Appendix 4E

rhipe Limited
ABN: 91 112 452 436

1. Reporting Period

Report for the financial year ended: 30 June 2021
Previous corresponding period is the financial year ended: 30 June 2020

2. Results for announcement to the market (Item 2)

		$'000
Revenues from ordinary activities (Item 2.1)	Up 20% to	66,817
Profit from ordinary activities after tax attributable to members (Item 2.2)	Up 46% to	7,008
Net Profit for the period attributable to members (Item 2.3)	Up 46% to	7,008
Dividends (Items 2.4)	**Amount per security**	**Franked amount per security**
Interim Dividend	1.5 cent	1.5 cent
Final Dividend	-	-
Record date for determining entitlements to a dividend (Item 2.5)		-
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (Item 2.6)	Refer to attached financial report	

3. Statement of Comprehensive Income (Item 3)

Refer to attached financial report

4. Statement of Financial Position (Item 4)

Refer to attached financial report

5. Statement of Cash Flows (Item 5)

Refer to attached financial report

6. Statement of Changes in Equity (Item 6)

Refer to attached financial report

7. Dividends (Item 7)

2021 interim dividend of 1.5 cents per share was paid on 22 March 2021. No full-year dividend has been declared for 2021.

8. Dividend Reinvestment Plan (Item 8)

There was no dividend reinvestment plan in operation which occurred during the financial year.

9. Net Tangible Assets per Security (Item 9)

	2021	2020
Net tangible asset backing per ordinary security [1]	$0.22	$0.32

1 Right of use assets excluded

10. Details of Entities over which Control has been Gained or Lost during the Period (Item 10)

Refer to attached financial report

Control gained over entities/acquisitions Name of entities	Date(s) of gain of control rhipe
Parallo Limited	30 September 2020
The Trustee for Parallo Unit Trust	30 September 2020
emt Distribution Pty Ltd	30 April 2021
emt Distribution Singapore Pte Ltd	30 April 2021
Loss of control of entities/disposals Name of entities	**Date(s) of loss of control**
None	

11. Details of Associates and Joint Venture Entities (Item 11)

Not applicable

12. Details of Significant Information Relating to the Entity's Financial Performance and Financial Position (Item 12)

Refer to attached financial report.

13. For Foreign Entities, which set of Accounting Standards is Used in Compiling the Report (Item 13)

Not applicable

14. Commentary on Results for the Period (Item 14)

Refer to attached financial report.

15. Audit of the Financial Report (Items 15 to 17)

Not applicable

rhipe

2021 Annual Report

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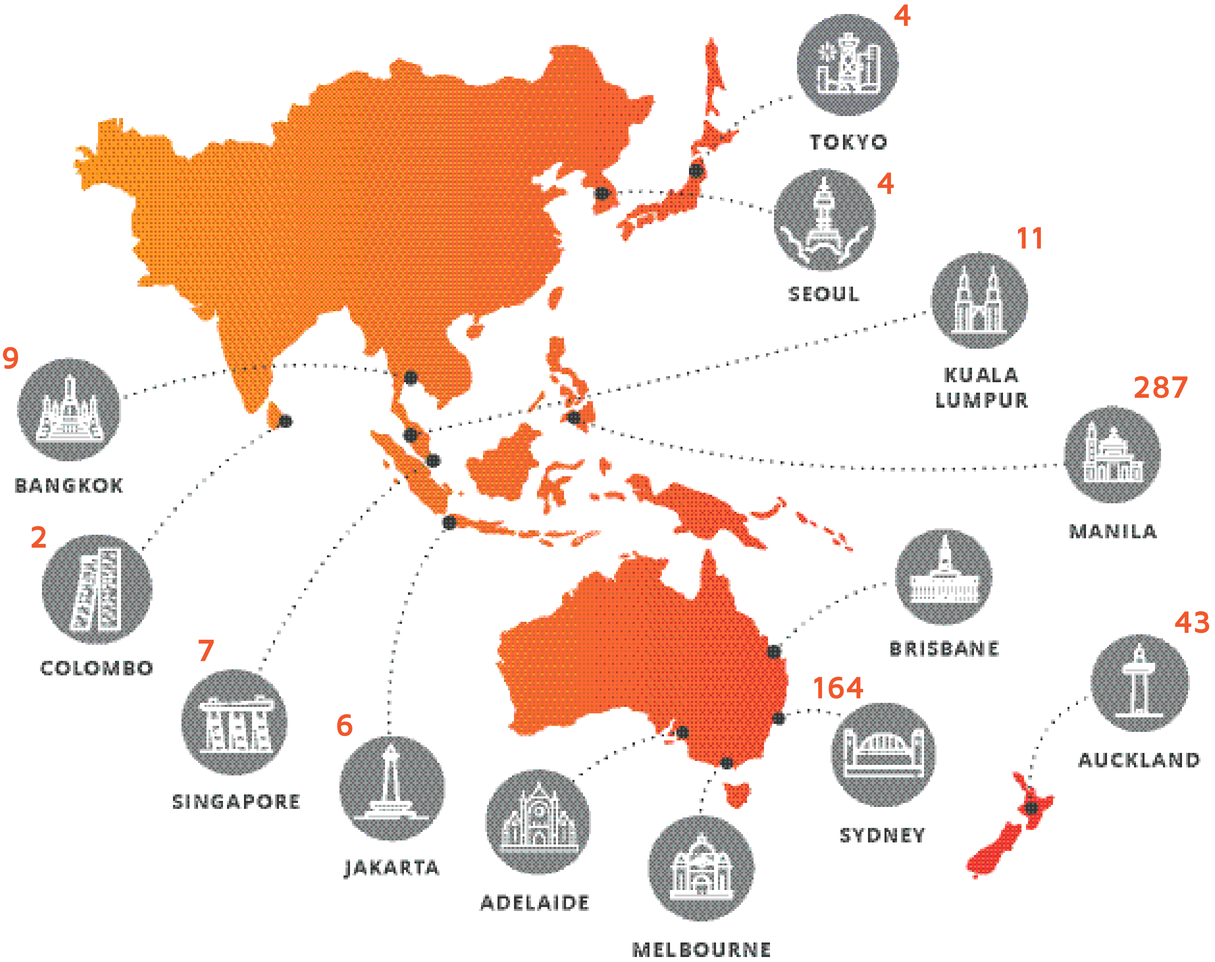
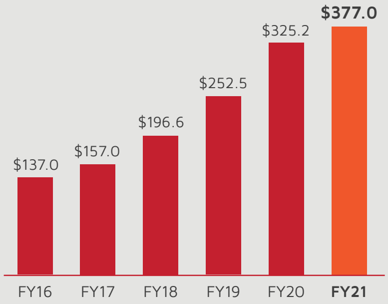
Cloud Licencing and Services across the **Asia Pacific Region**



537 EMPLOYEES

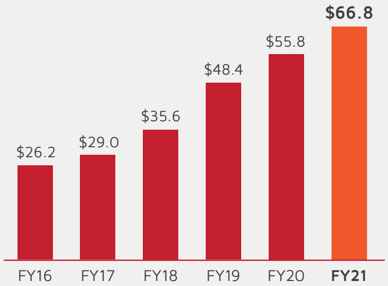
34% GROWTH

Financial Highlights



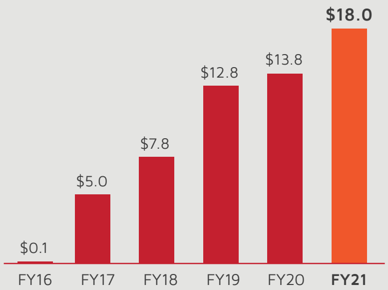
$377.0m
Sales – software products and services (1)

16%
GROWTH



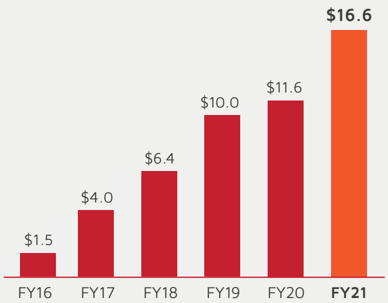
$66.8m
Group Revenue

20%
GROWTH



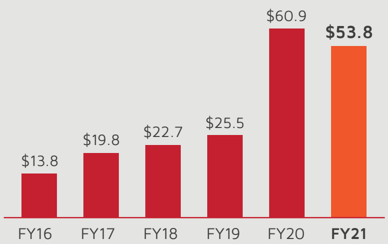
$18.0m
Group Operating Profit (1)

31%
GROWTH



$16.6m
Group EBITDA

44%
GROWTH



$53.8m
Group Cash Balance

$7.14m
REDUCTION

1 Non-AASB measure. Refer to Note 2 in the Financial Statements for Operating Profit reconciliation.

Our Value **Proposition**

Cloud First

rhipe is a born in the cloud, value add software distributor, supporting approximately 3,500 IT resellers across Asia Pacific. Our business model is focused on pay-as-you-consume cloud software subscriptions and maximising our customer's return from their investment in cloud software.

Channel First

Value added services for our resellers including technical advice and support, marketing, cloud management services and 24/7 support-as-a- service.

These services are aimed at driving the ongoing growth in consumption of cloud software subscriptions.

Strategic Operating **Divisions**

CLOUD LICENSING

Software sold and implemented by IT service providers. Monthly pay as you go cloud licencing subscriptions.

SERVICES

Professional services and support people to help Vendors and Service Providers with technical needs.

CLOUD OPERATIONS

Includes back-office support locations to support Cloud Licensing and Services. Internally developed software subscription management platform ("PRISM"). Cloud first, digital first marketing to drive demand for channel partners.

Chairman and CEO Report

Dear Shareholders,

The 2021 Financial Year ("FY21") will long be remembered as a time dominated by news of the COVID-19 pandemic. As the year commenced, our colleagues in Melbourne were in a COVID-19 related lock-down that did not end until October 26, 2020. Fast forward nine months to the time of writing this shareholder update, and Sydney is now in its ninth week of an as-yet-undetermined COVID-19 lock-down period with other states going in and out of lock-down. The impacts of COVID-19 on Australian citizens and the Australian economy, however, pales into insignificance when compared to some other countries in which rhipe operates. Singapore, Malaysia, Thailand, Indonesia, Philippines, South Korea, Japan, Sri Lanka, and other ASEAN countries that rhipe services, all suffered significant impacts in terms of loss of life, healthcare system overload, reductions in GDP, and loss of jobs. To our Asian staff and partners, in particular, we say thank you for your commitment and loyalty to rhipe during this most challenging of years.

On a more positive note, the impacts of COVID-19 did highlight the resilience of rhipe's subscription-based cloud licensing and services business. Our Group again delivered strong results with Sales of $377m, up 16% year on year, and revenue of $66.8m, up 20% year on year, compared to 16% in the prior comparative year. Furthermore, solid cost control during the period led to a 31% increase in operating profit of $18m and a 44% increase in EBITDA of $16.6m compared to the prior financial year. This was achieved despite ongoing investment in growth with staff headcount increasing from 400 to 537 (up 34%) during the financial year.

rhipe overview

rhipe is a leading wholesale provider of subscription-based cloud licences, infrastructure and services in the Asia Pacific region ("APAC"). rhipe's ~3,500 customer resellers are Information Technology ("IT") service providers that have a need to move their own end-user clients onto cloud-based technology. rhipe enables these resellers with marketing, enablement services, sales and technical support plus subscription billing capabilities.

rhipe is currently the only globally-managed Microsoft Indirect Cloud Solutions Provider (CSP) headquartered in Asia Pacific, with approximately 76% of rhipe revenue derived from Microsoft related software licenses, cloud infrastructure, professional services-as-a-service, and technical support activities. rhipe also has strong relationships with a number of other global software companies including VMWare, Citrix, RedHat, Veeam, Acronis and Zimbra.

rhipe strategy

Over the past three years, rhipe has embarked on a "Grow and Diversify" strategy based on four key pillars:

1. Geographical expansion in Asia Pacific to:
    a. Cement our strategic importance to key vendors, and
    b. Reduce the threat from local competitors in any one country.
2. Vendor expansion to find new opportunities for growth outside of our core Microsoft related business.
3. Growth of value added services to IT Resellers, with marketing, consulting, and support as a service to:
    a. Provide more value and differentiation to rhipe's resellers, and

   b. Build high-margin sources of revenue that are rhipe-owned and managed.
4. Intellectual Property investment to provide capabilities that resellers cannot get from another rhipe competitor:
   a. rhipe's platform for recurring subscription management (PRISM), and
   b. rhipe's SmartEncrypt product which will commercially launch in the FY22 financial year.

The strategic investments in each of these growth pillars have been aimed at continuing rhipe's revenue growth and reducing the impact of any margin decline that may occur due to increased competition or reduced vendor incentives in rhipe's traditional licensing business.

People and Culture

With the addition of 137 new staff across 10 different countries in 2021, rhipe continues to focus on people and culture (P&C) as a key staff retention and engagement measure. During the financial year, rhipe launched a new One Team Culture Council (OTCC) to garner staff feedback and launch new P&C initiatives. Our staff surveys indicate strong overall engagement, ongoing support for rhipe's management, and very positive sentiment in relation to rhipe's response to COVID-19. However, despite many staff members enjoying the benefits of working from home, there is also ongoing concern about the impact that this has on inter-team collaboration and communication. rhipe has recently launched a new flexible and hybrid working framework that will hopefully allow us to address these issues as and when different government authorities allow a return-to-work for non-essential employment functions.

FY21 Highlights

Adoption of public and private cloud computing continued to grow across Asia Pacific in FY21 despite the impact of COVID-19 on many businesses. While some countries and some businesses were hurt badly due to a lack of tourism, a slowdown in hospitality, or a reduction in consumer demand, others boomed due to the implementation of work-from-home technology, or from increased demand for products and services that are more desirable for people who are spending more time at home. It seems that with almost every crisis there are winners and losers. On the other hand, many of the companies who have boomed due to COVID-19 may struggle to continue with this growth as the crisis comes to an end.

During the FY21, rhipe added annual sales growth of over 33% for Microsoft Office 365 and 26% for Microsoft Azure. Billable end-user Microsoft Office 365 seats grew from 630,000 to 840,000, with growth in Microsoft Azure end customers from 1,700 to 2,200 in the same period.

The FY20 launch of rhipe Japan via an 80% owned joint-venture (JV) with a leading Microsoft partner, Japan Business Systems Co.,Ltd (JBS) continued to make progress in FY21 despite the significant impact of COVID-19 on Japanese business operations. Microsoft Office 365 seats in Japan grew from 200 to 13,400 over the course of the year with sales increasing from $14k to $2.3m from approximately 30 transacting partners. While it is still very early days for rhipe Japan, we do believe that the ongoing investment in our Japanese JV will lead to significant business growth for rhipe in the longer term.

During FY21, rhipe also launched a number of new software vendor programs on behalf of Zoom and Adobe in South East Asia, with Access4, Nerdio, RuneCast, ESET, and Octopus Cloud across the ANZ and Asian rhipe locations. While these vendors have not added material sales or revenue to rhipe during the financial year, the ongoing investment in vendor diversification is planned to contribute to rhipe's growth in future financial years.

During FY21 rhipe also completed two strategic business acquisitions as outlined below:

Parallo

In September 2020, rhipe acquired New Zealand-based Azure and specialist IT services provider Parallo for an initial purchase price of AUD $4.3M plus a two year earn out. Parallo helps rhipe to diversify into deeper cloud services and managed services that can complement and deliver more value to rhipe's reseller community. Parallo helps Independent Software Vendors (ISVs), Software as a Service (SaaS) businesses and other scale-based cloud partners to manage security, performance, availability and cost, including builds, deployments, upgrades and many other related services. The end goal is to enable companies to focus on their own software applications with Parallo taking care of the cloud workload management.

The acquisition of Parallo contributed towards rhipe winning Microsoft Asia Pacific Services partner of the year for the first time ever in January, 2021. Despite only being owned by rhipe for nine months of the FY21 financial year, Parallo contributed $721k to rhipe's operating profit in line with the acquisition business case. The business is expected to grow strongly with further investment in FY22 and beyond.

Emerging Market Technologies (EMT)

At the end of April 2021, rhipe acquired EMT Australia and EMT Singapore (together "EMT") for up-front cash based consideration of AUD $11M. EMT is a cyber security distribution specialist that focuses on both on-premise and cloud-based security solutions aimed at protecting companies against cyber security attacks. EMT operations in Australia and Asia has 22 employees and sales of $20m across these locations. rhipe intends to acquire EMT, Middle East Operations in FY22. The acquisition of EMT is aimed at providing a security-focused division within rhipe that can add expertise for security-based products including rhipe's own SmartEncrypt product.

Despite only being owned by rhipe for two months of the FY21 financial year, EMT contributed $940k to rhipe's operating profit. The business is expected to grow strongly with further investment planned in FY22 and beyond.

Future Outlook

rhipe's traditional licensing business is expected to continue showing strong sales growth in FY22 and beyond due to ongoing demand for cloud-based software and infrastructure and a full year's contribution from recent acquisitions. Licensing margin decline in recent years (from 15.9% in 2019 to 13.6% in 2020 and 13% in 2021) is likely to continue to some extent as a result of:

a. Increased competition from large traditional software distributors who are now moving more into cloud-based subscription licensing and are leveraging their scale,

b. Lower vendor incentives as their products become more mainstream with more distributors and higher sales results,

c. Increased bargaining power from large resellers as their spend with rhipe grows, and

d. The relatively faster rhipe growth in lower margin geographies (Asia) and lower margin product offerings (Microsoft Azure).

rhipe's plan to counteract this margin pressure are outlined in the strategy section above but broadly involve investments in more geographies, more vendors, more value-added services, and more intellectual property.

rhipe's services and rhipe's Parallo and EMT business units are all expected to continue growing strongly without the same margin pressure that may be expected in rhipe's traditional software licensing business.

Crayon Acquisition Offer

On 6 July 2021, rhipe entered into a binding Scheme Implementation Deed with Crayon Group Holding ASA ("Crayon") under which it is proposed that Crayon will acquire 100% of the shares in rhipe by way of a Scheme of Arrangement ("the Scheme"). Crayon is a global leader in software asset management and cloud optimisation localised in over 35 countries, with its head office in Oslo, Norway, with revenues of approximately Kr 19.5 billion (AU$3 billion).

rhipe shareholders are to receive Scheme Consideration of $2.50 cash per share (reduced to the extent of any Permitted Special Dividend). In addition, as part of the Scheme Consideration, rhipe intends to declare a fully franked special dividend of up to 13 cents per share ("Permitted Special Dividend") to be paid on or shortly before the implementation date of the Scheme, conditional on the Scheme being approved and becoming Effective.[1]

The rhipe Directors unanimously recommend that rhipe shareholders vote in favour of the Scheme at the Scheme Meeting in the absence of a superior proposal and subject to the Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of rhipe's shareholders. Subject to the same qualification, each Director of rhipe who owns or controls any rhipe shares intends to vote those shares in favour of the Scheme at the Scheme Meeting.

It is anticipated that a Scheme Booklet in relation to the proposed Scheme will be sent to rhipe shareholders in September 2021 and that rhipe shareholders will vote on the scheme in October 2021.

Closing Remarks

In last year's annual report we noted that rhipe continues to invest in public cloud programs such as Microsoft CSP, in 24x7 support services, and in other rhipe services and solutions. While not all of these investments have paid off, others have performed very well. And, without investment in these new business opportunities, rhipe would have been much more exposed to the impact of our global pandemic. In FY21 this statement still holds true. The business continues to be resilient and despite some margin decline in our traditional cloud licensing sales, the rhipe services business and our recent acquisitions of Parallo and EMT have all been strong financial contributors. On behalf of the rhipe Board and management team we would like to thank our dedicated staff for a fantastic FY21. It has been an incredibly difficult year in the midst of an ongoing global pandemic, particularly so for our team members in Asia. Our deepest sympathies for the hardship endured and thanks to you all for your ongoing dedication and hard work. To our shareholders we continue to say thanks for your ongoing support.

Best Regards

Gary Cox
Chairman

Dominic O'Hanlon
Managing Director and CEO

1 The rhipe Directors will determine (in their absolute discretion) whether to pay any Special Dividend after assessing the rhipe Group's cash position and available funding at the applicable time. Whether a shareholder will be able to capture the full benefit of the franking credits will depend on their individual tax circumstances. If a fully franked special dividend of 13 cents per share was declared and paid, this would reduce the Scheme Consideration to $2.37.

2021 Financial Report

OPERATING AND FINANCIAL REVIEW

rhipe Limited and Controlled Entities

Principal Activities and Significant Changes in Nature of Activities

The principal activity of rhipe Limited ("rhipe" or the "Company") and controlled entities (the "Group") during the financial year was the sale and support of subscription software licences to ~3,500 IT service provider resellers in the Asia Pacific region, who support the small and medium sized businesses in this region. rhipe has established sales momentum driven by its vision of "Expertise that Empowers" and has become one of the leading Asia Pacific platforms for monthly Pay As You Go (PAYG) cloud software licence subscriptions.

