



Appendix 4D

RHIPE LIMITED
ABN: 91 112 452 436

HALF-YEAR ENDED
31 DECEMBER 2020

Results for Announcement to the Market

\$'000	Half-year Ended	Half-year Ended	
Financial Summary	31-Dec-20	31-Dec-19	Change
Sales - Software Products & Services	179,551	152,689	18%
Revenue	30,520	26,636	15%
Gross Profit	27,733	25,024	11%
Operating Expenses	19,042	18,423	3%
Operating Profit (1)	8,838	6,601	34%
Reported EBITDA	8,227	7,018	17%
Profit/(loss) after tax	3,818	3,254	17%

(1) Operating profit is gross profit less operating expenses and excludes any FX gains or losses, share-based payments and any non-operating one-off costs including restructuring and due diligence costs. It also includes rhipe's share of cost incurred in rhipe Japan and property leases cost. Further details provided in table 2.

Dividends Paid and Proposed

The Board of rhipe Limited is also pleased to announce a fully franked interim dividend of AUD 1.5 cents per share to be paid from current and prior year profits.

Net Tangible Assets per Share

Net tangible assets per ordinary share	\$0.26	(30 June 2020: \$0.32)
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Control Gained or Lost over Entities in the Half-year

Control gained over entities during the period:

Parallo Limited
Parallo Pty Ltd as trustee for the
Parallo Unit Trust

Loss of control of entities during the period:

None

Investments in Associates and Joint Venture Entities

Net profit/(loss) attributable to members ('000)	(733)
Aggregate share of profit/(loss) of associates and joint venture entities ('000)	(587)

Brief Explanation of Results

For the half year ended 31 December 2020 ("1H FY21"), rhipe Limited and all its subsidiaries ("the Group") delivered gross sales growth of 18%, revenue growth of 15%, operating expense growth of 3%, which combined, produced Operating Profit of \$8.8m, up \$2.2m or 34% compared to the previous corresponding period ("pcp"). Reported EBITDA for the period was \$8.2m up 17% with net profit after tax for 1H FY21 \$3.8m up \$0.6m or 17% compared to 1H FY20.

Overall, rhipe delivered a resilient performance despite the impact of COVID-19 on many of the small and midsize businesses ("SMB") that rhipe serves across Asia Pacific. The result was achieved due to continued strong growth in Microsoft Cloud Solutions Provider ("CSP") or 'public cloud' program for Office365 and Microsoft Azure. Our ongoing investments in Microsoft public cloud capabilities over the last five years have driven the growth in the Group with Microsoft CSP accounting for over 75% of the growth in software licensing sales in 1H FY21 and 40% of total licensing sales for the Group. We continue to invest in our CSP capabilities most notably with our recent entry into the Japan market where cloud penetration lags other developed nations.

rhipe also continues to invest in our Solutions business which provides support and consultancy services to our vendors and partners. This investment is focused on expanding our technical "support as a service" offering, consultancy services centred on Microsoft Dynamics and investment in our encryption software product SmartEncrypt, which was officially launched at the beginning of February 2021. rhipe will continue to invest in these operations with the objective of increasing the revenue and profitability of our Solutions business.

During 1H FY21 rhipe acquired 100% of Parallo, a New Zealand-based Azure managed services business. Parallo focuses on managing the cloud environment for independent software vendors and software as a service providers allowing them to focus on core product development and customer needs. The acquisition of Parallo will allow us to support the expansion of our partner's Microsoft Azure capabilities to their end customers.

Key operating highlights in the half-year to 31 December 2020 included:

- Group sales from software products and services was \$180m for the period, up 18% or \$27m compared to prior corresponding period ("pcp"). Overall rhipe's sales from software products were \$171m for 1H FY21, up 17% year on year driven by strong growth in Microsoft Office365 and Azure sales and continued strong growth in our Asian footprint with sales up 34% versus pcp. Sales from our services and support activities rose 40% from \$6.3m to \$9m, driven by our investment in these activities and contribution from our acquisition of Parallo in September 2020.
- Microsoft CSP (Office365 and Azure) sales were \$68.3m in the 6 months to 31 December 2020 compared to \$48m in the pcp, an increase of 43%. At 31 December 2020 rhipe had approximately 720,000 O365 seats including more than 11,000 seats in Japan. The installed base of +720,000 seats at 31 December 2020 compares to ~547,000 O365 seats at 31 December 2019 and 630,000 seats at 30 June 2020.

