.9)	-
Other liabilities	30.0	(30.0)	(28.5)	(1.5)
<b>Total</b>	<b>138.4</b>	<b>(139.3)</b>	<b>(95.7)</b>	<b>(43.6)</b>

<sup>1</sup>The total carrying value of contingent consideration is \$54.2m which includes \$39.4m to be settled for an equivalent value of shares once the milestone is achieved and becomes payable and \$14.8m in the table above, which will be cash settled.

2019	Carrying amount \$M	Total \$M	Contractual cash flow	
			Less than 1 year \$M	1 - 5 years \$M
<b>Financial liabilities</b>				
Contingent consideration <sup>2</sup>	209.3	(218.1)	(66.3)	(151.8)
Bank loans	0.7	(0.8)	(0.3)	(0.5)
Finance lease liabilities	0.5	(0.5)	(0.2)	(0.2)
Trade payables	7.8	(7.8)	(7.8)	-
Other payables and accrued expenses	27.4	(27.4)	(27.4)	-
Other liabilities	28.9	(28.9)	(26.9)	(2.1)
<b>Total</b>	<b>274.6</b>	<b>(283.5)</b>	<b>(128.8)</b>	<b>(154.6)</b>

<sup>2</sup>The total carrying value of contingent consideration is \$226.9m which includes \$17.6m to be settled for an equivalent value of shares once the milestone is achieved and becomes payable and \$209.3m in the table above, which will be cash settled.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 26. Financial instruments (continued)

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

###### *Bank debt facilities*

An unsecured syndicated facility was executed on 24 December 2018 between Westpac Banking Corporation, The Hongkong and Shanghai Banking Corporation Limited and Citibank, N.A. The facility has a total syndicated commitment of \$190.0m, plus an additional \$200.0m accordion facility, and matures in March 2022. The facility is undrawn as at 30 June 2020.

Finance costs are broken down as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$M</b>	<b>\$M</b>
Unwinding interest on contingent consideration	10.0	5.9
Unwinding interest on lease liabilities	1.8	-
Capitalisation of interest on lease liabilities	(0.4)	-
Interest expense and facility fees	1.3	1.4
Other	0.1	-
<b>Total finance costs</b>	<b>12.9</b>	<b>7.3</b>

##### **(d) Market risk**

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

###### *Currency risk*

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

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

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

The Group has hedged less than 10% of its estimated foreign currency exposure in respect of forecast sales over the following 12 months. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. These contracts are generally designated as cash flow hedges.

The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The forward elements of forward exchange contracts are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cash flow hedge reserve. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 26. Financial instruments (continued)

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

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedged relationships, the main sources of the ineffectiveness are the effect of the counterparties and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and changes in the timing of the hedged transactions.

Details of total outstanding forward foreign exchange contracts (cash flow hedges) as at 30 June 2020.

Cash flow hedge - outstanding contracts	Average exchange rate	Contract value	Contract value	Asset AUD (Millions)	Liability AUD (Millions)
		LC (Millions)	AUD (Millions)		
<b>EUR</b>					
0-12 months	0.5421	7.0	12.9	1.4	-
12-24 months	0.5395	2.0	3.7	0.4	-
<b>Total</b>		9.0	16.6	1.8	-
<b>USD</b>					
0-12 months	0.5950	10.3	17.4	2.3	-
12-24 months	0.5953	2.1	3.5	0.5	-
<b>Total</b>		12.4	20.9	2.8	-

LC - Local currency

A reasonably possible strengthening (weakening) of the USD or EUR weighted average exchange rate against AUD at 30 June 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity by the amounts shown below. This analysis assumes hedge designations as at 30 June 2020 remain unchanged and that all designations are effective.

