

Appendix 4D

Half Year Report for the period ended 31 December 2019

Results for announcement to the market

| | Dec 2019 | Dec 2018 | Change | Change |
|---|----------|----------|---------|--------|
| | \$'000 | \$'000 | \$'000 | % |
| Revenue | 104,951 | 100,978 | 3,973 | 4% |
| Statutory net profit after tax for the period attributable to owners of the Company | 3,514 | 5,530 | (2,016) | -36% |

| | Amount per share (cents) | Franked amount per share (cents) | Total dividend \$'000 | Payment date |
|-----------------------|--------------------------|----------------------------------|-----------------------|-----------------|
| 2020 interim dividend | 4.0 | 4.0 | 4,817 | 30 April 2020 |
| 2019 final dividend | 4.0 | 4.0 | 4,817 | 31 October 2019 |
| 2019 interim dividend | 4.0 | 4.0 | 4,817 | 30 April 2019 |
| 2018 final dividend | 4.0 | 4.0 | 4,817 | 31 October 2018 |

Record date for determining entitlements to the dividend 30 March 2020

Date the interim dividend is payable 30 April 2020

| | Dec 2019 | Dec 2018 |
|----------------------------------|----------|----------|
| | \$ | \$ |
| Net tangible assets per security | 0.80 | 0.83 |

Control gained over entities

On 2 July 2019 A2B Australia Limited acquired the business operations and various assets of Gold Coast Cabs ("GCC"). The assets of GCC include 33.3% shares in Tweed Heads Coolangatta Taxi Service Pty Ltd ("THCT"). The Group owned 22.2% share in THCT prior to this acquisition.

The Consolidated Statement of Comprehensive Income includes revenue of \$3,652,000 and a net profit of \$326,000 as a result of the acquisition of GCC and THCT.

Commentary on the results

Please refer to the 'Review of operations' in the Directors' Report accompanying the attached half yearly Report for the six months ended 31 December 2019.

This information should be read in conjunction with the consolidated financial statements of A2B Australia Limited for the year ended 30 June 2019. This report should also be read in conjunction with any public announcements made by A2B Australia Limited in accordance with the continuous disclosure requirements arising under the Corporation Act 2001 and ASX Listing Rules.



Ton van Hoof
Chief Financial Officer
26 February 2020



Consolidated Half Year Financial Statements

31 December 2019

A2B is an Australian ASX listed company with a leading position in personal transport. A2B's dispatch technology is deployed globally and our expertise in payments is embraced by retailers and the taxi industry throughout Australia. A2B is home to brands including 13cabs, Cabcharge, EFT Solutions, and Mobile Technologies International. In support of Professional Drivers and their Passengers we provide class leading and cutting edge technology to 96% of Australia's 22,000 taxis as well as to taxis in 50 cities throughout North America, Europe and New Zealand. Our 13cabs taxi network is the largest in Australia directly supporting 10,000 vehicles and 40,000 Drivers. We believe in the importance of accessible, dependable and equitable transport in the community and are building the team, technology and brands to support its delivery.

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Directors' Report

The Directors of A2B Australia Limited (the "Company" or "A2B") present their half year report on the Company and its controlled entities (together referred to as the "Group") for the half year ended 31 December 2019.

Directors

The directors of A2B in office at any time during or since the end of the half year are as follows:

- Paul Oneile (Chairman)
- Andrew Skelton (Chief Executive Officer and Managing Director)
- Louise McCann
- Richard Millen
- Clifford Rosenberg

Directors have been in office since the start of the period to the date of this report unless otherwise stated.

Review of operations

| | Dec 2019 | Dec 2018 | Change % |
|--|----------|----------|-------------|
| Revenue from operations (\$m) | 105.0 | 101.0 | 4% |
| Profit after tax from operations (\$m) | 3.6 | 5.5 | -35% |
| Profit after tax attributable to owners of the Company (\$m) | 3.5 | 5.5 | -36% |
| Earnings per share from operations (cents) | 3.0 | 4.6 | -36% |
| Earnings per share attributable to owners of the Company (cents) | 2.9 | 4.6 | -37% |

Overview

For the six months ended 31 December 2019 (1H20) A2B recorded revenue growth of 4% totalling to \$105 million (1H19 \$101 million) and recorded a statutory net profit after tax of \$3.6 million (1H19 \$5.5 million).

