

## 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 2021.

	31 Dec 2021	31 Dec 2020*	Movement %
<b>Revenue from ordinary activities</b>	<b>42,885,127</b>	<b>35,673,312</b>	<b>20%</b>
Revenue from continuing operations	42,415,511	34,758,213	22%
Revenue from discontinued operations**	469,616	915,099	n/a
<b>EBITDA</b>	<b>(3,269,472)</b>	<b>4,050,252</b>	<b>(181%)</b>
EBITDA from continuing operations	(5,045,099)	3,669,956	(237%)
EBITDA from discontinued operations**	1,775,627	380,296	n/a
<b>Net (loss) / profit after tax</b>	<b>(3,562,929)</b>	<b>1,329,993</b>	<b>(368%)</b>
Net (loss)/ profit after tax from continuing operations	(5,095,625)	1,280,155	(498%)
Net profit after tax from discontinued operations**	1,532,696	49,838	2975%
<b>Net (loss) / profit after tax attributable to members</b>	<b>(3,562,929)</b>	<b>1,329,993</b>	<b>(368%)</b>
Net (loss)/ profit after tax from continuing operations attributable to members	(5,095,625)	1,280,155	(498%)
Net profit after tax from discontinued operations attributable to members**	1,532,696	49,838	2975%
<b>Interim dividend per share</b>	n/a	n/a	-
<b>Final dividend per share</b>	n/a	n/a	-
<b>Basic Earnings/(Loss) per share (cents per share)</b>	<b>(1.88)</b>	<b>0.75</b>	<b>(351%)</b>
Continuing operations	(2.69)	0.72	(474%)
Discontinued operations**	0.81	0.03	2776%
<b>Diluted Earnings/(Loss) per share (cents per share)</b>	<b>(1.88)</b>	<b>0.75</b>	<b>(351%)</b>
Continuing operations	(2.69)	0.72	(474%)
Discontinued operations**	0.81	0.03	2776%
<b>Net Tangible Asset Backing per share (cents per share)</b>	<b>0.14</b>	<b>0.55</b>	<b>(75%)</b>

\*controlled entities included iimage Technical Services Pty Ltd ("Skoolbag") prior to its sale on 30 September 2021, and Dienst Consulting Pty Ltd, acquired on 30 July 2021.

\*\* Discontinued operations refer to Skoolbag which was sold on 30 September 2021. Refer to Note 15.

## 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 2021 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 2021



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 Peter Ward	Executive Director and Chief Executive Officer
Mr Joe D'Addio	Non Executive Director
Mr Scott McPherson	Non Executive Director
Mr Joey Fridman	Non Executive Director
Ms Karen Bell	Non Executive Director
Mr Alexander White	Non Executive Director

## Company Secretaries

Mr Lee Tamplin and Mr Michael Austin (Appointed joint Company Secretaries 25 January 2022)

## Auditors

Stantons International Audit and Consulting Pty Ltd  
Level 36, Gateway I  
Macquarie Place  
Sydney NSW 2000

## 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

ANZ Bank  
242 Pitt Street  
Sydney NSW 2000

## Registered Office

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

## Share Registry

Automic Pty Limited  
Level 5, 126 Phillip Street |  
SYDNEY NSW 2000  
Investor Enquiries: 1300 288 664  
Email: [hello@automic.com.au](mailto:hello@automic.com.au)

## Stock Exchange Listing

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

## Website

[www.MOQ.com.au](http://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 2021. The information in the proceeding operating and financial review forms part of this directors' report for the half year ended 31 December 2021 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 Peter Ward	Executive Director and Chief Executive Officer (appointed CEO 8 November 2021, and Director 1 December 2021)
Mr Joe D'Addio	Non Executive Director (transitioned from Executive to Non Executive Director effective 8 November 2021)
Mr Scott McPherson	Non Executive Director
Mr Joey Fridman	Non Executive Director
Ms Karen Bell	Non Executive Director
Mr Alexander White	Non Executive Director
Mr Danny Loh	Company Secretary (resigned 25 January 2022)
Mr Lee Tamplin	Joint Company Secretary (appointed 25 January 2022)
Mr Michael Austin	Joint Company Secretary (appointed 25 January 2022)