Foreign currency forward contracts	Average exchange rate	Effect on equity (pre-tax)				Profit (pre-tax)	
		+10%	-10%	Change	Change	Change	Change
				(+10%) AUD (Millions)	(-10%) AUD (Millions)	(+10%) AUD (Millions)	(-10%) AUD (Millions)
AUD / EUR	0.5415	0.5957	0.4874	0.2	(0.2)	-	-
AUD / USD	0.5951	0.6546	0.5356	0.3	(0.3)	-	-

Forward contracts with maturity dates greater than 12 months hedge revenues for April 2020 to June 2020.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 26. Financial instruments (continued)

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

A reasonably possible strengthening (weakening) of the USD, GBP or EUR against all other currencies at 30 June 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	<u>30 June 2020</u> LC (Millions)	<u>Profit or loss</u>		<u>Equity</u>	
		<u>Change (+10%)</u> LC (Millions)	<u>Change (-10%)</u> LC (Millions)	<u>Change (+10%)</u> LC (Millions)	<u>Change (-10%)</u> LC (Millions)
<b>USD</b>					
Net trade receivables/(payables) exposure	7.7	(0.7)	0.9	-	-
<b>GBP</b>					
Net trade receivables/(payables) exposure	0.3	-	-	-	-
<b>EUR</b>					
Net trade receivables/(payables) exposure	1.9	(0.2)	0.2	-	-
	<u>30 June 2019</u> LC (Millions)	<u>Change (+10%)</u> LC (Millions)	<u>Change (-10%)</u> LC (Millions)	<u>Change (+10%)</u> LC (Millions)	<u>Change (-10%)</u> LC (Millions)
<b>USD</b>					
Net trade receivables/(payables) exposure	8.6	(0.8)	1.0	-	-
<b>GBP</b>					
Net trade receivables/(payables) exposure	0.2	-	-	-	-
<b>EUR</b>					
Net trade receivables/(payables) exposure	1.6	(0.1)	0.2	-	-

LC - Local currency

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 26. Financial instruments (continued)

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

###### *Interest rate risk and cash flow sensitivity*

At 30 June 2020, the Group held no interest bearing financial liabilities (i.e. bank loans) (2019: \$0.7m) and held interest bearing financial assets (i.e. cash and short-term deposits) of \$223.7m (2019: \$260.1m).

A reasonably possible change of 100 basis points in interest rates at the reporting date would increase the profit or loss after tax by \$1.9m (2019: increase by \$0.6m). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 27. Group information

Parent entity	Country of incorporation	% Equity interest	
WiseTech Global Limited	Australia		
Subsidiaries	Country of incorporation	2020	2019
Candent Australia Pty Ltd	Australia	100.0	100.0
Cargo Community Network Pty Ltd	Australia	100.0	100.0
CMS Transport Systems Pty Ltd	Australia	100.0	100.0
Compdata Technology Services Pty Ltd	Australia	100.0	100.0
Container Chain Pty Ltd	Australia	100.0	100.0
Containerchain Australia Pty Ltd	Australia	100.0	100.0
Containerchain Australia Holdings Pty Ltd	Australia	100.0	100.0
Containerchain Unit Trust	Australia	100.0	100.0
IFS Global Holdings Pty Ltd	Australia	100.0	100.0
IFS Global Pty Ltd	Australia	100.0	100.0
IFS NZ Pty Ltd	Australia	100.0	100.0
Interactive Freight Systems Pty Ltd	Australia	100.0	100.0
Maximas Pty Ltd	Australia	100.0	100.0
Microlistics International Pty Ltd	Australia	100.0	100.0
Microlistics Pty Ltd	Australia	100.0	100.0
Tankstream Systems Pty Ltd	Australia	100.0	100.0
Translogix (Australia) Pty Ltd	Australia	100.0	100.0
WiseTech Academy Pty Ltd	Australia	100.0	100.0
WiseTech Global (Australia) Pty Ltd	Australia	100.0	100.0
WiseTech Global (Europe) Holdings Pty Ltd	Australia	100.0	100.0
WiseTech Global (Financing) Pty Ltd	Australia	100.0	100.0
Wisetech Global (Licensing) Pty Ltd	Australia	100.0	100.0
Wisetech Global (Trading) Pty Ltd	Australia	100.0	100.0
WiseTech Global Holdings Pty Ltd	Australia	100.0	100.0
WiseTech Global (Holdings 2) Pty Ltd	Australia	100.0	-
WiseTech Global Limited Employee Share Trust	Australia	100.0	100.0
WiseTech Global (Argentina) S.A.U.	Argentina	100.0	100.0
Intris N.V.	Belgium	100.0	100.0
Bysoft Solucoes em Sistemas Para Comercio Exterior Ltda	Brazil	100.0	100.0
CargoWise Brasil Solucoes em Sistemas Ltda	Brazil	100.0	100.0
Fenix Data Systems Inc.	Canada	100.0	100.0
WiseTech Global (CA) Ltd	Canada	100.0	100.0
Softcargo Chile SpA	Chile	100.0	100.0
WiseTech Global (China) Information Technology Ltd	China	100.0	100.0
Pierbridge Finland Oy	Finland	100.0	100.0
EasyLog SAS	France	100.0	100.0
CargoWise GmbH	Germany	100.0	100.0
Containerchain Germany GmbH	Germany	100.0	100.0
Softship GmbH (formerly Softship AG)	Germany	100.0	100.0
znet group GmbH	Germany	100.0	100.0
Containerchain Hong Kong Ltd	HongKong	100.0	100.0
WiseTech Global (HK) Ltd	Hong Kong	100.0	100.0
WiseTech Global (India) Private Limited	India	100.0	-
ABM Data Systems Ltd	Ireland	100.0	100.0
Cargo Community Systems Ltd	Ireland	100.0	100.0
CargoWise (Ireland) Ltd	Ireland	100.0	100.0



## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 27. Group information (continued)

Subsidiaries	Country of incorporation	% Equity interest	
		2020	2019
A.C.O. Informatica S.r.l.	Italy	100.0	100.0
WiseTech Global (Japan) K.K.	Japan	100.0	100.0
Containerchain Malaysia Sdn Bhd	Malaysia	100.0	100.0
Maxframe Technologies Sdn Bhd	Malaysia	100.0	100.0
Cargoguide International B.V.	Netherlands	100.0	95.0
Containerchain Netherlands B.V.	Netherlands	100.0	100.0
LSP Solutions B.V.	Netherlands	100.0	100.0
Containerchain New Zealand Ltd	New Zealand	100.0	100.0
WiseTech Global (NZ) Ltd	New Zealand	100.0	100.0
Systema AS	Norway	100.0	100.0
Softship Inc.	Philippines	100.0	100.0
Candent Singapore Pte Ltd	Singapore	100.0	100.0
Containerchain Global Holdings Pte Ltd	Singapore	100.0	100.0
Containerchain (Singapore) Pte Ltd	Singapore	100.0	100.0
Softship Dataprocessing Pte Ltd	Singapore	100.0	100.0
WiseTech Global (SG) Pte Ltd	Singapore	100.0	100.0
Compu-Clearing (Pty) Ltd	South Africa	100.0	100.0
Compu-Clearing Drome Road Property (Pty) Ltd	South Africa	100.0	100.0
Compu-Clearing Outsourcing Ltd	South Africa	100.0	100.0
Core Freight Systems (Pty) Ltd	South Africa	100.0	100.0
Drome Road Share Block (Pty) Ltd	South Africa	100.0	100.0
Wisetechnology (Pty) Ltd	South Africa	100.0	100.0
EDI Enterprise (Pty) Ltd	South Africa	-	100.0
Three DX Property and Investments (Pty) Ltd	South Africa	-	100.0
Ready Korea Co., Ltd.	South Korea	100.0	-
WiseTech Global LLC	South Korea	100.0	100.0
Taric Canarias S.A.	Spain	100.0	100.0
Taric S.A.U.	Spain	100.0	100.0
Taric Trans S.L.	Spain	100.0	100.0
CargoIT i Skandinavien AB	Sweden	100.0	100.0
X Ware Aktiebolag	Sweden	100.0	100.0
Sisa Studio Informatica SA	Switzerland	100.0	-
WiseTech Global (Taiwan) Ltd	Taiwan	100.0	100.0
Containerchain (Thailand) Pte Ltd	Thailand	100.0	100.0
Ulukom Bilgisayar Yazılım Donanım Danışmanlık ve Ticaret A.Ş.	Turkey	100.0	100.0
WiseTech Global FZ-LLC	UAE	100.0	100.0
LSI - Sigma Software Limited	UK	100.0	100.0
Pierbridge Ltd	UK	100.0	100.0
WiseTech Global (International) Ltd	UK	100.0	-
WiseTech Global (UK) Ltd	UK	100.0	100.0
Eyalir S.A.	Uruguay	100.0	100.0
Ilun S.A.	Uruguay	100.0	100.0
Containerchain USA Inc.	USA	-	100.0
Pierbridge Holdings Inc.	USA	100.0	100.0
Pierbridge Inc.	USA	100.0	100.0
Planet Traders Inc.	USA	100.0	100.0
Softship America Inc.	USA	100.0	100.0
WiseTech Global (US) Inc.	USA	100.0	100.0

