

MSL Solutions Limited ABN 96 120 815 778

Half-year final report for the period ended 31 December 2020

Lodged with the ASX under listing Rule 4.2A

Results for announcement to the market

31 December 2020

MSL Solutions Limited

Appendix 4D		31 Dec	31 Dec		
Reference		2020	2019	Variance	Variance
		\$'000	\$'000	\$'000	%
2.1	Revenue from ordinary activities	11,678	12,909	(1,231)	(9.5)%
2.2	Profit/(loss) from ordinary activities after tax attributable to members	(996)	(15,581)	14,585	93.6%
2.3	Net profit/(loss) for the period attributable to members	(711)	(15,315)	14,604	95.4%
2.4	Dividends/distributions	No dividends were paid during the period, and no dividends have been proposed for payment.			
2.5	Record date	Not applicable			
2.6	Explanation of the figures in 2.1 to 2.4	Refer to Directors' Report – Review of operations			
3	Net tangible assets per share (cents)*	(3.5)c	(1.2)c	(2.3)c	(192)%
4	Details of entities over which control has been gained or loss	MSL Solutions Limited acquired 100% of the equity of point-of-sale software company SwiftPOS Pty Limited on 17 th November 2020. SwiftPOS Pty Limited contributed \$397k in revenue and \$240k in EBITDA to the Consolidated Group for the period 17 th November 2020 to 31 st December 2020. Pro forma revenue and profits for the combined entities if the acquisition date had been at the start of the reporting period is estimated at a revenue of \$12.9m and EBITDA of \$2.4m for the half year ending 31 December 2020.			
5	Details of Individual and total Dividends	Not applicable			
6	Details of dividend reinvestment plans in operation	Not applicable			
7	Details of associates or joint venture entities	Not applicable			
8	Foreign entities	Foreign entities have been accounted for in accordance with Australian Accounting Standards.			
9	The 31 December 2020 interim financial report and accompanying notes for the Group have been reviewed by the Auditor and is not subject to a modified opinion, emphasis of matter or other matter paragraph.				

*Net tangible assets per share calculation is exclusive of right-of-use assets adopted under AASB16 and includes contract assets.

MSL Solutions Limited

Interim Financial Report
31 December 2020



Contents

Directors' Report	3
Auditor's Independence Declaration	7
Financial Statements	8
Independent Auditor's Review Report	26

Directors' Report

The Directors of MSL Solutions Limited ('MSL' or 'the Company') submit their report together with the consolidated financial report of the Company, comprising the Company and its controlled entities ('the Group') for the half year ended 31 December 2020 and the auditor's review report thereon.

Directors

The names of the Directors of the Company in office during the period and to the date of this report are as follows:

Name	Director since
Non-Executive	
Mr Earl Eddings	April 2019
Dr Richard Holzgrefe	December 2007
Mr David Trude	March 2017
Mr David Usasz	February 2020
Executive	
Mr Tony Toohey (Executive Chairman)	September 2019

Financial and Operational Review

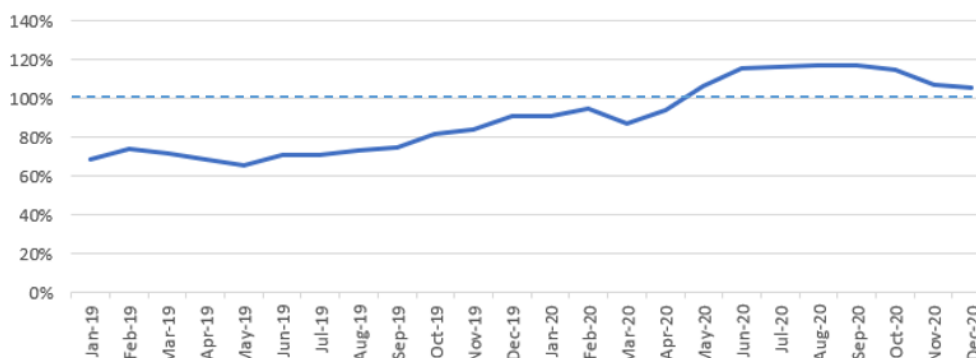
An analysis of the Company's interim period's financial and operating performance from continuing operations is outlined below. Unless otherwise stated, all values are expressed in Australian Dollars (AUD).

In H1 FY21, MSL continued to deliver strong earnings growth both inclusive and exclusive of COVID-19 related government support. The Company achieved EBITDA of \$1.683 million for the half year, including \$964k in government subsidies.