During 1H20 affiliated fleet grew by 2.2% to 9,757 vehicles and total fares processed were down 3.2% ending at \$505 million.

A2B continued to expand its national footprint through the acquisition of the business operations of Gold Coast Cabs, Bureau contracts and by establishing a presence in Western Australia through the launch of our CHAMP Network in Perth.

Unless otherwise stated half year results in this review of operations are underlying results and include the impact of AASB 16 Leases and excluding significant items. Underlying profit is a non-statutory measure for the purpose of assessing the performance of the Group.

Impact of AASB 16 Leases

For the first time A2B is reporting its results in accordance with AASB 16 Leases which has impacted the company's reported results. Comparative information has not been restated. The initial adoption of AASB 16 impacted the following items in the Consolidated Statement of Financial Position on 1 July 2019:

- Recognition of right-of-use assets: \$19.9 million
- Recognition of lease liabilities: \$19.9 million

Under AASB 16 operating lease expenses are no longer recognised and instead depreciation of the right-of-use assets and financing costs associated with lease liabilities are recognised in the Consolidated Statement of Comprehensive Income. The adoption of AASB 16 resulted in a favourable EBITDA impact of \$1.6 million and an unfavourable impact on Net Profit After Tax of \$0.3 million.

Impact of underlying items

1H20 underlying Profit Before Tax excludes \$1.5 million of significant items as follows:

- \$0.8 million restructure, integration and rebranding related costs
- \$0.3 million employee retention costs related to Mobile Technology International ("MTI")
- \$0.3 million once-off advisory costs in relation to regulatory review in Victoria
- \$0.1 million acquisition related costs

Financial results

1H20 revenue increased \$4 million or 4% to \$105 million (1H19 \$101 million), revenue growth was driven by acquisitions with MTI contributing \$4.8 million (1H19 \$1.2 million) and Gold Coast Cabs contributing \$3.6m. This was partially offset by \$1.9 million lower Network fees, \$0.8 million lower service fee income and \$0.8 million lower car sales revenue.

Network fees in 1H20 were impacted by a continued focus on raising quality and increased qualifying standards for our 13cabs and Silver Service fleets, resulting in a transition of inferior vehicles out of affiliated fleet. In addition pricing parity for 13cabs was implemented nationally resulting in a reduction in affiliation fees in Queensland.

Operating expenses increased \$5.9 million or 7.2% to \$88.7 million (1H19 \$82.8 million). On a like-for-like basis, excluding the impact of acquisitions and the adoption of AASB 16, total operating expenses increased \$1.7 million or 2.2%.

Volume cash expenses reduced \$1.1 million or 4.2% on a like-for-like basis and included \$1.1 million in additional cost relating to NSW tendered taxi plates. Cost reduction is primarily driven by lower processing fees paid to Taxi Networks and cost of goods sold associated with lower car sales revenue.

Non-volume cash expenses increased \$2.9 million or 5.3% on a like-for-like basis primarily relating to a \$1.4 million uplift in marketing expenses, \$0.7 million or 2.4% increase in employee expenses and \$0.3 million increase in communication costs.

EBITDA reduced \$2.1 million or 11.2% to \$16.3 million (1H19 \$18.4 million) primarily impacted by increased investments in service quality and marketing coupled with movements in Taxi licence pricing and restrictions on Wheelchair Accessible Taxis in NSW. The adoption of AASB 16 impacted EBITDA favourably by \$1.6 million.

Depreciation and amortisation charges ended at \$9.1 million up \$1.9 million or 26% primarily driven by the impact of AASB 16 (\$1.6 million). Excluding the impact of AASB 16 depreciation and amortisation charges increased \$0.3 million or 3.9%.