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 28. Deed of Cross Guarantee

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

In order to receive the benefit of the relief provided under the Instrument, the Company and each subsidiary must be a party to the Deed of Cross Guarantee. The effect of the Deed of Cross Guarantee is that each party guarantees to each creditor of each other party, payment in full of any debt in the event of winding up of another party to the Deed of Cross Guarantee under certain provisions of the *Corporations Act 2001*. The Company, WiseTech Global (Trading) Pty Ltd and WiseTech Global (Australia) Pty Ltd entered into the Deed of Cross Guarantee on 20 June 2017. On 15 June 2018, WiseTech Global (Licensing) Pty Ltd, Microlistics International Pty Ltd and Microlistics Pty Ltd signed an Assumption Deed for each of them to be joined to the Deed of Cross Guarantee. On 6 June 2019, TransLogix (Australia) Pty Ltd, WiseTech Global (Financing) Pty Ltd, WiseTech Global (Europe) Holdings Pty Ltd and WiseTech Academy Pty Ltd signed an Assumption Deed for each of them to be joined to the Deed of Cross Guarantee.

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

The Consolidated statement of profit or loss and other comprehensive income and Consolidated statement of financial position of the entities that are members of the Closed Group after eliminating all transactions between members of the Closed Group are as follows:

	Closed Group	
	2020	2019
	\$M	\$M
Profit from continuing operations before income tax	132.3	79.8
Income tax expense	(25.3)	(21.8)
Profit after tax from continuing operations	<u>106.9</u>	<u>58.0</u>
Net profit for the period	106.9	58.0
Retained earnings at the beginning of the period	130.2	87.7
Dividend declared and paid	(11.6)	(9.5)
Share premium - retained earnings	-	-
Vesting of share rights	(17.5)	(8.6)
Tax benefit from equity remuneration	5.2	2.6
Retained earnings at the end of the period	<u>213.3</u>	<u>130.2</u>

## Notes to the financial statements (continued)

For the year ended 30 June 2020

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

	Closed Group	
	2020	2019
	\$M	\$M
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	165.6	207.8
Trade and other receivables	29.8	22.4
Derivative financial instruments	3.7	-
Current tax receivables	2.0	2.5
Other current assets	12.9	3.5
Intercompany receivables	16.6	13.4
<b>Total current assets</b>	<b>230.7</b>	<b>249.6</b>
<b>Non-current assets</b>		
Intangible assets	189.4	184.4
Property, plant and equipment	27.3	6.0
Derivative financial instruments	0.9	-
Investments in subsidiaries	693.9	528.5
Other non-current assets	1.1	9.6
<b>Total non-current assets</b>	<b>912.5</b>	<b>728.5</b>
<b>Total assets</b>	<b>1,143.2</b>	<b>978.1</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	18.6	10.0
Lease liabilities	3.8	-
Deferred revenue	5.3	4.2
Employee benefits	11.3	8.6
Other current liabilities	25.6	51.2
<b>Total current liabilities</b>	<b>64.6</b>	<b>74.0</b>
<b>Non-current liabilities</b>		
Lease liabilities	14.4	-
Employee benefits	1.7	1.4
Deferred tax liabilities	42.6	33.1
Other non-current liabilities	28.5	79.1
<b>Total non-current liabilities</b>	<b>87.2</b>	<b>113.5</b>
<b>Total liabilities</b>	<b>151.8</b>	<b>187.5</b>
<b>Net assets</b>	<b>991.4</b>	<b>790.6</b>
<b>Equity</b>		
Share capital	779.8	668.5
Retained earnings	213.3	130.2
Reserves	(1.7)	(8.1)
<b>Total equity</b>	<b>991.4</b>	<b>790.6</b>