- Group revenue for 1H FY21 was \$30.5m compared to \$26.6m in the pcg, up 15%. Licensing revenue of \$21.6m for 1H FY21 was up 7% compared to pcg with lower revenue growth driven by the impact of the pandemic on our partner base and changes in our software vendor incentives.
- Revenue from our services and support activities was \$9m for the period, up 40% on the pcg driven by investment and growth in our support and service activities plus contribution from Parallo. Excluding Parallo, revenue growth was 22%.
- Group gross profit for 1H FY21 was \$27.7m up \$2.7m or 11% year on year.
- Group operating expenses increased by 3% or \$0.6m year on year to \$19m. Operating costs in our licensing business reduced by approximately \$1m compared with pcg mainly due to the impact of COVID-19 which reduced travel and entertainment costs and marketing cost. Operating costs in our Solutions business increased by \$1.3m (32% growth) year on year or \$1.1m excluding Parallo. The increase in operating costs in this business is related to our strategy of ongoing investment in expanding our service offerings to our customers.
- Operating profit was up 34% year on year to \$8.8m. Of the \$8.8m operating profit, Licensing delivered \$7.3m, up 43% and Services delivered \$1.5m, an increase of 14%.
- Group reported EBITDA for the six months ended 31 December 2020 increased by 17% to \$8.2m. In 1H FY20, reported EBITDA was positively impacted by a \$1.7m benefit arising from a fair value adjustment to deferred consideration. Excluding this one-off item the growth in EBITDA is 55%.
- rhipe delivered a profit after tax of \$3.8m compared to a profit after tax of \$3.2m, an increase of 17% year on year.
- Earnings per share for the six months to 31 December 2020 was AUD 2.47 cents per share versus AUD 2.33 cents per share in the pcg an increase of 6%.
- As at 31st December 2020, the Group had cash reserves of \$57.5m.

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Directors Report

The directors of rhipe Limited (“rhipe” or “the Company”) and consolidated entities (“the Group”) are pleased to submit herewith the financial statements of the Group for the six months ended 31 December 2020.

Directors

The names and details of the Company’s directors in office during the half-year and until the date of this report are as follows:

Gary Cox - Non-Executive Chairman

Dominic O’Hanlon - Managing Director and Chief Executive Officer

Dawn Edmonds - Non-Executive Director

Mark Pierce - Non-Executive Director

Michael Tierney - Non-Executive Director

Inese Kingsmill - Non-Executive Director

Olivier Dispas - Non-Executive Director

Directors were in office for the entire period.

Review of operations

The results presented in these financial statements reflect the operations of rhipe Limited (“rhipe” or “the Company”) and all subsidiaries (together “the Group”) for the six months from 1 July 2020 to 31 December 2020. The results for the comparative period reflect the operations of rhipe Limited and all its subsidiaries from 1 July 2019 to 31 December 2019.

Background to rhipe’s operations

rhipe is a cloud software reseller and cloud related consultancy service operating in Asia Pacific. rhipe provides a cloud subscription management platform with value added services such as training, consulting, marketing and 24x7 support. rhipe’s platform helps multinational software vendors to migrate their traditional I.T. channel customers from on-premise software infrastructure to cloud computing business models with subscription-based software as a service (“SAAS”). rhipe’s Licensing division includes key software vendor relationships with Microsoft, VMWare, Citrix, Red Hat, Trend Micro, and Veeam, as well as other independent software vendors.

rhipe sells and manages subscription software to Channel customers including Managed Service Providers (“MSPs”), Independent Software Vendors (“ISVs”) and System Integrators (“SIs”).

rhipe’s heritage for over fifteen years has been to provide subscription-based licensing programs to data centres and hosting companies (Private Cloud). However, in more recent years, Microsoft and other global software vendors have been adding their own ‘Public cloud’ infrastructure so that customers have choice of on-premise, private, public and hybrid cloud software implementations. This addition of public cloud has significantly increased the available market size for rhipe and driven the majority of the revenue growth in the last few years.

rhipe also has an IT solutions and services business (rhipe Solutions) that provides support as a service to vendors and customers, provides Microsoft Dynamics consulting services, consulting services centered around modern workplace trends using cloud software and security software services including encryption software.

