

QANTM Intellectual Property Limited ACN 612 441 326 and Controlled Entities

Financial report for Half Year ended 31 December 2020

Appendix 4D

Name of Entity: QANTM Intellectual Property Limited ACN 612 441 326	
Current period:	Half Year ended 31 December 2020
Previous corresponding period:	Half Year ended 31 December 2019

Results for announcement to the market

	31 Dec 2020	31 Dec 2019	Change
	\$'000	\$'000	%
Revenue from ordinary activities	58,550	57,569	1.7
Statutory Profit from ordinary activities after tax	5,984	4,388	36.4
Underlying net profit after tax from ordinary activities ¹	6,522	6,639	(1.8)
Distributions – current period (cents): 1H20 interim dividend (declared)	4.0	3.3	
Franked amount per share (cents)	4.0	3.3	
Record date for determining entitlement to the interim dividend		4 March 2021	
Net tangible asset value per share (cents)	(0.0)	(0.0)	

This information should be read in conjunction with the Consolidated Financial Report of QANTM Intellectual Property Limited for the year ended 30 June 2020, and any public announcements made in the period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

¹ Underlying net profit after tax (“Underlying NPAT”) is reported to provide shareholders with additional information to enhance their understanding of the performance of QANTM Intellectual Property Limited. Underlying NPAT has been determined by adding back significant, non-recurring items

QANTM Intellectual Property Limited ACN 612 441 326 and Controlled Entities
Financial report for Half Year ended 31 December 2020
Appendix 4D (Cont'd)

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

Control gained: None

Control lost: None

Details of any associates and joint venture entities required to be disclosed:

Nil

Audit Status

This report is based on the Consolidated Financial Report of QANTM Intellectual Property Limited ('the Company' or 'QANTM') for the Half Year ended 31 December 2020, which has been reviewed by Deloitte Touche Tohmatsu.

Other Significant Information and Commentary on Results

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2020 Half Year Financial Report.

For all other information required by Appendix 4D, including a results commentary, please refer to the following documents:

- Directors' Report
- Reviewed Half Year Financial Report
- Results Presentation

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

CONSOLIDATED FINANCIAL REPORT

For the Half Year ended 31 December 2020

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for the Half Year ended 31 December 2020

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DIRECTORS' REPORT

for the Half Year ended 31 December 2020

The directors of QANTM Intellectual Property Limited (the Company or QANTM) present the half year financial report of the Company and its controlled entities (the Group or QANTM Group) for the Half Year ended 31 December 2020.

PRINCIPAL ACTIVITIES

QANTM is the owner of a group of leading intellectual property (IP) services businesses operating under four key brands:

Davies Collison Cave, including:

- Davies Collison Cave Pty Ltd - an incorporated patent and trade marks attorney business operating in Australia and New Zealand (DCC);
- Davies Collison Cave Law Pty Ltd - an incorporated legal practice operating in Australia (DCC Law);
- Davies Collison Cave Asia Pte Ltd - an incorporated patent and trade marks attorney business operating in Singapore (DCC Asia);

FPA Patent Attorneys, including:

- FPA Patent Attorneys Pty Ltd - an incorporated patent attorney business operating in Australia and New Zealand (FPA);
- FPA Patent Attorneys Asia Pte Ltd - an incorporated patent attorney business operating in Singapore (FPA Asia);

Advanz Fidelis IP Sdn Bhd - an incorporated intellectual property prosecution and advisory practice operating in Malaysia (AFIP); and

Cotters Patent and Trade Mark Attorneys - an incorporated patent and trade marks attorney business operating in Australia (Cotters).

QANTM is also the majority shareholder in an IP business advisory company, ipervescence Pty Ltd, which provides IP consulting and flexible resourcing services.

