

APPENDIX 4D REPORT



MOQ LIMITED
AND ITS CONTROLLED ENTITIES
ABN: 94 050 240 330



Results for Announcement to the Market

Set out below are the statutory results for MOQ Ltd ("MOQ" or the "Company" or the "Group") and its controlled entities for the half year ended 31 December 2020.

	31 Dec 2020	31 Dec 2019	Movement %
Revenue from ordinary activities	35,673,312	32,701,575	9%
EBITDA	4,050,252	953,393	325%
Net profit / (loss) from ordinary activities after tax attributable to members	1,329,993	(770,242)	273%
Net profit / (loss) after tax attributable to members	1,329,993	(770,242)	273%
Interim dividend per share	n/a	n/a	-
Final dividend per share	n/a	n/a	-
Basic Earnings/(Loss) per share (cents per share)			
- Continuing operations	0.75	(0.45)	267%
- Discontinuing operations	-	-	-
Diluted Earnings/(Loss) per share (cents per share)			
- Continuing operations	0.75	(0.45)	267%
- Discontinuing operations	-	-	-
Net Tangible Asset Backing per share (cents per share)	0.55	(3.02)	118%

Dividend information

	Amount (cents per share)	Record Date	Payment Date
Interim dividend	n/a	n/a	n/a
Final dividend	n/a	n/a	n/a

The Group does not have a dividend reinvestment plan.

Additional information

Additional Appendix 4D disclosures can be found in the Notes accompanying the Statement of Profit or Loss and other comprehensive income and Statement of Financial Position.

This Appendix 4D is based on the 31 December 2020 financial report, which has been audit reviewed by Stantons International Audit and Consulting Pty Ltd (Stantons International).

Please refer to the Directors' Report contained in the Half Yearly Report for a commentary on trading over this period.

HALF YEAR REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2020



MOQ LIMITED
AND ITS CONTROLLED ENTITIES
ABN: 94 050 240 330



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CORPORATE DIRECTORY

Board of Directors

Mr David Shein	Non Executive Chairman
Mr Joe D'Addio	Executive Director and Chief Executive Officer
Mr Scott McPherson	Non Executive Director
Mr Joey Fridman	Non Executive Director
Mr Michael Pollak	Non Executive Director and Joint Company Secretary
Mr Alexander White	Non Executive Director

Joint Company Secretaries

Mr (Danny) Wan Yee Loh and Mr Michael Pollak

Auditors

Stantons International Audit and Consulting Pty Ltd
6 Middlemiss St, Lavender Bay, NSW 2060

Solicitors

Thomson Geer
Level 25, 1 O'Connell Street
Sydney NSW 2000

Bankers

Westpac Banking Corporation
94 Church Street
Middle Brighton VIC 3186

St George Bank
Locked Bag 1
Kogarah NSW 1485

Registered Office

Suite 1, Ground Floor
3-5 West Street
North Sydney NSW 2060

Share Registry

Link Market Services Limited
Level 4 Central Park 152 St Georges Terrace
PERTH WA 6000
Investor Enquiries: 1300 554 474
Facsimile: +61 2 9287 0303

Stock Exchange Listing

Securities of MOQ Limited are listed on the Australian Securities Exchange (ASX).
ASX Code: MOQ

Website

www.MOQ.com.au

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to herein as the “**Group**”) consisting of MOQ Limited and its controlled entities for the half year ended 31 December 2020. The information in the proceeding operating and financial review forms part of this directors' report for the half year ended 31 December 2020 and is to be read in conjunction with the following information.

General Information

Officers and Directors

The names and particulars of the Directors and Officers during or since the end of the period are:

Name	Particulars
Mr David Shein	Non Executive Chairman
Mr Joe D'Addio	Executive Director and Chief Executive Officer
Mr Scott McPherson	Non Executive Director (transitioned from Executive to Non Executive Director effective 1 October 2020)
Mr Joey Fridman	Non Executive Director
Mr Michael Pollak	Non Executive Director and Joint Company Secretary
Mr Alexander White	Non Executive Director
Mr Danny Loh	Joint Company Secretary

The above named Directors and Officers held office during and since the end of the period, except as otherwise indicated.

Our Business Model and Strategic Priorities

MOQ Limited's strategy continues to be focused on building a market leading Cloud centric technology services and solutions businesses, aimed at capitalising on the accelerating market opportunity presented by Digital Transformation. The Group is actively pursuing suitable growth opportunities by either organic investment or through synergistic acquisitions in the technology sector. The Directors of the Group have extensive experience and a proven track record in building and acquiring businesses, as well as providing strategic direction, in order to generate long term sustainable returns for shareholders.

The Directors would like to report that through H1 FY21, we have continued to make progress towards achieving our previously stated strategic goals and building the foundations for the business that we aspire to be. Here is a summary and status of current priorities:

1.	Investment in the Microsoft relationship – as the key Strategic Technology Partner for MOQdigital:	This initial pivot for the MOQdigital business has been very successful and differentiating to the extent that MOQdigital is evolving into a leading Digital Transformation Services business in the mid-tier market
2.	Investment in the organic growth of MOQdigital and a build out of capability in the New South Wales, Queensland and now Western Australian markets:	With the integration of Wardy IT, the start of our WA business and the fulfilment of key management, sales and Go To market roles, our organic growth continues and MOQ is shaped to scale.
3.	Prioritise investment towards our Digital Transformation Services and specifically our Digital Services Line of Business:	Revenues for the Digital Services line of business are over \$13M for H1 FY21 and Gross Profit is up over 28%. This is now the high value growth engine for the business
4.	Investment in function and feature improvement of the Skoolbag product, to further enable growth in the user base and revenue streams:	The Skoolbag team has developed and is deploying its modern architecture.
5.	Continued and increased focus on the growth of high value recurring revenue streams:	Recurring Services Gross Profit has grown by 25% over same period last year.*
6.	Growth via strategic acquisitions.	The Wardy IT acquisition has been the most successful acquisition for MOQ Limited to date – we continue to seek and convert others of similar quality and impact

*Recurring Services Gross Profit in H1FY20 only included Wardy from 1st September 2019.