International software vendors such as Microsoft, VMWare, Citrix, Red Hat, Trend Micro and Veeam, all rely on rhipe's ecosystem of partners, technical resources and licence subscription management platform to build, grow and support the consumption of their cloud licence programs. In addition, rhipe also provides value add services to its resellers in Asia Pacific including rhipe's 24x7 technical support desk, consulting services and migration to the cloud services. Our technical support offering is also supporting one of rhipe's software vendors to service the vendor's end customers.

Operating Results and Review of Operations for the Year

Although the 12-month period to 30 June 2021 ("FY21") has been impacted by the global pandemic crisis, rhipe has continued to invest in operations and people that are focused on the IT industry transition to the cloud business model. rhipe has three integrated business divisions;

1. Cloud Licencing (private, public and hybrid cloud IT environments),
2. Services (consulting and support services), and
3. Operations (subscription billing, provisioning, support and marketing).

rhipe has taken much of the know-how from many years of experience in software subscription management to build rhipe's own subscription management platform known as PRISM. Our platform, when combined with rhipe's other value-added services, such as technical support, provide a strong differentiator in the market and will allow rhipe to continue building on its strong market position in the countries in which rhipe operates.

rhipe Licencing

Whereas rhipe has provided licences to private-cloud data centers for more than 17 years, rhipe only launched its public cloud business in the financial year to 30 June 2016 ("FY16"). rhipe did this in anticipation of an industry shift away from on-premise and private data centre software implementations towards hyper-scale public cloud software and infrastructure. In FY16 rhipe was appointed by Microsoft as an Indirect Cloud Solutions Provider ("CSP") to build a channel of resellers for Microsoft's key public cloud products (Microsoft Office 365 and Microsoft Azure). Growth in Office 365 ("O365") and Azure has continued to underpin the growth in revenue and profit of the Company. In FY21, rhipe experienced growth in O365 sales of 33% with sales of Microsoft Azure growing at more than 26% despite the impact of the pandemic crisis on small and medium sized enterprises in our geographic footprint. Sales of Microsoft's public cloud products now represent 41% of total licencing sales and delivered around two-thirds of the Company's licencing sales growth in FY21.

At the beginning of FY21, rhipe's partners were consuming approximately 630,000 licences or 'seats' of O365 per month. As at 30 June 2021 the monthly consumption of O365 seats was 840,000 seats, an increase of 33% in paid seats in the last 12 months or 17,500 new seats per month. Annualized Run Rate ("ARR") Sales from CSP is now over $158m with Office 365 contributing $109m and Azure more than $49m. This compares to total ARR Sales from CSP of $123m twelve months ago and $80m at June 2019.

Although Microsoft products deliver around 76% of our licencing sales, rhipe continues to invest in other software vendors including VMWare, Citrix, Veeam, Trend Micro and Redhat. Our strategy is to invest and grow these areas of the business as well as add to our portfolio of other software vendors.

rhipe Services

rhipe Services includes the provision of a number of value-add services aimed at enhancing the services offered to our partners and their end customers. These services include a technical consulting group focused on providing value add services centered on products like Microsoft SharePoint and Azure, Microsoft Dynamics, Security and a large 24x7 support team to assist rhipe's resellers and vendors.

The consulting team helps with technical implementation services to deepen our relationships with resellers while also assisting to drive the ongoing sale of cloud software licences. Over the last 12 months we have continued to invest and refine the strategy for our consulting services especially in relation to public cloud growth opportunities for products such as Microsoft Azure and Microsoft Dynamics365.

The 24x7 technical support team continued to expand in FY21 as a result of the growth in a support contract for one of rhipe's software vendors. At the end of FY21, rhipe had 239 employees in this support team, primarily based in Philippines, compared to 156 employees at June 2020.

In FY22 we intend to continue to invest in the service offering provided by rhipe Services and expansion of the service offering into related areas. Our strategy is to grow the share of the Group's revenue and profitability derived from these value-add services.

Overall Results

The results presented in this financial report reflect the operations of the Group from 1 July 2020 to 30 June 2021.

Financial Summary ($'000)	FY21	FY20	Change
Sales - Software Products & Services [1]	376,980	325,201	16%
Revenue	66,817	55,828	20%
Gross Profit	60,385	52,380	15%
Operating Expenses	(42,375)	(38,625)	10%
Operating Profit [1]	18,010	13,755	31%
Operating Profit (excluding Japan)	19,057	15,009	27%
Reported EBITDA	16,613	11,566	44%
Profit After Tax	7,008	4,799	46%

1 Non-AASB measure. Refer to Note 2 in the Financial Statements for Operating Profit reconciliation.

For FY21, the Group reported another increase in profitability despite the challenging economic conditions caused by the worldwide pandemic with operating profit of $18m, an increase of 31% from the prior year. The growth in profitability of the Group has been driven by:

1. Investments made in the business over the past few years, notably in our public cloud capabilities, our Asian operation and our 24x7 support activities, all of which have produced strong sales and revenue growth in FY21;
2. Contribution from our newly acquired businesses Parallo and EMT;
3. Attracting new customers or partners into the rhipe ecosystem to increase our customer base in all countries; and

4. Cautious cost management which has allowed us to continue to invest in a number of areas while also delivering an increase in profitability.

Sales

FY21 sales growth of $52m, compared to $56m in FY20, was driven by the areas of the business where we have made material investments, notably our public cloud business with Microsoft CSP (Microsoft Office 365 and Azure) and professional and value-add services. Over the last 12 months, sales from Microsoft CSP grew by 31% YoY, from $33m in FY18, $65m in FY19, $110m in FY20 and to $144m in FY21. The growth in Microsoft CSP delivered two-thirds of the licensing sales growth in FY21.

Growth from our non-Microsoft vendors was 5.5% YoY, driven by continued focus on investing in our capabilities, marketing of these complementary products plus the contribution from EMT.

The rhipe Services business delivered growth in sales of 52% in FY21 compared to 40% in FY20 driven by the acquisition of Parallo and growth in demand for rhipe Services.

Revenue

Growth in Group revenue for FY21 of 20% was driven by growth in sales in our Services business and contribution from Parallo and EMT businesses acquired in October 2020 and May 2021 respectively. Excluding the impact of the acquisition revenue growth was around 7%. Decline in Licensing sales margin from 13.6% to 13% in FY21 was due to lower standard software vendor rebates and lower strategic growth rebates received from a key software vendor. In addition, Licensing sales margin also declined due to growth in the lower margin Asia region and also strong growth in Microsoft Azure which is typically at a lower margin than software licences. Growth in rhipe Services revenue in FY21 was $7m or 52%.

Operating Expenses

Operating expenses in FY21 increased by $3.8m or 10% year on year, with the majority of this increase driven by investment in front office headcount to help support the sales and revenue growth experienced by the Licencing business and also additional investment into building our Services business. The number of full-time equivalent employees (FTE) across the Group has increased from 400 at 30 June 2020 to 537 at 30 June 2021 representing 34% increase Year on Year.

It should also be noted that we have continued to include property lease costs in "Operating Expenses" whereas in our Consolidated Statement of Comprehensive Income, the property lease costs are included in amortisation cost line and interest from lease liabilities in finance cost line in accordance with the revised AASB 16.

Operating Profit and EBITDA

The table below outlines the reconciliation of operating profit to reported EBITDA for the year ending June 30, 2021 compared to the prior year:

($'000)	FY21	FY20
Operating profit [1]	**18,010**	**13,755**
Less		
Foreign exchange (loss) / gain	(234)	(97)
Restructuring and transaction costs	(597)	(1,068)
Share-based payments expense (non-cash)	(2,342)	(3,112)
Impairment expense	-	(3,425)
Impact of AASB 16 - Lease Payments	1,776	2,013
Fair value adjustment to deferred consideration	-	3,500
Total adjustments	**(1,397)**	**(2,189)**
EBITDA	**16,613**	**11,566**
Interest income	108	111
Interest on leases	(92)	(142)
Non-controlling interest	(287)	(216)
Impact of AASB16 - Lease depreciation	(1,684)	(1,872)
Depreciation and amortisation	(3,964)	(2,297)
Profit/(loss) before tax	**10,694**	**7,150**
Tax expense	(3,686)	(2,351)
Profit after tax	**7,008**	**4,799**

1 Non-AASB measure. Refer to Note 2 in the Financial Statements for Operating Profit reconciliation.

Operating profit in FY21 grew by $4.3m or 31% year on year with EBITDA growing by $5m or 44% over the same period. The growth in both operating profit and EBITDA was substantial despite the challenging economic environment caused by the global pandemic and the investment that the Company is making in our professional services and CSP. Parallo contributed $721k and EMT contributed $940k to rhipe's operating profit in FY21.

Significant non-operating cost include:

- Foreign exchange losses of $245k compared to a loss of $97k in FY20 driven by weakening of US dollar
- Transaction cost of $597k relating to due diligence cost incurred in relation to FY21 acquisitions
- Share-based payment expenses relate to FY19, FY20 and FY21 Long Term Incentives.

Investment & Capital Expenditure

rhipe continues to invest in its operations and people in areas that management believe will provide future profitable sustainable competitive advantages.

In the 12 months to 30 June 2021, the Group invested $1m in fixed asset spend, down from $1.4m in previous year in which majority of investment related to our new office in the Philippines.

In addition, the Company invested $1.6m in developing software intangible assets with around $0.8m invested in our cloud software encryption product SmartEncrypt and $0.8m invested in PRISM our software subscription management platform.

Cash & Returns to Shareholders

At 30 June 2021, the Group had cash of $53.8m compared to a cash balance of $60.9m at 30 June 2020.

During the year the company acquired Parallo and EMT and paid $15.3m in cash for these acquisitions. Excluding the net cash impact of acquisitions the Company's cash position increased by $6.4m or 10% compared to 30 June 2020.

The $6.4m increase in cash resources excluding acquisitions is after distributing $5.6m to shareholders via dividends, investment in SmartEncrypt and PRISM of $1.6m and investment in fixed assets of $1m. Net cash-flow from operating activities in FY21 increased broadly in line with our operating profit for the year from $13.7m in FY20 to $19.9m in FY21 despite the economic turmoil inflicted by the global pandemic.

As part of the Scheme Consideration, rhipe intends to declare a fully franked special dividend of up to 13 cents per share to be paid on or shortly before the implementation date of the Scheme, conditional on the Scheme being approved and becoming Effective.[2]

2 The rhipe Directors will determine (in their absolute discretion) whether to pay any special dividend after assessing the rhipe Group's cash position and available funding at the applicable time. Whether a shareholder will be able to capture the full benefit of the franking credits will depend on their individual tax circumstances.

Directors' Report

Your Directors present their report on the Group consisting of rhipe Limited and its controlled entities for the financial year ended 30 June 2021. The information in the preceding Operating and Financial Review forms part of this Directors' Report for the financial year ended 30 June 2021 and is to be read in conjunction with the following information.

General Information Directors & other Executives

The following people were Directors of rhipe Limited during or since the end of the financial year up to the date of this report:

- Gary Cox
- Dominic O'Hanlon
- Dawn Edmonds
- Mark Pierce
- Michael Tierney
- Inese Kingsmill
- Olivier Dispas

Information relating to Directors, other Executives and Company Secretary

Gary Cox, Non-executive Chairman

Experience and Qualifications
Appointed 26 March 2019

Gary Cox has over 35 years of global experience in the technology industry across the UK, USA, Asia, Japan and ANZ in senior leadership roles with Microsoft, EMC and Oracle. Recently Mr Cox has held both strategic consulting and board appointments for technology organisations based in Australia with global growth focus and leveraging both his broad business management and extensive experience in cloud and managed services.

His last position at Microsoft was VP Enterprise and Partner business for Asia (Japan, India, APAC, Hong Kong, Taiwan) excluding China. He retained responsibility for all key industry segments throughout Asia across 16 subsidiaries which encompassed all Microsoft's large customers across the commercial and public sector markets.

Interest in Shares, Options and Performance rights	Special Responsibilities	Directorships held in other listed entities during the three years prior to the current year
None	Remuneration and Nomination Committee and People and Culture Committee	None

Dominic O'Hanlon, Managing Director & Chief Executive Officer

Experience and Qualifications

Appointed as Managing Director 15 June 2015, Chief Executive Officer from 5 August 2014

Mr O'Hanlon is a well-known and successful technology entrepreneur who has over 25 years' experience in software development, marketing, sales, implementation and support. Dominic has served in prior roles as CEO, Chief Strategy Officer, NED and Chairman for numerous high growth technology companies. Dominic is a Fellow of the Australian Institute of Company Directors.

Interest in Shares, Options and Performance rights	Special Responsibilities	Directorships held in other listed entities during the three years prior to the current year
2,657,840 ordinary shares and 1,429,707 performance rights	None	None

Dawn Edmonds, Non-executive Director

Experience and Qualifications

Appointed 10 April 2014. Ceased Interim Chief Executive Officer on 5 August 2014 upon appointment of Dominic O'Hanlon.

Dawn Edmonds is one of the founders of rhipe (then NewLease) and has nearly 20 years' experience in the IT industry. Until the end of 2016, Dawn served as the Chief Operating Officer for the Company and was responsible for the management of systems, process and performance as well as the day-to-day operations of the organisation. Dawn has led the development and implementation of processes and systems that have been recognised as best practice by vendors. Prior to starting NewLease in 2003, she was instrumental in building two other successful start up businesses.

Dawn has received industry awards for Women in IT and Entrepreneurship and continues to be passionate about diversity in the workplace and the IT industry.

Interest in Shares, Options and Performance rights	Special Responsibilities	Directorships held in other listed entities during the three years prior to the current year
2,702,294 ordinary shares	Remuneration and Nomination Committee (Chair) and People and Culture Committee	None

Mark Pierce, Non-executive Director

Experience and Qualifications
Appointed 10 April 2014

Mr Pierce has over 25 years' corporate finance and business experience gained from senior positions held at Westpac, Macquarie Bank, Rabobank and Credit Suisse. Since 2009, he has worked as an independent advisor and company director. In this role, he has extended his experience to include a deep understanding of business and product development, company operations, and corporate governance. In 2016, Mr Pierce co-founded a finance business, offering specialist finance to the medical sector. This business has grown to over $100m of assets and continues to grow its assets and profitability with significant institutional funding support. Mark is a Graduate of the Australian Institute of Company Directors.

Interest in Shares, Options and Performance rights	Special Responsibilities	Directorships held in other listed entities during the three years prior to the current year
320,000 ordinary shares	Audit and Risk Committee (Chair)	None

Michael Tierney, Non-executive Director

Experience and Qualifications
Appointed 27 January 2017

Mr Tierney brings to the Company over 30 years' experience in global financial markets, most recently as Managing Director and Head of Leverage Finance at Credit Suisse for the Asia Pacific region. Mr Tierney has worked across a wide range of industries and clients advising and executing financing and M&A strategies to enable them to achieve their strategic objectives. He has extensive governance experience fulfilling reporting requirements to APRA and ASIC and is a Senior Fellow of FINSIA

Interest in Shares, Options and Performance rights	Special Responsibilities	Directorships held in other listed entities during the three years prior to the current year
1,757,191 ordinary shares	Audit and Risk Committee	None

Inese Kingsmill, Non-executive Director

Experience and Qualifications
Appointed 15 April 2019

Over the course of a career spanning over 25 years, Inese Kingsmill has earned a reputation as a growth focused and customer oriented business leader. Her end-to-end business experience has spanned leadership across a broad spectrum of accountabilities at Microsoft, Telstra and Virgin Australia. Transformation and growth have been common themes underpinning Inese's career.

In addition to her corporate career, Inese was a member of the Board and Chair of the Australian Association of National Advertisers (AANA), Australia's peak media, marketing and advertising industry body. She also currently serves on the boards of HiPages Group Holdings (ASX:HPG) Spirit Technology Solutions (ASX:ST1), NobleOak Life Limited (ASX:NOL) and WorkVentures Limited.

With a personal interest in fostering innovation in Australian business, Inese is currently director and co-founder of Breakfast Epiphanies Consulting Group, a privately held management consulting practice engaged in digital transformation, strategy planning and leadership development.

Interest in Shares, Options and Performance rights	Special Responsibilities	Directorships held in other listed entities during the three years prior to the current year
32,904 ordinary shares	People and Culture Committee (Chair) Audit and Risk Committee	Spirit Technology Solutions (Since July 2020); HiPages Group Holdings (Since November 2020); NobleOak Life Limited (Since December 2019)

Olivier Dispas, Non-executive Director

Experience and Qualifications
Appointed 15 April 2019

Olivier Dispas has spent more than 25 years in the IT industry, focused on channel and partner strategy and sales leadership. Most recently, he led the worldwide partner sales and strategy team focusing on licencing solution partners at Microsoft, driving deal and investment negotiation and long-term growth planning. He serves as an advisor to the boards of Enlyft and Quantiq, and continues to provide consulting and coaching services to partner organisations within the industry.

Interest in Shares, Options and Performance rights	Special Responsibilities	Directorships held in other listed entities during the three years prior to the current year
None	Remuneration and Nomination Committee and Audit and Risk Committee	None

Key Management Personnel

Mark McLellan, Chief Financial Officer and Chief Operating Officer

Experience and Qualifications

Mark joined rhipe in November 2016 as Chief Financial Officer and was appointed Chief Operating Officer in March 2018. Mark qualified as a member of the Institute of Chartered Accountants of Scotland in 1997 and also holds a B.A. (Hons) Degree in Economics. Mark has previously worked for PriceWaterhouseCoopers and Ernst & Young. Prior to joining rhipe, Mark worked for The Royal Bank of Scotland plc for 12 years latterly in their Strategy and Corporate Development team. Mark has extensive experience in strategic planning, financial and capital allocation modelling and mergers and acquisitions.

Interest in Shares, Options and Performance rights	Special Responsibilities	Directorships held in other listed entities during the three years prior to the current year
233,171 ordinary shares 824,294 performance rights	None	None

Warren Nolan, Group Executive - Professional Services

Experience and Qualifications

Warren Nolan joined rhipe in 2005. Warren is an experienced senior executive with a deep understanding of strategic planning, channel development, relationship management and sales execution. He has been at the forefront of rhipe's go-to-market strategy in the early stages of rhipe's evolution. Warren was inducted into the Australian Reseller News ICT industry Hall of Fame in 2017, recognising his contribution to the development of Australian's Cloud channel. His previous experience includes senior management positions in the banking & finance, manufacturing and recruitment sectors.

Interest in Shares, Options and Performance rights	Special Responsibilities	Directorships held in other listed entities during the three years prior to the current year
1,222,796 ordinary shares 653,378 performance rights	None	None

Chris Sharp, Group Executive - Products and Programs (resigned 28 February 2021)

Experience and Qualifications

Chris joined rhipe in October 2014 as Chief Strategy Officer and was appointed Group Executive - Products & Programs in July 2019. Chris holds undergraduate qualifications from USQ and a Master of Business Administration from AIB. Chris has worked in the IT industry for most of his career and has held senior management roles for Red Hat and Microsoft prior to joining rhipe. Chris has spent the last 17 years in Singapore helping Multinational companies like Microsoft and rhipe to expand their partner channel throughout Asia. Chris has extensive experience in channel strategy, partner planning and market development.

Interest in Shares, Options and Performance rights

Nil reportable ordinary shares and performance rights

Special Responsibilities

None

Directorships held in other listed entities during the three years prior to the current year

None

Marika White, Company Secretary, non KMP

Experience and Qualifications

Appointed 24 May 2019

Marika is Executive Director of Emerson Operations and provides tailored company secretarial and compliance services to a range of public, private and not-for-profit organisations in Australia and internationally. Marika has extensive company secretarial experience, both in Australia and overseas, and is a member of the Australian Institute of Company Directors and the Governance Institute of Australia.

Interest in Shares, Options and Performance rights

None

Special Responsibilities

None

Directorships held in other listed entities during the three years prior to the current year

None

Meeting of Directors

During the financial year, twenty seven Meetings of Directors were held. The Audit and Risk Committee, the Remuneration and Nomination Committee and the People and Culture Committee met during the reporting period. Attendances by each Director during the year were as follows:

	Directors' Meeting		Audit & Risk		Remuneration & Nomination		People & Culture	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Gary Cox	18	18	-	-	2	2	3	3
Olivier Dispas	18	17	3	3	2	2	-	-
Dawn Edmonds	18	18	-	-	2	2	3	3
Inese Kingsmill	18	17	3	3	-	-	3	3
Dominic O'Hanlon	18	15	-	-	-	-	-	-
Mark Pierce	18	18	3	3	-	-	-	-
Michael Tierney	18	17	3	3	-	-	-	-

rhipe Limited Risk Governance Framework

The rhipe Limited risk governance framework outlines how risk is managed in the Company including maintenance and ownership of the risk register and also the Company's risk appetite statement is determined.

The risk governance framework is reviewed on an annual basis by the Board to ensure that the Company is operating pursuant to the risk appetite set by the Board.

Overview of Board Responsibilities for Risk Management

Below is a summary of the risk management responsibilities of the Board:

- Identify and assess the principal risks facing the Company
- Determine risks the organisation is willing to take or "risk appetite"
- Ensure the risk profile of the Company is kept under review and that measures to manage or mitigate the principal risks are taken
- Regular monitoring and review of identified risks is undertaken
- Regular risk management communication takes place to and from the board
- Ensure that risk management is incorporated within normal processes; and
- Review, approve and monitor system of internal controls including those designed to ensure the integrity of budgets, financial statements and other reporting.