QANTM generates revenue by providing services in relation to the creation, protection, commercialisation, enforcement and management of IP. In addition, QANTM generates revenue outside the IP application process, with clients engaging the QANTM businesses to provide strategic IP advice regarding their IP portfolio or that of their competitors. Such strategic advice assists clients in identifying potential opportunities for IP protection. DCC Law provides IP legal and litigation services, and corporate and commercial legal advice on mergers and acquisitions, governance and compliance, business structures and restructuring, capital raising, joint ventures, finance and asset protection.

QANTM has a diverse client base ranging from start-up ventures and SMEs to Fortune 500 multinational corporations, public sector research institutions and universities. The majority of QANTM's clients are located in the United States of America, Europe, Japan and Australia and can be broadly divided into three groups:

- local clients, which include Australian, New Zealand, Singapore and Malaysia based corporates, public sector research institutions, universities, and private individuals; and
- international clients which include:
 - foreign corporates that engage directly with QANTM, including Fortune 500 companies and other foreign multinational corporations; and
 - international clients referred to QANTM by IP practices based overseas (Foreign Associates).

QANTM businesses have relationships with a broad range of Foreign Associates internationally. These Foreign Associates engage the QANTM businesses to act on behalf of international clients where that client wishes to obtain IP protection in Australia, New Zealand, Singapore or Malaysia (often as part of the 'national phase entry' of applications made pursuant to the international Patent Cooperation Treaty (**PCT**)). Similarly, QANTM businesses will engage a Foreign Associate to act on behalf of a QANTM client in Australia, New Zealand, Singapore or Malaysia that wishes to obtain IP protection in the Foreign Associate's jurisdiction.

DIRECTORS' REPORT

for the Half Year ended 31 December 2020

This reciprocity between QANTM businesses and their networks of Foreign Associates is important in generating incoming referrals of international clients and revenue for the businesses.

DIRECTORS

The names and particulars of the directors in office at any time during the financial half year up to the date of this report are:

Name	Office
Mr Richard England	Non-Executive Chairman
Mr Leon Allen	Non-Executive Director (former Chief Executive Officer and Managing Director, appointed as Non-Executive Director with effect from 1 July 2020)
Mr Craig Dower	Managing Director and Chief Executive Officer (appointed as Chief Executive Officer with effect from 13 January 2020 and also as Managing Director with effect from 1 July 2020)
Ms Abigail Cheadle	Non-Executive Director (Resigned with effect from 27 November 2020)
Mr Cameron Judson	Non-Executive Director
Ms Sonia Petering	Non-Executive Director

DIRECTORS' REPORT

for the Half Year ended 31 December 2020

Operational and financial review

The underlying results of the QANTM Group are provided which are adjusted for various items not considered of a recurring nature, including business acquisition costs and non-recurring payments relating to employee retention and transformation costs. Refer page 5 for a reconciliation of statutory Net Profit after Tax ('NPAT') to underlying NPAT.

Key strategic, business and operational activities during the six months to 31 December 2020 included:

- a continued focus on organisational and business development in large part through a business transformation program, including technology modernisation, with four key areas of focus: QANTM's people, clients, growth and scale, and technology and process improvements;
- in this regard, the company has developed:
 - a Group strategic plan which encompasses an overall plan for business transformation including a number of key platforms for growth (this Group plan will be supplemented by business unit strategic plans over time);
 - a high level technology modernisation roadmap with various components to improve client engagement and servicing, empower employees and deliver process and systems efficiencies; and
 - a M&A Strategic Plan which identifies three horizons for potential growth (existing business focus; adjacent and complementary activities and transformative business opportunities).
- during the half year, an appointment was made to the new position of Head of Technology. This appointment follows the appointment during the 2020 financial year of a Chief Transformation Officer and Head of Mergers & Acquisitions and Risk;
- during the half there was the promotion of 16 professional staff across the Group, of which 75% were women;
- Cotters Patent and Trade Mark Attorneys made an initial full six month financial contribution to Group revenues, following its acquisition, completed on 6 May 2020. Cotters expands the QANTM Group product offering through a fixed cost patents application and advisory service, as well as services in trade marks and copyright; and
- during the half, the QANTM Group entered into a new banking facility agreement with HSBC, comprising a \$20 million revolving facility, a US\$25.5 million acquisition facility and a \$5 million overdraft facility; each for a 3 year term. The more flexible facilities include an additional \$5 million of funding capacity.