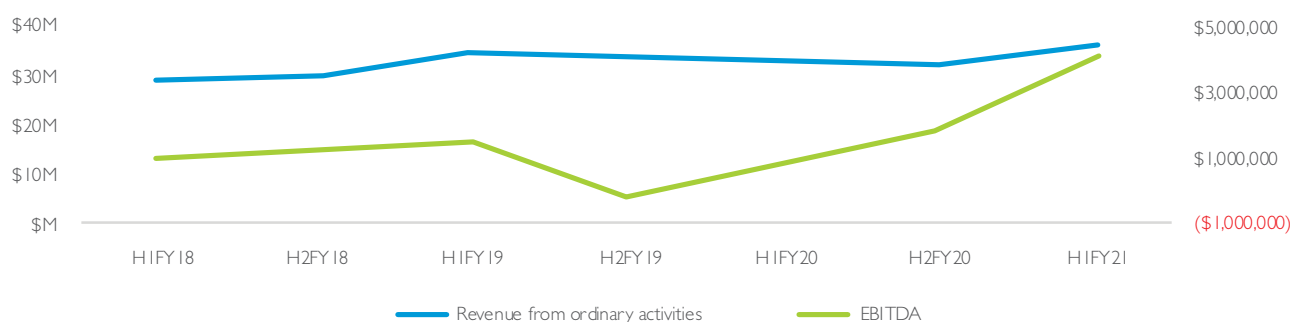
DIRECTORS' REPORT (cont.)

General Items of Note for HI FY21

The key items of note for MOQ Limited in HI FY21 have been:

- **Key financial metrics include:**
 - **Statutory EBITDA** of \$4.05m, growth of **324%** over same period last year. (Refer table below).

STATUTORY REVENUE & EBITDA BY HALVES



- **Underlying EBITDA** has grown to **\$2.56M**, growth of **48%** over same period last year. (Refer table below), based on overall Revenue growth of **9%** to **\$35.6M** for H1 FY21

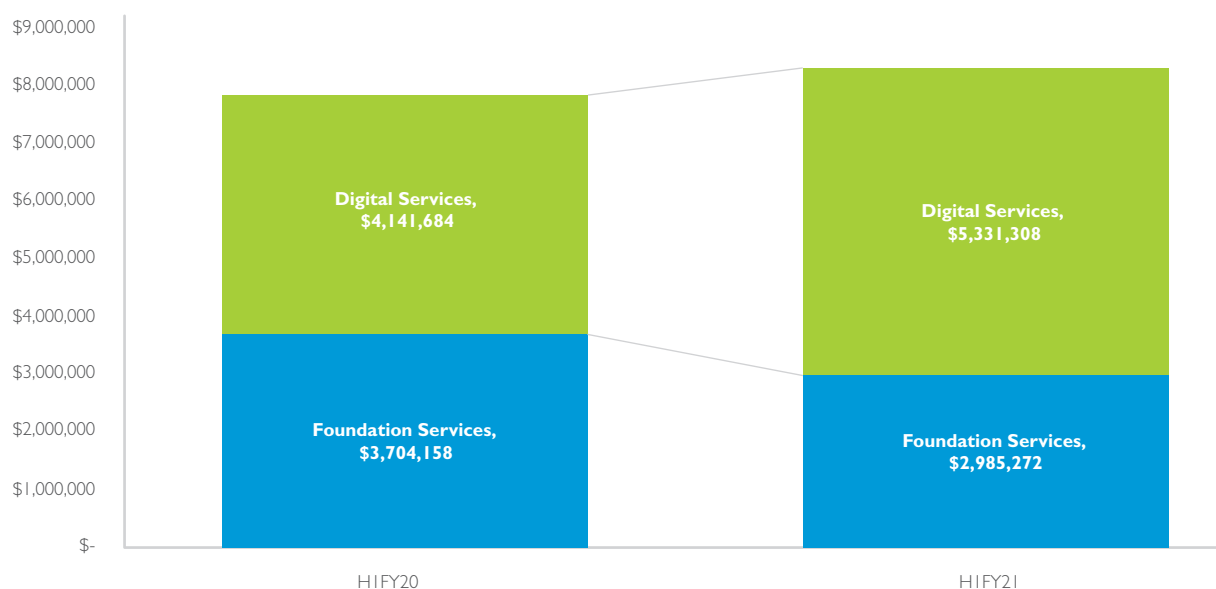
\$'000	H1 FY21	H1 FY20
Underlying EBITDA	2,561	1,727
less:		
M&A Advisory Costs	(181)	(445)
Wardy Integration Costs & WA establishment costs	(182)	(51)
Wardy establishment of provision for doubtful debts		(106)
MOQdigital additional doubtful debts for project		(172)
AASB15 adjustment	(145)	
add:		
JobKeeper	1,997	
Reported EBITDA	4,050	953
Interest Income	1	2
Depreciation & Amortisation	(2,325)	(1,788)
Net Profit before Tax	1,726	(832)

- **Overall Gross Profit** contribution from operations has grown by **6%**
- **Digital Services Gross Profit** has increased by **28%** and now represents **63%** of the MOQ business.
- **Recurring Services** now contributes **49%** of total Gross Profit of the MOQ business, and has grown 25%
- The Cash Position has grown from \$4.97M at 30 June 2020 to **\$6.7M** at 31 December 2020
 - Net cash from operations grew by \$3.2m during the period, inclusive of government subsidies received of \$2m.
 - Our working capital facility of \$2.5m remains unutilised.
- The MOQ business has now definitely reshaped towards its strategic focus of Digital Transformation services and increased recurring services. This is best illustrated by examining the Gross Profit contribution across each of these business areas:
 - Chart 1 - illustrates the benefit in Gross Profit that the **Digital Services** Line of Business has contributed to the business in HI FY21, compared to HI FY20.
 - Chart 2 - illustrates the contribution growth of **Recurring Services** to the Gross Profit mix

DIRECTORS' REPORT (cont.)