Net finance costs increased \$0.3 million to \$0.6 million as a result of the adoption of AASB 16. Excluding the impact of AASB 16 net finance costs ended in line with prior year.

Underlying net profit after tax was \$4.6 million (1H19 \$7.4 million). The decrease of \$2.8 million is largely driven by reduced margin on Taxi licence plates and increased marketing expense. Statutory net profit after tax of \$3.6 million was recorded in 1H20 (1H19 \$5.5 million).

In 1H20 A2B generated cash flow from operations of \$7.7 million and incurred capital expenditure of \$11.6 million. In addition A2B paid \$4.8 million in fully franked dividends to shareholders and acquired Gold Coast Cabs for \$2.5 million. As at 31 December 2019 A2B was in a net cash position of \$5.9 million and had access to an undrawn bank facility of \$50 million.

Events subsequent to balance date

Dividend

The directors have declared an interim dividend of 4 cents per share (fully franked) which is scheduled to be paid on 30 April 2020. The record date to determine entitlement to interim dividend is 30 March 2020.

Acquisition of Corporate Cabs Pty Ltd' business

During the period the Group entered into an agreement to purchase the business of Corporate Cabs Pty Ltd, for a consideration of \$900,000. The agreement was completed on 15 January 2020 following satisfaction of the conditions precedent.

Other than the matter above, no matters or circumstances have arisen since 31 December 2019 that has significantly affected or may significantly affect the Group's operations in future financial periods, or the results of those operations in future financial periods, or the Group's state of affairs in future financial periods.

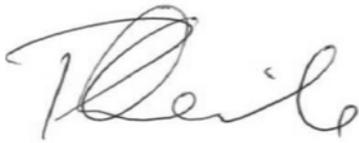
Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' Report for the half year ended 31 December 2019.

Rounding

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports) and in accordance with that Instrument, amounts in the consolidated financial statements and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the board of directors.



Paul Oneile
Chairman
26 February 2020



Andrew Skelton
Managing Director
26 February 2020



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

To the Directors of A2B Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review of A2B Australia Limited for the half-year ended 31 December 2019 there have been:

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

KPMG

KPMG

Cameron Slapp
Partner

Sydney

26 February 2020

Consolidated statement of comprehensive income

For the half year ended 31 December 2019

| | Notes | Dec 2019 \$'000 | Dec 2018 \$'000 |
|--|-------|--------------------|--------------------|
| Revenue | 2 | 104,951 | 100,978 |
| Other income | 2 | 85 | 204 |
| Processing fees to Taxi Networks | | (3,837) | (4,189) |
| Brokered Taxi plate licence costs | | (11,977) | (11,628) |
| Other Taxi related costs | | (2,739) | (4,674) |
| Taxi operating expenses | | (4,502) | (3,084) |
| Courier service expenses | | (1,535) | (1,469) |
| Employee benefits expenses | | (34,489) | (32,921) |
| Cost of cars and hardware sold | | (3,051) | (3,072) |
| General and administrative expenses | | (23,775) | (19,684) |
| Depreciation | | (7,307) | (5,596) |
| Amortisation | | (1,793) | (1,625) |
| Other expenses | | (4,324) | (4,736) |
| Results from operating activities | | 5,707 | 8,504 |
| Finance income | | 25 | 115 |
| Finance costs | | (638) | (457) |
| Net finance costs | | (613) | (342) |
| Profit before income tax | | 5,094 | 8,162 |
| Income tax expense | 3 | (1,540) | (2,632) |
| Profit for the period | | 3,554 | 5,530 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Foreign exchange translation differences, net of tax | | (30) | (83) |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Net change in fair value of financial assets | | 170 | - |
| Other comprehensive income / (loss) for the period, net of income tax | | 140 | (83) |
| Total comprehensive income for the period | | 3,694 | 5,447 |
| Attributable to: | | | |
| Owners of the Company | | 3,514 | 5,530 |
| Non-controlling interest | | 40 | - |
| Total profit for the period | | 3,554 | 5,530 |
| Owners of the Company | | 3,654 | 5,447 |
| Non-controlling interest | | 40 | - |
| Total comprehensive income for the period | | 3,694 | 5,447 |
| Earnings per share | | | |
| Total attributable to owners of the Company: | | | |
| Basic earnings per share | | 2.9 cents | 4.6 cents |
| Diluted earnings per share | | 2.9 cents | 4.6 cents |

The accompanying notes form an integral part of these consolidated half yearly financial statements.