To assist the Board in discharging its responsibilities in relation to risk management, the Board has approved this risk governance framework and has delegated certain activities to the Audit and Risk Committee. The Board has also delegated various authorities to the Managing Director and CEO, to enable the management of the Company on a day to day basis are carried out within authorities approved by the Board.

An outline of the risk governance framework is shown below:

The Managing Director, CEO and the Chief Financial Officer are responsible for providing a declaration to the Board regarding the half and full-year financial statements in accordance with section 295A of the Corporations Act 2001 and recommendation 4.2 of the ASX Principles and for providing assurance to the Board that the Company's financial and non-financial risk management and internal control systems are operating effectively.

Audit and Risk Committee

The Board has merged an Audit Committee and Risk Committee into Audit and Risk Committee on 1 July 2019 to assist the Board in its responsibilities regarding continuous disclosure, financial reporting, legal and regulatory compliance, managing the Company's risk register and its internal control systems.

The Committee oversees the internal controls, policies and procedures which the Company has established to identify and manage key risks and where required the Committee will review matters on behalf of the Board and make recommendations, which are then referred to the Board for resolution (if the committee has an advisory role) or resolve matters entirely (if the committee has been delegated authority), which is then reported to the Board.

The roles and responsibilities of the Committee are set out in the Audit and Risk Committee Charter.

The CEO, Managing Director, the Chief Financial Officer, Chief Operating Officer, Company Secretary, General Counsel, external Auditor and any other relevant third-party advisors or personnel may also attend meetings of the Audit and Risk Committee.

Risk Appetite

The Board also have in place a Risk Appetite statement that is reviewed and updated annually as part of the business planning cycle and reflects the expected financial performance of the Company in the next 12 months.

The risk appetite takes into account the level of risk and earnings volatility that the Board is prepared to take to achieve strategic objectives and offers management practical guidance around risk appetite when managing the business on a day to day basis. In determining its risk appetite, the Board considers:

- Updates provided by senior management on key strategic and operational matters
- The Group's annual budgeting process
- Significant matters that have been reserved for the Board
- Risk factors identified by the Board and Management and included in the risk register; and
- The reports of the external Auditor.

Key Material Business Risks

rhipe's activities and the industry that it operates within give rise to a broad range of risks. These risks are identified by the Board and Management and are recorded in the Company's risk register. Each identified risk is allocated a Senior Management owner who has responsibility to ensure any appropriate internal controls are in place and operating to provide mitigation, or ensure the Board is regularly informed on any material changes in the identified risk. rhipe continues to improve the identification, prioritisation and management of risks across the business. There is a strong focus to increase Board visibility into risks across the business to promote prudent risk management.

The Company's risk register includes the following key risks categorised under Strategic Risks, People Risks, Operational Risks and Financial Risks:

Strategic Risks

- Competitive pressures from existing competitors and new market entrants
- Dependency on Microsoft
- Technological innovation change
- Failure to retain existing customers and attract new customers
- Geopolitical risks associated with each country that we operate in

People Risks

- Key person risk
- Inability to retain and attract talent
- Insufficient resources to manage continued growth
- Work place health, safety and welfare
- Misalignment of values and employee behaviors or actions

Operational Risks

- Data loss and data breach
- Cyber Security and disruption to technology systems
- Adequacy of IT systems including Financial systems
- Anti-bribery & corruption
- Modern slavery
- Inadequate process documentation
- Business continuity and disaster recovery risk
- Compliance with applicable laws and regulations in each country rhipe operates
- Ability to manage operational change in a careful and controlled manner

Financial Risks

- Competitive pressures and impact on margin earned
- Liquidity and funding risk
- Credit risk - customers and suppliers
- FX risk
- Completeness and accuracy of revenue recording, availability and accuracy of systems
- Capitalised software development costs; to date ~$15m costs have been capitalised in relation to Prism and SmartEncrypt and impairment of these assets is possible
- Goodwill impairment
- Tax & Compliance risk in certain less developed Asian countries

The risk register is reviewed by the Audit and Risk Committee quarterly or more frequently as necessary. The risks included on the risk register are also rated as Low, Medium or High from a probability perspective and weighted in terms of impact on the Company. This segmentation helps to identify the higher risk items and whether they have a low, medium or high impact on rhipe.

The risk register is also reviewed by Senior executives and management every three months to ensure they are aware of their risk management responsibilities and are required to escalate any key issues which arise or have the potential to arise. The CEO and CFO have the primary responsibility to advise the Board of key risk areas which arise and together, the Board and senior management are responsible for taking all reasonable steps to address and mitigate such risk items.

Indemnifying Officers or Auditor

During or since the end of the financial year, the Company has given an indemnity or entered into an agreement to indemnify or paid or agreed to pay insurance premiums as follows:

- The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors of the Company, other than conduct involving a willful breach of duty in relation to the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium
- No indemnity has been provided for the auditors.

Proceedings on Behalf of Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of the proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit Services

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

All non-audit services are reviewed and approved by the audit committee prior to commencement, to ensure they do not adversely affect the integrity and objectivity of the auditor; and

The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Ernst & Young Australia for non-audit services provided during the year ended 30 June 2021.

	$
Taxation services	55,000
Due Diligence services	240,929

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Future Developments, Prospects and Business Strategies

The Group has strong existing relationships with a number of key software and technology partners and the Group will look to continue to build and nurture these relationships. The Group will also continue to explore opportunities to further expand its reach from its current bases in Australia, New Zealand, Singapore, Thailand, Malaysia, Philippines, Korea, Indonesia and Sri Lanka. In FY20 rhipe established a subsidiary in Japan with 20% of the entity owned by our joint venture business partner, Japan Business Systems Co.,Ltd. The Group intends to invest significantly in its activities into the large Japanese market.

rhipe will continue to assess further acquisition opportunities that will complement, create synergies or bring scale and earnings growth to the Company's existing business model.

Sustainability and Environmental Issues

The consolidated Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory. However the Group is committed to finding ways of reducing the impact of our work to the environment.

Options

As at the date of signing this report, there were Nil unissued ordinary shares under option (30 June 2020: 100,000).

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 48 of the Financial Report.

Rounding of Amounts

The Company is an entity to which ASIC Legislative Instrument 2016/191 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Corporate Governance Statement

The Directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability to the corporate governance statement dated 31 August 2021 released to ASX and posted on the Company's website **www.rhipe.com/about/investors/.**

Reporting under the Workplace Gender Equality Act 2012

In accordance with the requirements under the Workplace Gender Equality Act 2012 (Cth), rhipe has submitted an annual compliance report to Workplace Gender Equality Agency. This report is for the reporting period of 1 April 2020 to 31 March 2021. Key points from the report are:

- Gender composition to 31 March 2021: 34% Female and 66% Male in Australia versus, 38% Female and 62% Male globally at 30 June 2021.
- Promotions: 58.3% of employees awarded promotions were women and 41.7% were men
- Resignations: 40% of employees who resigned were women and 60% were men.

rhipe continues to promote diversity and inclusion of all types during the period through offering primary carer leave of 16 weeks and secondary carer of two weeks, both fully paid with only six months qualifying period and flexible working arrangements. 4% of the workforce used this leave in FY21.

rhipe further leveraged its partnership with Work180 in Australia in 2021 as an endorsed employer supporting diversity and inclusion to attract and retain diverse talent. Work180 is a global jobs network that promotes diversity, inclusion and equality.

rhipe's Diversity and Inclusion Council was rolled up into the One Team Culture Council in 2021, with multicultural representation across most of the company's APAC locations. The Council continues to drive initiatives which promote inclusion and celebrate our multi-cultural workforce.

The Group has currently over 25 nationalities across our 537 employees globally.

The full report may be accessed on rhipe's website.

Events after the Reporting Period

On 6th July 2021, rhipe entered into a binding Scheme Implementation Deed with Crayon under which it is proposed that Crayon will acquire 100% of the shares in rhipe by way of a Scheme of Arrangement. The Scheme is subject to limited conditionality and is not subject to financing or due diligence. It is anticipated that a Scheme Booklet in relation to the proposed Scheme will be sent to rhipe shareholders in September 2021 and rhipe shareholders will vote on the Scheme in October 2021.

The company continues to monitor the impact of the global pandemic on its business and its partners whom are focused on serving small and medium sized businesses, which is the hardest hit sector. Management will continue to assess the risk and take actions aimed at reducing the impact of the pandemic on our people and our partners.

Apart from those noted above, there has not been any other matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Dominic O'Hanlon
Managing Director and CEO

Remuneration Report

rhipe Limited and Controlled Entities

Message from the Chair of the Remuneration and Nomination Committee

Whilst COVID-19 continues to challenge governments, industry and individuals across the globe and economic uncertainty has followed as surely as night follows day, rhipe has stayed the course and delivered a strong result for FY21. It is with pleasure that I present to shareholders this year's Remuneration Report on behalf of the Remuneration and Nomination Committee and the Board.

The remuneration strategy has continued to support the Company's long term strategic plan with a focus on long term incentives that target consistent gross profit growth and EPS growth and align to shareholder return. During the period shareholders approved a new set of equity plan rules that updated and modernised treatment of areas such as cessation of employment, change of control and inappropriate behaviour. Further, in line with development plans for middle management and high performing contributors, the Board was delighted to extend its LTI program to a broader cohort for the first time. The Company also continued its employee share scheme across the wider business.

Given the climate, there were minimal changes to KMP remuneration for the FY21 period and any changes were related directly to the responsibilities of individual roles.

In aggregate, the total remuneration package outcome for KMP decreased by approximately 13% in FY21 compared to the prior period. This was largely due to changes in LTI values.

Short term incentives were calibrated to better support the changing needs of increasingly diverse business units and this helped drive momentum and successful outcomes in those business units. Short term incentives were also used to help drive the success of two new acquisitions, Parallo and EMT.

Subsequent to these acquisitions and following prudent hiring in key areas, rhipe's headcount grew from 400 in the previous year to 537, an increase of 34%.

This talent growth, combined with careful cost management, delivered a full year operating profit of $18m, an increase on the previous year of 31%.

Given that KMP achieved or over-achieved most STI and LTI targets this financial year, and these targets drove the excellent performance of the business, the Board is satisfied that the remuneration mix has been effective and continues to support rhipe's longer term goals.

Lastly, although this report is primarily focused on remuneration matters relating to KMP, I would like to extend heartfelt thanks to our staff across the whole business. In the face of lock-downs across the region as well as frightening and, in many cases, traumatic situations, our people continue to demonstrate remarkable resilience and camaraderie which are ultimately the foundations of rhipe's success.

Yours sincerely,

Dawn Edmonds
Chair of the Remuneration and Nomination Committee

The report has been prepared and audited against the disclosure requirements of the Corporations Act 2001 (Cth).

2. Persons Addressed and Scope of the Remuneration Report

The Remuneration Report sets out, in accordance with section 300A of the Corporations Act 2001:

(i) The Company's governance relating to remuneration
(ii) The policy for determining the nature and amount or value of remuneration of KMP
(iii) The various components or framework of that remuneration
(iv) The prescribed details relating to the amount or value paid to key management personnel, as well as a description of any performance conditions
(v) The relationship between the policy and the performance of the Company.

In addition, rhipe Limited (rhipe, the Company or the Group) has decided to set out such further information as shareholders may require for them to obtain an accurate and complete understanding of the Company's approach to the remuneration of KMP.

KMP are the NEDs, the Executive Directors and employees who have authority and responsibility for planning, directing and controlling the activities of the Group. On that basis, the following roles/individuals are addressed in this report (all located in Australia unless otherwise noted):

NEDs as at the End of the Financial Year

Gary Cox	- Independent NED and Chairman of the Board since 26 March 2019 - Remuneration and Nomination Committee since 26 March 2019 - People & Culture Committee since 1 January 2020
Dawn Edmonds	- Independent NED since 1 January 2017 - Remuneration and Nomination Committee since 10 April 2014, Chair since 8 November 2018 - People & Culture Committee since 1 January 2020
Mark Pierce	- Independent NED since 10 April 2014 - Audit and Risk Committee Chair since 1 July 2019
Michael Tierney	- Independent NED since 27 January 2017 - Audit and Risk Committee since 1 July 2019
Inese Kingsmill	- Independent NED since 15 April 2019 - Audit and Risk Committee since 1 July 2019 - People & Culture Committee since 1 January 2020
Olivier Dispas	- Independent NED since 15 April 2019, located in Seattle, USA - Audit and Risk Committee since 1 July 2019 - Remuneration and Nomination Committee since 1 July 2019

Senior Executives Classified as KMP in this Report during the Financial Year

Dominic O'Hanlon	Managing Director since 15 June 2015 and Chief Executive Officer since 5 August 2014
Mark McLellan	Chief Financial Officer since 1 November 2016 and Chief Operating Officer since 1 March 2018
Warren Nolan	Group Executive - Solutions & Professional Services, since 2 August 2005
Chris Sharp	Group Executive - Products & Programs since 1 October 2014, resigned 28 February 2021

During the period the following person ceased to be KMP of rhipe: Chris Sharp as of 28 February 2021.

3. Context of and Changes to KMP Remuneration for FY21

3.1 Matters Identified as Relevant Context for Remuneration Governance in FY21

Organisational Updates - Throughout FY21, rhipe continued to execute its strategic plan with a focus on diversification and strengthening of its services offerings. The organisational structure was further refined to support the strategy implementation and the Licensing sales division was moved under the CFO/COO in order to better align sales functions with other partner facing functions and to implement better structure and processes to the sales function.

Growth - Subsequent to the capital raising completed in FY20, rhipe acquired two businesses in FY21. New Zealand based Parallo in September 2020 and South Australia based EMT in May 2021. Through these acquisitions and through organic growth the number of employees across the organisation increased by 34%, from 400 to 537 in total.

Incentive Plan Changes - The company continued to fine tune its incentive programs in the period. Short term incentive goals were set with a greater focus on business unit specific targets. Long term incentives were granted under an updated set of plan rules approved by shareholders in November 2020. Key differences to the preceding rules were in the areas of change of control, termination of employment and inappropriate behaviour. See section 4.13 for further details. In an effort to reward and retain high performing talent, the board was pleased to extend invitations to the LTI program to high-performing participants amongst its middle management and senior cohort.

COVID-19 – The global pandemic continued to impact the countries that rhipe operates in throughout the reporting period. Where appropriate, rhipe extended additional leave and entitlements to support employees and their families. Assistance offered included EAP counselling, leave for vaccinations and testing reimbursement where applicable and seminars on mental health and managing finances.

Overall, the continued growth of the company, combined with recent M&A activity in the industry and the impacts of COVID-19, has meant that competition for talent has become a challenge and will continue to be a challenge into the next financial year.

3.2 Changes to KMP Remuneration in FY21

Executives

Total remuneration packages for Executive KMP remained mostly in line with the previous reporting periods. Specific changes were as follows:

Dominic O’Hanlon (Managing Director) was awarded a 10% increase to the target LTI component of his total remuneration package.

Mark McLellan (CFO/COO) acquired additional sales function responsibilities and his target STI pay was increased by 25% accordingly.

Due to the organisational changes, target STI and LTI pay for Warren Nolan (Group Executive – Professional Services) was reduced by 26% and 12% respectively.

Chris Sharp (Group Executive – Products and Programs) ceased to be KMP of rhipe in February 2021 and left the organisation. There were no changes to Mr Sharp’s target TRP for the period.

NEDS – No changes to NED fees were made during the reporting period. A per diem payment of $2,000 per day was made to Gary Cox for additional work performed in connection with the Scheme. Total payment is as shown in the remuneration records in section 7.

4. Overview of rhipe's Remuneration Governance Framework & Strategy

The performance of the Company depends upon the quality of its Directors and Executives. The Group recognises the need to attract, motivate and retain highly skilled Directors and Executives.

The Board, through its Remuneration and Nomination Committee (the "Committee"), accepts responsibility for determining and reviewing remuneration arrangements for the Directors and Executives. The Committee assesses the appropriateness of the nature and amount of remuneration of Directors and Executives on a periodic basis by reference to relevant employment market conditions, giving due consideration to the overall profitability and financial resources of the Company, with the objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and Executive team.

Sections 13.7 and 13.8 of the Company's constitution set out broadly how remuneration is to be dealt with in line with the Corporations Act and ASX Listing Rules. The following summarises the Board's current approach to governing and setting remuneration

4.1 Remuneration and Nomination Committee Charter

The Committee is appointed and authorised by the Board to assist the Board in fulfilling its statutory and fiduciary duties. The Committee is responsible for the following:

- Assessing the Remuneration Policy for compliance with legal and regulatory requirements
- Reviewing changes to the Remuneration Policy, including remuneration structure, retention and termination policies
- Reviewing changes to the recruitment process, procedures and remuneration approach for the Senior Executives
- Recommending performance-based (at-risk) components of remuneration and targets for the Company's financial performance as they relate to incentive plans, including equity-based payments
- Reviewing and making recommendations regarding the remuneration framework for Non-Executive Directors and making remuneration recommendations for Non-Executive Director fees
- Proposing the Remuneration Report to the Board, liaising with external auditors and making recommendations that are in accordance with the Corporations Act and other regulations/laws
- Identifying and recommending candidates to the Board after considering the necessary and desirable competencies of Board members, reviewing induction processes and reviewing succession plans; and
- Developing and implementing processes to review Board performance.

The Committee shall have free and unfettered access to all personnel and other parties (internal and external), including the external auditors, legal advice or independent remuneration advisers. Committee members may seek independent professional advice for Company related matters. The Committee must approve the engagement of remuneration consultants when obtaining independent advice on the appropriateness of remuneration packages and other employment conditions for Senior Executives.

rhipe recognises the importance of ensuring that any recommendations given to the Committee provided by remuneration consultants are provided independently of those to whom the recommendations relate.

4.2 Senior Executive Remuneration Policy

The Senior Executive remuneration policy applies to Senior Executives who are defined as follows:

- Managing Director and CEO - accountable to the Board for the Company's performance and long-term planning
- Those roles classified as executive KMP under the Corporations Act

- Direct Reports to the Managing Director – roles that are business unit, functional, or expertise heads; and
- Any other members of the executive/senior leadership team as may be determined from time to time.

In relation to remuneration for Senior Executives:

- Remuneration should be composed of:
  - Base Package (inclusive of superannuation, allowances, benefits and any applicable fringe benefits tax (FBT)
  - STI which provides a reward for performance against annual objectives which may be subject to deferral should the Board determine that this is appropriate from time to time
  - LTI which provides an equity-based reward for performance against indicators of shareholder benefit or value creation, over an extended period, and intended to create alignment with shareholders; and
  - In total the sum of the elements will constitute a TRP.
- Both internal relativities and external market factors should be considered
- TRPs should be structured with reference to relevant market practices
- The Base Package policy mid-points should be set with reference to P50 (the median or the middle) of the relevant market practice
- TRPs at Target (being the Base Package plus incentive awards intended to be paid for targeted levels of performance) should be set with reference to P75 (the upper quartile, the point at which 75% of the sample lies below) of the relevant market practice so as to create a strong incentive to achieve targeted objectives in both the short and long term
- Remuneration of individuals will be managed within a range of a policy benchmark so as to allow for the recognition of individual differences such as the calibre of the incumbent and the competency with which they fulfill a role
- Exceptions will be managed separately such as when particular talent needs to be retained or there are individuals with unique expertise that need to be acquired; and
- Termination benefits will generally be limited to the default amount allowed for under the Corporations Act (without shareholder approval).

4.3 NED Remuneration Policy

Fees and payments to NEDs reflect the demands which are made of the Directors in fulfilling their responsibilities. The NED remuneration policy applies to NEDs of the Company in their capacity as Directors and as members of committees, and may be summarised as follows:

- Remuneration may be composed of:
  - Board fees
  - Committee fees
  - Superannuation
  - Other benefits; and
  - Equity (if deemed appropriate as may occur from time to time).
- Remuneration will be managed within the Aggregate Fee Limit (AFL) or fee pool approved by shareholders of the Company (see Section 3.1 for details pertaining to changes in FY20)
- Remuneration should be reviewed annually
- Nominal termination benefits are included in NED Services Agreements

- A policy level of Board Fees (being the fees paid for membership of the Board, inclusive of superannuation and exclusive of committee fees) will be set with reference to the P50 (median or middle) of the market of comparable ASX listed companies
- Directors are not paid additional fees for serving on committees although Committee Chair fees were introduced in December 2019 (see Section 3.1 for further detail)
- Per diem fees may be paid on occasions where approved special work is undertaken outside of the expected commitments
- Any Non-Executive Director remuneration package that is subject to fee sacrifice into equity arrangements should fall at or close to P75 of the market of the comparable ASX listed company market. Currently the Company does not provide an equity facility as part of Non-Executive Director remuneration and shareholder approval would be sought for any plan that may facilitate this element of remuneration being paid.