COVID-19

During the half, QANTM's approach has been to continue to be flexible and responsive to emerging business conditions, and to focus on physical and mental health and well-being programs for employees. In terms of the implications of COVID-19 on the QANTM business, the following observations are made:

- to date, the QANTM business entities have not observed a material effect on the flow of work, with the possible exception of business levels in Malaysia for AFIP, which has experienced some disruption to usual work patterns;
- the ability of the workforce, and the clients of the Group, to adapt to remote working arrangements, has meant that client servicing arrangements have continued smoothly; and
- the impact of COVID 19 on business activity influencing the IP sector has varied by industry, and the diversity of the QANTM portfolio, as to areas of service provision, geography and nature of client businesses and sectors, has likely afforded some differentiation in terms of client business levels, both favourable and adverse, and may be expected to continue to do so.

DIRECTORS' REPORT

for the Half Year ended 31 December 2020

BUSINESS CONDITIONS

Key features influencing the Company's business performance during the half year included:

- the Group's two largest underlying business entities, DCC and FPA, demonstrated the strength of their brands and client portfolios, as well as the importance of life-cycle revenue contributions from prosecution, advisory and renewal services – in addition to new applications and filings – which accounts for approximately 70% of total patent service charges in any reporting period;
- the Group's legal and litigation service recorded an 7.9% revenue increase, associated with a strong case load;
- the acquisition of Cotters contributed \$980,000 in revenue for its first full six months within QANTM;
- an increase in net revenue by 3.6% and EBITDA pre FX by 6.6%;
- adverse currency movements, with the AUD/USD appreciating by almost 4 cents period-on-period, resulted in a \$1.2 million lower FX contribution and in turn led to lower EBITDA after FX, down 2.2% and NPAT, down 1.5%;
- QANTM's Group patent applications (excluding innovation patents¹) decreased by 1.6% in 1H21, compared with the prior corresponding period;
- Group Australian patent applications (including Cotters but excluding innovation patents) are in line with the prior corresponding half year, which itself represented a five year high in the level of QANTM's patent applications. The Cotters business, acquired in May 2020, contributed ~5% of QANTM Group patent applications in the half. Australian patent applications represent 58% of the Group total. The stable trend in QANTM's Australian patent applications outcome is in the context of an overall decline in total Australian market patent applications (excluding innovation patents) of 0.6%;
- The main trends in the Group's patent applications, outside of Australia (42% of the Group total) included an increase in PCT applications; offset by a decrease in the level of Asian applications and lower Rest of World applications; and
- QANTM's Australian trade mark filings (56% of the Group total) increased by 15.4%, while Group trade mark filings overall decreased by 12.1%. The trends in trade mark filings outside of Australia included an overall decline of 33%, mainly contributed by lower Malaysian filings.

It should be noted that applications and filings can fluctuate in any reporting period, and that it is important to look at longer term trends. Applications and filings also constitute a relatively small proportion (varying between 10% to 15%) of overall portfolio revenues.

FINANCIAL RESULTS

Key features of the underlying half year financial results included:

- Total revenue was \$58.6 million for the half year, a 1.7% increase (1H20: \$57.6 million). Total revenue comprised:
 - Service Charges revenue of \$46.6 million, which represented a 4.0% increase (1H20: \$44.8 million);
 - Associate Charges (before recoverable expenses) revenue of \$12.0 million, which represented a 6.3% decrease (1H20: \$12.8 million). Recoverable expenses, mainly related to Associate Charges, were \$11.3 million (1H20: \$12.1 million).

¹ Innovation patents are excluded from this analysis, given recent market factors that have stimulated unusual activity in this area, including that innovation patents are being phased out in August 2021; their longevity; generally lower enforceability arrangements and the fact that the fees associated with innovation patents are usually materially less than standard patents. Inclusive of innovation patent applications, the overall increase in total Australian patent applications was 11.1% compared to pcp.