Chart I

H1FY20 VS H1FY21 GROSS PROFIT BY LINE OF BUSINESS



Digital Services and Solutions:

Applications, Data Analytics and Artificial Intelligence oriented solutions, based primarily on the Microsoft Azure cloud stack.

Inclusive of Professional Services, Recurring Services, Third Party Applications, Cloud Subscriptions and in-house Applications – Skoolbag and Wardy VDBA

Foundational Services and Solutions:

Platforms for Data Centre and Cloud, Cyber Security, Networking and Connectivity, Identity and Access

Inclusive of Professional Services, Recurring Services – Operations and management of Infrastructure, Third Party Technologies – Hardware and Software

Services & Solutions Detail for Chart I

Recurring Services:

Period Contracted Income streams from:

- The provision of Managed Services where customers choose to outsource user and technical support, specialist services and management of ICT
- In House IP applications and Services – Skoolbag, Wardy VDBA
- Recurring subscriptions for Cloud, software, communications and Data Centre facilities.

Professional Services:

A range of specialist services around applications, data and infrastructure design, build and deployment such as – Consulting / Advisory, Technical Integration, Application Development, Data Analytics and Project Management, usually consumed by customers on a project engagement basis.

Technology Sales:

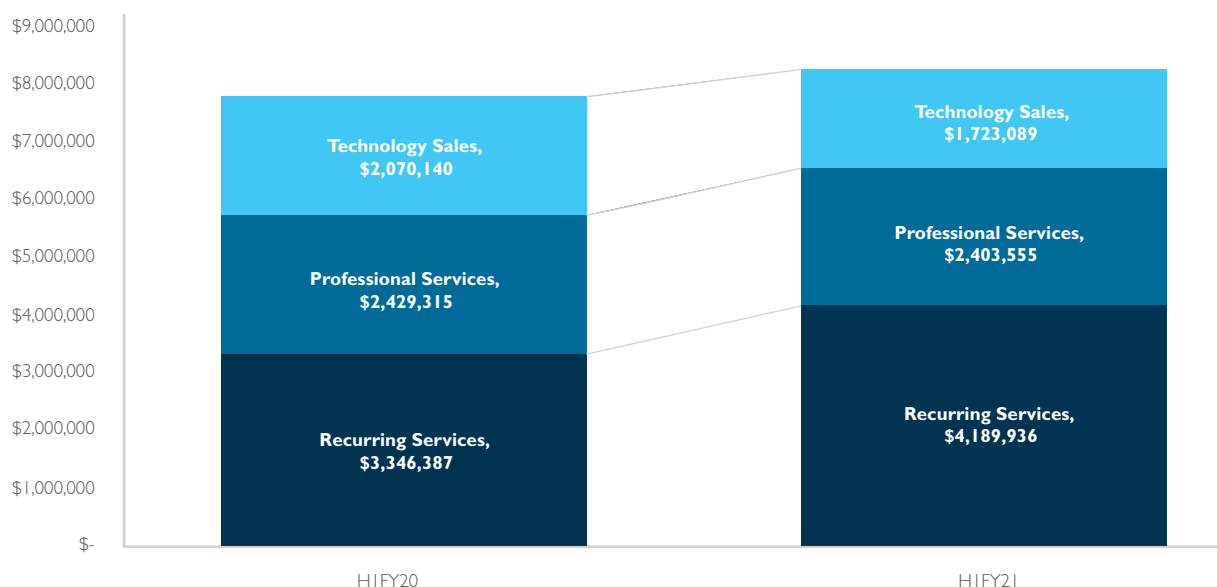
ICT technology sourcing and provision – hardware and software licensing. This includes products from market leading vendors such as Cisco, Citrix, Microsoft and others

Income Category Detail for Chart 2



Chart 2

H1 FY21 VS H1 FY20 GROSS PROFIT BY SERVICE CATEGORY



Executive Review of H1 FY21

The strong financial performance reported for H1 FY21 that has been achieved, is the direct result of a number of key factors:

1. The increasing market demand for Digital services and solutions – especially for Applications and Data Go To Market offerings – driven by the opportunity being presented to our customers by the Digital Transformation and Optimisation market trend.
2. The successful integration of Wardy IT Solutions into the MOQdigital business (which was acquired in September 2019), including a positive reaction by customers of both businesses, resulting in a growth in new revenue opportunities.
3. The structural changes and cost reductions made to the MOQdigital business during the FY20 pre COVID period, as Wardy IT was onboarded and a pivot towards Digital Services and Microsoft as the key technology partner for the business.
4. A short surge during the early months of H1 FY21 in customer requirements for changes to their IT environments to cater for the 'work from home' to manage through the COVID challenges.

Key half on half financial metric comparisons such as **increase in Gross Profit for the Digital Services business of over 28% and Recurring Services up almost 25%** are clear indicators that the business strategy to pivot to Applications and Data to complement our strengths in the IT Infrastructure market is the correct one and the strategy has at this stage been matched by excellent on the ground execution.

The importance and impact of the decision to make Microsoft, MOQdigital's technology partner of choice and our subsequent ramp up to make that relationship productive cannot be underestimated. We anticipate Microsoft's exponential growth performance in Cloud, Applications and Data is likely to continue to reap benefit for MOQdigital and its customers.