4.4 Approach to Determining Comparators for Remuneration Benchmarking

When the Company seeks external market data in relation to NED or Senior Executive benchmarking, or the Board seeks independent expert advice, the following principles are generally intended to apply:

- A benchmarking comparator group will take into account the Company's estimated sustainable market capitalisation at the time of the exercise, which may include discounting the market capitalisation if and when the Company's P/E ratio is unusually high relative to peers
- It will include direct competitors of comparable scale to the extent possible, noting that there are a very limited number of these in the Australian market
- The group should be large enough to produce valid statistics, and small enough to be reasonably specific
- To the extent that direct competitors are not sufficient to produce a statistically robust sample, companies of comparable scale from the same industry or sector will be included
- The group should be balanced with an equal number of comparators larger and smaller, generally limited to those within a range of half to double the Company's market capitalisation value used in designing the group
- International data benchmarks will be considered when relevant to incumbents who are internationally sourced or located; and
- These principles are specific to remuneration benchmarking exercises and therefore may produce different outcomes than those applied to the design of other types of comparator groups.

4.5 Short-Term Incentive Policy

The STIP may be summarised as follows:

The purpose of the STIP as part of the TRP offered to Senior Executives is to:

- Motivate Senior Executives to achieve the short-term annual objectives linked to Company success and shareholder value creation:
  - Create a strong link between performance and reward
  - Share Company success with the Senior Executives that contribute to it; and
  - Create a component of the employment cost that is responsive to short to medium term changes in the circumstances of the Company.
- NEDs are excluded from participation
- The measurement period for performance should be the financial year of the Company which is considered short-term

- The STIP should be outcome focused rather than input focused, and while an individual performance component may be present, rewards should generally be linked to indicators of shareholder value creation
- The Board will retain discretion to adjust actual awards so as to manage circumstances in which the calculated award may be considered inappropriate
- The Board will give consideration as to whether deferral should apply to a portion of STI awards, from time to time, to be specified in an invitation to participate in the STIP if it does; and
- Any claw back policy as may be developed by the Company from time to time, will apply to the STIP unless otherwise determined by the Board.

4.6 Long-Term Incentive Policy

The LTIP may be summarised as follows:

- The purpose of the LTIP as part of the TRP offered to Senior Executives (as defined in the policy) is to:
  - Motivate Senior Executives to achieve long-term objectives linked to shareholder value creation over the long-term
  - Create a strong link between performance and reward over the long-term; and
  - Share the experience of shareholders with the Senior Executives that contribute to it including creating an ownership position.
- NEDs are currently excluded from participation
- The measurement period for performance should be aligned with the financial year of the Company and typically vest over a three-year period
- The Board will retain discretion to adjust actual vesting so as to manage circumstances in which the calculated vesting may be considered inappropriate; and
- A claw back policy applies to the LTI and any further development of this policy as may be required by the Company from time to time will apply to the LTIP unless otherwise determined by the Board.

4.7 Setting Incentive Plans

Performance-related incentives are linked to the achievement of financial and non-financial objectives which are relevant to meeting the Company's business objectives according to its Balanced Scorecard as well as longer term Shareholder value.

In relation to the design, implementation and operation of incentives there should be a range of performance and reward outcomes identified and defined. These should be set with regard to the elasticity of the measure, the impact of the measure on shareholder value creation and the ability of Senior Executives to influence the measure. In order to create clarity and consistency, the following concepts and principles are generally applied to the design of incentive scales:

- "Threshold", being a minimum acceptable outcome for a "near miss" of the target, associated with a fraction of the target reward appropriate to the threshold outcome
- "Target", being a challenging but achievable outcome, and which is the expected outcome for a Senior Executive/team that is of high calibre and high performing
- "Stretch" (the maximum) levels of objectives, which is intended to be a "blue sky" or exceptional out-performance, not expected to be achieved, the purpose of which is to create a continuous incentive to outperform when out-performance of the Target has already been achieved. This is particularly important for shareholders to understand when comparing with other Companies whose maximum levels of incentives may be associated with a planned or target outcome.

Awards for outcomes between these levels should generally be scaled on a pro-rata basis dependent on actual performances. This is intended to provide a motivating opportunity to attain a reward and to ensure that reward outcomes align with performance under a range of circumstances.

It is recognised that there is a link between the budget setting culture of the Company and the setting of incentive hurdles. In this regard, the Board is confident that budgets developed and agreed to, are sufficiently challenging but also achievable.

4.8 Claw back Policy and Procedure

A claw back policy continued to apply to the Performance Rights Plan in FY21. The Board will continue to review how this may be applied more broadly over time. However, claw back policies are generally intended to relate to the recovery of overpayments when there has been a material misstatement in the financial reports of the Company, which is a demonstrably low risk based on the frequency of occurrence in the Australian market. The Company has sufficient controls in place as to be confident that this risk is negligible.

4.9 Securities Trading Policy

The Company's Policy on Trading in rhipe Securities by Directors and KMP:

- Sets out the guidelines for dealing in any type of rhipe securities by the Company's KMP; and
- Summarises the law relating to insider trading which applies to everyone, including to all rhipe Group employees as well as to KMP.

Under the current policy, KMP may not trade during black out periods. These black out periods are near financial reporting dates in January and February for 1H reporting , July and August for full year reporting and October and November for the Annual General Meeting for rhipe.

In addition to the above, all of the CEO's vested options are restricted from being traded without the approval of the Board.

4.10 Equity Holding Policy

The Company does not currently have an equity holding policy applicable to KMP.

4.11 Executive Remuneration Consultant Engagement Policy & Procedure

The Company has an executive remuneration consultant (ERC) engagement policy which is intended to manage the interactions between the Company and ERCs, so as to ensure their independence and so that the Remuneration and Nomination Committee will have clarity regarding the extent of any interactions between management and the ERC. This policy enables the Board to state with confidence whether or not the advice received has been independent and why that view is held. The policy states that ERCs are to be approved and engaged by the Board before any advice is received, and that such advice may only be provided to a Non-Executive Director. Interactions between management and the ERC must be approved and will be overseen by the Remuneration and Nomination Committee when appropriate.

4.12 Variable Executive Remuneration – STIP

Aspect	Plan, Offers and Comments
Purpose	The STIP's purpose is to give effect to an element of remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for Senior Executives to deliver and outperform annual business plans that will lead to sustainable superior returns for shareholders. The STIP aims to reflect current trading conditions experienced by the Company. Target-based STI's are also intended to modulate the cost to the Company of employing Senior Executives, such that risk is shared with the Executives themselves and the cost to the Company is reduced in periods of poor performance
Measurement Period	The four quarters of the Company's financial year.
Award Opportunities	**FY21 Invitations** The MD/CEO was offered a target-based STIP equivalent to 52% of the Base Package for Target performance, with a maximum/stretch opportunity of up to 150% of the Target Award. Other Senior Executives who are KMP were offered a target-based STIP equivalent to 43% to 53% of their Base Package for Target performance, with a maximum/ stretch opportunity of up to 150% of the Target Award. **FY22 Invitations** No decisions on changes to award opportunities have been made yet.
Performance Indicators (KPIs), Weighting and Performance Goals	**FY21 Invitations** FY21 Invitations to participate in the STIP for all participants, had an 80% weighting on a range of Operating Profit KPIs relating to the Group, specific business lines and strategic targets that the relevant KMP were charged with. Financial targets are set with reference to the annual budget for the financial year. Non-financial KPIs for each KMP were incorporated with a 20% weighting, awarded on an annual basis provided 75% of Operating Profit had been met. The Operating Profit target remains the primary performance measure for KMP. **FY22 Invitations** The Board cannot disclose the financial targets for FY22 as this information is commercially sensitive. Targets which are set with reference to the annual Group Budget for the financial year and non-financial targets will be finalised pending decisions based on change of control.
Award Determination and Payment	Calculations are performed following the end of the quarterly and annual Measurement Periods and the audit of Company accounts. The Board has discretion to determine the extent and nature of any deferral, as part of invitations. At present, no amounts of STI awards are subject to deferral, and therefore STI awards are paid in cash through payroll soon after the end of each quarter, the final payment being after the end of the financial year.

Cessation of Employment During a Measurement Period	In the event of cessation of employment due to dismissal for cause, or any other reason considered a "bad leaver", all entitlements in relation to the Measurement Period are forfeited, as are any unvested deferred amounts. In the event of cessation of employment classified as "good leaver", the Board has discretion to determine the appropriate treatment of STI entitlements for the period, within the termination benefit limit.
Change of Control	In the event of the Board declaring that a Change of Control is likely to occur, including a takeover, the Board has discretion to determine appropriate treatment of STI entitlements, given the circumstances at the time. This will generally include consideration of performance up to the date of the event.
Plan Gate & Board Discretion	No plan gate applies to the STIP. Board discretion to modify award outcomes applies to the STIP in circumstances where it would be considered as inappropriate to shareholders.
Claw back & Malus	The Company does not currently operate a claw back policy in relation to the STIP.

4.13 Variable Executive Remuneration – (LTIP) – Performance Rights Plan

Aspect	Plan, Offers and Comments
Purpose	The LTIP's purpose is to give effect to an element of Senior Executive remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for Senior Executives to deliver Company performance that will lead to sustainable superior returns for shareholders. The LTIP is also designed to act as a retention mechanism so as to maintain a stable team of performance focused Senior Executives and to create alignment with the interests and experiences of shareholders through developing the "ownership position" of Executive KMP.
Form of Equity	Currently the Company operates a Performance Rights plan for the purposes of the LTIP. Performance Rights were selected because they have an inherent incentive to improve the Company's performance over the longer term, consistent with the intention of the LTIP.
Plans in Operation	There are three grants currently in operation: FY19 Grant - granted under the plan rules approved by shareholders in November 2017. FY20 Grant - granted under the plan rules approved by shareholders in November 2017. FY21 Grant - granted under new plan rules approved by shareholders in November 2020.
Retesting	Retesting is not available under either of the plan rules.
Plan Gate	No Plan gate applies to either of the plan rules the Performance Rights.

Board Discretion	FY19 and FY20 Grants - The Board does not have discretion to adjust vesting outcomes but does retain some discretion to adjust the number of shares issued and the terms in certain situations. FY21 Grants - The Board does not have discretion to adjust vesting outcomes but does retain some discretion to adjust the number of shares issued and the terms in certain situations. The Board retains discretion to determine that some or all unexercised Performance Rights lapse in the event of a participant undertaking excessively risky and/or harmful behaviour.
Amount Payable for Performance Rights	No amount is payable by participants for Performance Rights granted as part of remuneration.
Exercise of Vested Performance Rights	The Company will notify the Participant that a Performance Right has Vested pursuant to the Plan Rules and allocate shares accordingly.
Disposal Restrictions etc.	Performance Rights are not subject to any disposal or dealing restrictions at any time, other than the Corporation's Act restrictions or those restrictions outlined in the Group's share trading policy and cannot be exercised prior to vesting.
Cessation of Employment	FY19 and FY20 Grants - The Board has discretion to specify how the Participant's Performance Rights will be treated on cessation of employment and may detail additional or alternative treatment in the invitation terms. The applicable treatment may vary depending on the circumstances in which the Participant's employment or engagement ceases. FY21 Grants - If the employee ceases employment with the Company during the measurement period, rights may be retained on a pro-rata basis with reference to time served. All remaining rights will lapse.
Change of Control of the Company	FY19 and FY20 Grants - If a change of Control Event occurs the Board may, in its absolute discretion, determine that all or a specified number of a Participant's Performance Rights vest or cease to be subject to vesting conditions or restrictions (as applicable). FY21 Grants - If a Change of Control Event occurs 75% of Target Rights vest and the Board retains discretion over the remaining 25% Target Rights.
Claw back & Malus	The Company implements a Claw back Policy in relation to LTIP.

LTI Value	The Board retains discretion to determine the value of LTI to be offered each year, subject to shareholder approval in relation to Directors when the Performance Rights are to be settled in the form of a new issue of Company shares. The Board may also seek shareholder approval for grants to Directors in other circumstances, at its discretion. **FY21 LTI Invitations** LTI allocations were issued to KMP and other key executives in FY21 in the form of Performance Rights. The LTI Target value was set between 55% and 105% of base packages. **Comments** The target LTI value reflects the Company's current position in terms of expected growth trajectory and its intention to retain valued executives. As the remuneration governance framework evolves, the LTI component as a percentage of base is expected to evolve also. The Board has discretion to set exercise prices, measurement periods, and vesting conditions for each round of invitations. Performance Rights that are not exercisable or are unexercised by their Expiry Date will lapse. **FY21 Invitations** **Measurement Period** Three years from 1 July 2020: **Vesting Conditions:** Gross Profit Growth on a CAGR basis Threshold 10% Target 13% Stretch ≥16% EPS Growth on CAGR basis Threshold 12.5% Target 15% Stretch ≥17.5% TSR Threshold- Index TSR Target – Index TSR plus 5% per annum Stretch – Index TSR plus 10% or more per annum The exercise price is Nil; and Holders of Performance Rights in the Company do not have any shareholder rights such as voting or dividend rights. **Comments** Gross profit growth was chosen as it is an important lead indicator of ongoing, profitable growth and can be directly impacted by KMP behaviour. EPS growth ensures that there is an appropriate focus on cost management and tax planning which is also directly controlled by KMP. TSR is the most direct measure of value creation for shareholders and is therefore one of the most effective measures available to align the interests of executives with those of shareholders. The TSR target compares Total Shareholder Return with the TSR of the S&P/ASX Small Industrials Index, the most relevant index available at the grant date. This avoids the problems of gains or losses associated with broader market movements.

5. Performance Outcomes for FY21 Including STI and LTI Assessment

5.1 Company Performance

The following outlines the performance of the Company over the FY21 period and the previous four financial years in accordance with the requirements of the Corporations Act:

($'000's) unless otherwise stated	2021	2020	2019	2018	2017
Sales – Software Products & Services [1]	376,980	325,201	252,537	196,608	156,970
Revenue	66,817	55,828	48,356	35,624	28,969
Operating profit [1]	18,010	13,755	12,842	7,761	5,024
Reported EBITDA [2]	16,613	11,566	10,017	6,384	4,004
Profit/(Loss) before income tax ($'000's)	10,694	7,150	8,491	5,190	3,344
Profit/(Loss) after income tax ($'000's)	7,008	4,799	6,214	3,066	2,507
30 June Share Price ($)	2.09	1.97	2.86	1.18	0.52
Change in Share Price ($)	0.12	-0.89	1.68	0.66	-0.38
Basic Earnings/(loss) Per Share (cents)	4.54	3.49	4.53	2.26	1.83
Dividends declared during the period	3.50	2.00	2.00	0.50	-
Total Shareholder Return (%)	6%	-31%	143%	128%	-42%

1 Non-AASB measure. Refer to Note 2 in the Financial Statements for Operating Profit reconciliation.
2 Includes impact of AASB 16 from FY20

The overall Executive award takes into account performance over the financial year especially as it relates to improving performance over prior years. The Company's strong financial performance over the last few years has been the result of investment in public cloud operations and professional services, geographical expansion across APAC and several strategic acquisitions. The Company continues to invest every year in its people and operations with a view to the medium to long term benefit for shareholders.

This investment is also made in the knowledge of market expectations about continued growth in operating profitability and it is an ongoing challenge around this decision trade off.

Operating profit, which is one of the key performance measures for KMP and the Company, grew 31% from $13.8m in FY20 to $18m in FY21. This was driven by growth in revenue and gross profit in the Licencing business including in Asia and the addition of two new acquisitions. Delivery of $18m operating profit compares to the original market guidance of $17.5m made at the beginning of FY21 and aligned to the update given to the market in April 2021.

EBITDA also grew 44% from $11.6m in FY20 to $16.6m in FY21.

5.2 Links between Performance and Reward Including STI and LTI Outcomes

The remuneration of executive KMP is intended to be composed of three parts as outlined earlier, being:

1. Base Package, which is not intended to vary with performance, but which tends to increase as the scale of the business increases (i.e. following success)
2. STI which is intended to vary with indicators of annual Company and individual performance, and may include a deferred component which will vary with exposure to the market; and
3. LTI which is also intended to deliver a variable reward based on long-term measures of Company performance.

For the FY21 period, a 10-50% weighting component of STIs was tied to delivery of the Group Financial Target of $17.2M annual operating profit, with additional weightings this year on specific business line, strategic growth and diversification targets applied to the relevant KMP. The STI components related to financial performance continue to be paid according to quarterly operating profit targets to drive strong results throughout the full period. This component is awarded after each relevant quarter throughout the year and after the final quarter (i.e. during FY22).

The Board assessed the extent to which target levels of performance had been achieved and used the pre-determined scales to calculate the total award payable for the Financial components of the STI. Overall in FY21 STI awards were up 27% compared to FY20. This was due to the KMP exceeding strategic growth targets through highly successful acquisitions and Asia growth and also takes into account the COVID-19 impact which resulted in comparatively lower STI last year.

Due to overall strong KMP performance efforts, the Company delivered 111% of the original profit target. Payment of STI therefore included accelerators tied to the Group Operating Profit as well as components for the respective KMP related to profit from strategic acquisitions and Asia operating profit, which was also exceeded by 123%. Where specific business line and diversification KPIs allocated to the relevant KMP were not met, STI payments were paid accordingly below target.

Non-financial KPIs according to the Company Balanced Scorecard were allocated to each KMP with a 20% weighting for the FY21 period and achievements assessed and also awarded after the close of the financial year. The combination of financial, non-financial KPIs and accelerators resulted in an award to KMP of between 77% to 120% of target STI.

This method of performance assessment has been maintained as the most objective approach to short term incentive governance and drives the desired behaviours to optimise strong quarterly results and maintain momentum throughout the year as well as incentivise KMP towards specific strategic growth initiatives and customer, process and people and culture targets over the full period.

The second part, being 50%, of the FY19 LTI grant that commenced in July 2018 vested at the end of June 2021.

KMP achievement for the three-year tranche was as follows:

- Gross profit growth - achievement at the Stretch level
- EPS growth – achievement between Target and Stretch level (after excluding capital raising impacts and Japan investment)
- iTSR – achievement at the Stretch level.

The Board is therefore of the view that LTI outcomes align appropriately with the performance outcomes of the business.

It is the Board's view that the combination of quarterly financial targets and annual awards for the STI related to financial and non-financial targets continued the momentum to drive a strong close to results at the end of each quarter throughout FY21, as well as build a sustainable business environment aligned to the continued growth strategy. The Operating Profit and non-financial targets for the STI and the extended targets for the LTI continued to provide executives with challenging but attainable and controllable targets that have led to good results for the business and for shareholders in FY21 despite difficult circumstances.

5.3 Links between Company Strategy and Remuneration

The Company intends to attract the superior talent required to successfully implement the Company's strategies at a reasonable and appropriately variable cost by:

- Positioning Base Packages (the fixed element) around relevant market data benchmarks when they are undertaken
- Supplementing the Base Package with at-risk remuneration, being incentives that motivate Executives to focus on:
  - Short to mid-term objectives linked to the strategy via KPIs and annual performance assessments. The percentage of total remuneration that constitutes an executive's STI varies depending on the size of the role and its impact on the attainment of the Company's short-term targets; and
  - Long-term value creation for shareholders by linking a material component of remuneration to those factors that underpin the Company's long-term strategy, including expansion into new regions and diversification of products and programs.

The Board remains confident that the remuneration strategy continues to support and drives the Company's medium and longer-term strategy.