DIRECTORS' REPORT

for the Half Year ended 31 December 2020

Total net revenue (total revenue and other income, excluding FX, less recoverable expenses) was \$48.3 million, a 3.6% increase (1H20: \$46.6 million).

The main features of Service Charges revenue included:

- 3.2% higher patents revenue of \$31.9 million (1H20: \$30.9 million);
- 3.9% higher trade mark revenue of \$7.9 million (1H20: \$7.6 million); and
- 7.9% higher legal and litigation revenue of \$6.8 million (1H20: \$6.3 million).

Other Income was \$1.0 million (1H20: \$1.1 million), while a loss on foreign exchange of \$1.0 million was recorded (1H20: gain of \$0.2 million).

Underlying operating expenses for the half year were \$33.8 million (1H20: \$33.0 million). The main factors contributing to the increase in operating expenses included higher corporate costs (\$0.7 million), increased provisions for employee leave (\$0.8 million) and the addition of the Cotters business (\$0.9 million), offset by reduced travel and marketing spend (\$1.4 million).

The number of employees in the group as at 31 December 2020 was 352 (31 December 2019: 335 employees).

Total Expenses (inclusive of operating expenses and recoverable expenses from Associate Charges) were \$45.1 million (1H20: \$45.1 million).

Underlying EBITDA before FX increased by 6.6% to \$14.5 million (1H20: \$13.6 million).

EBITDA, after an FX loss for the half of \$1.0 million (1H20: gain of \$0.2 million), was \$13.5 million (1H20: \$13.8 million)

Underlying EBITDA margin for the half year was 29.0% (on Service Charges revenue) compared to 30.8% in 1H20.

Statutory net profit before tax was \$8.4 million (1H20: \$7.1 million).

Statutory net profit after tax was \$6.0 million (1H20: \$4.4 million).

Underlying net profit after tax was \$6.5 million (1H20: \$6.6 million). Refer table on page 6 for a reconciliation from statutory to underlying net profit.

Operating cash flow increased by 61% to \$9.2 million (1H20: \$5.7 million), and capital expenditure mainly associated with the Group's transformation activities, particularly technology modernisation, was \$1.2 million (1H20: \$0.4 million).

Net debt as at 31 December 2020 was \$17.2 million, an increase of \$2.1 million from the balance at 31 December 2019 of \$15.1 million. Net debt at 30 June 2020 was \$17.4 million. Gearing (net debt/net debt + equity) at 31 December 2020 was 18.9%, compared with 18.0% at 31 December 2019. Gearing at 30 June 2020 was 19.6%. At 31 December 2020, cash and equivalents of \$6.9 million were held on the balance sheet as banking facilities were finalised (31 December 2019: \$3 million).

DIRECTORS' REPORT

for the Half Year ended 31 December 2020

	Half Year ended	
	31-Dec-20	31-Dec-19
	\$'000	\$'000
Statutory NPAT	5,984	4,388
add: interest	745	870
add: depreciation and amortisation	3,721	3,379
add: tax	2,397	2,733
EBITDA – QANTM Group	12,847	11,370
add: remuneration related to business acquisition	-	1,209
add: new business establishment costs	-	299
add: retention payments	323	288
add: one-off transformation costs	260	-
add: business acquisition costs	130	681
Underlying EBITDA – QANTM Group	13,560	13,847
less: depreciation and amortisation	(3,721)	(3,379)
less: interest	(745)	(870)
less: tax	(2,572)	(2,959)
Underlying NPAT - QANTM Group	6,522	6,639

DIVIDENDS

For the Half Year ended 31 December 2020, the directors resolved to approve a fully franked interim dividend of 4.0 cents per share (2020 interim dividend of 3.3 cents per share, fully franked), to be paid on 31 March 2021 to all eligible shareholders on the Company's share register as at the record date of 4 March 2021. The dividend represents 82% of NPAT before amortisation (NPATA).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under 307C of the Corporations Act 2001 is included on page 8 of the half year financial report.