The Directors would like to take the opportunity to note:

1. The excellent work completed in the Skoolbag business by the Management team and staff. The Skoolbag product has now been completely redeveloped, modernised and enterprise readied. The vast majority of Skoolbag customers and users have been migrated to the new mobile application and cloud platform.
2. The substantial achievement of identifying, acquiring and integrating the Wardy IT Solutions business with MOQdigital. Peter Ward and his management team have worked tirelessly with MOQ's staff to ensure this was a successful exercise.

DIRECTORS' REPORT (cont.)

COVID-19 – Business Outlook

The MOQ Board and Executive Team would like to acknowledge the commitment and effort of all MOQ staff – MOQdigital, Wardy IT Solutions and Skoolbag, as we have managed through a combination of integration, strategic pivot and also the uncertainty of the COVID pandemic.

Whilst there has been much conjecture about JobKeeper, there is no doubt that the amounts received by MOQ Limited with the assistance of JobKeeper were vital and allowed MOQ to recover from the initial financial impact to our business, and as we have stated before, importantly keep the shape and capability of the business intact whilst continuing to drive towards our strategic goal of winning our share of the high growth Digital Services market. Our final JobKeeper payment was for September 2020.

MOQ Limited are now very active participants and competitors in the Digital Transformation market space. As mentioned, this market is booming, and we are able to differentiate ourselves through specialist expertise and a high value partnership with Microsoft across Applications, Data and Analytics.

As with any high growth market, there are challenges. One such challenge is the availability of highly skilled labour, so attracting and retaining key staff is now more important than ever. Our ability to execute on this aspect of our business will very much contribute to the level of success that we will ultimately achieve. Over the last six months we have initiated a range of strategies to ensure that this is a priority in the business and that we can attract sufficient quantity and quality of skills and capabilities.

The Board and Executive Team is confident that the business is now well positioned to capitalise on the opportunities presented by Digital Transformation and look forward to executing on our strategic goals to continue improving and growing MOQ.

Significant Changes in State of Affairs

There are no significant changes in the state of affairs of the Group other than discussed above.

Dividends Paid or Recommended

In respect of the current half year, no dividends have been declared or paid and none are recommended (Dec 2019: \$nil).

Significant Events after the Reporting Period

On 1 January and 1 February 2021, a combined total of 10,636,353 unlisted share options were issued to key employees of the Group with an exercise price of \$0.181 per share. These options will expire on 1 January 2025. This issue of options were partially in place of share options which were issued in 2016 and 2018 which had either expired or were cancelled post period end.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental Issues

There are no applicable environmental regulations that would have an effect on the Group.

Indemnifying Officers or Auditor

During the half year, the Group paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all directors. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policies is not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the period, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

Proceeding on Behalf of Group

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.



DIRECTORS' REPORT (cont.)

Auditor

Stantons International Audit and Consulting Pty Limited are the appointed auditors of the Group. The auditor has not been indemnified under any circumstance.

Non-audit Services

There have been no non-audit services provided during the period.

The board of directors considers that there have been no independence issues imposed by the Corporations Act 2001.

Options

At the date of this report, the unissued ordinary shares of MOQ Limited under option are as follows:

Grant Date	Balance at the date of this report	Exercise price	Expiry
01/01/2021	9,545,445	\$0.181	01/01/2025
01/02/2021	1,090,908	\$0.181	01/01/2025
TOTAL	10,636,353		

Option holders do not have any rights to participate in any issues of shares or other interests of the Group or any other entity.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Auditor's Independence Declaration

The lead auditor's independence declaration for the half year ended 31 December 2020 can be found on page 25 of the financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors.

David Shein
Non-Executive Chairman
16 February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Notes	Dec 2020 \$	Dec 2019 \$
Revenue	4	35,673,312	32,701,575
Cost of Sales	5	(27,356,732)	(24,855,733)
Gross Profit		8,316,580	7,845,842
Other Income	4	2,101,661	1,980
Expenses			
Share based payments		(43,887)	(69,313)
Depreciation expenses	5	(653,059)	(579,264)
Amortisation expenses	5	(1,671,614)	(1,208,572)
Employee costs	5	(4,651,417)	(3,982,206)
Legal costs	5	(63,813)	(72,341)
ASX and registry related expenses		(31,177)	(44,211)
Marketing expense		(160,552)	(396,707)
Occupancy expenses		(225,967)	(402,824)
Professional fees	5	(287,562)	(607,224)
Telecommunication carrier expenses		(159,310)	(156,415)
Other expenses		(743,523)	(1,167,259)
Total expenses		(8,691,881)	(8,680,336)
Profit / (Loss) before income tax expense		1,726,360	(832,514)
Income tax (expense) / credit	6	(396,367)	62,272
Profit / (Loss) after income tax		1,329,993	(770,242)
Other comprehensive profit for the period			
Exchange differences on translating foreign subsidiaries		(148,431)	22,099
Total comprehensive Profit / (Loss) for the period		1,181,562	(748,143)
Profit / (Loss) is attributable to MOQ Limited		1,329,993	(770,242)
Total comprehensive Profit / (Loss) is attributable to MOQ Limited		1,181,562	(748,143)
Earnings per share attributable to equity holders of the parent entity			
Basic earnings / (loss) per share (cents per share)	13	0.75	(0.45)
Diluted earnings / (loss) per share (cents per share)	13	0.75	(0.45)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	Dec 2020 \$	Jun 2020 \$
Current Assets			
Cash and cash equivalents		6,715,014	4,976,105
Trade and other receivables	7	9,231,503	7,455,073
Contract Assets		677,543	135,486
Tax Receivable	6	-	5,659
Other assets		1,025,477	891,060
		<u>17,649,537</u>	<u>13,463,383</u>
Non Current Assets			
Other Assets		826,048	937,087
Right of use asset	12	2,436,609	2,274,763
Deferred tax assets	6	2,943,673	2,897,193
Property plant and equipment		1,013,693	619,562
Intangibles	8	10,770,137	11,879,765
		<u>17,990,160</u>	<u>18,608,370</u>
Total assets		<u>35,639,697</u>	<u>32,071,753</u>
Current Liabilities			
Trade and other payables	9	11,550,995	8,902,545
Contract liabilities		3,504,733	4,170,625
Provisions		2,778,930	2,760,795
Lease liability	12	668,015	620,692
Current tax payable	6	499,368	21,592
		<u>19,002,041</u>	<u>16,476,249</u>
Non - Current Liabilities			
Lease liability	12	1,903,830	1,737,893
Deferred tax liability	6	2,582,513	2,943,363
Provisions		403,261	391,645
		<u>4,889,604</u>	<u>5,072,901</u>
Total Liabilities		<u>23,891,645</u>	<u>21,549,150</u>
Net Assets		11,748,052	10,522,603
Equity			
Issued capital	10	53,490,057	53,490,057
Reserves		165,137	269,681
Accumulated losses		(41,907,142)	(43,237,135)
Total Equity		<u>11,748,052</u>	<u>10,522,603</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Equity \$
Balance as at 1 July 2020	53,490,057	269,681	(43,237,135)	10,522,603
Net profit for the period	-	-	1,329,993	1,329,993
Other comprehensive (loss)	-	(148,431)	-	(148,431)
Total comprehensive (loss) for the period	-	(148,431)	1,329,993	1,181,562