6. Changes in Equity held by KMP

The table outlines the changes in the number of shares held by executives over the financial year:

Ordinary Shares	Balance At Beginning of the Year	Granted As Remuneration During The Year	Issued On Exercise of Options or Rights During The Year	Other Changes During the Year	Balance At End of The Year	Notes
Mr Gary Cox	-	-	-	-	-	
Ms Inese Kingsmill	32,904	-	-	-	32,904	
Mr Olivier Dispas	-	-	-	-	-	
Mr Dominic O'Hanlon	3,057,840	-	388,618	(788,618)	2,657,840	1,2
Ms Dawn Edmonds	2,702,294	-	-	-	2,702,294	
Mr Mark Pierce	320,000	-	-	-	320,000	
Mr Michael Tierney	2,007,191	-	-	(250,000)	1,757,191	
Mr Mark McLellan	369,984	-	233,171	(369,984)	233,171	1,2
Mr Warren Nolan	1,028,487	-	194,309	-	1,222,796	2
Mr Chris Sharp	779,225	-	170,991	(950,216)	-	1,2,3
Total	10,297,925	-	987,089	(2,358,818)	8,926,196	

1. The KMP disposed of ordinary shares during the period
2. The KMP converted performance rights during the period
3. KMP resigned 28 February 2021

All options and rights in the following table were issued by rhipe Limited unless stated otherwise. The table outlines the changes in the number of options and rights held by NEDs and KMP over the financial year:

Options and Rights		Balance At Beginning of the Year	Granted As Compensation During The Year	Exercised No.	Forfeited Rights During the Year & Other	Balance At End Of The Year	Balance Vested At 30 June 2021 & Exercisable	Balance Not Vested & Not Exercisable At 30 June 2021	Notes
Gary Cox	Options	-	-	-	-	-	-	-	
	Performance Rights	-	-	-	-	-	-	-	
Olivier Dispas	Options	-	-	-	-	-	-	-	
	Performance Rights	-	-	-	-	-	-	-	
Inese Kingsmill	Options	-	-	-	-	-	-	-	
	Performance Rights	-	-	-	-	-	-	-	
Dominic O'Hanlon	Options	-	-	-	-	-	-	-	
	Performance Rights	1,233,075	614,726	(388,618)	(29,476)	1,429,707	-	1,429,707	1,2
Dawn Edmonds	Options	-	-	-	-	-	-	-	
	Performance Rights	-	-	-	-	-	-	-	
Mark Pierce	Options	-	-	-	-	-	-	-	
	Performance Rights	-	-	-	-	-	-	-	
Michael Tierney	Options	-	-	-	-	-	-	-	
	Performance Rights	-	-	-	-	-	-	-	
Mark McLellan	Options	-	-	-	-	-	-	-	
	Performance Rights	739,846	335,304	(233,171)	(17,685)	824,294	-	824,294	1,2
Warren Nolan	Options	-	-	-	-	-	-	-	
	Performance Rights	616,535	245,890	(194,309)	(14,738)	653,378	-	653,378	1,2
Chris Sharp	Options	-	-	-	-	-	-	-	
	Performance Rights	542,551	245,890	(170,991)	(617,450)	-	-	-	1,2,3
Total	Options	-	-	-	-	-	-	-	
	Performance Rights	3,132,007	1,441,810	(987,089)	(679,349)	2,907,379	-	2,907,379	

1. KMP were granted performance rights as part of their remuneration and incentive packages for FY21 from under the rhipe Performance Rights Plan which was approved by shareholders in FY21.
2. Number of performance rights granted in FY21 is based on stretch (maximum) amount the KMPs can be awarded.
3. KMP resigned 28 February 2021

The number of Performance Rights granted to KMP of the Group during the year is as follows:

			Number of rights		
2021 Equity Grants	Instrument	Grant Date	Threshold	Target	Stretch
Dominic O'Hanlon	Performance Rights	15-Jan-21	153,680	307,363	614,726
Mark McLellan	Performance Rights	15-Jan-21	83,824	167,651	335,304
Warren Nolan	Performance Rights	15-Jan-21	61,471	122,944	245,890
Chris Sharp	Performance Rights	15-Jan-21	61,471	122,944	245,890

2021 Equity Grants	Exercise Price $	Value Per Security $	Grant Value $	Value Expensed in FY21	Percentage Remaining as Unvested %	Service period	Expiry Date for Exercise	Notes
Dominic O'Hanlon	–	1.79	550,000	179,500	100	Jul 20 to Jun 23	15-Jan-36	2,3,4
Mark McLellan	–	1.79	300,000	97,908	100	Jul 20 to Jun 23	15-Jan-36	2,3,4
Warren Nolan	–	1.79	220,000	71,799	100	Jul 20 to Jun 23	15-Jan-36	2,3,4
Chris Sharp	–	1.79	220,000	-	-	Jul 20 to Jun 23	15-Jan-36	1,2,3,4

1. Chris Sharp left rhipe on 28 February 2021 and forfeited all performance rights associated with FY20 and FY21 LTI plans.
2. Equity settled share-based payments expense represents amounts accrued for performance rights that have not vested and do not represent payments made to KMP
3. Value per security represents grant value awarded to executives over the base number of performance rights
4. The fair value of these performance rights is disclosed in Note 22 of the financial report

7. NED Fee Policy Rates for FY21 and FY22, and Fee Limit

Non-Executive Director fees are managed within an annual fees limit (AFL or fee pool) as specified in the Company's constitution and it remains at $700,000 in FY21 as approved at the AGM in 2019.

The following table outlines the NED fee policy rates that were applicable during FY21:

Function	Role	NED Fee Policy Rates
	From 1 July 2020 to 30 June 2021	
Main Board	Chair	$160,000
	Member	$70,000
	Committee Chair	$10,000

From time to time, a daily fee may be paid on such occasions where approved special work is undertaken outside of the expected commitments of NEDs. Such fees paid to Mr Gary Cox in FY21 are reported in Table 8.

8. Remuneration Records for FY21 – Statutory and share-based reporting

8.1 Senior Executive Remuneration

The following table outlines the remuneration received by Senior Executives of the Company during FY20 prepared according to statutory disclosure requirements and applicable accounting standards:

DIRECTORS	Role(s)	Year	Short term benefits			Post employment	Long Term Benefits	Share-based payments/ LTI**	Termination payments	Total Remuneration Package (TRP) ($)	Performance related %	Notes
			Salary & Fees ($)	Bonus/STI* ($)	Other ($)	Superannuation ($)	Employee Entitlements ($)	Performance rights ($)				
Dominic O'Hanlon	Managing Director & CEO	2021	504,000	326,563	-	21,694	111,747	651,544	-	1,615,548	61%	
	Managing Director & CEO	2020	504,000	234,035	-	21,003	74,456	958,487	-	1,791,981	67%	
Dawn Edmonds	NED	2021	80,000	-	-	-	-	-	-	80,000	0%	2
	NED	2020	71,667	-	-	-	-	-	-	71,667	0%	2
Gary Cox	Non-Executive Chairman	2021	160,000	-	28,000	-	-	-	-	188,000	0%	1,2
	Non-Executive Chairman	2020	155,833	-	-	-	-	-	-	155,833	0%	2
Mark Pierce	NED	2021	80,000	-	-	-	-	-	-	80,000	0%	2
	NED	2020	71,667	-	-	-	-	-	-	71,667	0%	2
Michael Tierney	NED	2021	70,000	-	-	-	-	-	-	70,000	0%	2
	NED	2020	65,833	-	-	-	-	-	-	65,833	0%	2
Inese Kingsmill	NED	2021	80,000	-	-	-	-	-	-	80,000	0%	2
	NED	2020	70,833	-	-	-	-	-	-	70,833	0%	2
Olivier Dispas	NED	2021	70,000	-	-	-	-	-	-	70,000	0%	2
	NED	2020	65,833	-	-	-	-	-	-	65,833	0%	2
Sub-Total	Current Directors	2021	1,044,000	326,563	28,000	21,694	111,747	651,544	-	2,183,548	45%	
		2020	1,005,666	234,035	-	21,003	74,456	958,487	-	2,293,647	52%	

1. Additional work performed by Mr Cox on Crayon transaction.
2. Director's fees are invoiced and are net of GST.

OTHER EXECUTIVES	Role(s)	Year	Short term benefits			Post employment	Long Term Benefits	Share-based payments/ LTI**	Termination payments	Total Remuneration Package (TRP) ($)	Performance related %	Notes
			Salary & Fees ($)	Bonus/STI* ($)	Other ($)	Superannuation ($)	Employee Entitlements ($)	Performance rights ($)				
Mark McLellan	CFO & COO	2021	450,000	300,000	-	21,694	25,555	381,133	-	1,178,382	58%	1
	CFO & COO	2020	450,000	170,208	-	21,003	15,966	575,089	-	1,232,266	60%	
Warren Nolan	Executive-Solutions & Professional Services	2021	375,000	133,066	-	21,694	118,153	307,820	-	955,733	46%	2
	Executive - Solutions & Professional Services	2020	375,000	171,813	-	21,003	117,246	479,241	-	1,164,303	56%	
Chris Sharp	Executive - Products & Licencing	2021	258,630	170,980	-	8,117	-	176,701	126,547	740,975	47%	3,4,5
	Executive - Products & Licencing	2020	420,019	155,871	-	13,182	51,373	421,732	-	1,062,177	54%	
Sub-Total	Other Current Executives	2021	1,083,630	604,046	-	51,505	143,708	865,654	126,547	2,875,090	51%	
		2020	1,245,019	497,892	-	55,188	184,585	1,476,062	-	3,458,746	57%	
Grand Total	All Current KMP	2021	2,127,630	930,609	28,000	73,199	255,455	1,517,198	126,547	5,058,638	48%	
		2020	2,250,685	731,927	-	76,191	259,041	2,434,549	-	5,752,393	55%	

1 Mr McLellan's TRP ratios were amended with STI increased effective 1 July 2020.

2 Mr Nolan's .TRP ratios were amended with STI and LTI decreased in relation to base effective 1 July 2020.

3 Mr Sharp left the company on 28 February 2021. Termination benefits exclude accrued leave of A$27,604 (see section 9)

2 Mr Sharp is paid in SGD, Salary and local Provident Fund was converted to AUD based on the Reserve Bank of Australia average rate for the financial year. Bonuses are accrued in AUD and is paid in SGD on payment date.

3 Mr Sharp STI includes employer CPF contribution payable in Singapore

* Please note that the STI value reported in this table is the STI that was accrued for the relevant financial year. Actual cash payments may differ.

** Please note that the LTI value reported in this table is the amortised accounting charge of all grants that were not lapsed or vested at the start of the reporting period and do not represent payments to KMP. Where a market-based measure of performance is used such as TSR, no adjustments can be made to reflect actual LTI vesting. However, in relation to non-market conditions, such as EPS, adjustments must be made to ensure the accounting charge matches the vesting.

The table below shows the LTI for FY21 as well as prior years' LTI that was expensed in FY21:

Total SBPE for FY21 per KMP:

	Prior Years LTI	2021 LTI	Total
Dominic O'Hanlon	472,044	179,500	651,544
Mark McLellan	283,225	97,908	381,133
Warren Nolan	236,021	71,799	307,820
Chris Sharp	176,701	-	176,701

9. Employment Terms for Key Management Personnel

9.1 Service Agreements

A summary of contract terms in relation to executive KMP is presented below:

Name	Position Held at Close of FY21	Duration of Contract	Period of Notice		Termination Payments
			From Company	From KMP	
Dominic O'Hanlon	Managing Director & CEO	Open ended	6 months	6 months	Up to 12 months*
Mark McLellan	Chief Financial Officer & Chief Operations Officer	Open ended	6 months	3 months	Up to 12 months*
Warren Nolan	Group Executive - Solutions & Professional Services	Open ended	3 months	3 months	Up to 12 months*
Chris Sharp	Group Executive - Products & Licencing	Resigned 28th February 2021	1 months	1 months	Up to 12 months*

* Under the Corporations Act the Termination Benefit Limit is 12 months average Salary (last 3 years) unless shareholder approval is obtained.

The treatment of incentives in the case of termination is addressed in the STI and LTI Plan sections of this report. On appointment to the Board, all NEDs enter into a service agreement with the Company. The service agreement summarises the Board policies and terms, including compensation relevant to the office of the Director.

A summary of the appointment terms in relation to NEDs is presented below:

Name	Position Held at Close of FY21	Duration of Contract	Period of Notice		Termination Payments
			From Company	From KMP	
Gary Cox	Non-Executive Chairman	3 years	3 months	3 months	None
Dawn Edmonds	NED	3 years	3 months	3 months	None
Mark Pierce	NED	3 years	3 months	3 months	None
Michael Tierney	NED	3 years	3 months	3 months	None
Inese Kingsmill	NED	3 years	3 months	3 months	None
Olivier Dispas	NED	3 years	3 months	3 months	None

Termination payments consist of notice period only, no other benefits apply.

Other Remuneration Related Matters

The following outlines other remuneration related matters that may be of interest to stakeholders, in the interests of transparency and disclosure:

- Chris Sharp departed the company on 28 February 2021. A redundancy payment of $126,547 and accrued leave of $27,604 was made. As per the STIP, the full annual target of $170,980 was paid for KPIs met (see section 7.1)
- There were no loans to Directors or other KMP at any time during the reporting period
- There were no other relevant material transactions involving KMP other than compensation and transactions concerning shares, performance rights/options as discussed in this report.

10. External Remuneration Consultant Advice

The Board did not engage any independent expert external remuneration consultants in FY21.

Auditor's Independence Declaration

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Building a better working world

Auditor's independence declaration to the directors of rhipe Limted

As lead auditor for the audit of the financial report of rhipe Limited for the financial year ended 30 June 2021, 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 audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Graham Leonard
Partner
31 August 2021

Consolidated Statement of Comprehensive Income

And Other Comprehensive Income For The Year Ended 30 June 2021

rhipe Limited and Controlled Entities

CONSOLIDATED GROUP	Note	2021 $'000	2020 $'000
Revenue	4(a)	66,817	55,828
Cost of Sales		(6,432)	(3,448)
Gross Profit		60,385	52,380
Other income	4(b)	108	3,611
Sales and Marketing		(26,592)	(29,015)
General and Administration		(22,881)	(16,162)
Impairment expense		-	(3,425)
Other expenses	5(c)	(234)	(97)
Finance cost	5(e)	(92)	(142)
Total expenses	5	(49,799)	(48,841)
Profit before income tax		10,694	7,150
Tax expense	6	(3,686)	(2,351)
Profit after tax		7,008	4,799
Attributable to:			
Equity holders of the parent		7,295	5,015
Non-controlling interest		(287)	(216)
		7,008	4,799
EARNINGS PER SHARE			
- Basic, profit for the year attributable to ordinary equity holders of the parent (cents)	7	4.54	3.49
- Diluted, profit for the year attributable to ordinary equity holders of the parent (cents)	7	4.42	3.41

OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	(783)	2
Other comprehensive income for the period	(783)	2
Total comprehensive income	6,225	4,801

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2021

rhipe Limited And Controlled Entities

CONSOLIDATED GROUP	Note	2021 $'000	2020 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	53,789	60,925
Trade and other receivables	9	56,172	42,281
Other assets	10	2,084	1,504
Total Current Assets		**112,045**	**104,710**
NON-CURRENT ASSETS			
Right of use assets	11	1,919	3,191
Property, plant and equipment	12	1,712	1,804
Deferred tax assets	16	3,722	2,660
Intangible assets	13	54,059	36,611
Total Non-Current Assets		**61,412**	**44,266**
Total Assets		**173,457**	**148,976**
CURRENT LIABILITIES			
Trade and other payables	14	65,078	47,947
Unearned revenue	15	1,928	274
Tax liabilities	16	3,367	1,688
Lease liability	11	1,821	1,656
Provisions	17	1,860	1,158
Deferred contingent consideration	18	3,739	939
Total Current Liabilities		**77,793**	**53,662**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	16	780	72
Lease liability	11	550	2,203
Provisions	17	670	501
Deferred contingent consideration	18	2,876	1,878
Total Non-Current Liabilities		**4,876**	**4,654**
Total Liabilities		**82,669**	**58,316**
Net Assets		**90,788**	**90,660**
EQUITY			
Issued capital	19	77,758	77,438
Treasury shares		(1,533)	(729)
Reserves		5,056	6,044
Accumulated profits		9,522	7,848
Equity attributable to equity holders of the parent		**90,803**	**90,601**
Non-controlling interest		(15)	**59**
Total Equity		90,788	**90,660**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For The Year Ended 30 June 2021

rhipe Limited and Controlled Entities

	Share Capital			Reserves					
CONSOLIDATED GROUP	Ordinary $'000	Treasury $'000	Accumulated Profits/(losses) $'000	Foreign Currency Translation Reserve $'000	Equity Settled Employee Benefits Reserve $'000	Other Equity $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019	43,320	-	5,635	26	2,168	-	51,149	-	51,149
COMPREHENSIVE INCOME									
Profit for the year	-	-	5,015	-	-	-	5,015	(216)	4,799
Exchange differences on translation of subsidiaries	-	-	-	2	-	-	2	-	2
Total comprehensive income for the year	**-**	**-**	**5,015**	**2**	**-**	**-**	**5,017**	**(216)**	**4,801**
TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS, AND OTHER TRANSFERS									
Shares issued during the period	34,386	-	-	-	-	-	34,386	-	34,386
Shares purchased on the market by ESS Trust	-	(729)	-	-	-	-	(729)	-	(729)
Transaction costs, net of tax	(1,058)	-	-	-	-	-	(1,058)	-	(1,058)
Deferred tax assets on cost of capital raise	315	-	-	-	-	-	315	-	315
Set up of rhipe Japan	-	-	-	-	-	-	-	275	275
Share based payments	-	-	-	-	37	-	37	-	37
Equity settled deferred consideration	-	-	-	-	-	1,174	1,174	-	1,174
Dividend paid	-	-	(2,802)	-	-	-	(2,802)	-	(2,802)
Share based payments	-	-	-	-	3,112	-	3,112	-	3,112
Transfer from SBP Reserves-options exercised	475	-	-	-	(475)	-	-	-	-
Total transactions with owners and other transfers	34,118	(729)	(2,802)	-	2,674	1,174	34,435	275	34,710
Balance at 30 June 2020	**77,438**	**(729)**	**7,848**	**28**	**4,842**	**1,174**	**90,601**	**59**	**90,660**
Balance at 1 July 2020	**77,438**	**(729)**	**7,848**	**28**	**4,842**	**1,174**	**90,601**	**59**	**90,660**
COMPREHENSIVE INCOME									
Profit for the year	-	-	7,295	-	-	-	7,295	(287)	7,008
Exchange differences on translation of subsidiaries	-	-	-	(783)	-	-	(783)	-	(783)
Total comprehensive income for the year	**-**		**7,295**	**(783)**	**-**	**-**	**6,512**	**(287)**	**6,225**
TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS, AND OTHER TRANSFERS									
Shares issued during the period	50	-	-	-	-	-	50	-	50
Shares purchased on the market by ESS Trust	-	(3,175)	-	-	-	-	(3,175)	-	(3,175)
Transaction costs, net of tax	(4)	-	-	-	-	-	(4)	-	(4)
Shares bought back during the period	(117)	-	-	-	-	-	(117)	-	(117)
rhipe Japan non-controlling interest	-	-	-	-	-	-	-	213	213
Share based payments	-	-	-	-	2,531	-	2,531	-	2,531
Equity settled deferred consideration	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	(5,621)	-	-	-	(5,621)	-	(5,621)
Shares distributed to employees	-	26	-	-	-	-	26	-	26
Transfer from SBP Reserves-options exercised	391	2,345	-	-	(2,736)	-	-	-	-
Total transactions with owners and other transfers	320	(804)	(5,621)	-	(205)	-	(6,310)	213	(6,097)
Balance at 30 June 2021	**77,758**	**(1,533)**	**9,522**	**(755)**	**4,637**	**1,174**	**90,803**	**(15)**	**90,788**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For The Year Ended 30 June 2021

rhipe Limited and Controlled Entities

CONSOLIDATED GROUP	Note	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from partners		383,242	322,380
Payments to vendors/customers and employees		(359,424)	(304,137)
Interest received		108	111
Interest paid		(92)	(142)
Income tax paid		(3,978)	(4,476)
Net cash provided by operating activities	**23**	**19,856**	**13,736**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,047)	(1,371)
Payments for intangibles		(1,626)	(2,906)
Payment for subsidiary on acquisition (net of cash acquired)	3	(13,531)	(2,000)
Net cash used in investing activities		**(16,204)**	**(6,277)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		50	34,386
Buy back of shares		(117)	-
Purchase of Treasury shares		(3,175)	(729)
Payment of principal portion of lease liability		(1,992)	(1,893)
Dividend paid		(5,622)	(2,802)
Costs associated with issue of shares		(4)	(1,058)
Net cash provided by / (used in) financing activities		**(10,860)**	**27,903**
Net decrease in cash held		(7,208)	35,362
Cash and cash equivalents at beginning of financial year		60,925	25,530
Effect of exchange rates on cash holdings in foreign currencies		72	33
Cash and cash equivalents at end of financial year	**8**	**53,789**	**60,925**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For The Year Ended 30 June 2021

rhipe Limited And Controlled Entities

These consolidated financial statements and notes represent those of rhipe Limited and subsidiaries (the "consolidated Group" or "Group").

The financial statements were authorised for issue on 31 August 2021 by the directors of the Company.

Note 1. Summary of Significant Accounting Policies

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented throughout the financial statements and have been consistently applied unless stated otherwise.

The consolidated financial statements have been prepared on the basis of historical cost, except for certain 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 value 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.

(b) Basis of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of rhipe Limited (the "Parent") and its subsidiaries. Subsidiaries are entities the Parent controls.

The Parent 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. A list of the subsidiaries is provided in Note 28.

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. Inter-company 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.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as 'Non-controlling Interests'. The Group initially recognises non-controlling interests where the Group is entitled to a

Notes to the Financial Statements

proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets.

Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income

(c) Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with AASB 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Notes to the Financial Statements

(d) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets Initial recognition and subsequent measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss. Financial assets at amortised cost (debt instruments.)

Financial assets at amortised cost is the category that is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortised cost includes trade receivables and cash included under other current financial assets.

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost.

Notes to the Financial Statements

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(ii) Financial liabilities

Initial recognition and subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Notes to the Financial Statements

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
- Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
- Financial liabilities at amortised cost (loans and borrowings)
  This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowing are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(e) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

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

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use. Due to a restructuring of services division, impairment testing was conducted on Dynamics Business IT Solutions as at 31st March 2021 when the DBITS CGU was no longer separately identifiable form the rhipe CGU (refer to note 13).

Notes to the Financial Statements

(f) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional currency.