ROUNDING OFF OF AMOUNTS

QANTM Intellectual Property Limited is a company of the kind referred to in ASIC Corporations (Rounding in the Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the accompanying half year financial report have been rounded to the nearest thousand dollars, except where otherwise indicated.

DIRECTORS' REPORT

for the Half Year ended 31 December 2020

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Board of Directors,

A handwritten signature in blue ink that reads "Richard England".

Richard England

Chairman

Melbourne

25 February 2021

25 February 2021

The Board of Directors
QANTM Intellectual Property Limited
Level 15, Nicholson Street
Melbourne Victoria 3000

Dear Board Members,

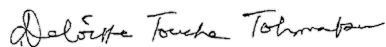
QANTM Intellectual Property Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of QANTM Intellectual Property Limited.

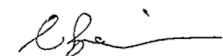
As lead audit partner for the review of the financial statements of QANTM Intellectual Property Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants

Independent Auditor's Review Report to the members of QANTM Intellectual Property Limited

Conclusion

We have reviewed the half-year financial report of QANTM Intellectual Property Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half year ended 31 December 2020, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on page 18.

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

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

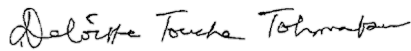
Directors' Responsibilities for the Half-year Financial Report

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

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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


DELOITTE TOUCHE TOHMATSU


Chris Biermann

Partner

Chartered Accountants

Melbourne, 25 February 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Half Year ended 31 December 2020

	Note	Half Year ended	
		31-Dec-20 \$'000	31-Dec-19 \$'000
Service charges		46,596	44,770
Associate charges		11,954	12,799
Total revenue	4	58,550	57,569
Other Income		986	1,306
Employee benefits expenses			
- ordinary		(28,464)	(26,626)
- related to business acquisition		-	(1,209)
Recoverable expenses		(11,311)	(12,099)
Occupancy expenses		(1,043)	(1,093)
Business acquisition expenses		(130)	(681)
Technology expenses		(2,217)	(1,734)
Other expenses		(3,524)	(4,063)
Earnings before finance costs, income tax, depreciation and amortisation		12,847	11,370
Depreciation and amortisation		(3,721)	(3,379)
Profit before finance costs and income tax		9,126	7,991
Net finance costs		(745)	(870)
Profit before income tax		8,381	7,121
Income tax expense		(2,397)	(2,733)
Net profit for the period		5,984	4,388
Other comprehensive income, net of income tax			
Exchange differences on translating foreign operations		21	-
Total comprehensive income for the period		6,005	4,388
Net profit attributable to:			
Members of the parent entity		5,957	4,388
Non-controlling interests		27	-
		5,984	4,388
Total comprehensive income attributable to:			
Members of the parent entity		5,978	4,388
Non-controlling interests		27	-
		6,005	4,388
Earnings per share		cents per share	cents per share
Basic (cents per share)		4.37	3.30
Diluted (cents per share)		4.36	3.30

The accompanying notes on pages 15 to 17 form part of this half year financial report

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Note	31-Dec-20 \$'000	30-Jun-20 \$'000
CURRENT ASSETS			
Cash and cash equivalents		6,861	6,163
Trade and other receivables		34,769	33,724
Other assets		3,004	1,717
Current tax asset		344	-
TOTAL CURRENT ASSETS		44,978	41,604
NON-CURRENT ASSETS			
Property, plant and equipment		2,411	2,404
Right-of-use asset		15,552	15,772
Intangible assets		75,654	75,666
TOTAL NON-CURRENT ASSETS		93,617	93,842
TOTAL ASSETS		138,595	135,446
CURRENT LIABILITIES			
Trade and other payables		10,140	11,217
Provisions		8,199	6,510
Borrowings	5	974	2,447
Lease liability		4,377	4,306
Other financial liabilities		590	690
Current tax liabilities		-	990
TOTAL CURRENT LIABILITIES		24,280	26,160
NON-CURRENT LIABILITIES			
Provisions		154	289
Borrowings	5	23,050	21,121
Lease liability		13,347	13,634
Other financial liability		575	575
Deferred tax liability		3,480	2,473
TOTAL NON-CURRENT LIABILITIES		40,606	38,092
TOTAL LIABILITIES		64,886	64,252
NET ASSETS		73,709	71,194
EQUITY			
Issued capital		296,923	295,510
Reserves		(222,057)	(222,278)
Non-controlling interest		(159)	(186)
Accumulated losses		(998)	(1,852)
TOTAL EQUITY		73,709	71,194