Transactions with owners in their capacity as owners

	-	-	-	-
Issue of share capital	-	-	-	-
Option Premium Reserve	-	43,887	-	43,887
Balance as at 31 December 2020	53,490,057	165,137	(41,907,142)	11,748,052

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Equity \$
Balance as at 1 July 2019	49,615,752	285,277	(28,608,079)	21,292,950
Adjustment for adoption of AASB16 (note1)	-	-	(138,705)	(138,705)
Restated balance as at 1 July 2019	49,615,752	285,277	(28,746,784)	21,154,245
Net (loss) for the period	-	-	(770,242)	(770,242)
Other comprehensive profit	-	22,099	-	22,099
Total comprehensive (loss) for the period	-	22,099	(770,242)	(748,143)

Transactions with owners in their capacity as owners

	-	-	-	-
Issue of share capital	3,874,305	-	-	3,874,305
Option Premium Reserve	-	69,313	-	69,313
Balance as at 31 December 2019	53,490,057	376,689	(29,517,025)	24,349,721

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Notes	Dec 2020 \$	Dec 2019 \$
Cash flow from operating activities			
Receipts from customers		35,663,711	34,724,794
Receipts from other income		2,625,880	51
Payments to suppliers and employees		(34,721,150)	(36,240,897)
Interest received		781	1,929
Interest paid		-	(9,751)
Income taxes paid		(323,155)	(99,618)
Net cash provided by / (used in) operating activities		3,246,067	(1,623,492)
Cash flow from investing activities			
Payment for property plant and equipment		(582,192)	(135,338)
Payments for intellectual property	8	(561,987)	(433,686)
Payment for deposits		25,937	(25,154)
Acquisition of subsidiaries		-	(1,921,550)
Net cash (used in) investing activities		(1,118,242)	(2,515,728)
Cash flow from financing activities			
Lease payments for right of use assets		(388,917)	(350,780)
Net cash (used in) financing activities		(388,917)	(350,780)
Net increase / (decrease) in cash and cash equivalents		1,738,909	(4,490,000)
Cash and cash equivalents at beginning of period		4,976,105	5,230,606
Cash and cash equivalents at end of period		6,715,014	740,606

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This interim financial report of the Group for the half year ended 31 December 2020 was authorised for issue at the date of the directors' report.

(a) Basis of preparation of the interim financial report

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The half-year financial report does not include all notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's financial report for the financial year ended 30 June 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued for is not yet effective. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards

(b) New and revised accounting requirements applicable to the current half-year reporting period

There are no new and revised Standards and amendments thereof and Interpretations issued by the Australian Accounting Standards Board (the AASB) that is relevant to the Group's operations and effective for the current reporting period.

(c) Critical accounting estimates and judgements

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

(d) Going Concern Basis

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The directors believe that preparation of the financial report on a going concern basis is appropriate.

Key Estimates

Impairment of Non-Current Assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use 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.

Debtors (Expected Credit Losses)

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, historical collection rates and specific knowledge of the individual debtors' financial position.



CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: FINANCIAL RISK MANAGEMENT

Credit Risk

The Group has no significant concentrations of credit risk other than three large debtor amounts totalling \$3.27m (40% of total trade receivables as at 31 December 2020). As at the date of this report approximately \$2.71m has been received in relation to these debtor balances. As there are no other major concentration of debtors, no sensitivity analysis has been prepared by the Group. The ageing of the Group's trade and other receivables net of expected credit losses at the reporting date is:

	31 Dec 2020 \$	30 Jun 2020 \$
Current	5,922,108	6,106,602
30 - 60 days	2,234,181	667,815
60 - 90 days	769,768	269,222
More than 90 days	305,446	411,434
	9,231,503	7,455,073

Management believe that the above stated balances are fully recoverable.

NOTE 3: SEGMENT INFORMATION

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors to make financial and operational decisions and to allocate resources. We attribute sales to an operating segment based on the type of product or service provided to the customer.

We have identified three reportable segments, as follows:

Technology Sales – provision of vendor hardware, software and associated licenses and maintenance contracts.