The Group has initially applied AASB 16 *Leases* at 1 July 2019, using the modified retrospective approach. Refer note 3. Under this approach, comparative information is not restated and the cumulative effect is recognised in retained earnings at the date of initial application.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 29. Parent entity information

As at, and throughout the financial year ended, 30 June 2020 the parent entity of the Group was WiseTech Global Limited.

	<u>2020</u>	<u>2019</u>
	\$M	\$M
<b>Result of parent entity</b>		
Net profit for the year	48.8	59.2
<b>Total comprehensive income for the year</b>	<u>48.8</u>	<u>59.2</u>
	<u>2020</u>	<u>2019</u>
	\$M	\$M
<b>Financial position of parent entity at year end</b>		
Current assets	537.7	508.8
Total assets	1,097.3	833.5
Current liabilities	39.2	16.0
Total liabilities	<u>103.0</u>	<u>46.2</u>
<b>Net assets</b>	<u>994.3</u>	<u>787.3</u>
	<u>2020</u>	<u>2019</u>
	\$M	\$M
<b>Total equity of parent entity comprising:</b>		
Share capital	779.8	668.5
Reserves	(2.7)	(8.3)
Retained earnings	217.3	127.2
<b>Total equity</b>	<u>994.3</u>	<u>787.3</u>

#### (a) Parent entity contingent liabilities

The parent entity has provided guarantees for the future settlement of a portion of deferred consideration (cash and shares) recognised in subsidiaries of the Group. There are no other contingent liabilities as at 30 June 2020 or 30 June 2019.

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

The parent entity had no capital commitments as at 30 June 2020 or 30 June 2019.

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

The parent entity has entered into a Deed of Cross Guarantee. Refer to note 28 for further details.

# Notes to the financial statements (continued)

## For the year ended 30 June 2020

### 30. Other policies and disclosures

#### (a) Principles of consolidation

The Consolidated financial statements incorporate all of the assets, liabilities and results of WiseTech Global Limited and all of the subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

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

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the exchange rate at the reporting date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise, the exchange difference is recognised in profit or loss.

##### Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities including goodwill and fair value adjustments arising on acquisition are translated at exchange rates prevailing at the reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transactions.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the Consolidated statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

## Notes to the financial statements (continued)

### For the year ended 30 June 2020

#### 30. Other policies and disclosures (continued)

##### Currency of hyperinflationary economy

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

##### (c) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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

##### (d) Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020 and have not been applied in preparing these Consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's Consolidated financial statements:

- Amendments to references to conceptual framework in IFRS standards;
- Definition of a Business (Amendments to IFRS 3); and
- Definition of Material (Amendments to AASB 101 and AASB 108)

##### (e) Contingent assets and contingent liabilities

There were no contingent assets or liabilities of the Group in relation to FY20 or FY19.

##### (f) Events after reporting period

###### *Dividend*

Since the period end, the Directors have declared a fully franked final dividend of 1.60 cents per share, payable 2 October 2020. The dividend will be recognised in subsequent financial statements.

## Directors' declaration

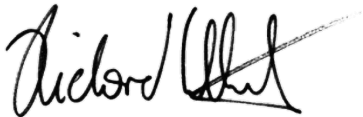
In accordance with a resolution of the Directors of WiseTech Global Limited, we state that:

1. In the opinion of the Directors:
  - (a) the consolidated financial statements and notes that are set out on pages 27 to 91 and the Remuneration report on pages 8 to 20 in the report are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; 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.
2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*.
3. This declaration has been made after receiving the declarations required to be made to the Directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.
4. The Directors draw attention to note 2 to the consolidated financial statements, which includes a statement of compliance with the International Financial Reporting Standards.