The accompanying notes on pages 15 to 17 form part of this half year financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Half Year ended 31 December 2020

	Issued Capital	Reorg. Reserve	Acquisition Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Non – Controlling Interest	Accum. Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2019	294,075	(222,856)	-	-	-	-	(638)	70,581
Profit for the period	-	-	-	-	-	-	4,388	4,388
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	4,388	4,388
Employee share schemes	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(6,386)	(6,386)
Closing balance at 31 December 2019	294,075	(222,856)	-	-	-	-	(2,636)	68,583

	Issued Capital	Reorg. Reserve	Acquisition Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Non – Controlling Interest	Acc. Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2020	295,510	(222,856)	655	26	(103)	(186)	(1,852)	71,194
Profit for the period	-	-	-	-	-	27	5,957	5,984
Other comprehensive income for the period	-	-	-	-	21	-	-	21
Total comprehensive income for the period	-	-	-	-	21	27	5,957	6,005
Shares issued during the year	1,413	-	-	-	-	-	-	1,413
Share based payment	-	-	-	200	-	-	-	200
Dividends paid	-	-	-	-	-	-	(5,103)	(5,103)
Closing balance at 31 December 2020	296,923	(222,856)	655	226	(82)	(159)	(998)	73,709

The accompanying notes on pages 15 to 17 form part of this half year financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the Half Year ended 31 December 2020

	Half Year ended	
	31-Dec-20	31-Dec-19
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	61,013	63,084
Payment to suppliers and employees	(48,666)	(53,204)
Interest and costs of finance paid	(420)	(870)
Income tax paid	(2,741)	(3,282)
Net cash provided by operating activities	9,186	5,728
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(726)	(393)
Payments for intangible assets	(486)	(11)
Business acquisition related costs	(130)	(681)
Net cash used in investing activities	(1,342)	(1,085)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liability	(2,504)	(2,372)
Proceeds from bank borrowings	3,000	6,923
Repayment of bank borrowings	(2,544)	(1,000)
Dividends paid	(5,103)	(6,386)
Net cash used in finance activities	(7,151)	(2,835)
Net increase in cash and cash equivalents	693	1,808
Cash and cash equivalents at the beginning of the period	6,163	1,181
Effects of exchange rate changes on the balance of cash held in foreign currencies	5	7
Cash and cash equivalents at the end of the period	6,861	2,996

The accompanying notes on pages 15 to 17 form part of this half year financial report

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the Half Year ended 31 December 2020

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These general purpose interim financial statements for the Half Year reporting period ended 31 December 2020 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

The interim financial report have been prepared on an accruals and historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. The financial statements are presented in Australian dollars, rounded off to the nearest thousand dollars, unless otherwise indicated.

(b) Accounting Policies

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

In addition to those policies, a new policy has been included "Transformation program intangible asset" due to the commencement of the Group's transformation program:

Transformation program intangible asset

Intangible assets capitalised as part of the Transformation Program can include, but are not limited to, computer software, computer software development and licences. There are four stages of computer software development: the Transformation Business Case, the application development stage, the change management stage and the post implementation stage.

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the entity is able to use the asset; the entity has sufficient resources and intent to complete the development; and its costs can be measured reliably.

Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using straight-line method to allocate the cost of the intangible assets over the estimated useful lives. Amortisation commences when the intangible asset is available for use. Other development expenditure is recognised as an expense when incurred.