Review of Financial Results

For the half year ended 31 December 2020 (“1H FY21”), rhipe Limited and all its subsidiaries (“the Group”) delivered gross sales growth of 18%, revenue growth of 15%, operating expense growth of 3%, which combined, produced Operating Profit of \$8.8m, up \$2.2 or 34% compared to the previous corresponding period (“pcp”). Reported EBITDA for the period was \$8.2m up 17% with net profit after tax for 1H FY21 \$3.8m up 17% compared to 1H FY20. During the period rhipe has acquired Parallo, a small New Zealand based IT service provider that specialises in infrastructure and cloud deployment technologies.

The Board of rhipe Limited is also pleased to announce that the Company has declared a fully franked interim dividend of AUD 1.5 cents per share to be paid from current and prior year profits.

Table 1, below summarises the financial performance of the Group for 1H FY21 compared to the pcp.

\$'000	Half-year Ended	Half-year Ended	
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- Group reported EBITDA for the six months ended 31 December 2020 increased by 17% to \$8.2m. In 1H FY20, reported EBITDA was positively impacted by a \$1.7m benefit arising from a fair value adjustment to deferred consideration. Excluding this one-off item the growth in EBITDA is 55%.
- rhipe delivered a profit after tax of \$3.8m compared to a profit after tax of \$3.2m, an increase of 17% year on year.
- Earnings per share for the six months to 31 December 2020 was AUD 2.47 cents per share versus AUD 2.33 cents per share in the pcpc an increase of 6%.
- As at 31st December 2020, the Group had cash reserves of \$57.5m.

Table 2, below outlines the operating profit and reported EBITDA contribution from the Group for the six month period to 31 December 2020:

Earnings reconciliation \$'000	Notes	31 Dec 2020	31 Dec 2019
Operating profit		8,838	6,601
Less			
Foreign exchange gain/(loss)	4 (b)	53	14
Restructuring and transaction cost		(86)	(244)
Share-based payments expense (non-cash)	5 (a)	(1,323)	(1,962)
Impact of AASB16 (property lease costs)		892	859
Non-controlling interest in rhipe Japan		(147)	-
Fair value adjustment to deferred consideration		-	1,750
Total Adjustments		(611)	417
EBITDA Reported		8,227	7,018
Interest income	4 (b)	87	66
Impact of AASB16		(892)	(957)
Depreciation and amortisation	5 (b)	(1,592)	(1,071)
Profit/(loss) before tax		5,830	5,055
Tax expense		(2,012)	(1,801)
Profit after tax		3,818	3,254

Events after the reporting date

On 15 February 2021 the Board of Directors approved a fully franked interim dividend of 1.5 cents per share with payment date of 22 March 2021.

Auditor independence and non-audit services

The auditor's independence declaration under s307c of the Corporations Act 2001 is set out on page 11 for the half-year ended 31 December 2020.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'G Cox', is positioned above the printed name of the Chairman.

Gary Cox

Chairman Sydney

16 February 2021



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Auditor's Independence Declaration to the Directors of rhipe Limited

As lead auditor for the review of the half-year financial report of rhipe Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of rhipe Limited and the entities it controlled during the financial period.

A stylized, handwritten signature in grey ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in grey ink that appears to read 'Graham Leonard'.

Graham Leonard
Partner
16 February 2021

Independent Auditor's Review Report to the Members of rhipe Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of rhipe Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, other information as set out in Appendix 4D to the Australian Securities Exchange (ASX) Listing Rules and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position 31 December 2020 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and complies with the ASX Listing Rules as they relate to Appendix 4D. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

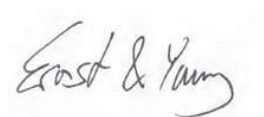
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and the ASX Listing Rules as they relate to Appendix 4D. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