On behalf of the board



Andrew Harrison  
Chair  
18 August 2020



Richard White  
Executive Director, Founder and CEO  
18 August 2020



# Independent Auditor's Report

To the shareholders of WiseTech Global Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of WiseTech Global Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 are independent of the Group in accordance with *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 fulfilled our other ethical responsibilities in accordance with the Code.



## Key Audit Matters

The **Key Audit Matters** we identified are:

- Recognition of revenue;
- Capitalisation of software development costs;
- Accounting for contingent consideration; and
- Testing for impairment of goodwill and intangible assets.

**Key Audit Matters** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Recognition of revenue (\$429.4m)

Refer to Note 4 'Revenue,' and Note 15 'Deferred revenue' of the financial report

#### The key audit matter

The recognition of revenue is considered to be a key audit matter due to:

- The significance of revenue to the financial statements;
- Recurring CargoWise One revenue that is earned in relation to customer usage is determined by the Group with reference to price lists and complex discount structures. It involves high volumes of customer transaction data recorded using a highly automated billing system. Auditing the revenue recognised based on this transactional data requires significant effort, including the use of IT and Data Specialists to supplement our senior audit team members; and
- Remaining revenue is recorded across a large number of different billing systems as a result of multiple acquisitions. Auditing this revenue requires significant audit effort with extensive sample sizes, and involving multiple overseas KPMG teams.

#### How the matter was addressed in our audit

Our procedures included:

- We stratified the revenue population into homogenous revenue streams for the purposes of performing our testing;
- For key recurring CargoWise One revenue streams, where revenue is recognised based on customer usage of the software, with the assistance of our IT and Data Specialists, we developed an expectation of the revenue for the year and compared this to the amount recorded by the Company. The formation of our expectation involved:
  - understanding the Group's process for collection of transaction data, and the application of price lists and discount structures to this data;
  - assessing the completeness, existence and accuracy of transaction data interfaced with the billing module;
  - inspecting transaction data which is not subject to billing for consistency with our understanding of the process;
  - testing controls over access to the billing module, price lists and discount structures;
  - testing the interface of the output from the billing module to the general ledger; and
  - assessing for a sample of customers the appropriateness of price list records and discount structures based on their underlying contract

	<p>documentation.</p> <ul style="list-style-type: none"> <li>• We tested the Group’s key manual revenue recognition controls including; <ul style="list-style-type: none"> <li>- approval of new customer contracts;</li> <li>- review and approval of customers initial billing invoice, including checking prices to underlying signed customer contracts;</li> <li>- review of monthly billing data.</li> </ul> </li> <li>• For other revenue, we selected a statistical sample of revenue across the Group’s subsidiaries. We tested revenue recognition and related deferred revenue, by obtaining and inspecting revenue contracts and invoices, checking against cash receipts recorded in bank statements, and using the conditions of the contract to check appropriateness of the timing of revenue.</li> </ul>
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**Capitalisation of software development costs (\$71.5m)**

Refer to Note 9 ‘Intangible assets’ of the financial report

<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Capitalisation of software costs is considered to be a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The high volume of software developer hours;</li> <li>• The Group’s calculation of the amount of hours capitalised is reliant on data extracts from the Company’s automated software workflow tool (PAVE) used for monitoring and recording the activities of software developers;</li> <li>• The Group develops its software products using an iterative development methodology. This approach requires more judgement in assessing the Group’s application of the requirements of the accounting standards to capitalise the</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• We inspected the Group’s documentation on the status of projects and the evaluation of the future economic return of the software under development. We assessed the Group’s positions using our knowledge of the business and projects, and through discussions with various stakeholders, including: Project Managers, the Chief Technology Officer, the Chief Executive Officer and the Chief Financial Officer. We also inspected price lists and Board of Director’s papers to evaluate these assertions;</li> <li>• We obtained an understanding of the Group’s software development processes and how software developers use PAVE to record activities;</li> <li>• We inspected the information recorded in PAVE and assessed the Group’s identification of activities that constitute development;</li> <li>• We tested a statistical sample of developer time capitalised, to check the activities being performed</li> </ul>