These results reflect the benefit of decisions made in FY20 to reset the cost base with a 22% decrease in period-on-period operating expenses. Whilst COVID-19 did impact revenue generation, especially in the UK, the result reflects continued delivery of the Company's strategy to achieve operational and financial efficiencies. The year-on-year improvement of \$1.880 million in half-yearly EBITDA before government subsidies provides a new base to increase sales growth and pipeline.

MSL continued to achieve improvement in the key success metric of recurring revenue to operating expenses as shown in the following chart, with early signs of growth in markets offering new sales opportunities and new sales channels.

3 Month Trailing Recurring Revenue to OPEX



Note: supported by Australian government subsidies from April – September 2020

Recurring revenue for the 6 months ended 31 December 2020 is \$8.441 million, representing a small decrease during the period driven by the discontinuation of less profitable products, a decreased focus on low margin hardware sales, exposure to UK stadium closures due to COVID-19 conditions and some fee relief support to MSL's affected customers in Asia Pacific. MSL's Golf business has remained resilient throughout CY20 and into CY21.

The Company is expecting recurring revenue to increase in CY21 in addition to the positive contribution of the SwiftPOS acquisition. SwiftPOS contributed \$397k of revenue, of which \$278k is recurring, and \$240k of EBITDA for the 6 weeks to 31 December 2020.

The Company had a closing cash position of \$2.814 million as at 31 December 2020, with undrawn standby facilities available of \$1.505 million.

Strategy delivery

While MSL continued to focus on right-sizing the business in H1 FY21 to return the Company to consistent profitability and positive operating cashflow, management also focused on acquisition and collaboration opportunities during the period to position MSL well to succeed in its chosen markets.

MSL's acquisition of SwiftPOS is a key step in establishing a strong platform for growth within the Company. SwiftPOS has enhanced MSL's financial fundamentals and also brought a stronger technology roadmap, significantly enlarged customer base and broader reach through an extensive reseller network.

Importantly, the SwiftPOS acquisition has also helped to position MSL to compete for enterprise customers, a factor which the Company expects to enhance the size and ease of completing larger deals. It has also provided MSL with a significantly stronger platform through which to engage in partnerships across Golf and Venues, in line with the Company's growth strategy.

The Company augmented this acquisition with several collaboration and integration deals signed during the period, including with mobile ordering and payment app me&u and 'buy now pay later' (BNPL) payment solution provider Openpay Group Ltd (ASX: OPY), and is in collaboration discussions with additional POS app integration platform providers.

Consolidated summary of results for the half year ended 31 December 2020	Dec-20	Dec-19
Statutory results	A\$'000	A\$'000
Revenue and other income	11,678	12,909
Other Income	14	17
Cost of sales	(2,838)	(3,702)
Gross margin	8,854	9,224
Operating expenses	(8,135)	(10,385)
EBITDA before Govt Subsidies	719	(1,161)
Government Subsidies #	964	-
EBITDA *	1,683	(1,161)
Depreciation & amortisation	(2,504)	(2,833)
Restructure and transaction costs	-	(936)
Expected credit loss - prior period	-	(616)
Impairment expense	-	(10,672)
EBIT	(821)	(16,218)
Net finance income/(costs)	(198)	(139)
NPBT	(1,019)	(16,357)
Income tax benefit	23	776
NPAT	(996)	(15,581)

The Company received Australian Federal Government Jobkeeper payments and cashflow boosts of \$752k, and UK Government Coronavirus Job Retention Scheme payments of \$AUD 212k related to Government support of COVID-19 impact during 1HFY21.

* The EBITDA for the 1HFY20 has been adjusted from the 31 December 2019 Financial Statements for 1HFY20 capitalisation of Research & Development Costs consistent with prior periods.

* EBITDA excludes the effects of significant non-recurring items of income and expenditure which may have an impact on the quality of earnings such as restructuring and transaction costs, material credit loss provision increase relating to sales and revenue from prior periods and impacts from fair value movements through the income statement (including impairment of goodwill).

Dividends

No dividends were paid to shareholders during the period, and no dividend has been declared or paid subsequent to the end of the financial period.

Rounding of amounts

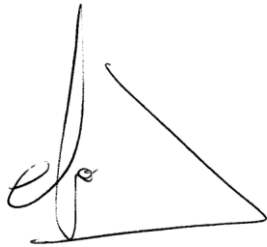
The Company is of a kind referred in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and consolidated interim financial statements. Amounts rounded are rounded off to the nearest thousand dollars.