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

## Executive Review of H1 FY22 and Strategic Priorities

The last six months have been a transformative period for MOQ Limited (MOQ) and include several business transactions and considerable earnings volatility due to the write off and provisions of \$3.5 million resulting from professional services contract cost over-runs and the review of the Company's operations as announced on 15 December 2021. The Company is focussed on continuing to position itself as a valued and successful provider in the growing technology transformation market. Initiatives during the period include:

1. The executive team responsible for project management and the related financial controls is in the process of being refreshed and enhanced with new, appropriately skilled personnel and the efficient integration of relevant systems. (Further information in this regard is referred to below).
2. The acquisition and successful integration of Dienst Consulting within the MOQdigital Foundation Services line of business has been completed, creating a more diversified platform for extending our Digital and Cyber Security Services focus into the Western Australian market.
3. Divestment of non-core asset, Skoolbag to focus on Technology Driven Transformation.
4. Changes to the executive leadership team to help accelerate the growth of MOQdigital.
5. Further leveraging of the Microsoft partnership to accelerate our Digital Services, with 5.7% increase in 1H FY22 over 1H FY21 as a result.
6. The Entitlement Offer announced together with this report is being undertaken to better capitalise the business to support these growth initiatives.

## Response to contracts cost over-runs and impact on profitability.

Various options were explored to minimise the losses associated with the Professional Services overruns and these efforts have resulted in 1H FY22 EBITDA of (\$3.27 million) inclusive of the discontinued operations of Skoolbag, which was in the middle of the forecasted range of (\$3 million) to (\$3.5 million).

# DIRECTORS' REPORT (cont.)



Consolidated Half Year ending 31 Dec 2021	Continuing Operations exc Skoolbag \$'000	Discontinued Operations - Skoolbag (disposed 30 Sep 2021) \$'000	Total (Continuing and Discontinued Operations) \$'000
<b>Revenue from operations</b>	<b>42,416</b>	<b>470</b>	<b>42,885</b>
Cost of sales	(37,591)	(195)	(37,786)
Gross Profit	<b>4,825</b>	<b>274</b>	<b>5,099</b>
Other Income (excluding interest)	<b>1</b>	<b>56</b>	<b>57</b>
Gain on sale of Skoolbag		<b>1,442</b>	<b>1,442</b>
Expenses			
Occupancy	(240)	(2)	(242)
Other expenses	(9,631)	4	(9,626)
<b>Total expenses (excl. Depreciation &amp; Amortisation)</b>	<b>(9,871)</b>	<b>3</b>	<b>(9,868)</b>
<b>EBITDA</b>	<b>(5,045)</b>	<b>1,776</b>	<b>(3,269)</b>
Interest Income	1		1
Interest & Finance Expense	(73)		(73)
Depreciation & Amortisation	(2,080)	(205)	(2,285)
<b>Profit (Loss) before Income Tax</b>	<b>(7,197)</b>	<b>1,570</b>	<b>(5,627)</b>
Income tax credit / (expense)	2,102	(37)	2,064
<b>Profit (Loss) after Tax</b>	<b>(5,096)</b>	<b>1,533</b>	<b>(3,563)</b>

The comprehensive operational review by an independent third party recommended a number of changes to substantively upgrade MOQ's operational controls and project governance. These changes have been adopted and are in the process of being implemented by the refreshed executive management team as part of the 'Back on Track' plan.

As a necessary consequence of the findings of the review, the Board is raising additional equity capital up to \$6 million, of which \$3.2 million has been pre-committed and partially underwritten by the Board, to implement the required personnel and process changes to prudently and effectively deliver on its contractual and other obligations going forward and achieve appropriate financial outcomes for its shareholders and other stakeholders. After thoroughly and diligently exploring other options, the Board has determined to raise the required funds by way of the entitlement offer, under which all MOQ shareholders can participate on a pro rata basis. Details of this entitlement offer accompany this Half Year Report.