Transaction 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 year-end exchange rate. 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 are reported at the exchange rate at the date 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 when the exchange difference arises on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation).

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 the 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 are translated at exchange rates prevailing at the end of the reporting period
- 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 transaction.

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

(g) Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 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.

Notes to the Financial Statements

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements are expected to be settled after 12 months after the end of the annual reporting period in which the employees render the related service. Other 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, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its 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 provisions.

(h) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO") or local tax authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO or local tax authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO or local tax authority are presented as operating cash flows included in receipts from customers or payments to suppliers.

(i) Rounding of Amounts

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

Notes to the Financial Statements

(j) Critical Accounting Estimates and Judgements

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.

Key Estimates and Judgements

i. Cash-generating unit and goodwill determination

Goodwill is allocated to cash-generating units and tested for impairment on an annual basis. Management apply judgement in inputs and assumptions used in performing impairment testing including revenue forecasts, operating cost projections, customer numbers, customer churn, discount rates and growth rates. Management also apply judgement in determining cash-generating units and allocating the goodwill arising from business combinations to these cash-generating units. Following a restructuring of operations on 31 March 2021, DBITS CGU cash inflows were no longer separately identifiable from the rhipe CGU. The recoverable amount of the Asia Pacific region now includes 2 CGUs, rhipe and Services to which goodwill is recognised.

ii. Capitalisation of intangible assets

Internally generated intangible assets are capitalised in accordance with AASB 138: Intangible Assets. Assumptions and judgements are made with regard to assessing the expected future economic benefits, the economic useful life and the level of completion. At the point where activities no longer relate to development but only to maintain the asset, capitalisation is discontinued.

iii. Equity settled compensation

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

iv. Recoverability of trade and other receivables

Trade and other receivables include amounts that are past due but not impaired and balances that are receivable from counter-parties and governments based in Asia. Other receivables include indirect taxes due from governments in Asia. There is a high degree of judgment in estimating whether these receivables require an impairment provision.

v. Contingent consideration

Contingent consideration resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target.

As part of the accounting for the acquisition of Parallo Limited and Parallo Unit Trust, contingent consideration with an estimated fair value of $3,761k was recognised on acquisition as a financial liability (refer to Note 3). Based on current modelling at 30 June 2021, the fair value is $5,078k.

Notes to the Financial Statements

As part of the accounting for the acquisition of Network2share Pty Ltd, contingent consideration with an estimated fair value of $2,817k was recognised on acquisition (refer to Note 3). Based on current modelling at 30 June 2021, the fair value is $1,536k. An amount of $1,174k was also recognised in equity at acquisition and is not revalued.

Share-based payments

Senior Executives of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense (Note 5), together with a corresponding increase in equity (Share-based payment reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(k) New Accounting Standards, Interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the 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, except for the adoption of new standards effective as of 1 July 2020 identified below.

AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a business

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group. All business combinations during the period continued to satisfy the definition of a business.

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of

Notes to the Financial Statements

general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by primary users. These amendments had no impact on the consolidated financial statements of the Group, nor is there expected to be any future impact to the Group.

AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform [Phase 1]

The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

AASB 2020-4 Amendments to Australian Accounting Standards - COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of COVID-19. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under AASB 16, if the change were not a lease modification. This amendment had no impact on the consolidated financial statements of the Group.

IFRS Interpretations Committee (IFRIC) Decision on Software as a Service (SaaS)

IFRIC has issued two final agenda decisions on cloud computing arrangements. The March 2019 decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term. The April 2021 decision builds on the 2019 decision and considers how a customer accounts for configuration or customisation costs where an intangible asset is not recognised. There has been no material impact on the Group's financial statements due to the implementation of the decisions.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The below amendments and standards are not expected to have an impact on the consolidated financial statements of the Group.

- AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2 (Effective for annual reporting periods beginning on or after 1 January 2021)
- AASB 2020-3 Amendment to AASB 9 - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Effective for annual reporting periods beginning on or after 1 January 2022)
- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Effective for annual reporting periods beginning on or after 1 January 2022)
- AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective for annual reporting periods beginning on or after 1 January 2023)

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- AASB 17 Insurance Contracts (Effective for annual reporting periods beginning on or after 1 January 2023)
- AASB 2020-5 Amendments to Australian Accounting Standards - Insurance Contracts (Effective for annual reporting periods beginning on or after 1 January 2021)
- AASB 2021-3 Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions beyond 30 June 2021 (Effective for annual reporting periods beginning on or after 1 April 2021)
- AASB 2020-3 Amendments to AASB 3 - Reference to the Conceptual Framework (Effective for annual reporting periods beginning on or after 1 January 2022)
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current (Effective for annual reporting periods beginning on or after 1 January 2023)
- AASB 2021-2 Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies (Effective for annual reporting periods beginning on or after 1 January 2023)
- AASB 2020-3 Amendments to AASB 116 - Property, Plant and Equipment: Proceeds before intended use (Effective for annual reporting periods beginning on or after 1 January 2022)
- AASB 2020-3 Amendment to AASB 141 - Taxation in Fair Value Measurements (Effective for annual reporting periods beginning on or after 1 January 2022)
- AASB 2020-3 Amendment to AASB 1 - Subsidiary as a First-time Adopter (Effective for annual reporting periods beginning on or after 1 January 2022)
- AASB 2020-3 Amendments to AASB 137 - Onerous Contracts - Cost of fulfilling a Contract (Effective for annual reporting periods beginning on or after 1 January 2022)
- AASB 2021-2 Amendments to AASB 108 - Definition of Accounting Estimates (Effective for annual reporting periods beginning on or after 1 January 2023)

Note 2. Operating Segments

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 licencing programs and services for its key software vendors across the Asia Pacific region.

Revenue derived by region:

CONSOLIDATED GROUP	2021 $'000	2020 $'000
Oceania	54,734	45,229
Asia	12,083	10,599
Total rhipe group	**66,817**	**55,828**

Notes to the Financial Statements

Information about major vendors and customers

Revenue and incentives earned from Microsoft products and services equate to more than 74% of the Group revenue. Excluding Microsoft, no single customer contributed 10% or more to the Group's revenue for both 2021 and 2020.

Operating Profit

The Managing Director assesses the performance of the business based on a measure of Operating Profit. This measure excludes foreign exchange differences, depreciation and amortisation, share-based payments, taxation and the effect of specific expenditure which is not in the ordinary course of business and non-cash losses. These include restructuring costs, business combination related expenses, impairments and the effects of gains or losses from financial instruments.

A reconciliation of profit before income tax to Operating Profit is shown below:

CONSOLIDATED GROUP	2021 $'000	2020 $'000
Profit before income tax	10,694	7,150
Share based payments	2,342	3,112
Restructuring and due diligence	597	1,068
Depreciation and amortisation	3,964	2,298
Impairment expense	-	3,425
Non-controlling interest	287	216
Foreign exchange loss/(gain)	234	97
Interest income	(108)	(111)
Fair value adjustment to deferred contingent consideration	-	(3,500)
Operating profit [1]	**18,010**	**13,755**

1 Non-AASB measure. Calculated based on pre-adoption of AASB 16 by including property lease expenses.

Note 3. Business combination

Acquisitions in FY21

On the 30th of September 2020 ("Completion date") rhipe Australia Pty Ltd acquired 100% of the units in Parallo Pty Ltd as Trustee for the Parallo Unit Trust and rhipe New Zealand Ltd acquired 100% of the share capital in Parallo limited (jointly 'Parallo'). Parallo is a New Zealand based IT services provider that specialises in infrastructure and cloud deployment technologies. Parallo helps Independent Software Vendors (ISVs), Software as a Service (SaaS) businesses and other scale-based cloud partners to manage security, performance, availability and cost, including builds, deployments, upgrades and many other related services.

Notes to the Financial Statements

The total consideration of $8.06m, consisted of upfront and deferred contingent payments as follows:

1. Up-front completion payment of $4.3m in cash to the seller
2. Deferred contingent consideration of an estimated $3.76m to be paid in two payments as follows:
   a. A first deferred contingent payment ("DP1") based on the normalised EBITDA for the first 12 months (Year 1) multiplied by 7 less $4.3m. The fair value at acquisition was estimated to be $2.23m in cash and shares to the seller.
   b. A second deferred contingent payment ("DP2") based on the normalised EBITDA for the second 12 months (Year 2) less $4.3m and the monetary amount of DP1. The fair value at acquisition was estimated to be $1.53m in cash and shares to the seller

The deferred contingent consideration payments above forms part of the consideration paid and is considered contingent consideration as per AASB 3 Business Combinations (para. 39). The cash and share 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 Parallo.

Assets acquired and liabilities assumed:

Assets	$'000
Cash & Cash equivalents	388
Trade & Other Receivables	1,237
Property, Plant & Equipment	172
Customer relationship identified on acquisition	3,599
Right of Use Asset	256
Deferred Tax Asset	42
Total Assets	**5,694**
Liabilities	
Trade & Other Payables	1,284
Employee entitlements	143
Deferred Tax Liability arising on acquisition	1,080
Lease Liability	256
Total Liabilities	**2,763**
Total identifiable net assets at fair value	2,931
Goodwill arising on acquisition	5,127
Purchase consideration	**8,058**

Contingent consideration current - payable in cash and shares	2,232
Contingent consideration non-current - payable in cash and shares	1,529
Up-front payment - paid in cash	4,297
Total purchase consideration	**8,058**

Notes to the Financial Statements

Profit before tax for the period since acquisition date was $593k net of transaction cost of $79k which were expensed and included in General and Administration expenses.

The acquisition accounting was provisional at 30 June 2021 subject to receipts of completion accounts and allocatable cost amount calculation ("ACA") at which point deferred tax liability ("DTL') was recognised.

On 30th April 2021, rhipe Australia Pty Ltd acquired 100% of the shares in emt Distribution Pty Ltd and emt Distribution Pte Limited (jointly 'EMT'). EMT is a cyber security distribution specialist that focuses on sourcing innovative security software vendors and working with channel partners, to deliver both on-premise and cloud-based security solutions, aimed at protecting companies against cyber security attacks.

The total consideration of $11m was paid upfront on completion.

Assets acquired and liabilities assumed:

Assets	$'000
Cash & Cash equivalents	1,381
Trade & Other Receivables	4,317
Other Current Assets	115
Fixed Assets	73
Customer Relationships identified at acquisition	1,701
Right of Use Asset	154
Deferred Tax Asset	107
Total Assets	**7,848**
Liabilities	
Trade & Other Payables	3,173
Other Current Liabilities	913
Tax Liability	367
Other Non-Current Liabilities	116
Deferred Tax Liability arising on acquisition	510
Total Liabilities	**5,079**
Total identifiable net assets at fair value	2,769
Goodwill arising on acquisition	8,193
Purchase consideration	**10.962**

Up-front payment - paid in cash	10,962
Total purchase consideration	**10,962**

Profit before tax for the period since acquisition date was $642k net of transaction cost of $305k which were expensed and included in General and Administration expenses.

Notes to the Financial Statements

The acquisition accounting was provisional at 30 June 2021 subject to receipts of completion accounts and allocatable cost amount calculation ("ACA") at which point deferred tax liability ("DTL") was recognised.

Acquisitions in FY20

On the 2nd of August 2019, rhipe Australia Pty Ltd acquired 100% of the share capital in each of the target companies, Network2Share Pty Ltd ("N2S") and Data Confidence Solutions Pty Ltd ("DCS"). N2S is an Australian based security software company that has developed a user-friendly encryption product ("SmartEncrypt") which rhipe intends to bundle with existing vendor software licences. The acquired companies were pre-revenue generating and the total consideration of $5m plus earn out, consisted of upfront and deferred contingent payments as follows:

1. Up-front completion payment of $2m in cash to the seller

2. Deferred contingent consideration of up to a further $3m to be paid in three payments consisting of part cash and part shares as follows:

   a. A first deferred contingent payment ("DP1") of $1m in cash to the seller when rhipe sells at least 10,000 SmartEncrypt licences ('Payment trigger'). If the payment trigger for DP1 is not satisfied within two years after the completion date, DP1 is invalid.
   b. A second deferred contingent payment ("DP2") of $750k in cash and issue fully paid ordinary shares in rhipe Limited to the seller equal to $250k ("Consideration shares") if the target companies sell cumulatively 20,000 SmartEncrypt licences, irrespective of the target companies achieving the payment trigger for DP1. If the payment trigger for DP2 is not satisfied any time following the completion date and ending on the date, which is two years after the first deferred payment cut-off date, DP2 is invalid. The period between the completion date and 2 years after first deferred payment cut-off date (i.e. 4 years post completion date) is the second deferred payment cut-off date.
   c. A third deferred contingent payment ('DP3') of fully paid ordinary shares in rhipe Limited to the seller equal to $1m if the target companies sell at least 40,000 SmartEncrypt licences, irrespective of the target companies achieving the payment trigger for DP1 or DP2. If the payment trigger for DP3 is not satisfied any time following the completion date and ending on the date which is 2 years after the second deferred payment cut-off date (i.e. 6 years post completion date), DP3 is invalid.

Consideration shares issued for the second and third deferred 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 acquisition date.

3. In addition to the above deferred contingent consideration, rhipe must pay additional earn out payments for up to five years post acquisition as follows:

   a. A percentage of the monthly licence gross revenue over an agreed threshold in respect of sales outside of rhipe's existing geographic footprint
   b. Percentage of the monthly licence gross revenue over a threshold in respect of sales outside of rhipe's geographic foot print less the direct selling and marketing cost incurred.

Notes to the Financial Statements

The deferred contingent consideration and earn out payments above forms part of the consideration paid and is considered contingent consideration as per AASB 3 Business Combinations (para. 39). The cash 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. The share component of contingent consideration is recognised in equity.

Assets acquired and liabilities assumed on acquisition date:

Assets	$'000
Intangible assets - capitalised software	4,687
Total Assets	**4,687**
Liabilities	
Employee entitlements	92
Total Liabilities	**92**
Total identifiable net assets at fair value	4,595
Goodwill arising on acquisition	1,395
Purchase consideration	**5,990**

Contingent consideration current - payable in cash	939
Contingent consideration non-current - payable in cash	1,877
Contingent consideration - payable in shares	1,174
Up-front payment - paid in cash	2,000
Total purchase consideration	**5,990**

The total consideration paid at acquisition was allocated to intangible assets and goodwill. The amount allocated to intangible assets has been recognised as capitalised software development.

The acquisition accounting was finalised during the period and there were no changes to the purchase consideration.

Notes to the Financial Statements

Note 4. Revenue and Other Income

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the agent in its revenue arrangements for licencing business and principal for the provision of services, because it has control of services being provided to the customer. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer.

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Volume rebates give rise to variable consideration.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable. All revenue is stated net of the amount of goods and services tax.

Interest revenue is recognised using the effective interest method. Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised on a net basis over the periods that the related costs are expensed.

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

CONSOLIDATED GROUP	2021 $'000	2020 $'000
Sales - Software products & services	376,980	325,201
Less purchases of software products	(310,163)	(269,373)
Revenue	**66,817**	**55,828**
(a) Revenue from continuing operations		
Revenue		
Licencing revenue	46,384	42,364
Service & support revenue	20,433	13,464
Total revenue	**66,817**	**55,828**
(b) Other income		
Interest income	108	111
Changes in fair value of deferred consideration	-	3,500
Total other income	**108**	**3,611**

Notes to the Financial Statements

Note 5. Expenses

CONSOLIDATED GROUP	2021 $'000	2020 $'000
(a) Employee benefits		
Share-based payments	2,342	3,112
Defined contribution superannuation expenses	2,134	1,861
Salaries and other employee benefits	30,906	27,502
	35,382	32,475
(b) Depreciation and amortisation		
Depreciation	1,127	676
Amortisation of intangible assets	2,837	1,621
Amortisation of right of use asset	1,684	1,871
	5,648	4,168
(c) Other expenses		
Foreign exchange loss	234	**97**
(d) Impairment expense		
Impairment of goodwill	-	3,425
(e) Finance cost		
Interest on leases	92	142
(f) Marketing and travel expense		
Marketing and travel related expenses	1,576	1,296
(g) Business administration expense		
Business administration expense	6,867	7,238
Total expenses	**49,799**	**48,841**

Notes to the Financial Statements

Note 6. Tax Expense

Income Tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/ (benefit).

Current income tax expense/(benefit) charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/ (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference cannot be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:

(a) A legally enforceable right of set-off exists; and

(b) The deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Notes to the Financial Statements

Tax consolidation

Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 2014 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is rhipe Limited.

Tax expense/(benefit), deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group, using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the tax consolidated group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, rhipe Limited and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Notes to the Financial Statements

CONSOLIDATED GROUP	Note	2021 $'000	2020 $'000
(a) The components of tax (expense)/income comprise:			
Current tax		5,345	3,213
Deferred tax	16	(1,605)	(1,237)
Under/(over) provision in respect of prior years		(54)	375
Total tax expense		3,686	2,351
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2020: 30%)			
– Consolidated Group		3,294	2,210
– Effect of tax rates of subsidiaries operating in other jurisdictions		(70)	42
Add tax effect of:			
– Other non-allowable items		158	126
		3,382	2,378
Less tax effect of:			
– Under/(over) provision of prior year income tax		(54)	375
– Temporary differences not recognised in the prior year		60	(449)
– Current year overseas losses not recognised/(Utilisation of tax losses)		310	205
– Research and development offset		(12)	(158)
Total tax expense		3,686	2,351
(c) Amounts recognised directly in equity:			
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited to equity:			
Share based payments		(189)	(37)
AASB 16 recognition		-	(123)
Capital raising		-	(315)
Total		(189)	(475)

The group has tax losses of $3,867,632 (2020: $2,537,261) primarily in Korea and Japan that are not being recognised as deferred tax assets as it is not considered probable that these will be recoverable.

Notes to the Financial Statements

Note 7. Earnings per Share

CONSOLIDATED GROUP	2021 Cents	2020 Cents
Basic EPS	4.54	3.49
Diluted EPS	4.42	3.41
NET PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	$000	$000
(a) Reconciliation of earnings to profit or loss		
Profit/(Loss)	7,295	5,015
Earnings used to calculate basic EPS	7,295	5,015
Earnings used in the calculation of dilutive EPS	7,295	5,015
	2021 No. of Shares	2020 No. of Shares
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	160,659,724	143,848,303
Weighted average number of dilutive options and performance rights outstanding	4,416,571	3,215,882
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	165,076,295	147,064,185

Note 8. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with original maturities of three months or less.

CONSOLIDATED GROUP	2021 $'000	2020 $'000
Cash at bank	53,510	22,983
Short-term highly liquid investments	279	37,942
Cash and cash equivalents	53,789	60,925

Note 9. Trade and Other Receivables

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

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The Group recognises an allowance for expected credit losses (ECLs) for trade and other receivables. Refer to Note 1(d) for further discussion on the determination of impairment of financial assets. Interest rates, unemployment rates and other micro-economic factors were considered when calculating ECL.

Notes to the Financial Statements

CONSOLIDATED GROUP CURRENT	Note	2021 $'000	2020 $'000
Trade receivables		42,716	30,753
Provision for expected credit losses	9(a)	(2,316)	(1,990)
Indirect taxes		2,978	2,624
Accrued revenue		12,794	10,894
Total		56,172	42,281

(a) Provision For Expected Credit Losses

Movement in provision for ECL is as follows:

CONSOLIDATED GROUP	Opening Balance $'000	Increase in ECL For The Year $'000	Amounts Written Off During The Year $'000	Closing Balance $'000
(i) Current trade receivables 2020	819	1,339	(168)	1,990
(ii) Current trade receivables 2021	1,990	474	(148)	2,316

(b) Credit risk

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. Cash and Cash Equivalents have low risk and Trade and Other Receivables are considered to be the main source of credit risk related to the Group.

On a geographic basis, the Group has significant credit risk exposures in Australia, Singapore, New Zealand, Malaysia, Philippines and Thailand given the substantial operations in those regions. The Group's exposure to credit risk for receivables at the end of the reporting period in those regions is as follows:

CONSOLIDATED GROUP	2021 %	2021 $'000	2020 %	2020 $'000
Australia	53%	29,697	53%	22,401
Singapore	14%	7,644	11%	4,792
Malaysia	9%	4,878	10%	4,207
New Zealand	6%	3,442	6%	2,551
Philippines	9%	5,179	8%	3,357
Thailand	2%	1,456	5%	1,994
Other (Indonesia, Korea, USA and Japan)	7%	3,876	7%	2,979
Total	100%	56,172	100%	42,281

Notes to the Financial Statements

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and ECL provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counter party to the transaction. All receivables are assessed for ECL using the historical default rate adjusted for forward-looking estimates based on macro economic indicators.