Auditor's Independence Declaration

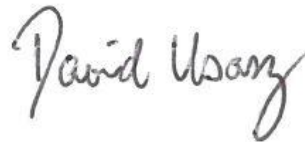
A copy of the Auditor's Independence Declaration as required under Section 307c of the *Corporations Act 2001* is included at page 7 of this report.

Signed in accordance with a resolution of Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.

On behalf of the Directors

A stylized handwritten signature in black ink, consisting of a large vertical stroke and a horizontal base with a small loop on the left.

Tony Toohey
Executive Chairman

A handwritten signature in black ink that reads "David Usasz" in a cursive script.

David Usasz
Director

Level 18,
King George Central
145 Ann Street
Brisbane QLD 4000

Correspondence to:
GPO Box 1008
Brisbane QLD 4001

T +61 7 3222 0200
F +61 7 3222 0444
E info.qld@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

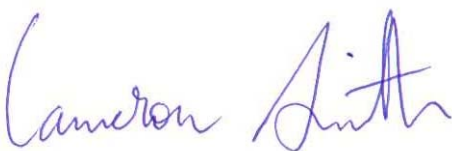
To the Directors of MSL Solutions Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of MSL Solutions Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



CDJ Smith
Partner – Audit & Assurance

Brisbane, 23 February 2021

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

www.grantthornton.com.au

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

Financial Statements

Interim consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2020

	Note	Dec-20 A\$'000	Dec-19 A\$'000
Revenue	5	11,678	12,909
Other income	5	14	17
Cost of sales		(2,838)	(3,702)
Sales and marketing expenses		(1,666)	(2,119)
Customer support and technical services		(2,329)	(2,810)
Research and development expenses		(1,650)	(2,138)
General and administration expenses		(1,514)	(3,944)
Other gains and expenses (net)		(12)	10
Depreciation expense		(34)	(34)
Amortisation expense		(2,470)	(2,799)
Impairment expense		-	(10,672)
Restructuring and transaction costs		-	(936)
Finance costs		(198)	(139)
(Loss) before income tax		(1,019)	(16,357)
Income tax benefit/(expense)		23	776
(Loss) for the half-year		(996)	(15,581)
Foreign currency translation		285	266
Other comprehensive income for the year		285	266
Total comprehensive (loss) for the year		(711)	(15,315)
Loss attributable to:			
Owners of MSL Solutions Limited		(711)	(15,315)
		(711)	(15,315)
Total comprehensive (loss) for the period attributable to:			
Owners of MSL Solutions Limited		(711)	(15,315)
		(711)	(15,315)
EARNINGS PER SHARE FROM LOSS FROM CONTINUING OPERATIONS			
ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic earnings per share (cents)	12	(0.3)	(6.0)
Diluted earnings per share (cents)	12	(0.3)	(6.0)

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

Interim consolidated balance sheet as at 31 December 2020

	Note	Dec-20 A\$'000	Jun-20 A\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	2,814	3,806
Trade and other receivables		4,275	5,015
Contract assets		528	398
Prepaid income tax		-	39
Other current assets		332	1,120
Total current assets		7,949	10,378
Non-current assets			
Receivables		938	1,200
Contract assets		360	707
Property, plant and equipment		206	189
Right of Use Asset		3,851	2,640
Intangible assets	9a	21,520	13,543
Other non-current assets		31	34
Total non-current assets		26,906	18,313
Total assets		34,855	28,691
LIABILITIES			
Current liabilities			
Trade and other payables		3,301	3,363
Lease Liability		422	414
Borrowings		747	543
Provisions	9b	1,590	1,394
Income tax payable		164	-
Deferred consideration	9c	1,189	-
Deferred Revenue		3,864	5,125
Total current liabilities		11,277	10,839
Non-current liabilities			
Borrowings	7	1,699	554
Lease Liability		3,892	2,601
Deferred tax liability		1,844	716
Deferred consideration	9c	2,225	-
Provisions	9b	97	96
Total non-current liabilities		9,757	3,967
Total liabilities		21,034	14,806
Net assets		13,821	13,885
EQUITY			
Contributed equity	11	66,686	66,186
Reserves		3,355	2,923
Accumulated losses		(56,220)	(55,224)
Total equity		13,821	13,885

The interim consolidated balance sheet should be read in conjunction with the accompanying notes.