Professional Services – provision of a range of specialist services including consulting, project management, systems and software engineering services to assist clients with strategy, architecture, design, development and implementation of ICT solutions.

Recurring Services – a combination of managed services including operations, support and ICT management, as well as a range of in-house developed commercialised IP and Cloud (SAAS) based solutions.

The consolidated entity primarily services clients in one geographical segment being Australia, with support from Sri Lanka and New Zealand. However, there are no material revenues generated outside of Australia, and as a result no additional geographical segment information has been provided.

31 December 2020	Recurring Services \$	Professional Services \$	Technology Sales \$	Unallocated \$	Total \$
Revenue from external customers	10,685,463	12,339,558	12,648,291	-	35,673,312
Other income	-	-	-	2,101,661	2,101,661
Total Reportable Segment results	4,189,936	2,403,555	1,723,089	(6,590,220)	1,726,360
Services / goods transferred at a point in time			12,648,291		12,648,291
Services transferred over time	10,685,463	12,339,558			23,025,021
Total segment assets	-	-	-	35,639,697	35,639,697
Total segment liabilities	-	-	-	23,891,645	23,891,645

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: SEGMENT INFORMATION (cont.)

31 December 2019	Recurring Services \$	Professional Services \$	Technology Sales \$	Unallocated \$	Total \$
Revenue from external customers	9,651,002	10,853,156	12,197,417	-	32,701,575
Other income	-	-	-	1,980	1,980
Total Reportable Segment results	3,346,387	2,429,315	2,070,140	(8,678,356)	(832,514)
Timing of revenue recognition:					
Services / goods transferred at a point in time			12,197,417		12,197,417
Services transferred over time	9,651,002	10,853,156			20,504,158
Total segment assets	-	-	-	50,479,118	50,479,118
Total segment liabilities	-	-	-	26,129,397	26,129,397

NOTE 4: REVENUE AND OTHER INCOME

	31 Dec 2020 \$	31 Dec 2019 \$
(a) Revenue from operations	35,673,312	32,701,575
(b) Other income		
Interest received	781	1,929
Other income	103,880	51
Government Grants ¹	1,997,000	-
	2,101,661	1,980
Total revenue and other income	37,774,973	32,703,555

¹Government grants include Jobkeeper subsidy and Cashflow Boost.

The Group has benefited from the following significant government support packages as a result of COVID-19 during the period:

JobKeeper Scheme

Due to the impact of COVID-19 on the Groups' turnover, government subsidies of \$1,947,000 (2019: nil) were received in H1 FY21 under the Australian Federal Government's JobKeeper scheme. The entity became eligible for the Scheme from its inception in March 2020 up to 30 September 2020. The group did not qualify for the Scheme for the period October 2020 to March 2021.

The amounts were paid to employees in line with government's objectives of helping businesses to continue paying employees to keep them in their jobs so that businesses can re-start when business conditions improve.

The Group has booked receipts for Jobkeeper in other income.

Cash Flow Boost Scheme

Due to the impact of COVID-19 on the Groups' turnover, government subsidies of \$50,000 (2019: nil) were received in H1 FY21 under the Australian Federal Government's JobKeeper scheme. The entity became eligible for the Scheme from its inception in March 2020 up to 30 September 2020. The group did not qualify for the Scheme for the period October 2020 to March 2021.

The amounts were paid to employees in line with government's objectives of helping businesses to continue paying employees to keep them in their jobs so that businesses can re-start when business conditions improve.

The Group has booked receipts for Cashflow Boost Scheme in other income.



CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: OPERATING PROFIT / (LOSS)

Profit / (loss) before income tax includes the following expenses:

	31 Dec 2020 \$	31 Dec 2019 \$
(a) Cost of sales		
Technology	10,925,202	10,127,277
Recurring services	6,495,527	6,304,615
Professional services	9,936,003	8,423,841
	<u>27,356,732</u>	<u>24,855,733</u>
(b) Depreciation – office equipment, software and right of use asset	653,059	579,264
Amortisation – intangible assets	1,671,614	1,208,572
	<u>2,324,673</u>	<u>1,787,836</u>
(c) Employee benefits, other labour and related expenses		
Wages and salaries	3,604,464	2,766,887
Superannuation	327,873	259,586
Other employee benefits expenses	719,080	955,733
	<u>4,651,417</u>	<u>3,982,206</u>
(d) Legal costs	63,813	72,341
(e) Professional fees		
Consultants fees	150,921	501,491
Compliance fees	133,562	103,220
Other Fees	3,079	2,513
	<u>287,562</u>	<u>607,224</u>

NOTE 6: INCOME TAX

	31 Dec 2020 \$	31 Dec 2019 \$
(a) The components of tax (expense) / benefit comprise:		
Current tax	753,748	(94,539)
Deferred tax	(377,650)	90,661
Under / (over) provision in prior years	20,269	(58,394)
Total income tax expense / (benefit)	<u>396,367</u>	<u>(62,272)</u>
(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable		
Profit / (loss) before income tax expense	1,726,355	(832,514)
Income tax calculated at 30% (2019: 30%)	517,906	(249,754)
Tax effect for amount which are non-deductible (taxable) in calculating taxable income:		
Permanent differences	33,023	125,727
Tax rate differential	(67,642)	(22,555)
Temporary income tax differences	(86,920)	84,310
Income tax expense / (benefit)	<u>396,367</u>	<u>(62,272)</u>
The applicable weighted average effective tax rates are as follows:	22.96%	28.01%

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: INCOME TAX (cont.)

(c) Tax effects relating to other comprehensive income

There is no tax effect relating to components of other comprehensive income.