Consolidated statement of financial position

As at 31 December 2019

| | Notes | Dec 2019 \$'000 | Jun 2019 \$'000 |
|---|-------|--------------------|--------------------|
| Current assets | | | |
| Cash and cash equivalents | | 8,433 | 19,172 |
| Trade and other receivables | | 76,587 | 72,559 |
| Inventories | | 4,395 | 3,401 |
| Prepayments | | 6,224 | 5,324 |
| Total current assets | | 95,639 | 100,456 |
| Non-current assets | | | |
| Trade and other receivables | | 5,026 | 4,880 |
| Financial assets | | 2,014 | 2,186 |
| Property, plant and equipment | | 42,375 | 38,923 |
| Right-of-use assets | | 17,958 | - |
| Net deferred tax assets | | 4,329 | 4,111 |
| Taxi plate licences | 5 | 17,881 | 17,459 |
| Goodwill | 5 | 27,047 | 25,708 |
| Intellectual property | 5 | 22,703 | 21,185 |
| Total non-current assets | | 139,333 | 114,452 |
| Total assets | | 234,972 | 214,908 |
| Current liabilities | | | |
| Contract liabilities, trade and other payables | | 41,014 | 37,913 |
| Loans and borrowings | | 2,573 | 2,701 |
| Lease liabilities | | 2,261 | - |
| Current tax liabilities | | 254 | 1,120 |
| Provisions | | 8,044 | 7,527 |
| Total current liabilities | | 54,146 | 49,261 |
| Non-current liabilities | | | |
| Lease liabilities | | 15,951 | - |
| Provisions | | 1,269 | 1,561 |
| Total non-current liabilities | | 17,220 | 1,561 |
| Total liabilities | | 71,366 | 50,822 |
| Net assets | | 163,606 | 164,086 |
| Equity | | | |
| Share capital | | 138,325 | 138,325 |
| Reserves | | - | 71 |
| Retained earnings | | 24,421 | 25,513 |
| Total equity attributable to equity holders of the Company | | 162,746 | 163,909 |
| Non-controlling interest | | 860 | 177 |
| Total equity | | 163,606 | 164,086 |

The accompanying notes form an integral part of these consolidated half yearly financial statements.

Consolidated statement of cash flows

For the half year ended 31 December 2019

| | Notes | Dec 2019 \$'000 | Dec 2018 \$'000 |
|--|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Receipts from customers and others | | 617,652 | 632,449 |
| Payments to suppliers, licensees and employees | | (607,282) | (618,864) |
| Dividends received | | 205 | 76 |
| Interest received | | 25 | 115 |
| Finance costs paid | | (430) | (486) |
| Income tax paid | | (2,458) | (768) |
| Net cash provided by operating activities | | 7,712 | 12,522 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (8,343) | (5,146) |
| Payments for development of intellectual property | | (3,227) | (2,777) |
| Acquisition of business assets, net of cash acquired | | (2,527) | (4,253) |
| Proceeds from sale of property, plant and equipment | | 711 | 694 |
| Net cash (used in) investing activities | | (13,386) | (11,482) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 164 | 158 |
| Repayment of borrowings | | (382) | (510) |
| Dividends paid to equity holders | | (4,817) | (4,817) |
| Dividends paid to non-controlling interest in subsidiaries | | (40) | - |
| Net cash (used in) financing activities | | (5,075) | (5,169) |
| Net (decrease) in cash and cash equivalents | | (10,749) | (4,129) |
| Cash and cash equivalents at 1 July | | 19,172 | 22,253 |
| Effect of movements in exchange rate on cash held | | 10 | - |
| Cash and cash equivalents at 31 December | | 8,433 | 18,124 |

The accompanying notes form an integral part of these consolidated half yearly financial statements.