Interim consolidated statement of changes in equity for the six months ended 31 December 2020

	Contributed equity	Retained earnings	Foreign currency translation reserve	Share-based payment reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 30 June 2019	61,003	(38,822)	2,442	288	24,911
Total comprehensive loss for the period					
Loss for the period	-	(15,581)	-	-	(15,581)
Other comprehensive income	-	-	266	-	266
Total comprehensive loss for the period	-	(15,581)	266	-	(15,315)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	5,210	-	-	-	5,210
Dividends paid	-	-	-	-	-
Share-based payments expense	-	-	-	124	124
Total transactions for the period	5,210	-	-	124	5,334
Balance as at 31 December 2019	66,213	(54,403)	2,708	412	14,930
Total comprehensive loss for the period					
Loss for the period	-	(821)	-	-	(821)
Other comprehensive income	-	-	(170)	-	(170)
Total comprehensive loss for the period	-	(821)	(170)	-	(991)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	(27)	-	-	-	(27)
Dividends paid	-	-	-	-	-
Share-based payments expense	-	-	-	(27)	(27)
Total transactions for the period	(27)	-	-	(27)	(54)
Balance as at 30 June 2020	66,186	(55,224)	2,538	385	13,885
Total comprehensive loss for the period					
Loss for the period	-	(996)	-	-	(996)
Other comprehensive income	-	-	285	-	285
Total comprehensive loss for the period	-	(996)	285	-	(711)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	500	-	-	-	500
Dividends paid	-	-	-	-	-
Share-based payments expense	-	-	-	147	147
Total transactions for the period	500	-	-	147	647
Balance as at 31 December 2020	66,686	(56,220)	2,823	532	13,821

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

Interim consolidated statement of cash flows for the six months ended 31 December 2020

	Note	Dec-20 A\$'000	Dec-19 A\$'000
Cash flows from operating activities			
Receipts from customers		12,687	14,451
Payments to suppliers, employees and others		(9,902)	(15,696)
Restructure Costs		(235)	(936)
Finance costs		(142)	(165)
Interest received		18	27
Income tax paid		(22)	-
Net cash flows used in operating activities		2,404	(2,319)
Cash flows from investing activities			
Capital expenditure		(19)	(14)
Acquisition of subsidiaries, net of cash & cash equivalents		(4,250)	(180)
Proceeds for disposal of assets		100	-
Payment for research and development activities		(540)	(508)
Proceeds from disposal of investment		212	652
Net cash flows used in investing activities		(4,497)	(50)
Cash flows from financing activities			
Proceeds from borrowings		2,561	-
Repayment of borrowings		(1,198)	(362)
Principal element of lease payments		(250)	(273)
Proceeds from issue of share capital		-	5,431
Costs paid on issuance of share capital		-	(221)
Net cash flows provided by financing activities		1,113	4,575
Net cash inflow / (outflow) for the half-year		(980)	2,206
Cash at beginning of the year		3,806	2,130
Effect of foreign exchange		(12)	10
Cash at end of the half-year	6	2,814	4,346

The above interim consolidated statement of cashflows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1. Reporting entity

MSL Solutions Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office and principal place of business is Level 1, 307 Queen Street, Brisbane, Queensland.

The consolidated interim financial report of the Company as at and for the period ended 31 December 2020 comprises the Company and its subsidiaries (together referred to as the Group and individually as Group entities).

The Group is a for-profit entity and is primarily involved in the global provision of hosted, software as a service (SaaS) and on-site deployed solutions to clients in the sport, leisure and hospitality sectors. Golf and Venue are the key sectors which include:

Golf clubs and associations;

Registered clubs;

Stadia and arenas; and

Other hospitality and entertainment venues.

a) Basis of preparation

This consolidated interim financial report for the half year period ended 31 December 2020 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134: *Interim Financial Reporting*.

The consolidated interim financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by MSL Solutions Limited and its controlled entities during the interim reporting period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below. Where applicable, various comparative balances have been reclassified to align with current period presentation. These amendments have no material impact on the consolidated financial statements.

The interim financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

b) Going concern assumption

Prima facie, the loss after tax of \$997k for period and the net current liability of \$3,328k as at 31 December 2020 are indicators that may cast doubt regarding the Group's ability to continue as a Going Concern. However, the cash flow forecasts indicate the Group will manage its operating cash flow requirements beyond 12 months from the date of these financial statements. As with any forecasts there are uncertainties within the assumptions required to meet the Group's expectation, however, the Directors consider the revenue and expense assumptions are achievable.

As at 31 December 2020, the Group had net cash of \$2.814m and unused financing facilities of \$1.505m. During the half-year ending 31 December 2020, the Group achieved two consecutive quarters of positive operating cashflow which was used to reduce the existing bank bill by \$1.02m. The net current liability of \$3,328k includes \$3,864k in deferred revenue which has no future cash impact on the Group.