(d) Unrecognised Tax losses

	31 Dec 2020 \$	31 Dec 2019 \$
Potential tax benefit at 30% (2019: 30%)	-	-

(f) Current tax payable / recoverable

Current tax payable is \$29,681, relating to income tax for MOQdigital NZ Limited and \$469,678 for MOQ Limited (31 December 2019: \$115,456 receivable relating to MOQdigital NZ Limited, MOQ Limited and limage Technical Services Ltd ("Skoolbag").

Recognised deferred tax assets and liabilities

Deferred tax balances at 31 December 2020 relate to the following:

	31 Dec 2020 \$	30 Jun 2020 \$
(i) Deferred tax liabilities		
Right of use asset	539,661	604,826
WIP	140,777	64,927
Contract assets	54,761	-
Acquired customer contracts	1,847,314	2,273,610
Deferred Tax Liabilities	2,582,513	2,943,363
(ii) Deferred tax assets		
Provisions	853,857	610,356
M&A costs	201,642	245,304
Contract liabilities	620,573	675,245
Employee obligations	764,950	757,150
Lease liabilities	502,651	609,138
Deferred Tax Assets	2,943,673	2,897,193

(g) Tax consolidation

For the purposes of income taxation MOQ Limited and its 100% Australian owned subsidiaries form a tax consolidated group. The head entity of the consolidated group is MOQ Limited.

The head entity is responsible for the liabilities of the group. Intra group transactions are ignored for tax purposes and there is a single return lodged on behalf of the group.



CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: TRADE AND OTHER RECEIVABLES

	31 Dec 2020 \$	30 Jun 2020 \$
Trade receivables	9,635,385	7,496,498
Expected credit losses	(613,414)	(596,525)
Other receivables*	26,997	555,100
	<u>9,048,968</u>	<u>7,455,073</u>
Contract Assets	182,535	-
	<u>182,535</u>	<u>-</u>
Total Trade and other receivables	<u>9,231,503</u>	<u>7,455,073</u>

* Other Receivables at 30 June 2020 included a \$525,000 Job Keeper receivable outstanding from the Australian Tax Office for 30 June 2020 wages only. No amount is included as at 31 December 2020.

Management believes that any debts that have not provided for and are past due by more than 30 days are still collectible in full based on historic payment behaviour. The amounts that are past due but not impaired are \$3,903,621 at 31 December 2020.

Please refer to Note 2 for a further breakdown of the ageing of receivable amounts.

NOTE 8: INTANGIBLE ASSETS

	31 Dec 2020 \$	30 Jun 2020 \$
Goodwill on acquisition of Wardy IT Solutions	1,500,798	1,500,798
Intangible Property Acquired Skoolbag	294,916	339,153
	<u>1,795,714</u>	<u>1,839,951</u>
Intangible Property – Skoolbag software development		
- cost	3,006,838	2,444,851
Intangible Property – Skoolbag software development		
- accumulated depreciation	(630,128)	(484,465)
	<u>2,376,710</u>	<u>1,960,386</u>
Intangible Property - Wardy IT Solutions acquired customers	9,946,906	9,946,906
Intangible Property - Wardy IT Solutions acquired customers – accumulated depreciation	(3,789,193)	(2,368,311)
Intangible Property - Wardy IT Solutions acquired website	5,000	5,000
Intangible Property - Wardy IT Solutions acquired website – accumulated depreciation	(5,000)	(4,167)
Intangible Property - Wardy IT Solutions acquired intangible	600,000	600,000
Intangible Property - Wardy IT Solutions acquired intangible – accumulated depreciation	(160,000)	(100,000)
	<u>6,597,713</u>	<u>8,079,428</u>
	<u>10,770,137</u>	<u>11,879,765</u>

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: INTANGIBLE ASSETS (cont.)

	Skoolbag software development \$	Wardy IT Solutions Intangible \$
At 1 July 2020	1,960,386	8,079,428
Additions	561,987	-
Disposals	-	-
Amortisation	(145,663)	(1,481,715)
At 31 December 2020	2,376,710	6,597,713

	Skoolbag software development \$	Wardy IT Solutions Intangible \$
At 1 July 2019	1,246,121	-
Additions ¹	1,002,976	10,551,906
Disposals	-	-
Amortisation	(288,711)	(2,472,478)
At 31 December 2019	1,960,386	8,079,428

¹\$10,551,906 intangible assets were acquired on 1st September 2019 as part of the acquisition of Wardy IT Solutions.

NOTE 9: TRADE AND OTHER PAYABLES

	31 Dec 2020 \$	30 Jun 2020 \$
Trade creditors	5,811,077	3,680,400
Other payables and accrued expenses*	5,739,919	5,222,145
	11,550,996	8,902,545

* Included in other payables for 31 December 2020 and 30 June 2020 is an amount of \$2,612,306 provided for in respect of the Wardy earn-out (refer note 11).

There are no trade and other payables that are considered past due.

NOTE 10: SHARE CAPITAL

(a) Details of share issues

	31 Dec 2020		30 Jun 2020	
	No. Of Shares	Share Value \$	No. Of Shares	Share Value \$
Balance at the beginning of the period	177,463,641	53,490,057	161,320,702	49,615,752
Acquisition of Wardy IT Solutions	-	-	16,142,939	3,874,305
Balance at the end of the period	177,463,641	53,490,057	177,463,641	53,490,057

For the half year ended 31 December 2020:

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholder meetings, otherwise each member present at a meeting or by proxy has one vote on a show of hands. In the event of the winding up of the Group, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.



CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: SHARE CAPITAL (cont.)