Consolidated statement of changes in equity

For the half year ended 31 December 2019

| | Notes | Share capital \$'000 | Reserves \$'000 | Retained earnings \$'000 | Non-controlling interest \$'000 | Total equity \$'000 |
|--|-------|-------------------------|--------------------|--------------------------------|---------------------------------------|------------------------|
| Balance at 1 July 2019 | | 138,325 | 71 | 25,513 | 177 | 164,086 |
| Total comprehensive income for the period | | | | | | |
| Profit for the year | | - | - | 3,514 | 40 | 3,554 |
| Other comprehensive income | | - | 140 | - | - | 140 |
| Transfer of reserves | | - | (211) | 211 | - | - |
| Total comprehensive income for the period | | - | (71) | 3,725 | 40 | 3,694 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Dividends to equity holders | 6 | - | - | (4,817) | - | (4,817) |
| Dividends to non-controlling interest in subsidiaries | | - | - | - | (40) | (40) |
| | | - | - | (4,817) | (40) | (4,857) |
| Change in ownership interest: | | | | | | |
| Acquisition of subsidiary with NCI | | - | - | - | 683 | 683 |
| Balance at 31 December 2019 | | 138,325 | - | 24,421 | 860 | 163,606 |
| Balance at 30 June 2018 | | 138,325 | 348 | 23,522 | - | 162,195 |
| Effects of transition to AASB 9, net of tax | | - | - | (197) | - | (197) |
| Balance at 1 July 2018 after the transition to AASB 9 | | 138,325 | 348 | 23,325 | - | 161,998 |
| Total comprehensive income for the period | | | | | | |
| Profit for the year | | - | - | 5,530 | - | 5,530 |
| Other comprehensive income | | - | (83) | - | - | (83) |
| Total comprehensive income for the period | | - | (83) | 5,530 | - | 5,447 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Dividends to equity holders | 6 | - | - | (4,817) | - | (4,817) |
| | | - | - | (4,817) | - | (4,817) |
| Change in ownership interest: | | | | | | |
| Acquisition of subsidiary with NCI | | - | - | - | 116 | 116 |
| Balance at 31 December 2018 | | 138,325 | 265 | 24,038 | 116 | 162,744 |

The accompanying notes form an integral part of these consolidated half yearly financial statements.

Notes to the consolidated half yearly financial statements

For the half year ended 31 December 2019

1. Basis of preparation of the consolidated half yearly financial statements

a) Reporting entity

A2B Australia Limited (the "Company") is a for-profit company domiciled in Australia. The Consolidated Half Yearly Financial Statements of the Company as at and for the six months ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

b) Statement of compliance

The consolidated half yearly financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The consolidated half yearly financial statements do not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2019.

These consolidated half yearly financial statements were authorised for issue by the board of directors on 26 February 2020.

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports) and in accordance with that Instrument, amounts in the consolidated interim financial statements and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

c) Significant accounting policies

The accounting policies applied by the Group in these consolidated half yearly financial statements are the same as those applied by the Group in its consolidated financial report as at and for year ended 30 June 2019 except for those as described below.

New standards adopted by the Group

The Group adopted AASB 16 Leases from 1 July 2019. The impact of this standard is described below:

AASB 16 Leases

AASB 16 removes the classification of leases as either operating leases or finance leases, resulting in almost all leases being recognised on the balance sheet. Under the new standard an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. It replaces AASB 117 Leases.

The Group has adopted this standard using the modified retrospective approach, whereby the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. Previously, the Group classified property leases as operating leases under AASB 117. On transition, lease liabilities are measured at the present value of the remaining lease payments, using the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liabilities.