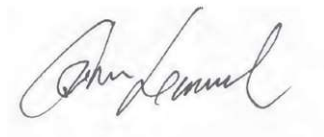
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Graham Leonard
Partner
Sydney
16 February 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2020

rhipe Limited and Controlled Entities

		31 Dec 2020	31 Dec 2019
	Note	\$'000	\$'000
Revenue	4 (a)	30,520	26,636
Cost of Sales		(2,787)	(1,612)
Gross Profit		27,733	25,024
Other income	4 (b)	140	1,830
Sales and Marketing		(12,248)	(11,951)
General and Administration		(9,746)	(9,782)
Finance cost	5 (c)	(49)	(66)
Total expenses		(22,043)	(21,799)
Profit before income tax		5,830	5,055
Tax expense		(2,012)	(1,801)
Profit after tax for the period		3,818	3,254
Attributable to:			
Equity holders of the parent		3,965	3,254
Non-controlling interest		(147)	-
Profit after tax for the period		3,818	3,254
Other comprehensive income/(loss)			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(800)	78
Other comprehensive loss for the period		(800)	78
Total comprehensive income for the period attributable to owners of the parent entity		3,018	3,333
Earnings per share			
- Basic earnings per share (cents)	6	2.47	2.33
- Diluted earnings per share (cents)	6	2.42	2.29

Consolidated Statement of Financial Position

As at 31 December 2020

rhipe Limited and Controlled Entities

		31 Dec 2020	30 Jun 2020
	Note	\$'000	\$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	57,511	60,925
Trade and other receivables	8	46,858	42,281
Other assets		2,019	1,504
TOTAL CURRENT ASSETS		106,388	104,710
NON-CURRENT ASSETS			
Right of use assets		2,587	3,191
Property, plant and equipment		1,884	1,804
Deferred tax assets		2,928	2,660
Intangible assets		44,990	36,611
TOTAL NON-CURRENT ASSETS		52,389	44,266
TOTAL ASSETS		158,777	148,976
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		52,574	47,947
Unearned revenue		730	274
Current tax liabilities		2,878	1,688
Current lease liabilities		1,858	1,656
Provisions		1,291	1,158
Deferred contingent consideration		3,553	939
TOTAL CURRENT LIABILITIES		62,884	53,662
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,097	72
Non-current lease liabilities		1,330	2,203
Provisions		601	501
Deferred contingent consideration		3,025	1,878
TOTAL NON-CURRENT LIABILITIES		6,053	4,654
TOTAL LIABILITIES		68,937	58,316
NET ASSETS		89,840	90,660
EQUITY			
Issued capital	9	77,759	77,438
Treasury shares		(270)	(729)
Reserves		3,830	6,044
Accumulated profits		8,606	7,848
Equity attributable to equity holders of the parent		89,925	90,601
Non-controlling interest		(85)	59
TOTAL EQUITY		89,840	90,660

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

rhipe Limited And Controlled Entities

	Share Capital			Reserves					
	Ordinary \$'000	Treasury \$'000	Accumulated Profits \$'000	Foreign Currency Translation Reserve \$'000	Equity Set- tled Employ- ee Benefits Reserve \$'000	Other Equity \$'000	Total \$'000	Non- Controlling Interest \$'000	Total \$'000
Balance at 1 July 2019	43,320		5,922	26	2,168		51,436		51,436
Effect of adoption of accounting standards AASB 16			(261)				(261)		(261)
Balance at 1 July 2019 (Restated)	43,320		5,661	26	2,168		51,175		51,175
Profit for the period			3,254				3,254		3,254
Exchange differences on translations of subsidiaries				78			78		78
Total comprehensive income for the period	-	-	3,254	78	-	-	3,332	-	3,332
Shares issued during the period	758						758		758
Transaction costs, net of tax	(8)						(8)		(8)
Equity settled deferred consideration						1,174	1,174		1,174
Dividend paid			(2,802)				(2,802)		(2,802)
Share based payments					1,962		1,962		1,962
Transfer from SBP Reserves-options exercised	475				(475)		-		-
Total transactions with owners and other transfers	1,225	-	(2,802)	-	1,487	1,174	1,084	-	1,084
Balance at 31 Dec 2019	44,545	-	6,113	104	3,655	1,174	55,591	-	55,591
Balance at 1 July 2020	77,438	(729)	7,848	28	4,842	1,174	90,601	59	90,660
Profit for the period			3,965				3,965	(147)	3,818
Exchange differences on translations of subsidiaries				(800)			(800)	3	(797)
Total comprehensive income for the period	-	-	3,965	(800)	-	-	3,165	(144)	3,021
Shares issued during the period	50						50		50
Shares purchased on the market by ESS Trust		(1,886)					(1,886)		(1,886)
Shares bought back during the period	(117)						(117)		(117)
Transaction costs, net of tax	(4)						(4)		(4)
Equity settled deferred consideration							-		-
Dividend paid			(3,207)				(3,207)		(3,207)
Share based payments					1,323		1,323		1,323
Transfer from SBP Reserves-options exercised	392	2,345			(2,737)		-		-
Total transactions with owners and other transfers	321	459	(3,207)	-	(1,414)	-	(3,841)	-	(3,841)
Balance at 31 Dec 2020	77,759	(270)	8,606	(772)	3,428	1,174	89,925	(85)	89,840