(b) Options

	Balance at 31 Dec 2020	Balance at 30 Jun 2020	Exercise price	Expiry
Unlisted	-	2,436,358	\$0.275	01/09/2020
Unlisted	2,109,088	2,109,088	\$0.255	01/07/2022
Total	2,109,088	4,545,446		

A summary of the movements of all Group options issues is as follows:

	No. of Options	Weighted Average Exercise Price
Options outstanding at 1 July 2020	4,545,446	\$0.266
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	2,436,358	\$0.275
Options outstanding at 31 December 2020*	2,109,088	\$0.255
Options exercisable as at 31 December 2020	1,054,544	\$0.255

* 2,109,088 share options granted in 2018 were all cancelled by 1 February 2021 and replaced by options issued on 1 January 2021 and 1 February 2021.

The weighted average life of the outstanding share options at 31 December 2020 is 1.5 years.

	No. of Options	Weighted Average Exercise Price
Options outstanding at 1 July 2019	7,727,259	\$0.265
Granted	-	-
Forfeited	3,181,813	\$0.263
Exercised	-	-
Expired	-	-
Options outstanding at 30 June 2020	4,545,446	\$0.266
Options exercisable as at 30 June 2020	2,436,358	\$0.275

(d) Capital management

Management controls the capital of the Group in order to generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital supported by financial assets.

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

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

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group has accrued an estimated amount in relation to the earn-out of Wardy. Due to the occurrence of COVID-19 during the original earn-out period ending 31 August 2020, the directors offered to extend the earn-out period to 31 December 2020 and disregard the period March to June 2020 for earn-out purposes. Given the proposed earn-out period finished on 31 December 2020, MOQ and the Wardy vendors are now seeking to finalise the outcome of the earn-out. There is a potential that the final amount payable will be different to the estimate.

NOTE 12: RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right of use asset

	31 Dec 2020 \$	30 Jun 2020 \$
Cost	4,206,259	3,581,874
Accumulated depreciation	(1,769,650)	(1,307,112)
	2,436,609	2,274,763

Reconciliation of carrying amounts at the beginning and end the period:

	31 Dec 2020 \$
As at 1 July 2020	2,274,763
Adjustment of changes in accounting policy	-
Additions	649,563
Depreciation	(462,538)
Foreign currency translation differences	(25,179)
As at 31 December 2020	2,436,609

	30 Jun 2020 \$
As at 1 July 2019	-
Adjustment of changes in accounting policy	2,731,040
Additions ¹	287,648
Depreciation	(483,452)
Foreign currency translation differences	-
As at 30 Dec 2019	2,535,236

¹\$287,648 right of use asset were acquired on 1st September 2019 as part of the acquisition of Wardy IT Solutions.

Lease liabilities

	31 Dec 2020 \$	30 Jun 2020 \$
Current	(668,015)	(620,652)
Non Current	(1,903,830)	(1,737,893)
	(2,571,845)	(2,358,545)



CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: EARNINGS / (LOSS) PER SHARE

	31 Dec 2020 \$	31 Dec 2019 \$
(a) Basic earnings / (loss) per share (cents per share)		
From continuing operations	0.75	(0.45)
(b) Diluted earnings / (loss) per share (cents per share)		
From continuing operations	0.75	(0.45)
(c) Reconciliation of earnings / (loss) in calculating earnings per share		
Basic and diluted profit per share		
Profit from continuing operations attributable to ordinary equity holders	1,329,993	(770,242)
(d) Total shares		
Weighted average number of ordinary shares outstanding during the half year used in the calculation of basic earnings per share	177,463,641	171,848,706
Weighted average number of ordinary shares outstanding during the half year used in the calculation of diluted earnings per share	177,463,641	171,848,706

NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

On 1 January and 1 February 2021, a combined total of 10,636,353 unlisted share options were issued to key employees of the Group with an exercise price of \$0.181 per share. These options will expire on 1 January 2025. This issue of options were partially in place of share options which were issued in 2016 and 2018 which had either expired or were cancelled post half year end.

END OF AUDIT REVIEWED STATEMENTS

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of MOQ Limited (the "Group"), the Directors of the Company declare that:

- I. In the Directors' opinion, the financial statements and notes as set out on pages 10-23 are in accordance with the Corporations Act 2001 and;
 - i. Comply with Australian Accounting Standards AASB134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - ii. give a true and fair view of the financial position as at 31 December 2020 and of the performance for the half-year ended on that date of the consolidated Group;
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'D Shein', written over a horizontal line.

David Shein
Non Executive Chairman
16 February 2021

16 February 2021

Board of Directors
MOQ Limited
Suite G.01, Ground Floor
3-5 West Street
North Sydney, NSW, 2060

Dear Sirs

RE: MOQ LIMITED

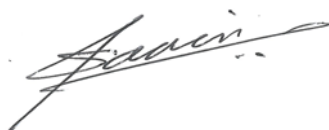
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of MOQ Limited.

As Audit Director for the review of the financial statements of MOQ 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

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



Samir Tirodkar
Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of MOQ Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of MOQ Limited, which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the MOQ Limited 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 Financial Report* section of our report. We are independent of the Company 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 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* has been given to the directors of the Company on 16 February 2021.

Responsibility of the Directors for the Financial Report

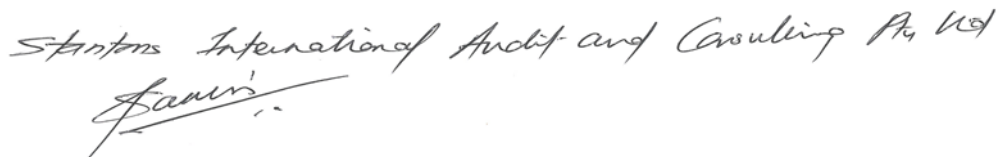
The directors of the MOQ Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the 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 Responsibility for the Review of the 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 Company'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.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

The image shows a handwritten signature in dark ink, which appears to read 'Samir', written over the printed name of the company. The signature is fluid and cursive.

Samir Tirodkar
Director

West Perth, Western Australia
16 February 2021