The Group has elected to use the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Impact on the Consolidated Financial Statements

The Group has not adjusted comparative information and the Consolidated Financial Statements on initial application of the standard has been adjusted as follows:

| \$'000 | At 30 June 2019 (previously reported) | Effect on transition to AASB 16 | At 1 July 2019 |
|--------------------------------|--|------------------------------------|--------------------------------------|
| | | | (after the transition to AASB 16) |
| Non-current assets | | | |
| Right-of-use asset | - | 19,872 | 19,872 |
| Current liabilities | | | |
| Lease liabilities | - | (2,308) | (2,308) |
| Non-current liabilities | | | |
| Lease liabilities | - | (17,564) | (17,564) |

During the period the Group recognised \$1,560,000 of depreciation charges and \$313,000 of interest costs from these leases, instead of operating lease expenses.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

d) Estimates

The preparation of consolidated half yearly financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these consolidated half yearly financial statements, the judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated annual financial report as at and for the year ended 30 June 2019.

2. Revenue and income

The disaggregation of the Group's revenue from contracts with customers are as follows:

| | Dec 2019 | Dec 2018 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Revenue from contracts with customers | | |
| Taxi service fee income | 21,590 | 22,315 |
| Network subscription fee income | 38,817 | 39,035 |
| Brokered Taxi plate licence income | 12,613 | 12,622 |
| Owned Taxi plate licence income | 1,956 | 1,700 |
| Other Taxi related services income | 2,747 | 3,743 |
| Taxi operating income | 6,841 | 5,277 |
| Courier service income | 2,284 | 2,198 |
| Insurance commission revenue | 636 | 700 |
| Hardware sales | 653 | 147 |
| Car sales income | 2,458 | 3,213 |
| School bus route services income | 2,956 | 2,271 |
| Taxi Subsidy Scheme Revenue | 960 | 1,059 |
| Software consulting and licence income | 4,189 | 851 |
| Other | 3,378 | 3,553 |
| Total revenue from contracts with customers | 102,079 | 98,684 |
| Other revenue | | |
| Interest on finance lease receivables and others | 662 | 496 |
| Taxi equipment and terminal rental income | 2,210 | 1,798 |
| Total other revenue | 2,872 | 2,294 |
| Total revenue | 104,951 | 100,978 |

| | Dec 2019 | Dec 2018 |
|---|-----------|------------|
| | \$'000 | \$'000 |
| Non-operating activities | | |
| Gain on disposal of property, plant and equipment | 85 | 204 |
| Total other income | 85 | 204 |

Total turnover

Total turnover does not represent revenue in accordance with Australian Accounting Standards. Total turnover represents the value of Taxi hire charges (fares) paid through the Cabcharge Payment System plus the Cabcharge Payments Taxi service fee plus the Group's revenue from other sources. The Group's credit risk is based on turnover rather than revenue.

| | Dec 2019 | Dec 2018 |
|-----------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Total turnover | 609,550 | 621,950 |

3. Tax expense

Tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim reporting period.

| | Dec 2019 | Dec 2018 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Numerical reconciliation between tax expense and pre-tax profit | | |
| Profit before tax from continuing operations | 5,094 | 8,162 |
| Prima-facie income tax using the corporate tax rate of 30% (Dec 2018: 30%) | 1,528 | 2,449 |
| Effect of tax rates in foreign jurisdiction | (69) | - |
| <i>Add tax effect of:</i> | | |
| Non-deductible depreciation | 50 | 58 |
| Other non-deductible items | 191 | 109 |
| <i>Less tax effect of:</i> | | |
| Rebatable fully franked dividends | (47) | (27) |
| Utilisation of previously unbooked tax losses | (153) | - |
| Adjustment for prior years | 40 | 43 |
| Income tax expense | 1,540 | 2,632 |

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2019 presents as 30.2% (for the six-months ended 31 December 2018: 32.2%).

4. Business combination

Gold Coast Cabs

On 2 July 2019 the Group acquired the business operations and various assets of Gold Coast Cabs ("GCC") for a purchase consideration of \$2.4 million. GCC is the Taxi network and operations business of Regent Taxis Ltd and has been trading for over 80 years on the Gold Coast providing transport services from Coolangatta to Omeau. The assets of GCC include a 33.3% share in Tweed Heads Coolangatta Taxi Service Pty Ltd ("THCT").