MOQ is pleased to advise that it has received a waiver of the potential breach of its 1H FY22 covenants from its bank. The covenants will not be tested again until reporting period ending 31 December 2022, with the implementation of the Entitlement offer and an agreed partial step down of the Company's overdraft facility. The company's current facilities with the bank will continue to be available and serviced in accordance with agreed terms.

## Business Outlook

At the Annual General Meeting on 9 November 2021, we presented the five strategic initiatives for FY22. Whilst we are pleased with our revenue growth increase of 22.0% HoH including positive momentum in Technology Services, Recurring Services and Professional Services; we however achieved only 3 of the 5 strategic initiatives:

### Grow services revenue

- Services revenue has increased by 14.1% from \$22.1 million\* in 1H FY21 to \$25.2 million\* in 1H FY22

### Increase annuity type revenue

- Annuity/recurring revenue has increased by 9.6%\* from 1H FY22

### Grow Azure cloud services revenue

- Azure cloud services revenue has grown by \$1.7 million HoH

# DIRECTORS' REPORT

## Deliver sustained profit growth

- Profit has been impacted by poor project governance and controls
- A review of Professional Services contracts entered in FY21 was undertaken with a \$3.5 million write-off and provision for project overruns to conclude these projects.

## Increase margins

- Margins have decreased by 2.5% for Technology due to increased competitive pressures and supply chain disruptions.
- Margins have decreased by 5.1%\* for Recurring Services in 1H FY22 versus 1H FY21. Corrective steps included in the Back on Track Plan currently being implemented.

The Microsoft partnership continues to underpin the demand for our services as the market for cloud technologies continue to accelerate. This is highlighted by the growth of our Azure cloud services revenue (c. \$1.7 million HoH). Over the last two years, MOQdigital has focused intently on the strategic Microsoft partnership through an extensive transformation process across people, processes and systems to attain the Azure Expert MSP certification. The Azure Expert MSP certification highlights the most capable Microsoft partners and forms an elite tier for Microsoft's Azure managed services providers of only four others in Australia and 117 globally.

This focus on cloud technologies has assisted with the retention and attraction of an increasingly skilled and dedicated workforce. A recent engagement survey conducted by MOQ demonstrated that c. 96% of staff polled said they were proud to work for MOQdigital (Strongly Agree and Agree).

There is a range of high demand services and solutions being driven by Digital Transformation. Our efforts to transform our solution offerings have been geared to address this market demand and we feel that we are well-positioned to continue to capitalise on the high demand through:

- Our focus and investment in Digital Services capability to assist in achieving further organic growth and improved profitability
- The growing demand for Recurring Services to support the movement to consumption models including Azure Cloud services

The strategy to focus on high demand, higher value Digital Services continues to gain traction and we believe that if we successfully execute on these strategic initiatives, this should result in increased shareholder value and returns

*\* Skoolbag discontinued operations excluded from both H1 FY22 and H1 FY21 comparatives*

## 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 2020: \$nil).

## Significant Events after the Reporting Period

As at the date of signing, the Board is raising additional equity capital up to \$6 million by way of a non-renounceable entitlement offer to all existing shareholders, of which \$3.2 million has been pre-committed and partially underwritten by the Board.

The directors are not aware of any other matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of MOQ, the results of these operations or the state of affairs of MOQ in the period subsequent to the half year ended 31 December 2021.

## 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.





## DIRECTORS' REPORT (cont.)

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.

### 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	9,181,809	\$0.181	01/01/2025
01/02/2021	1,090,908	\$0.181	01/01/2025
01/03/2021	1,909,089	\$0.209	01/01/2025
09/07/2021	363,636	\$0.217	09/07/2025
01/10/2021	681,818	\$0.234	01/10/2025
<b>TOTAL</b>	<b>13,227,260</b>		