<p>development costs. These assessments include:</p> <ul style="list-style-type: none"> <li>- Whether a project can be completed and produce a viable software product;</li> <li>- whether an activity is eligible for capitalisation;</li> <li>- determination of the appropriate rate per hour for developers' time eligible for capitalisation; and</li> <li>- whether a project is available for its intended use and, accordingly, commence amortisation.</li> </ul> <p>We involved IT specialists to supplement our senior audit team members in assessing this key audit matter</p>	<p>related to a project in development or an enhancement to an existing software product as opposed to research or maintenance;</p> <ul style="list-style-type: none"> <li>• Working with our IT specialists we tested the computer system controls designed to safeguard information recorded in PAVE;</li> <li>• We tested the capitalisation of developer hours to projects on a sample basis; <ul style="list-style-type: none"> <li>- evaluating task descriptions logged against the criteria in the accounting standards;</li> <li>- assessing, for the sampled activity, the hours recorded for coding relates to an employee with a developer related role; and</li> <li>- investigated task nature with Project Managers.</li> </ul> </li> <li>• We assessed the rate per hour calculations applied to time eligible for capitalisation by testing a sample of key inputs to underlying records. We also assessed the Group's allocation of directly attributable overhead costs against the criteria within the accounting standards.</li> </ul>
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Accounting for contingent consideration (\$54.2m)	
Refer to Note 16 'Other liabilities' and Note 26 'Financial instruments' of the financial report.	
The key audit matter	How the matter was addressed in our audit
<p>In accordance with the accounting standards and the Group's policy, contingent consideration payable is initially recognised at fair value in connection with a business combination, and subsequently assessed at each reporting period. During the measurement period (maximum 12 months following the acquisition), if new information is obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of amounts recognised as of that date, then fair values are reassessed and adjusted against goodwill. After the measurement period, all reassessments, settlements and fair value adjustments are made through the profit or loss. There is uncertainty</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• We assessed the Group's determination of the contingent consideration against the contractual terms of the underlying sale and purchase agreements and the criteria in the accounting standards;</li> <li>• We checked the integrity of the Group's fair value of contingent consideration models including accuracy of the underlying calculation formula;</li> <li>• We evaluated the forward looking assumptions underpinning the significant judgements used by the Group including examining the basis for the Group's expectation that remaining contingent consideration will be paid. We did this by considering the performance assumptions (financial and non-financial) against the actual performance achieved to date and</li> </ul>

regarding the actual contingent consideration payments that will be made by the Group, as they are subject to financial and non-financial metrics and targets occurring in the future.

The fair value of contingent consideration is a key audit matter due to the significant quantum of contingent consideration arrangements which were renegotiated by the Group during the current financial year and the judgement applied by us when evaluating the Group's assessment of fair value of these arrangements. We focused on:

- assessing the feasibility of forward looking assumptions in relation to the achievement of financial and non-financial metrics;
- assessing whether for accounting purposes contingent consideration obligations that are settled in shares, are classified as either a liability or equity; and
- assessing whether remeasurement of the liability is to be accounted for as a measurement period adjustment to business combination accounting.

our understanding of the business and economic environment relevant in the forecast period;