	Gross Amount $'000	Within Initial Terms $'000	Past Due <30 $'000	(Days Overdue) 31-60 $'000	>60 $'000	ECL $'000
2020 Trade and term receivables	30,753	17,177	8,071	2,693	2,812	
Expected credit loss rate		2%	3%	6%	42%	
Expected credit loss		378	277	168	1,167	1,990
2021 Trade and term receivables	42,716	21,648	10,769	7,004	3,295	
Expected credit loss rate		2%	4%	6%	33%	
Expected credit loss		358	435	431	1,092	2,316

Note 10. Other Assets

CONSOLIDATED GROUP	2021 $'000	2020 $'000
CURRENT		
Prepayments	1,508	995
Bonds	576	509
Total	2,084	1,504

Prepayments relate to prepaid operating expenses (such as insurance) and these prepayments will be realised within 12 months (the period of time that these services relate to). Bonds are rental bonds for the property leases. See note 11 for more details on leases.

Notes to the Financial Statements

Note 11. Leases

The Group has various property leases used in its operations. Property leases have lease terms of less than five years. There are several lease contracts that include extension options.

Set out below are the carrying amounts of right-of-use assets recognised and the movement during the year:

	$'000
As at 1 July 2019	2,708
Additions	2,354
Amortisation expense	(1,871)
As at 30 June 2020	3,191
Additions	83
Additions from business combinations	410
Modifications	(81)
Amortisation expense	(1,684)
As at 30 June 2021	**1,919**

Set out below are the carrying amounts of lease liabilities and the movement during the year:

	$'000
As at 1 July 2019	3,405
Additions	2,354
Accretion of interest	135
Payments	(2,035)
As at 30 June 2020	3,859
Additions	83
Additions from business combinations	410
Modifications	(81)
Accretion of interest	92
Payments	(1,992)
As at 30 June 2021	**2,371**
Current	1,821
Non-current	550

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgment in determining whether these extension options are reasonably certain to be exercised.

Notes to the Financial Statements

Note 12. Property, Plant and Equipment

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

Property Plant and equipment

Plant and equipment is measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss. A formal assessment of the recoverable amount is made when impairment indicators are present (refer to Note 1(e) for details of impairment of assets).

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation rate
Computer Equipment	25% – 33%
Furniture & Fittings	13% – 33%
Leasehold Improvements	20% – 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and Equipment carrying amounts are tested for impairment at the individual CGU level. No impairments were identified as a result of the testing.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements

Movements in Carrying Amounts

Movements in carrying amounts between the beginning and the end of the current financial year.

Consolidated Group	Computer Equipment $'000	Furniture & Fittings $'000	Leasehold Improvements $'000	Total $'000
Cost at 30 June 2019	1,650	225	748	2,623
Additions	460	12	899	1,371
Disposals	-	-	-	-
Cost at 30 June 2020	2,110	237	1,647	3,994
Accumulated depreciation at 30 June 2019	(923)	(111)	(480)	(1,514)
Depreciation expense	(434)	(31)	(211)	(676)
Disposals	-	-	-	-
Accumulated depreciation at 30 June 2020	(1,357)	(142)	(691)	(2,190)
Balance at 30 June 2020	**753**	**95**	**956**	**1,804**
Cost at 30 June 2020	2,110	237	1,647	3,994
Additions	747	205	95	1,047
Disposals	(37)	-	-	(37)
Cost at 30 June 2021	2,820	442	1,742	5,004
Accumulated depreciation at 30 June 2020	(1,357)	(142)	(691)	(2,190)
Depreciation expense	(515)	(86)	(526)	(1,127)
Disposals	25	-	-	25
Accumulated depreciation at 30 June 2021	(1,847)	(228)	(1,217)	(3,292)
Balance at 30 June 2021	**973**	**214**	**525**	**1,712**

Notes to the Financial Statements

Note 13. Intangible Assets

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) The consideration transferred

(ii) Any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

(iii) The acquisition date fair value of any previously held equity interest, less

(iv) The acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest forms the cost of the investment in the separate financial statements.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Goodwill is tested for impairment annually (refer to Note 1(e) for details of impairment) and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when:

1. The technical feasibility of completing the asset so that it will be available for use or sale
2. Intention to complete the asset and use or sell it
3. Ability to use or sell the asset
4. How the asset will generate probable future economic benefits
5. Availability of adequate technical, financial and other resources to complete the development
6. Ability to measure reliably the expenditure attributable to the asset during its development.

Software development costs have a finite useful life and are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Notes to the Financial Statements

Consolidated Group	Goodwill $'000	Customer Relationships $'000	WIP Software Development $'000	Software Development $'000	Total $'000
Cost at 30 June 2019	27,331	792	85	7,333	35,541
Additions	-	-	2,906	-	2,906
Additions - business combination	1,395	-	4,687	-	6,082
Transfers	-	-	(2,781)	2,781	-
Cost at 30 June 2020	**28,726**	**792**	**4,897**	**10,114**	**44,529**
Accumulated amortisation at 30 June 2019	-	(53)	-	(2,819)	(2,872)
Amortisation expense	-	(152)	-	(1,469)	(1,621)
Impairment expense	(3,425)	-	-	-	(3,425)
Accumulated amortisation and impairment at 30 June 2020	**(3,425)**	**(205)**	**-**	**(4,288)**	**(7,918)**
Balance at 30 June 2020	**25,301**	**587**	**4,897**	**5,826**	**36,611**
Cost at 30 June 2020	28,726	792	4,897	10,114	44,529
Additions	-	-	1,626	-	1,626
Additions - business combination	13,320	5,339	-	-	18,659
Transfers	-	-	(6,018)	6,018	-
Cost at 30 June 2021	**42,046**	**6,131**	**505**	**16,132**	**64,814**
Accumulated amortisation and impairment at 30 June 2020	(3,425)	(205)	-	(4,288)	(7,918)
Amortisation expense	-	(706)	-	(2,131)	(2,837)
Accumulated amortisation and impairment at 30 June 2021	**(3,425)**	**(911)**	**-**	**(6,419)**	**(10,755)**
Balance at 30 June 2021	**38,621**	**5,220**	**505**	**9,713**	**54,059**

Notes to the Financial Statements

Goodwill and Customer Relationship additions arose due to business combination, please refer to note 3 (Business combination) for more details. The amount of all software development costs are amortised on a straight-line basis over the estimated useful life to the Company commencing from the time the asset is held ready for use.

The amortisation rates used for each class of depreciable assets are:

	Amortisation rate
Software development	20%
Customer relationship	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying amounts are tested for impairment at the individual CGU level and written down immediately to their recoverable amount if impaired. Intangible assets, other than goodwill and trademarks and licences, have an indefinite useful lives. The current amortisation charges for intangible assets are included under Sales and marketing expense per the statement of profit or loss. Goodwill and trademarks and licences have an indefinite useful life.

Goodwill is allocated to the group of cash-generating units ("CGU") which is the level at which goodwill is monitored and is based on the Group's reporting regions.

	2021 $'000	2020 $'000
rhipe	38,621	21,292
Services	-	-
DBITS [1]	-	4,009
Asia Pacific Region	**38,621**	**25,301**

1 DBITS and rhipe CGU's were merged on 31st March 2021 to form a single CGU

Goodwill impairment testing

In the prior year, there were 3 separate CGUs, (rhipe, Services and DBITS). Due to a restructuring on 31st March 2021, DBITS CGU cash inflows were no longer separately identifiable from the rhipe CGU, and therefore the DBITS and rhipe CGUs were combined to form the rhipe CGU. The DBITS and rhipe CGU's were tested separately for impairment prior to the merger on 31st March 2021 and no impairment arose as a result of this test.

The recoverable amount of the Asia Pacific region at 30 June 2021, includes 2 CGUs, rhipe and Services, to which goodwill is allocated. The recoverable amounts were calculated on the basis of value-in-use using a discounted cash flow model. Management has based the value-in-use calculations on board approved budgets for the 2021 financial year for the cash-generating unit. This budget is adjusted for future years and uses an initial growth rate of 25% (30 June 2020: 28%) decreasing over five years to a terminal growth of 1% (30 June 2020: 1%) and a real pre-tax discount rate of 13.5% (30 June 2020: 13.5%). The terminal growth rate is determined based on the long-term anticipated growth rate of the business. The forecast financial information is based on both past experience and future expectations of cash-generating unit performance. The major

Notes to the Financial Statements

inputs and assumptions used in performing an impairment assessment that require judgment include revenue forecasts, operating cost projections, customer numbers, customer churn, discount rates and growth rates.

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment losses arose as a result of Goodwill impairment testing of CGUs.

Note 14. Trade and Other Payables

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. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

CONSOLIDATED GROUP	Note	2021 $'000	2020 $'000
CURRENT			
Unsecured liabilities			
Trade payables		55,907	42,211
Sundry payables and accrued expenses		9,171	5,736
Total trade and other payables	27	65,078	47,947
(a) Financial liabilities at amortised cost classified as trade and other			
Trade and other payables, unearned revenue and employee benefits			
– Total current		65,078	47,947
– Total non-current		-	-
Financial liabilities as trade and other payables	27	65,078	47,947

Note 15. Contract Liabilities

CONSOLIDATED GROUP	2021 $'000	2020 $'000
CURRENT		
Unearned revenue	1,928	274

Unearned revenue relates to Services revenue that is invoiced in advance and recognised in Profit and Loss when certain milestones are completed.

Notes to the Financial Statements

Note 16. Tax

CONSOLIDATED GROUP	2021 $'000	2020 $'000
CURRENT		
Income tax payable	3,367	1,688

CONSOLIDATED GROUP	2021 $'000	2020 $'000
Deferred tax assets	3,722	2,660
Deferred tax liabilities	(780)	(72)
Deferred tax assets (net)	2,942	2,588

CONSOLIDATED GROUP	Opening Balance $'000	Recognised To Income $'000	Recognised To Equity $'000	Acquisition of subsidiary $'000	Closing Balance $'000
Balance at 30 Jun 2019 Net Deferred Tax Assets/(Liabilities)	**(721)**	**1,835**	**-**	**(237)**	**877**
Provisions - employee benefits	1,079	44	-	-	1,123
Provisions - doubtful debt	246	351	-	-	597
Customer relationships	(237)	61	-	-	(176)
Accrued revenue	-	505	37	-	542
Other	(211)	275	438	-	502
Balance at 30 June 2020 Net Deferred Tax Assets	**877**	**1,236**	**475**	**-**	**2,588**
Provisions – employee benefits	1,123	188	-	107	1,418
Provisions – doubtful debts	597	27	-	-	624
Customer relationships	(176)	264	-	(1,589)	(1,501)
Share-based payments	542	205	189	-	936
Accrued expenses	705	687	-	42	1,434
Other	(203)	234	-	-	31
Balance at 30 June 2021 Net Deferred Tax Assets/(Liabilities)	**2,588**	**1,605**	**189**	**(1,440)**	**2,942**

Notes to the Financial Statements

Note 17. 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 measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave. The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

The probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been detailed in Note 1(g).

CONSOLIDATED GROUP	2021 $'000	2020 $'000
CURRENT		
Employee Benefits	1,860	1,158
NON CURRENT		
Employee Benefits	670	501

	Opening Balance $'000	Additional Provision for the Year $'000	Utilisation Of Provision During The Year $'000	Closing Balance $'000
	1 Jul 2019			30 Jun 2020
Employee benefits – Current	1,037	1,895	(1,774)	1,158
Employee benefits – Non-Current	257	244	-	501
	1 Jul 2020			30 Jun 2021
Employee benefits – Current	1,158	2,208	(1,506)	1,860
Employee benefits – Non-Current	501	230	(61)	670

Notes to the Financial Statements

Note 18. Deferred Contingent Consideration

CONSOLIDATED GROUP	2021 $'000	2020 $'000
CURRENT		
Contingent consideration	3,739	939
NON CURRENT		
Contingent consideration	2,876	1,878
Total Contingent consideration - fair value	6,615	2,817

Fair value of $6,615k is disclosed in the balance sheet as a financial liability and is re-measured each reporting period. $1,174k has been recognised on acquisition to equity and it is not remeasured. Total contingent consideration of $7,789k is to be paid in cash and shares.

As part of the accounting for the acquisition of Parallo Limited and Parallo Unit Trust, contingent consideration with an estimated fair value of $3,761k (refer to note 3) was recognised on acquisition as a financial liability. The fair value of contingent consideration based on current modelling at 30 June 2021 to be paid is $5,079k payable in cash and shares.

As part of the accounting for the acquisition of Network2share Pty Ltd, contingent consideration with an estimated fair value of $2,817k (refer to note 3) was recognised on acquisition as a financial liability and $1,174k recognised in equity. First, second and third installments are payable after 2, 4 and 6 years respectively from completion date and are tied to sales volume of SmartEncrypt licences (refer to note 3). The fair value of contingent consideration based on current modelling at 30 June 2021 is $1,536k and $1,174k in equity is not remeasured.

Notes to the Financial Statements

Note 19. Issued Capital

RHIPE LIMITED	2021 $'000	2020 $'000
CURRENT		
161,075,376 (2020: 161,132,639) fully paid ordinary shares	77,758	77,438
	77,758	77,438

(a) Movement in ordinary shares on issue

RHIPE LIMITED	2021 No.	2021 $'000	2020 No.	2020 $'000
rhipe Limited shares as at 30 June 2020	161,132,639	77,438	138,982,996	43,320
Shares issued upon exercise of options	-	50	632,343	758
Shares issued upon exercise of performance rights	-	-	500,000	-
Capital raised	-	-	21,017,300	33,628
Deferred tax asset on capital raising	-	-	-	315
Shares bought back during the period	(57,263)	(117)	-	-
Transfer from equity settled employee benefits reserve	-	391	-	475
Share issue costs, net tax	-	(4)	-	(1,058)
Closing balance at 30 June 2021	**161,075,376**	**77,758**	**161,132,639**	**77,438**

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

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(b) 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 debt and capital 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, share issues and share buy-backs.

Notes to the Financial Statements

(c) Franking Account

RHIPE LIMITED	2021 $'000	2020 $'000
The amount of franking credits available for the subsequent financial year are:		
– Franking account balance as at the end of the financial year at 30%	8,905	8,687
– Franking credits that will arise from the payment of income tax payable as at the end of the financial year	1,576	575
– Franking debits that will arise from the payment of dividends as at the end of the financial year [1]	-	(1,381)
	10,481	**7,881**

1 rhipe intends to declare a fully franked special dividend of up to 13 cents per share to be paid on or shortly before the implementation date of the Scheme, conditional on the Scheme being approved and becoming Effective. The rhipe Directors will determine (in their absolute discretion) whether to pay any Special Dividend after assessing the rhipe Group's cash position and available funding at the applicable time. Whether a shareholder will be able to capture the full benefit of the franking credits will depend on their individual tax circumstances.

Note 20. Reserves

(a) Equity-settled employee benefits reserve

Equity-settled employee benefits reserve relates to share options granted by the Company to its employees under its employee share option plan. Further information about share-based payments to employees is set out in Note 22. It is also used from time to time to account for deferred taxes arising on share based payments.

(b) Foreign Currency Translation Reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

(c) Other Equity

Other equity is used to account for contingent consideration classified as equity arising from a business combination.

Notes to the Financial Statements

Note 21: Dividends

	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	16 February 2021	22 March 2021

Note 22. Share-based Payments

Equity-settled compensation

Share-based payments to employees are measured at the fair value of the instruments issued at the grant date and amortised over the vesting periods. The corresponding amount is recorded to the equity-settled employee benefits reserve. The fair value of options is determined using the Black-Scholes pricing model. A Monte Carlo simulation approach was used to value awards subject to the TSR performance conditions. For the awards with non-market vesting condition the number of options and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

The Group has an ownership-based compensation scheme for executives and senior employees. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, Executives and senior employees of the Group may be granted options or performance rights to purchase ordinary shares. Each employee share option or performance right converts into one ordinary share of rhipe Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option or performance right. The options or rights carry neither rights to dividends nor voting rights. Options and rights may be exercised at any time from the date of vesting to the date of their expiry.

In addition, rhipe has launched an Employee Share Plan In March 2020 for employees in Australia and New Zealand whereby the Plan allows ANZ employees (subject to service criteria) to salary sacrifice up to $5,000 per annum to purchase shares in the Company.

rhipe utilises an Employee Share Trust (“EST”) to facilitate the long term incentive plans for executives and employee share plans for other employees. The commercial purpose of this trust is to hold shares that have been bought by EST on the open market or directly from the Company and to issue the shares to employees under agreed share plans.

Notes to the Financial Statements

(a) Options

(i) Information relating to the rhipe Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end is disclosed below.

All 100,000 remaining options from 30 June 2020 were exercised during the year on a 1:1 basis for 100,000 ordinary shares in the Company.

	2021 No. Of Options	2020 No. Of Options
Balance at beginning of the year	100,000	870,000
Granted during the year	-	-
Exercised during the year	(100,000)	(770,000)
Expired during the year	-	-
Balance at end of year	**-**	**100,000**

CONSOLIDATED GROUP	No Of Options	Weighted Average Exercise Price
Options outstanding as at 30 June 2019	**870,000**	**$0.78**
Granted	-	-
Exercised	(770,000)	$0.817
Expired	-	-
Options outstanding as at 30 June 2020	**100,000**	**$0.50**
Granted	-	-
Exercised	(100,000)	$0.50
Expired	-	-
Options outstanding as at 30 June 2021	**-**	**-**
Options exercisable as at 30 June 2021	-	-
Options exercisable as at 30 June 2020	100,000	$0.50

As at the date of exercise, the weighted average share price of options exercised during the year was $0.50. There are no remaining options at year end.

Notes to the Financial Statements

(b) Performance rights

As at 30 June 2021, rhipe Management estimates that 3,811,673 performance rights to acquire shares (30 June 2020: 3,184,118) are probable to vest in the future. These performance rights are exercisable as follows:

Details	Date Of Grant	Number Of Rights	Vesting Date	Date Of Expiry	Exercise Price ($)
FY21 LTI	15/01/2021	1,865,635	01/07/2023	15/01/2036	Nil
FY20 LTI	30/01/2020	683,566	01/07/2022	30/01/2035	Nil
FY19 LTI	31/05/2019	1,262,472	01/07/2021	31/05/2034	Nil

	2021 No. of Rights	2020 No. Of Rights
Balance at beginning of the year	3,184,118	2,258,755
Additional rights due to assumption of stretch performance achieved	120,305	541,160
Granted during the year	1,865,635	884,203
Exercised during the year	(1,246,910)	(500,000)
Forfeited during the year	(111,475)	-
Balance at end of year	**3,811,673**	**3,184,118**

Fair value of performance rights

On 15 January 2021, 1,865,635 performance rights were granted to executives as part of a management incentive plan. The performance rights vest on the satisfaction of vesting conditions and each right has a term of 15 years and if not exercised within that time the rights will lapse. The Company expensed $838,099 in relation to these performance rights in FY21. The fair value of performance rights have been determined by a third party using the following assumptions:

	FY21 LTI	FY20 LTI	FY19 LTI
No. of performance rights	1,865,635	683,566	1,262,472
Grant date	15/01/2021	30/01/2020	31/05/2019
Share price at grant date	$1.88	$2.20	$2.30
Vesting conditions	(a) (b) (c) (d)	(a) (b) (c) (d)	(a) (b) (c) (d)
Expected volatility	49%	49%	50%
Risk free interest rate	0.64%	0.64%	1.11%
Dividend yield	1.14%	1.14%	1.09%
Value per performance right	(d)	(d)	(d)

Notes to the Financial Statements

(a) Total Shareholder Return (TSR) is a measure of investment return in percentage terms, adjusted for dividends and capital movements, from the start to the end of the measurement period. The vesting of Performance Rights will be determined by comparing the Company's total shareholder return (TSR) over the Measurement Period with the movement in the ASX Small Industrials Index over the Measurement Period

(b) Earning per share growth (EPSG) is a measure of the increase in the amount of profit generated by a Company divided by the number of shares on issue. It will be calculated by comparing the reported EPS for the final year of the Measurement Period with the reported EPS for the year immediately prior to the commencement of the Measurement Period and determining the implied CAGR (compound annual growth rate)

(c) Gross profit growth will be calculated by comparing the gross profit for the final year of the Measurement Period with the gross profit for the year immediately prior to the commencement of the Measurement Period and determining the implied CAGR.