The Group funded the acquisition of SwiftPOS for \$4.250m in cash, from existing cash reserves and a new debt facility of \$2.5m. The SwiftPOS acquisition is cash accretive and is expected to produce annual operating cash in excess of \$1m.

On the above basis, the Directors are of the view that the Group continues to be a going concern. The Group will be able to pay its debts as and when they fall due for a period of at least 12 months from the date of this report. The preparation of this financial report on a going concern basis is appropriate.

c) New and amended standards adopted by the group

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There is no significant impact on the accounts from the adoption of the new or amended Accounting Standards.

d) Impact of standards issued but not yet applied by the entity

There is no impact on standards issued but not yet applied.

2. Changes in accounting policies

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There is no significant impact on the accounts from the adoption of the new or amended Accounting Standards.

3. Segment information

a) Description of segments and principal activities

The Group has changed the structure of its segments from an industry basis to a geographical basis in the half year ending 31 December 2020. The prior period industry segments of Venues, Golf and Corporate have been replaced by the geographical segments of Asia Pacific, United Kingdom and Denmark. The Group's executive management team, consisting of the Executive Director & Chairman, Chief Executive Officer, the Chief Financial and Operating Officer, Executive General Manager – Product and Support, Executive General Manager – Research and Development and General Manager – Human Resources examine the Group's performance on a geographic basis.

The following are the identified reportable segments:

Asia Pacific: services the stadia and arena and registered clubs (including golf clubs) and golf associations in the Asia Pacific region.

United Kingdom: services the stadia and arena and registered clubs in the United Kingdom.

Denmark: services golf clubs and global golf associations.

The prior year comparatives have been restated to a geographical basis.

Management primarily uses a measure of revenue and adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of the business on a monthly basis. Information about their key performance indicators is detailed below.

b) Segment Revenue and Adjusted EBITDA

Six months ended 31 December 2020	APAC	UK	Denmark	Total
	A\$'000	A\$'000	A\$'000	A\$'000
Revenue from external customers	7,019	2,833	1,826	11,678
Timing of revenue				
Over Time	4,517	2,257	1,667	8,441
At a point in time	2,502	576	159	3,237
Other revenue	14	-	-	14
EBITDA before corporate overheads	2,359	226	907	3,492
Corporate overheads				(1,809)
EBITDA after corporate overheads				1,683
Six months ended 31 December 2019	APAC	UK	Denmark	Total
	A\$'000	A\$'000	A\$'000	A\$'000
Revenue from external customers	7,289	3,969	1,651	12,909
Timing of revenue				
Over Time	4,845	2,475	1,529	8,849
At a point in time	2,444	1,494	122	4,060
Other revenue	17	-	-	17
EBITDA before corporate overheads	560	342	743	1,645
Corporate overheads				(2,806)
EBITDA after corporate overheads				(1,161)

EBITDA excludes the effects of significant non-recurring items of income and expenditure which may have an impact on the quality of earnings such as restructuring and transaction costs, material credit loss provision increases relating to sales and revenue from prior periods and impacts from fair value movements through the income statement (including impairment of goodwill).

c) Segment Adjusted EBITDA reconciliation to loss before tax

Reconciliation of segment adjusted EBITDA to Profit /(Loss) before income tax	Dec-20 A\$'000	Dec-19 A\$'000
Segment EBITDA	1,683	(1,161)
Depreciation & amortisation	(2,504)	(2,833)
Transaction and restructuring costs	-	(936)
Fair value movement on financial liability	-	-
Expected credit loss - prior period	-	(616)
Finance costs (net)	(198)	(139)
Impairment expense	-	(10,672)
Loss before income tax	(1,019)	(16,357)

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the consolidated statement of profit or loss and other comprehensive income.

4. Business Combinations

On 17 November 2020, the Group acquired 100% of the equity of point-of-sale software company, SwiftPOS Pty Ltd ("SwiftPOS"). The consideration paid for the acquisition was \$4.25m in cash, \$0.5m in shares, plus \$0.75m twelve month deferred payment adjusted for the fair value of the net liabilities acquired, and a maximum earnout of \$4.2m based on agreed gross profit margin growth (refer to note 8 for further details).

SwiftPOS is a Brisbane based POS software solutions provider with 23 years experience in the hospitality and retail sectors, with a footprint spanning 4,000 venues across 26 countries. The business combination expands the Group's customer base from approximately 1,220 venues to more than 5,000, while increasing MSL's breadth through an extensive reseller network.