(c) Critical Accounting Estimates and Judgements

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2020.

NOTE 2: DIVIDENDS

On 25 February 2021, the directors approved a fully franked interim dividend of 4.0 cents per share in respect of the half-year ended 31 December 2020, to be paid on 31 March 2021 to all eligible shareholders on the Company's share register as at the record date of 4 March 2021. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$5.4 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the Half Year ended 31 December 2020

NOTE 3: SEGMENT INFORMATION

(d) Basis for segmentation

AASB 8 requires operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group operates in two geographic locations, which are its reportable segments. The Group has identified its operating segments based on geographical locations being Australia and Asia.

Half Year ended	AUSTRALIA		ASIA		TOTAL	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Service charges	43,970	41,539	2,626	3,231	46,596	44,770
Associate charges	11,099	12,021	855	778	11,954	12,799
Total Revenue	55,069	53,560	3,481	4,009	58,550	57,569
Other Income	894	1,248	92	58	986	1,306
Less Recoverable Expenses	(10,481)	(11,279)	(830)	(820)	(11,311)	(12,099)
Net Revenue	45,482	43,529	2,743	3,247	48,225	46,776
Less Overheads	(32,550)	(30,500)	(2,115)	(2,429)	(34,665)	(32,929)
Earnings Before Interest, Tax, Depreciation and Amortisation	12,932	13,029	628	818	13,560	13,847
Depreciation	(473)	(420)	(85)	(79)	(558)	(499)
Amortisation	(2,776)	(2,472)	(387)	(408)	(3,163)	(2,880)
Segment profit before finance costs and income tax	9,683	10,137	156	331	9,839	10,468
Adjustments to reconcile to statutory profit						
Unallocated expenses					(713)	(2,477)
Statutory profit before finance costs and income tax					9,126	7,991
Finance costs					(745)	(870)
Profit for the period before income tax					8,381	7,121

(e) Major customers

No single customer contributed 10% or more of the Group's revenue during either the Half Year ended 31 December 2020 or 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the Half Year ended 31 December 2020

NOTE 4: DISAGGREGATED REVENUE

Disaggregated revenue

The Group has disaggregated revenue into various categories in the following table. The revenue is disaggregated by geographical market, service lines and timing of revenue recognition. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 (see Note 3).

	Half Year ended	
	31-Dec-20 \$'000	31-Dec-19 \$'000
Geographical markets		
Australia	55,069	53,560
Asia	3,481	4,009
	58,550	57,569
Service Lines		
Service Charges	46,596	44,770
Associate Charges	11,954	12,799
	58,550	57,569
Timing of revenue recognition		
At a point in time	32,241	32,560
Over time	26,309	25,009
	58,550	57,569

NOTE 5: BORROWINGS

During the half year the Group entered into a new banking facility agreement comprising a \$20 million revolving facility, a \$35 million acquisition facility and a \$5 million overdraft facility, all for a 3 year term.

NOTE 6: CONTINGENT LIABILITIES

	31-Dec-20 \$'000	30-Jun-20 \$'000
Estimates of material amounts of contingent liabilities, not provided for in the financial report:		
Bank guarantees in respect of property leases	2,201	2,494
Temporary guarantee for bank transition	2,209	-
	4,410	2,494

NOTE 7: EVENTS SUBSEQUENT TO BALANCE DATE

Other than the dividend that the directors have resolved to pay as outlined in Note 2, no matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

DIRECTORS' DECLARATION

for the Half Year ended 31 December 2020

The directors declare that:

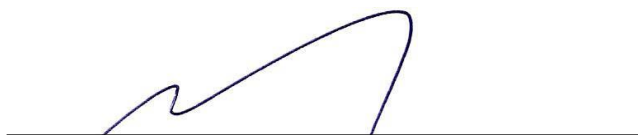
- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached condensed financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



Richard England, Director and Chairman



Sonia Petering, Director