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2020

rhipe Limited And Controlled Entities

	Note	31 Dec 2020	31 Dec 2019
		\$'000	\$'000
Cash flows from operating activities			
Receipts from partners		176,961	151,890
Payments to vendors/customers and employees		(170,064)	(144,619)
Interest received		87	66
Interest paid		(49)	(66)
Income tax paid		(823)	(1,454)
Net cash provided by/(used in) in operating activities		6,112	5,817
Cash flows from investing activities			
Purchase of property, plant and equipment		(472)	(855)
Payment for subsidiary on acquisition		(4,308)	(2,000)
Payment for intangibles		(819)	(1,618)
Net cash used in investing activities		(5,599)	(4,473)
Cash flows from financing activities			
Proceeds from issue of shares		50	758
Buy back unmarketable parcels of shares		(117)	-
Payment of principal portion of lease liability		(671)	(853)
Dividend paid		(3,207)	(2,802)
Costs associated with issue of shares		(4)	(8)
Net cash (used in)/provided by financing activities		(3,949)	(2,905)
Net decrease in cash and cash equivalents		(3,436)	(1,561)
Cash and cash equivalents at beginning of period		60,925	25,230
Effect of exchange rates on cash holdings in foreign currencies		22	14
Cash and cash equivalents at end of period	7	57,511	23,683

Notes to the financial statements

For the half-year ended 31 December 2020

rhipe Limited And Controlled Entities

1. Summary of significant accounting policies

(a) Basis of preparation

This condensed interim financial report for half-year reporting period ended 31 December 2020 has been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This condensed interim financial report is intended to provide users with an update on the latest annual financial statements of rhipe Limited ("rhipe" or "the Company") and its controlled entities ("the Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the following half-year.

This condensed interim financial report was authorised for issue on the 16 February 2021.

(b) Basis of accounting

The consolidated financial statements have been prepared on the basis of historical cost, except for financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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For the half-year ended 31 December 2020

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(c) Accounting policies and critical accounting estimates and judgments

The same accounting policies, critical accounting estimates and judgments and methods of computation have been followed in this interim financial report as were applied in the most recent financial statements.

(d) Rounding of Amounts

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial / Director reports) Instrument 2016/191. Accordingly amounts in the financial statements and directors' report have been rounded off to the nearest \$1,000.

(e) New Accounting Standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

f) Significant accounting judgments, estimates and assumptions

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Group.

2. Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Managing Director manages the Group's activities as one business segment providing cloud based licensing programs and cloud solutions for its key software customers across the Asia Pacific region.

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Revenue derived from countries in the Asia Pacific region include:

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Oceania	25,571	22,200
Asia	4,949	4,436
	30,520	26,636

3. Business combinations

Acquisitions in FY21

On the 30th of September 2020 ('Completion date') rhipe Australia Pty Ltd ('AU Buyer') and rhipe NZ Limited ('NZ Buyer') (collectively 'Buyers') acquired 100% of the issued capital in Parallo Ltd and Parallo Pty Ltd and 100% of the units in the Parallo Unit Trust (collectively 'Parallo'). The details of the acquisition are set out in the Securities Purchase Agreement ('Agreement'). Parallo is a New Zealand based IT services provider that specialises in infrastructure and cloud deployment technologies. The acquisition enables rhipe to continue to provide partners with the latest infrastructure technology support to assist with their growth. The purchase price is defined in the purchase agreement and includes:

1. The completion payment of \$4.3m in cash to the seller.
2. Estimated deferred consideration of a further estimated \$2.2m to be paid consisting of part cash and part shares, contingent on EBITDA, 12 months after completion.
3. Estimated deferred consideration of a further estimated \$1.5m to be paid consisting of part cash and part shares, contingent on EBITDA, 24 months after completion.