The Group owned a 22.2% share in THCT prior to this acquisition. In accordance with AASB 10, the Group assessed that it had control of THCT on 2 July 2019. The results of the acquired business have been consolidated in the Group results from 2 July 2019.

The Group incurred acquisition related costs of \$145,000 included in general administrative expenses.

Goodwill of \$1.3 million is attributable to the knowledge and expertise of the workforce, the location of the business acquired and the synergies expected to be achieved. None of the goodwill recognised is expected to be deductible for tax purposes. Acquisition accounting for business combinations carried out during the current period has been determined provisionally to allow the Group sufficient time to form a view as to the value of any separately identifiable net assets acquired.

The provisional fair value of the identifiable net assets and liabilities acquired as at the date of acquisition were as follows:

| | 2 July 2019 |
|---|----------------|
| | \$'000 |
| Cash and cash equivalent | 35 |
| Trade and other receivables | 689 |
| Inventory | 39 |
| Other current assets | 113 |
| Property, plant and equipment | 1,590 |
| Right-of-use assets | 231 |
| Taxi plates | 492 |
| Intellectual property | 14 |
| Trade and other payables | (420) |
| Bank borrowings | (90) |
| Lease liabilities | (231) |
| Current tax liabilities | (8) |
| Employee entitlements | (353) |
| Fair value of identifiable net assets acquired | 2,101 |
| Non-controlling interest | (683) |
| Fair value of previously held equity interest | (341) |
| Consideration paid, satisfied in cash | (2,416) |
| Goodwill (refer to Note 5) | 1,339 |

Impact of acquisition on the results of the Group

The Consolidated Statement of Comprehensive Income includes revenue of \$3,652,000 and a net profit after tax of \$326,000 as a result of the acquisition of GCC and THCT.

Mobile Technologies International Pty Ltd

On 9 November 2018 the Group purchased all of the issued shares in Mobile Technologies International Pty Ltd ("MTI") for a purchase consideration of \$6,600,000 inclusive of \$1,500,000 in deferred employee retention payments. MTI is a leading global provider of automotive dispatch and booking technologies. MTI has an established presence in North America, Europe, Australia and New Zealand, and is also the owner and operator of ManTax Taxis, the largest network of Black Cabs in Manchester, England.

The Group incurred acquisition related costs of \$401,000 included in general administrative expenses and \$600,000 in employee retention related cost recorded in employee benefits expenses.

The acquisition will fast track the creation of innovative dispatch and payment tools to deliver seamless outcomes for the personal transport industry. The acquisition provides an opportunity to expand A2B's customer reach and increases A2B's ability to compete with other fully integrated personal transport companies.

Goodwill of \$610,000 is attributable to the knowledge and expertise of the workforce and the locations of the business acquired. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of identifiable assets and liabilities acquired are as follows:

| | 9 Nov 18 |
|---|-----------------|
| | \$'000 |
| Cash and cash equivalents | 1,051 |
| Trade and other receivables | 2,140 |
| Inventory | 647 |
| Other current assets | 214 |
| Property, plant and equipment | 372 |
| Intellectual property | 2,780 |
| Deferred tax assets | 196 |
| Trade and other payables | (2,116) |
| Current tax liabilities | (89) |
| Employee entitlements | (749) |
| Fair value of identifiable net assets acquired | 4,446 |
| Consideration paid, satisfied in cash | (5,056) |
| Goodwill (refer to Note 5) | 610 |