The acquisition is expected to be EBITDA earnings accretive with ~\$1.5m in annual EBITDA and positive cashflows and net profit after tax of approximately \$1m. Integration into the MSL Group is expected to unlock cost synergies to expand SwiftPOS profit contribution to a range of \$1.25m to \$1.5m per annum.

The SwiftPOS business has generated \$397k in revenue and \$240k in EBITDA for the period from the 17 November 2020 to 31 December 2020.

Pro forma revenue and profits for the combined entities if the acquisition date had been at the start of the reporting period is estimated at a revenue of \$12.9m and EBITDA of \$2.4m for the half year ending 31 December 2020. These estimates were calculated by extrapolating the revenue and EBITDA performance for the SwiftPOS business for the 17 November 2020 to 31 December 2020 period to a half-year estimate and adding this to the half yearly result for the rest of the Group.

Refer to note 9a for further details on intangible assets acquired.

	A\$'000
Amount settled in cash	4,250
Shares issued on acquisition	500
Present Value of Deferred Consideration	414
Present Value of Earn Out	3,000
Fair value of Consideration	8,164
Net Tangible Assets	(308)
Goodwill on acquisition	2,731
Intangible Assets - Customer Relationships	4,344
Intangible Assets - Software	2,527
Deferred Tax Liability	(1,130)
Fair value of asset acquired	8,164
Trade receivables	677
Other current assets	63
Current Assets	740
Non Current Assets	32
Total Assets	772
Trade and other payables	467
Provisions	204
Deferred Revenue	409
Current Liabilities	1,080
Fair value of net tangible liabilities	(308)
Acquisition costs charged to general and administration expenses	44

The accounting for the Business Combination has been determined on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. As at 31 December 2020 the intangible assets recognised have been measured provisionally pending completion of an independent valuation.

5. Revenue and other income

The Company derives the following types of revenue and other income:

	Consolidated	
	Dec-20	Dec-19
	A\$'000	A\$'000
Recurring Revenue		
Customer contracts annuities	3,966	4,972
Subscription annuities	4,475	3,877
Total - Recurring revenue	8,441	8,849
Non-recurring revenue		
Booking Fees	-	174
System Installations	1,107	1,090
Software Fees and Royalties	706	746
Hardware Fees	1,352	1,821
Advertising	9	173
Other	63	56
Total - Non-recurring revenue	3,237	4,060
Revenue from Operating Activities	11,678	12,909
Other Income		
Gain on sale of an asset	-	(1)
Gain on reversal of earnout provision/sale of asset	-	(2)
Settlement of professional matters	-	20
Interest	14	-
Total	14	17

6. Cash and Cash equivalents

The figures in the table shown below reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year, as follows:

	Consolidated	
	Dec-20	Jun-20
	A\$'000	A\$'000
Cash and cash equivalents	2,814	3,806
Bank overdrafts	-	-
Balances per statement of cash flows	2,814	3,806

The Bank overdrafts are held by the UK entities (£150k) and the Danish entity (DKK 1.0m) respectively. Both facilities were undrawn as at 31 December 2020.

7. Borrowings

In October 2018, the Group entered a loan facility to refresh working capital used for cash funded acquisitions. The total amount of the facility was \$2 m which amortises over a 36-month period. The loan period was extended for 6-months as part of COVID-19 relief offered by the financier during 2020.

As at 31 December 2020 there was \$nil drawn with \$1.02 m available.

The loan agreement contains no financial covenants and the facility is secured by a General Security Agreement and Guarantee and indemnity over the Australian entities of the Group.

In November 2020, the Group entered a loan facility to refresh capital following the acquisition of SwiftPOS Pty Limited. The total amount of the facility was \$2.5m which amortises over the term of the loan with repayments commencing on 30 April 2021. The final repayment date is 30 September 2023.

As at 31 December 2020 the loan was fully drawn to \$2.5 m.

The loan agreement contains a financial covenant that at each month end the Group must have a minimum consolidated cash balance of \$1.5m increasing to \$2.5m from 31 July 2021 until the end of the loan. The facility is secured by a second ranking General Security. Agreement and Guarantee and indemnity over the Australian entities of the Group with the Group's overseas entities providing guarantees.

Each of the above loans are a variable rate, Australian denominated loan which are carried at amortised cost. They therefore do not have any impact on the entity's exposure to foreign exchange and cash flow interest rate risk.