(d)

Tranche	No. of Performance rights	Vesting condition	Fair value	Vesting Date
FY21 LTI				
Tranche 1	430,529	EPS Hurdle	$1.80	1 July 2023
Tranche 2	861,068	TSR Hurdle	$0.82	1 July 2023
Tranche 3	574,038	Gross Profit Hurdle	$1.80	1 July 2023
FY20 LTI				
Tranche 1	89,159	EPS Hurdle	$2.15	1 July 2022
Tranche 2	356,645	TSR Hurdle	$0.86	1 July 2022
Tranche 3	237,762	Gross Profit Hurdle	$2.15	1 July 2022
FY19 LTI				
Tranche 1	307,460	EPS Hurdle	$2.25	1 July 2021
Tranche 2	409,290	TSR Hurdle	$1.91	1 July 2021
Tranche 3	545,722	Gross Profit Hurdle	$2.25	1 July 2021

Notes to the Financial Statements

Note 23. Cash Flow Information

CONSOLIDATED GROUP	2021 $'000	2020 $'000
(a) Reconciliation of Cash Flow from Operating Activities with Profit after Income Tax		
Profit after income tax	7,008	4,799
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
Share-based payments expense	2,342	3,112
Interest on lease liabilities	92	142
Amortisation	4,521	1,621
Depreciation	1,127	676
Net foreign exchange (gain)/ loss	234	97
Fair value adjustment of a contingent consideration	-	(3,500)
Impairment of goodwill	-	3,425
Provision for expected credit losses	474	1,171
Changes in operating assets and liabilities:		
Increase in trade and term receivables and unearned revenue	(7,568)	(3,975)
Increase in other current assets	(465)	(289)
Increase in trade payables and accruals	12,671	6,606
Increase in income taxes payable	1,312	1,197
Decrease in deferred tax liabilities	(882)	(192)
Increase in deferred tax assets	(710)	(1,519)
Increase/(decrease) in provisions	(300)	365
Net cash provided by operating activities	**19,856**	**13,736**

Notes to the Financial Statements

(b) Bank Guarantees

The Group has the following bank guarantee in place:

Provider	Guarantee	Utilised Total	Security
CITIBANK	AUD 3,000,000	AUD 2,778,381	General Security Interest by rhipe Australia Pty Ltd and rhipe Limited comprising: First ranking charge over All Present & After Acquired Property

The guarantee requires compliance with certain conditions and the Group was in compliance with the covenants governing this guarantee during the year.

Note 24. Related Party Transactions

Related Parties

(a) The Group's main related parties are as follows

i. Key Management Personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the year ended 30 June 2021.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

CONSOLIDATED GROUP	2021 ($)	2020 ($)
Short-term employee benefits	3,086,238	2,982,612
Post-employment benefits	73,199	76,191
Other Long-Term benefits	255,455	259,041
Share-based payments	1,517,198	2,434,549
Termination benefits	126,547	-
Total KMP compensation	**5,058,637**	**5,752,392**

Further information in relation to KMP remuneration can be found in the Remuneration Report.

Notes to the Financial Statements

ii. Other Related Parties

Other related parties include entities controlled by the ultimate parent entity, entities over which key management personnel have joint control, and entities that directors are common directors of.

CONSOLIDATED GROUP	2021 ($)	2020 ($)
Other related parties		
AI services provided by Officespark Technology Pty Ltd	77,025	-

2021 fees relate to a one off project provided by an entity owned and operated by a relative of Dominic O'Hanlon.

Note 25. Auditors' Remuneration

CONSOLIDATED GROUP	2021 ($)	2020 ($)
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of any controlled entities	261,000	230,000
Fees for assurance services that are required by legislation to be provided by the auditor	-	-
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	-	-
Fees for other services		
- Due diligence	240,929	-
- Tax compliance	55,000	55,132
- Set up of ESS Trust and application for tax ruling	-	54,500
Total fees to Ernst & Young (Australia)	**556,929**	**339,632**
Fees to other overseas member firms of Ernst & Young (Australia)		
Fees for auditing the financial report of any controlled entities	96,000	56,500
Fees for assurance services that are required by legislation to be provided by the auditor	-	-
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	-	-
Total fees to overseas member firms of Ernst & Young (Australia)	**96,000**	**56,500**
Total auditor's remuneration	**652,929**	**396,132**

Notes to the Financial Statements

Note 26. Contingent Liabilities and Contingent Assets

A proceeding had been filed during 2020 in the Supreme Court of New South Wales against two members of the Group, rhipe Cloud Solutions and rhipe Solutions Australia, along with 10 other defendants. rhipe Limited is the ultimate holding company of rhipe Cloud Solutions Pty Ltd and rhipe Solutions Australia Pty Ltd who were named as defendants in the proceedings. The litigation was settled in October 2020 and had no material financial impact.

Note 27. Financial Risk Management

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

CONSOLIDATED GROUP	Note	2021 $'000	2020 $'000
FINANCIAL ASSETS			
Cash and cash equivalents	8	53,789	60,925
Receivables	9	56,172	42,281
Bonds & deposits	10	576	509
Total Financial Assets		110,537	103,715
FINANCIAL LIABILITIES			
Trade and other payables	14	65,078	47,947
Deferred consideration payable in cash	18	6,615	2,817
Total Financial Liabilities		71,693	50,764
Net Financial Assets		**38,844**	**52,951**

Financial Risk Management Policies

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

Notes to the Financial Statements

(a) Credit risk

Although the Group's clients are credit-worthy, exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the review of customer business activities, regular monitoring of exposures and monitoring of the financial stability of significant customers and counter parties), ensuring to the extent possible, that customers and counter parties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 30 days from the invoice date.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

For details on concentration of credit risk and geographic break down of trade receivables refer to Note 9.

(b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- Preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities
- Maintaining a reputable credit profile
- Managing credit risk related to financial assets
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Notes to the Financial Statements

	Within 1 Year		Over 1 Year		No Maturity		Total	
CONSOLIDATED GROUP	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Financial liabilities due for payment								
Trade and other payables	65,078	47,947	-	-	-	-	65,078	47,947
Lease liabilities	1,821	1,656	550	2,203	-	-	2,371	3,859
Deferred consideration	3,739	939	2,876	1,878	-	-	6,615	2,817
Total expected outflows	**70,638**	**50,542**	**3,426**	**4,081**	**-**	**-**	**74,064**	**54,623**
Financial Assets – cash flows realisable								
Cash and cash equivalents	53,789	60,925	-	-	-	-	53,789	60,925
Trade and other receivables	56,172	42,281	-	-	-	-	56,172	42,281
Bonds and deposits	576	509	-	-	-	-	576	509
Total anticipated inflows	**110,537**	**103,715**	**-**	**-**	**-**	**-**	**110,537**	**103,715**
Net inflow on financial instruments	**39,899**	**53,173**	**(3,426)**	**(4,081)**	**-**	**-**	**36,473**	**49,092**

(c) Market Risk

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash at bank balances with floating interest rates.

The movement in interest rates would not have any material impact on the Group's profit as the Group is debt free. In addition, any changes to fixed term interest rate on cash balances would not materially impact the Group's results.

ii. Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group has invested in businesses in Australia, New Zealand, Singapore and other Asian countries. In addition, the Group is billed from a number of software vendors in US dollars whereas for some customers it bills in local currency and this creates an exchange rate risk. Hedging these risks in Asian countries is expensive and in certain countries not possible hence the Group currently undertakes no hedging of these positions. Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial

Notes to the Financial Statements

instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Parent.

In addition to the US exchange risk identified the Group has material operations in Singapore, where functional currency is US Dollar and New Zealand where fluctuations in the US Dollar and New Zealand Dollar may impact on the Group's financial results unless those exposures are appropriately hedged. The Group has not hedged its exposure to the above currencies.

Foreign currency sensitivity analysis

The Group is mainly exposed to the US Dollar and New Zealand Dollar from a net asset perspective.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies.

	NZD		USD	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Equity	176	68	45	85

(d) Fair Value

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. Deferred contingent consideration fair value is based on financial modelling and requires management to provide judgement based on unobservable inputs in determining assumptions and outcomes. The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

A discounted cash flow model is used to determine the fair value of Level 3 items. The major inputs and assumptions used include revenue forecasts, operating cost projections, customer numbers, customer churn, discount rates and growth rates.

Notes to the Financial Statements

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 30 June 2021:

	Date of valuation	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Liabilities measured at fair value					
Deferred contingent consideration	30 June 2021	6,615	-	-	6,615

There were no transfers between levels during FY21.

The following table provides the fair value movement during FY21:

CONSOLIDATED GROUP	2021 ($'000)
Opening balance as at 1st July 2020	2,817
Additions due to business combinations	3,798
Gain/(loss) recognised in profit or loss	-
Gain/(loss) recognised in other comprehensive income	-
Closing balance as at 30 June 2021	**6,615**

Notes to the Financial Statements

Note 28. Interests in Subsidiaries

(a) Information about Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares or ordinary units which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place Of Business	Ownership Interest Held By Group 2021 (%)	Ownership Interest Held By Group 2020 (%)	Proportion Of Non-Controlling Interest 2021 (%)	Proportion Of Non-Controlling Interest 2020 (%)
rhipe Australia Pty Ltd [1,5]	Australia	100%	100%	–	–
rhipe Dynamics Pty Ltd [1]	Australia	100%	100%	–	–
NewLease G2M Pty Ltd [4]	Australia	63%	63%	37%	37%
rhipe Cloud Solutions Pty Ltd [1]	Australia	100%	100%	–	–
rhipe Solutions Australia Pty Ltd [1]	Australia	100%	100%	–	–
Dynamic Business IT Solutions Pty Limited [1]	Australia	100%	100%	–	–
SmartEncrypt Pty Ltd (Former name Network2Share Pty Ltd) [1]	Australia	100%	100%	-	-
Data Confidence Solutions Pty Ltd [1]	Australia	100%	100%	-	-
Parallo Pty Ltd as Trustee for the Parallo Unit Trust [1,2]	Australia	100%	-	–	–
emt Distribution Pty Ltd [1,3]	Australia	100%	-	–	–
rhipe Japan K.K.	Japan	80%	80%	20%	20%
rhipe New Zealand Limited	New Zealand	100%	100%	–	–
Parallo Limited [2]	New Zealand	100%	-	–	–
rhipe Singapore Pte. Ltd	Singapore	100%	100%	–	–
emt Distribution Singapore Pte Ltd [1,3]	Singapore	100%	-	-	-
rhipe Technology (Thailand) Co., Ltd	Thailand	100%	100%	–	–
rhipe Malaysia Sdn Bhd	Malaysia	100%	100%	–	–
rhipe Hong Kong Limited	Hong Kong	100%	100%	–	–
rhipe Philippines, Inc	Philippines	100%	100%	–	–
rhipe Philippines Technology, Inc	Philippines	100%	100%	–	–
PT rhipe International Indonesia	Indonesia	100%	100%	–	–
rhipe Lanka (Private) Limited	Sri Lanka	100%	100%	–	–
rhipe Licencing Technology Korea Ltd.	Republic of Korea	100%	100%	–	–
rhipe Solutions LLC (formerly Online SC LLC)	United States	100%	100%	-	-

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

1 These companies are part of the Australian tax consolidated group.
2 This company is a wholly-owned subsidiary which was acquired on 30 September 2020.
3 This company is a wholly-owned subsidiary which was acquired on 30 April 2021.
4 This company is dormant.
5 This wholly-owned subsidiary has entered into a deed of cross guarantee with rhipe Limited pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785 and is relieved from the requirement to prepare and lodge an audited financial report.
6 Consolidated financial statements include rhipe Limited Employee Share Trust which holds securities on trust for the benefit of directors and employees of the Group.

Notes to the Financial Statements

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

(c) Deed of Cross Guarantee

The consolidated income statement and consolidated statement of financial position of rhipe Australia Pty Ltd and rhipe Limited who are party to the deed of cross guarantee are:

	2021 $'000	2020 $'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Profit before income tax	11,345	6,169
Income tax expense	(2,224)	(1,379)
Profit after income tax	9,121	4,790
Profit attributable to members of the parent entity	**9,121**	**4,790**

Retained Earnings	2021 $'000	2020 $'000
Retained profit/(loss) at the beginning of the year	(46,417)	(48,405)
Profit after income tax	9,121	4,790
Dividend paid	(5,639)	(2,802)
Retained profits at the end of the year	**(42,935)**	**(46,417)**

Notes to the Financial Statements

STATEMENT OF FINANCIAL POSITION	2021 $'000	2020 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	33,383	49,363
Trade and other receivables	29,719	28,221
Other assets	8,721	3,499
Total Current Assets	71,823	81,083
Non-current Assets		
Right of use assets	709	1,232
Property, plant and equipment	445	568
Deferred tax assets	1,701	1,394
Intangible assets	20,001	11,225
Loans and investments	71,354	52,898
Total Non-Current Assets	94,210	67,317
Total assets	**166,033**	**148,400**
LIABILITIES		
Current Liabilities		
Trade and other payables	57,451	41,653
Unearned revenue	378	651
Current tax liabilities	713	723
Current lease liabilities	741	695
Provisions	1,088	754
Deferred contingent consideration	-	939
Total Current Liabilities	60,371	45,415
Non-current Liabilities		
Non-current lease liabilities	307	1,049
Provisions	609	449
Deferred contingent consideration	1,536	1,878
Total Non-Current Liabilities	2,452	3,376
Total Liabilities	**62,823**	**48,791**
Net Assets	**103,210**	**99,609**
EQUITY		
Issued Capital	139,754	139,429
Reserves	6,391	6,597
Retained profit/(loss)	(42,935)	(46,417)
Total Equity	**103,210**	**99,609**

Notes to the Financial Statements

Note 29. Parent Information

The following information has been extracted from the books and records of rhipe Limited and has been prepared in accordance with Australian Accounting Standards:

	2021 $'000	2020 $'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total profit/(loss)	24,527	5,420
Total comprehensive income	24,527	5,420
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current Assets	714	33,000
Non-current Assets	101,690	48,843
Total assets	**102,404**	**81,843**
LIABILITIES		
Current Liabilities	1,221	538
Non-current Liabilities	1,446	575
Total Liabilities	**2,667**	**1,113**
EQUITY		
Issued Capital	139,754	139,429
Retained Earnings	(69,761)	(69,542)
Current Year Earnings	24,527	5,420
Reserves	5,217	5,423
Total Equity	**99,737**	**80,730**

Contractual commitments

At 30 June 2021, rhipe Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2020: $Nil).

Notes to the Financial Statements

Note 30. Events After the Reporting Period

On 6th July 2021, rhipe entered into a binding Scheme Implementation Deed with Crayon under which it is proposed that Crayon will acquire 100% of the shares in rhipe by way of a Scheme of Arrangement. The Scheme is subject to limited conditionality and is not subject to financing or due diligence. It is anticipated that a Scheme Booklet in relation to the proposed Scheme will be sent to rhipe shareholders in September 2021 and rhipe shareholders will vote on the Scheme in October 2021.

Other than noted above, there has not been any other matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Note 31. Company Details

The registered office and principal place of business of the Company is:

rhipe Limited
Level 19, 100 Miller Street
North Sydney NSW 2060

Notes to the Financial Statements

Directors' Declaration

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

1. In the opinion of the directors:

   (a) The financial statements and notes of rhipe Limited for the financial year ended 30 June 2021 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 2021 and of its performance for the year ended on that date; and

   (ii) complying with Accounting Standards and the Corporations Regulations 2001;

   (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. 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 2021.

3. The Company and a wholly-owned subsidiary, rhipe Australia Pty Limited, have entered into a deed of cross guarantee under which the Company and its subsidiary guarantee the debts of each other.

   At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to by virtue of the deed.

On behalf of the board.

Dominic O'Hanlon
Managing Director

Dated this 31st day of August 2021

Independent Auditor's Report

To the members of rhipe limited and controlled entities (formerly rhype limited)

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Building a better working world

Independent Auditor's Report to the Members of rhipe Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of rhipe Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Licensing revenue recognition

Why significant	How our audit addressed the key audit matter
For the year ended 30 June 2021, the Group generated licensing revenue of $46.4 million from the sale of vendor owned software products and associated rebates. As disclosed in Note 4 of the financial report, the Group acts an agent in the revenue arrangements for the software vendor. Rebates from vendors are a significant component of revenue. They are earned by the Group throughout the year based upon a variety of contractual conditions including sales volume and end customer additions, which is calculated from data maintained by the Group's channel reseller partners. The process for recognising accrued revenue and vendor rebates at year end relies upon the manual processing of transactions, which is susceptible to error. Due to the manual nature of determining accrued revenue and the judgement required to calculate rebates near year end, this was considered to be a key audit matter.	Our audit procedures included the following: • Used data analysis techniques to analyse the relationship between revenue, accounts receivable and cash collections. • Selected a sample of rebates receivable from software vendors and agreed amounts recorded to third party evidence and where appropriate, cash received. • Compared accrued revenue to data received from channel reseller partners and invoices issued subsequent to 30 June 2021. • Assessed the adequacy of the revenue disclosures in Note 4 of the financial report.

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Capitalised development costs

Why significant	How our audit addressed the key audit matter
At 30 June 2021 the Group's statement of financial position includes capitalised development costs of $10.2 million. This primarily relates to the Group's core technology platform, PRISM, which is utilised to enable sales of cloud-based licences and SmartEncrypt, the groups file encryption software. Note 13 of the financial report discloses the Group's accounting policy for capitalising development costs. Given the level of expenditure and the judgement required when determining the amounts to be capitalised, amortisation periods and recoverability, this was considered to be a key audit matter.	Our audit procedures included the following: • Assessment of whether the Group's accounting policy in relation to the capitalisation of softwa development costs met the requirements of Australian Accounting Standards. • Evaluated the effectiveness of relevant control over the capitalisation of development costs • Selected a sample of capitalised costs and determined whether they met the capitalisatior criteria set out in Australian Accounting Standards. • Agreed a sample of capitalised labour costs to payroll records and capitalised contractor cost: to invoices and then considered the related development activities that were undertaken ar whether the costs capitalised were directly related to developing software. • Assessed the amortisation rate allocated to capitalised development costs taking into consideration the economic life of the software • Assessed the adequacy of the disclosures included in Note 13 of the financial report.

Accounting for acquired businesses

Why significant	How our audit addressed the key audit matter
During the year ended 30 June 2021 the Group acquired two businesses, Parallo, for a total consideration of $8.1 million and EMT for $11 million, as detailed in Note 3 of the financial report. The provisional accounting for the acquired businesses was considered a key audit matter as there was judgement involved in the determination of the transaction purchase price and recognition of the fair value of the acquired intangible assets and goodwill.	Our audit procedures included the following: • Assessed the determination of the transaction purchase price, including consideration of futur potential payments. • With the involvement of our valuation specialis we evaluated the recognition and determinatio of fair value of separately identifiable intangibl assets and their useful lives; and • Assessed the adequacy of the related disclosur within the financial report.

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Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2021 annual report, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express 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 and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 48 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of rhipe Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Independent Auditor's Report

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

Ernst & Young

Ernst & Young

Graham Leonard
Partner
Sydney
31 August 2021

Additional Information for Listed Public Companies

rhipe Limited and Controlled Entities

The following information is current as at 3rd August 2021

1. Shareholding

a. Distribution of Shareholders

Distribution of Shareholders			Ordinary Shares
Size of Holding	**Number of Shares**	**% of Issued Capital**	**Number of Holders**
100,001 and Over	132,606,141	82.33	67
10,001 to 100,000	19,648,738	12.20	838
5,001 to 10,000	4,754,296	2.95	611
1,001 to 5,000	3,565,187	2.21	1,256
1 to 1,000	501,014	0.31	956
Total	**161,075,376**	**100.00**	**3,728**

b. The number of shareholdings held in less than marketable parcels is 121

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder	Number of Ordinary Fully Paid Shares Held
TUTUS MCDONAGH PTY LTD	23,910,730
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	23,496,272
CITICORP NOMINEES PTY LIMITED	19,455,055
NATIONAL NOMINEES LIMITED	13,959,658
BRISPOT NOMINEES PTY LTD	10,619,673
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,405,646

d. Voting Rights

The voting rights attached to each class of equity security are as follows: Ordinary Shares.

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. 20 Largest Shareholders – Ordinary Shares

Name		Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	TUTUS MCDONAGH PTY LTD	23,910,730	14.84
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	23,496,272	14.59
3	CITICORP NOMINEES PTY LIMITED	19,455,055	12.08
4	NATIONAL NOMINEES LIMITED	13,959,658	8.67
5	BRISPOT NOMINEES PTY LTD	10,619,673	6.59
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,405,646	5.22
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,859,449	1.78
8	MR DOMINIC OHANLON & MRS KAREN OHANLON	2,157,840	1.34
9	BNP PARIBAS NOMS PTY LTD	2,064,743	1.28
10	DAWN EDMONDS	2,000,000	1.24
11	CS FOURTH NOMINEES PTY LIMITED	1,858,187	1.15
12	MIRRABOOKA INVESTMENTS LIMITED	1,768,701	1.10
13	UBS NOMINEES PTY LTD	1,718,309	1.07
14	NEWECONOMY COM AU NOMINEES PTY LIMITED	1,495,830	0.93
15	MR WARREN NOLAN	1,222,796	0.76
16	BNP PARIBAS NOMINEES PTY LTD	947,476	0.59
17	PRM INVESTMENTS PTY LTD	850,680	0.53
18	PACIFIC CUSTODIANS PTY LIMITED	845,949	0.53
19	MRS ELIZABETH HELEN GOUDIE	769,000	0.48
20	EDMONDS WALLIS PTY LTD	702,294	0.44
		121,108,288	**75.19**

2. The name of the company secretary is

Marika White.

3. The address of the principal registered office in Australia is

Level 19, 100 Miller Street, North Sydney New South Wales, 2060.
Telephone: 1300 732 009

4. Registers of Securities are held at the following addresses

Link Market Services Limited
Tower 4, 747 Collins Street, Docklands VIC 3008

Investor Enquiries: 1300 554 474
Facsimile: +61 2 9287 0303

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchange of the Australian Securities Exchange Limited.

6. Unquoted Securities

Nil unquoted securities.

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Australia
New Zealand
Asia