Shares issued for the second and third consideration payments are calculated at a price per share based on the volume weighted average market price (VWAP) for rhipe Limited ordinary shares over 30 consecutive trading days up to the last trading day immediately prior to the completion date (\$1.82 per share).

The deferred consideration payments above form part of the total consideration paid and is considered contingent consideration as per AASB 3 Business Combinations (para. 39). The cash and equity component of contingent consideration is recognised as a financial liability at the acquisition date, recognised at fair value as part of the consideration transferred in exchange for the target companies.

Notes to the financial statements

For the half-year ended 31 December 2020

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Assets acquired and liabilities assumed through the acquisition of Parallo:

	\$'000
Assets	
Cash & cash equivalents	388
Trade & other receivables	1,237
Property Plant & Equipment	173
Intangible assets - customer relationship identified at acquisition	3,322
Right of Use Asset	256
Total assets	5,376
Liabilities	
Trade & Other payables	1,284
Employee entitlements	143
Deferred tax liability arising on acquisition	997
Lease Liability	256
Total Liabilities	2,680
Total identifiable net assets at fair value	2,696
Goodwill arising on acquisition	5,362
Purchase consideration	8,058
Consisting of:	
Upfront payment upon completion	4,297
Estimated deferred consideration - Year 1	2,232
Estimated deferred consideration - Year 2	1,529

The total consideration paid at acquisition was allocated to intangible assets, identifiable tangible assets, the associated deferred tax liability and goodwill. The amount allocated to intangible assets has been recognised as customer relationship. The acquisition accounting is provisional subject to the allocatable cost amount calculation ("ACA").

Estimated deferred consideration in Year 1 is calculated as multiple of earnings in Year 1 less upfront payment. Estimated deferred consideration in Year 2 is calculated as multiple of earnings in Year 2 less upfront payment and deferred consideration paid in Year 1.

Revenues generated from Parallo since acquisition was \$1.5m with operating profit contribution of \$0.2m. Transaction costs of \$79,036 were expensed in 1H FY21 and included in General and Administration expenses.

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4. Revenue and Other income

Set out below, is the reconciliation of the revenue from contracts with customers with the amount disclosed in the segment information (Note 2):

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Sales - Software Products & Services	179,551	152,689
Less Purchases of Software Products	(149,031)	(126,053)
Revenue - Software Products & Services	30,520	26,636

(a) Revenue - Software Products & Services	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Licencing Revenue	21,629	20,307
Service & support Revenue	8,891	6,329
	30,520	26,636

(b) Other income	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Interest income	87	66
Changes in fair value of deferred consideration	-	1,750
Foreign exchange gain/(loss)	53	14
	140	1,830

Notes to the financial statements

For the half-year ended 31 December 2020

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5. Expenses

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
(a) Employee benefits		
Share-based payments	1,323	1,962
Defined contribution superannuation expenses	946	820
Other employee benefits	14,661	13,481
	16,930	16,263
(b) Depreciation and amortisation		
Depreciation	462	302
Amortisation of right of use assets	843	891
Amortisation of intangible assets	1,130	770
	2,435	1,963
(c) Finance cost		
Interest on leases	49	66
(d) Marketing and travel expenses		
Marketing and travel expenses	138	1,237
(e) Business administration expenses		
Business administration expenses	2,491	2,270
Total expenses	22,043	21,799

6. Earnings per share

Basic earnings per share for period ending 31 December 2020 was AUD 2.47 cents (31 Dec 2019: AUD 2.33 cents) and diluted earnings per share was AUD 2.42 cents (31 Dec 2019: AUD 2.29 cents).

	31 Dec 2020 cents	31 Dec 2019 cents
EPS	2.47	2.33
Diluted EPS	2.42	2.29
(a) Reconciliation of earnings to profit		
Profit	3,965	3,254
Earnings used to calculate basic EPS	3,965	3,254
Earnings used in calculation of diluted EPS	3,965	3,254

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For the half-year ended 31 December 2020

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(b) Weighted average number of shares used as the denominator	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	160,591,769	139,806,695
Weighted average number of dilutive options outstanding	3,476,545	2,124,270
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	164,068,314	141,930,965

7. Cash and cash equivalents

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Cash at bank	28,229	22,983
Short-term highly liquid investments	29,282	37,942
Cash and cash equivalents	57,511	60,925