8. Fair value measurement of financial instruments

a. Recognised fair value measurements

i. Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Dec-20			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Trade and other receivables	5,213	-	-	5,213
Cash and cash equivalents	2,814	-	-	2,814
Total Financial assets	<u>8,027</u>	<u>-</u>	<u>-</u>	<u>8,027</u>

	Jun-20			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Trade and other receivables	6,215	-	-	6,215
Cash and cash equivalents	3,806	-	-	3,806
Total Financial assets	<u>10,021</u>	<u>-</u>	<u>-</u>	<u>10,021</u>

	Dec-20			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial liabilities				
Deferred consideration	-	-	3,414	3,414
Trade and other payables	3,301	-	-	3,301
Lease Liability	4,314	-	-	4,314
Borrowings	2,446	-	-	2,446
Total Financial liabilities	<u>10,061</u>	<u>-</u>	<u>3,414</u>	<u>13,475</u>

	Jun-20			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial liabilities				
Deferred consideration	-	-	-	-
Trade and other payables	3,363	-	-	3,363
Lease Liability	3,015	-	-	3,015
Borrowings	1,097	-	-	1,097
Total Financial liabilities	<u>7,475</u>	<u>-</u>	<u>-</u>	<u>7,475</u>

The Deferred consideration as at 31 December 2020 relates to the SwiftPOS acquisition. The acquisition has a 12-month deferred payment element of \$750k less the net asset position at date of acquisition and an earnout based on a gross margin target with a cap of \$4.2m over 3 years.

Level 1 – The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2 – The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 – If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

ii. Valuation techniques used to determine fair values.

Specific valuation techniques used to value financial instruments include:

The fair value of remaining financial liabilities is determined using discounted cash flow analysis.

All fair value estimates are included in level 3 as they are contingent consideration payable where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

iii. Valuation processes.

The main level 3 inputs used by the Group are derived and evaluated as follows:

Contingent consideration – expected cash outflows are estimated based on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the half yearly valuation discussion between the Chief Financial Officer and the Audit & Risk Committee of the MSL Solutions Limited Board. As part of this discussion the team presents a report that explains the reason for the fair value movements.

9. Non-financial assets and liabilities

This note provides information about the Group's non-financial assets and liabilities, including:

Specific information about each type of non-financial asset and non-financial liability

- Intangible assets (see Note 9a)
- Provisions (Note 9b)

a. Intangible assets

	Consolidated	
	Dec-20 A\$'000	Jun-20 A\$'000
Goodwill		
At cost	2,731	22,172
Accumulated impairment	-	(22,172)
	2,731	-
Computer Software, other		
At cost	14,143	11,342
Accumulated amortisation	(8,310)	(8,009)
	5,833	3,333
Formation expenses		
At cost	1	2
Contracts and Customer Relationships		
At cost	28,514	24,410
Accumulated amortisation	(15,559)	(14,202)
	12,955	10,208
Total intangible assets	21,520	13,543

The Group has considered the indicators of impairment as at the 31 December 2020 and do not believe that the external and internal factors considered give rise to an impairment review for the half year.

	Goodwill \$'000	Computer Software \$'000	Formation expenses \$'000	Contracts and customer relationships \$'000	Total \$'000
As at 31 December 2019					
Cost or fair value	22,316	11,026	2	24,432	57,776
Accumulated amortisation	-	(7,300)	-	(12,521)	(19,821)
Accumulated impairment	(22,316)	-	-	-	(22,316)
Net Book amount	-	3,726	2	11,911	15,639
Period ending 30 June 2020					
Opening net book amount	-	3,726	2	11,911	15,639
Disposals	-	-	-	-	-
Exchange differences	(144)	(291)	-	(142)	(577)
Additions	-	607	-	-	607
Amortisation	-	(709)	-	(1,561)	(2,270)
Impairment	144	-	-	-	144
Closing net book amount	-	3,333	2	10,208	13,543
As at 30 June 2020					
Cost or fair value	22,172	11,342	2	24,290	57,806
Accumulated amortisation	-	(8,009)	-	(14,082)	(22,091)
Accumulated impairment	(22,172)	-	-	-	(22,172)
Net Book amount	-	3,333	2	10,208	13,543
Period ending 31 December 2020					
Opening net book amount	-	3,333	2	10,208	13,543
Disposals	-	-	-	-	-
Exchange differences	-	(266)	(1)	(120)	(387)
Additions	2,731	3,067	-	4,344	10,142
Amortisation	-	(301)	-	(1,477)	(1,778)
Impairment	-	-	-	-	-
Closing net book amount	2,731	5,833	1	12,955	21,520
As at 31 December 2020					
Cost or fair value	2,731	14,143	1	28,514	45,389
Accumulated amortisation	-	(8,310)	-	(15,559)	(23,869)
Accumulated impairment	-	-	-	-	-
Net Book amount	2,731	5,833	1	12,955	21,520