- Where contingent consideration obligations are to be settled through the issuance of shares, we assessed the Group's classification of those obligations as either a liability or equity for appropriateness. We did this by inspecting the terms of the sale and purchase agreement and considering the application of the criteria in the accounting standards. We evaluated the amounts recognised in the acquisition reserve and the profit or loss by assessing contractual terms and amended agreement terms, and applying relevant share prices and foreign exchange rates, with reference to the requirements of the accounting standards;
- We assessed the remeasurement of contingent consideration not being treated as a measurement period adjustment to business combination accounting (i.e. which would have been adjusted against goodwill), by evaluating the factors giving rise to the renegotiations, along with information contained in Board papers, and the sale and purchase contractual terms and amendments thereof;
- We assessed the impact of renegotiations to earnouts against signed contract amendments to the sale and purchase agreements. Where cash payments were agreed by the Group to settle the contingent consideration obligations, we checked the payment to bank statements. Where issuance of shares was agreed by the Group to settle contingent consideration obligations, we checked the calculation of the number of shares to be issued for consistency with the formulas contained in the underlying signed agreements; and
- We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

**Testing for impairment of goodwill and other intangible assets (\$885.0m)**

Refer to Note 9 'Intangible assets' of the financial report.

**The key audit matter**

The Group's annual testing of goodwill and intangible assets for impairment is a key audit matter, given the size of the balance relative to total assets and the judgements applied by us in assessing the Group's identification of Cash Generating Units (CGUs), allocation of goodwill and the forward-looking assumptions the Group applied in their value in use model.

We focused on:

- Identification of CGUs – non-financial assets (other than goodwill) are required to be assessed for impairment separately, or as part of a CGU where the assets do not generate independent cash inflows. As the Group is pursuing a strategy for the integration of acquired businesses, assessing whether an acquired business generates substantially independent cash inflows during the process of integration with the global platform requires judgement;
- Allocation of goodwill to CGUs – goodwill is required to be allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the business combination. As the Group is acquiring businesses for the purposes of integrating functionality into a global platform, determining which of the CGUs that these synergies will be obtained, and the amount of goodwill to be allocated to them requires judgement; and
- Forward looking assumptions - forecast cash flows, growth rates, discount rates and terminal growth rates used by the Group given their inherent uncertainty.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.

**How the matter was addressed in our audit**

Working with our valuation specialists, our procedures included:

- We assessed the Group's determination of the CGUs used in the impairment model and the determination that goodwill is tested at the single group of CGU level, based on our understanding of the Group's business, acquisition strategy, and examination of cash inflows. We assessed these against the criteria in the accounting standards. We also considered internal reporting of the Group's results to assess how earnings and goodwill are monitored and reported;
- We assessed the impairment testing methodology used by the Group against the requirements of Australian Accounting Standards;
- We tested the mathematical accuracy of the Group's value in use model;
- We assessed the Group's cash flow forecasts including;
  - Consideration of the historical accuracy of previous estimates
  - Reconciled the underlying cash flow projections to Board approved forecasts
- We assessed the cash flows and related growth rates applied in the model by comparing them to external analysts' reports. We checked the consistency of the growth rates to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the industry in which they operate;
- We assessed the Group's assumptions for terminal growth rates in comparison to economic and industry forecasts;
- Working with our valuation specialists we analysed the discount rates against publicly available data of a group of comparable entities, adjusted by risk factors specific to the Group;

	<ul style="list-style-type: none"> <li>• We performed sensitivity analyses on the key assumptions used in the model and applied other values within a range that we assessed as being reasonably possible, to focus our further work; and</li> <li>• We assessed the disclosures in the financial report using our understanding of the Group’s testing for impairment obtained from our procedures and against the requirements of the accounting standards.</li> </ul>
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## Other Information

Other Information is financial and non-financial information in WiseTech Global Limited’s annual reporting which is provided in addition to the Financial Report and the Auditor’s Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor’s Report was the Operating and Financial Review, Board of Directors, and the Directors’ Report. The Financial Highlights, Delivering on our Strategy, Five year financial summary, Chair’s Letter, CEO’s message, Our business, Our innovation pipeline, Our expansion pipeline, Environment, social and governance, Shareholder information, Glossary and Corporate Directory are expected to be made available to us after the date of the Auditor’s Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor’s Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company’s ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.



## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our Auditor's Report.

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of WiseTech Global Limited for the year ended 30 June 2020, complies with *Section 300A of the Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in pages 8 to 20 of the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Caoimhe Toouli

Partner

Sydney

18 August 2020