8. Trade and other receivables

CURRENT	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Trade receivable	33,332	30,753
Provision for expected credit losses	(1,918)	(1,990)
Indirect taxes	2,624	2,624
Accrued revenue	12,820	10,894
	46,858	42,281

Notes to the financial statements

For the half-year ended 31 December 2020

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9. Contributed equity

(a) Issued capital

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

		RHIPE LIMITED	
		31 Dec 2020 \$'000	30 Jun 2020 \$'000
Movement in ordinary shares on issue			
161,075,376	(30 Jun 2020: 161,132,639) fully paid ordinary shares	77,759	77,438
		No.	Value
			\$'000
rhipe Limited shares as at 30 June 2020		161,132,639	77,438
Shares issued upon exercise of options		-	50
Shares issued upon exercise of performance rights		-	-
Unmarketable parcels of shares bought back		(57,263)	(117)
Shares issued as part of consideration for acquisition		-	-
Transfer from equity settled employee benefits reserve upon exercise of options		-	392
Share issue costs, net tax			(4)
Closing balance at 31 December 2020		161,075,376	77,759

(b) Options

As at 31 December 2020, there were Nil unissued ordinary shares under option (30 June 2020: 100,000).

The weighted average price of the options exercised was \$0.50. The table below shows the movement of share options during the period.

	31 Dec 2020 No.
(a) Reconciliation of earnings to profit	
Balance at beginning of the period	100,000
Exercised during the period	(100,000)
Closing balance at 31 December 2020	-

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For the half-year ended 31 December 2020

rhipe Limited And Controlled Entities

(c) Management performance rights

As at 31 December 2020, there were 2,034,161 performance rights to acquire shares (30 June 2020: 3,184,118). These performance rights are exercisable as follows:

DETAILS	DATE OF GRANT	NUMBER OF RIGHTS	DATE OF EXPIRY	CONVERSION PRICE (\$)
Management performance rights	31/05/2019	1,149,958	31/05/2034	Nil
Management performance rights	30/01/2020	884,203	30/01/2035	Nil

No. of performance rights	31 Dec 2020 No.
Balance at beginning of the period	3,184,118
Additional rights due to assumption of stretch performance achieved	96,953
Granted during the period	-
Exercised during the period	(1,246,910)
Forfeited during the period	-
Closing balance at 31 Dec 2020	2,034,161

10. Dividends

DETAILS	Amount per ordinary share (cents)	Franked amount per ordinary share (cents)	Dividend Declared	Payment date
2020 Final dividend	2.0	2.0	24 August 2020	24 September 2020
2021 Interim dividend	1.5	1.5	15 February 2021	22 March 2021

11. Events after the reporting period

On 15 February 2021 the Board of Directors approved a fully franked interim dividend of 1.5 cents per share with payment date of 22 March 2021.



Directors **Declaration**

In accordance with a resolution of the Directors of rhipe Limited, the directors of the Company declare that:

- (a) The financial statements and notes, as set out on pages 14 to 26 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, and
 - (ii) giving a true and fair view of the financial position of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.
- (b) In the Directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

Gary Cox

Chairman Sydney

16 February 2021



Corporate Information

ABN 91 112 452 436

Directors	<p>Gary Cox - Non-Executive Chairman</p> <p>Dominic O'Hanlon - Managing Director and Chief Executive Officer</p> <p>Dawn Edmonds - Non-Executive Director</p> <p>Mark Pierce - Non-Executive Director</p> <p>Michael Tierney - Non-Executive Director</p> <p>Inese Kingsmill - Non-Executive Director</p> <p>Olivier Dispas - Non-Executive Director</p>
Company Secretary	Marika White
Registered Office and Principal Place of Business	<p>Address: Level 19, 100 Miller Street, North Sydney New South Wales 2060</p> <p>Telephone: 1300 732 009</p>
Share Register	<p>Link Market Services Limited Rhodes Corporate Park, 1A Homebush Bay Dr, Rhodes NSW 2138</p>
Investor Enquiries	1300 554 474
Auditors	Ernst & Young, Australia, 200 George Street, Sydney NSW 2000
Stock Exchange Listing	<p>Securities of Rhipe Limited are listed on the Australian Securities Exchange (ASX)</p> <p>ASX Code: RHP</p>
Web Site	www.rhipe.com

rhipe.com

Australia
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Asia