The acquisition of SwiftPOS Pty Ltd on 17 November 2020 generated additional intangible assets of \$9.6m (refer to note 4 for more details).

b. Provisions

	Consolidated	
	Dec-20	Jun-20
	A\$'000	A\$'000
Current		
Long service leave	316	295
Annual leave	1,274	1,099
	1,590	1,394
Non-Current		
Long service leave	97	96
	97	96

c. Deferred Consideration

	Consolidated	
	Dec-20	Jun-20
	A\$'000	A\$'000
Current	1,189	-
Non-Current	2,225	-
	3,414	-

The Deferred consideration relates to the present valued and risk weighted valuation of the 12-month deferred payment and earn-out payment for the SwiftPOS acquisition.

10. Income tax

Income tax expense is recognised based on management's estimate of weighted average effective annual income tax rate expected for the full financial year.

11. Equity

Share Capital

	Number of shares	Issue price	\$'000
Opening Balance 1 July 2019	249,840,362		61,003
Shares issued on placement to Sophisticated and Institutional Investors	36,427,987	\$ 0.075	2,732
Shares issued under Share Purchase Plan	35,989,811	\$ 0.075	2,699
less: transaction costs arising on shares issued			(248)
Closing Balance 30 June 2020	<u>322,258,160</u>		<u>66,186</u>
Shares issued as part of consideration of SwiftPOS Pty Limited	7,012,623	\$ 0.0713	500
Closing Balance 31 December 2020	<u>329,270,783</u>		<u>66,686</u>

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to vote on a show of hands or by poll.

12. Earnings per share

a) Basic earnings per share

	31-Dec-20	31-Dec-19
	Cents	Cents
Total basic earnings per share attributable to the ordinary equity	(0.3)	(6.0)

b) Diluted earnings per share

	31-Dec-20	31-Dec-19
	Cents	Cents
Total diluted earnings per share attributable to the ordinary equity	(0.3)	(6.0)

c) Reconciliations of earnings used in calculating earnings per share

	31-Dec-20	31-Dec-19
	\$AUD'000	\$AUD'000
<i>Basic earnings per share</i>		
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	(996)	(15,581)
<i>Diluted earnings per share</i>		
Loss attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	(996)	(15,581)

d) Weighted average number of shares used as the denominator

	31-Dec-20	31-Dec-19
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	323,935,091	260,048,204
Adjustments for calculation of diluted earnings per share:		
- Options	-	-
- Potential shares to be issued via Share Performance Rights	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	323,935,091	260,048,204

2,390,870 options over ordinary shares and 9,958,333 share performance rights are not included in the calculation of diluted earnings per share as they are anti-dilutive for the half-year ended 31 December 2020. These options and share performance rights could potentially dilute basic earnings per share in the future.

13.Subsequent Events

There are no matters which have arisen since the end of the reporting period which may materially affect operations of MSL, the results of those operations, or the state of affairs of MSL in future years.

Directors' Declaration

In accordance with a resolution of the Directors of MSL Solutions Limited, in the Directors' opinion:

The consolidated interim financial statements and notes set out on pages 8 to 24, are in accordance with the Corporations Act 2001, including:

Giving a true and fair view of Group's financial position as at 31 December 2020 and of its performance, for the period ended on that date;

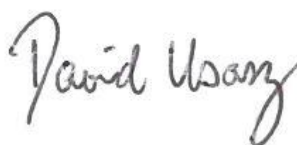
Complying with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001; and

There are reasonable grounds to believe that MSL Solutions Limited will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors:



Tony Toohey
Executive Chairman



David Usasz
Director

Dated at Brisbane, 23 February 2021.

Level 18,
King George Central
145 Ann Street
Brisbane QLD 4000

Correspondence to:
GPO Box 1008
Brisbane QLD 4001

T +61 7 3222 0200
F +61 7 3222 0444
E info.qld@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report

To the Members of MSL Solutions Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of MSL Solutions Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and 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 description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of MSL Solutions Limited does not give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and 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

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 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*. As the auditor of MSL Solutions 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.

Independence

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



CDJ Smith
Partner – Audit & Assurance
Brisbane, 23 February 2021