5. Goodwill, taxi licence plates and intellectual property

Composition

| | Dec 2019 | Jun 2019 |
|---|-----------------|-----------------|
| | \$'000 | \$'000 |
| Goodwill | 27,047 | 25,708 |
| Accumulated Impairment loss | - | - |
| | 27,047 | 25,708 |
| Taxi licence plates | | |
| - Indefinite life | | |
| - Taxi licence plates - perpetual | 16,212 | 15,756 |
| - Finite life | | |
| - Taxi licence plates - 50 year renewable | 3,709 | 3,709 |
| - Accumulated amortisation | (2,077) | (2,006) |
| - Taxi licence plates - 10 year renewable | 3,356 | 3,319 |
| - Accumulated amortisation | (3,319) | (3,319) |
| | 17,881 | 17,459 |
| Intellectual Property | | |
| - Indefinite life | | |
| - Trademark | 1,392 | 1,392 |
| - Finite life | | |
| - Brands at cost | 759 | 759 |
| - Accumulated Amortisation | (752) | (584) |
| - Customer contracts at cost | 5,684 | 5,684 |
| - Accumulated Amortisation | (3,348) | (3,063) |
| - Software | 2,700 | 2,700 |
| - Accumulated Amortisation | (617) | (347) |
| - Capitalised development costs at cost | 42,006 | 38,765 |
| - Accumulated Amortisation | (25,121) | (24,121) |
| | 22,703 | 21,185 |

Impairment considerations

Taxi licence plates

After assessing the recoverable amount of Taxi plate licences based on value-in-use, using a discounted projected cash flow model, the Group determined that no impairment charge was required. To determine value-in-use, free cash flows have been projected for five years based on estimated Taxi plate licence income for the forthcoming year plus 0% annual growth (FY19: 0%) and a long term growth rates of 2.1% after 5 years (FY19: 2.1%). A pre-tax discount rate of 13.7% (FY19: 13.7%) was applied in determining recoverable amount. This long term growth rate reflects the general estimated long term Australian economic growth and the discount rate is based on comparable industry market assumptions for the risk free rate, the market risk premium, the cost of debt, the beta and an additional risk weighting for these assets. An increase of 100 basis points in pre-tax discount rate would result in an impairment of \$760,000 and a decrease of 100 basis points in the long term growth rate would result in an impairment of \$886,000.

6. Dividends paid

The following fully franked dividends were paid, franked at the tax rate of 30%.

| | Dec 2019 | Dec 2018 |
|-----------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| 2019 year final - 4.0 cents | 4,817 | - |
| 2018 year final - 4.0 cents | - | 4,817 |
| | 4,817 | 4,817 |

7. Events subsequent to balance date

Dividend

The directors have declared an interim dividend of 4 cents per share (fully franked) which is scheduled to be paid on 30 April 2020. The record date to determine entitlement to interim dividend is 30 March 2020.

Acquisition of Corporate Cabs Pty Ltd' business

During the period the Group entered into an agreement to purchase the business of Corporate Cabs Pty Ltd, for a consideration of \$900,000. The agreement was completed on 15 January 2020 following satisfaction of the conditions precedent.

Other than the matter above, no matters or circumstances have arisen since 31 December 2019 that has significantly affected or may significantly affect the Group's operations in future financial periods, or the results of those operations in future financial periods, or the Group's state of affairs in future financial periods.

8. Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group operates predominantly in one business and geographic segment being the provision of Taxi related services in Australia.

A subsidiary, MTI that was purchased by the Group on 9 November 2018, operates in other geographic segments including North America and Europe. MTI's overseas revenue of \$3,414,000 was included in the Group's Consolidated Statements of Comprehensive Income.

Directors' declaration

In accordance with a resolution of the directors of A2B Australia Limited (the "Company"), we state that in the opinion of the directors:

1. the consolidated half yearly financial statements and notes set out on pages 5 to 15 are in accordance with the Corporation Act 2001, including:
 - a. giving a true and fair view of the financial position of the Group as at 31 December 2019 and of its performance for the half year ended on that date; and
 - b. complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the board of directors



Paul Oneile
Chairman
26 February 2020



Andrew Skelton
Managing Director
26 February 2020



Independent Auditor's Review Report

To the shareholders of A2B Australia Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of A2B Australia Limited.

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 A2B Australia Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2019;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises of A2B Australia Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors 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*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility 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. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of A2B Australia Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Cameron Slapp
Partner

Sydney

26 February 2020