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 2021 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  
28 February 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Notes	Dec 2021 \$	Dec 2020 \$
<b>Revenue</b>	<b>4</b>	<b>42,415,511</b>	<b>34,758,213</b>
<b>Cost of Sales</b>	<b>5</b>	<b>(37,590,650)</b>	<b>(26,990,920)</b>
<b>Gross Profit</b>		<b>4,824,861</b>	<b>7,767,293</b>
<b>Other Income</b>	<b>4</b>	<b>1,893</b>	<b>1,993,329</b>
<b>Expenses</b>			
Share based payments		(197,386)	(43,887)
Depreciation expenses	<b>5</b>	(598,752)	(641,458)
Amortisation expenses	<b>5</b>	(1,480,987)	(1,481,715)
Employee costs	<b>5</b>	(6,304,472)	(4,438,709)
Legal costs	<b>5</b>	(143,364)	(63,443)
ASX and registry related expenses		(14,049)	(31,177)
Marketing expense		(375,109)	(142,664)
Occupancy expenses		(240,336)	(206,996)
Professional fees	<b>5</b>	(658,009)	(391,559)
Telecommunication carrier expenses		(138,616)	(156,770)
Interest and Finance expense		(73,290)	(44,090)
Expected credit losses	<b>7</b>	(868,95)	60,972
Other expenses		(930,627)	(631,613)
<b>Total expenses</b>		<b>(12,023,948)</b>	<b>(8,213,109)</b>
<b>(Loss)/ Profit before income tax expense for continuing operations</b>		<b>(7,197,194)</b>	<b>1,547,513</b>
Income tax credit / (expense)	<b>6</b>	2,101,569	(267,358)
<b>(Loss)/ Profit after income tax for continuing operations</b>		<b>(5,095,625)</b>	<b>1,280,155</b>
<b>Discontinued Operations</b>			
(Loss)/ Profit after tax from discontinued operations		1,532,696	49,838
<b>Total (Loss)/ Profit for the period</b>		<b>(3,562,929)</b>	<b>1,329,993</b>
<b>Other comprehensive profit / (loss) for the period</b>			
Exchange differences on translating foreign subsidiaries		147,545	(148,431)
<b>Total comprehensive (Loss)/ Profit for the period</b>		<b>(3,415,384)</b>	<b>1,181,562</b>
<b>(Loss)/ Profit is attributable to MOQ Limited</b>		<b>(3,562,929)</b>	<b>1,329,993</b>
<b>Total comprehensive Profit / (Loss) is attributable to MOQ Limited</b>		<b>(3,415,384)</b>	<b>1,181,562</b>
<b>Earnings per share attributable to equity holders of the parent entity</b>			
Basic earnings / (loss) per share (cents per share)	<b>16</b>		
- From continuing operations		(2.69)	0.72
- From discontinued operations		0.81	0.03
Diluted earnings / (loss) per share (cents per share)	<b>16</b>		
- From continuing operations		(2.69)	0.72
- From discontinued operations		0.81	0.03

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 2021

	Notes	Dec 2021 \$	Dec 2020 \$
<b>Current Assets</b>			
Cash and cash equivalents		3,297,012	1,966,646
Trade and other receivables	7	10,220,211	12,627,259
Contract Assets		1,034,470	902,887
Tax Receivable	6	838,848	334,337
Other assets		1,046,219	1,319,286
		<u>16,436,760</u>	<u>17,150,415</u>
<b>Non Current Assets</b>			
Other Assets		971,886	776,811
Right of use asset	13	1,595,428	1,915,895
Deferred tax assets	6	4,345,715	2,815,757
Property plant and equipment		1,097,190	1,144,289
Intangibles	8	9,543,143	9,741,398
		<u>17,553,362</u>	<u>16,394,150</u>
<b>Total assets</b>		<b>33,990,122</b>	<b>33,544,565</b>
<b>Current Liabilities</b>			
Trade and other payables	9	11,966,887	9,487,011
Loan	10	1,700,000	-
Contract liabilities		3,267,560	4,467,715
Provisions		3,204,633	3,170,477
Lease liability	13	479,159	622,084
Current tax payable	6	155,432	2,207
		<u>20,773,671</u>	<u>17,749,494</u>
<b>Non - Current Liabilities</b>			
Lease liability	13	1,306,992	1,466,734
Deferred tax liability	6	1,691,107	2,153,909
Provisions		416,468	364,145
		<u>3,414,567</u>	<u>3,984,788</u>
<b>Total Liabilities</b>		<b>24,188,238</b>	<b>21,734,282</b>
<b>Net Assets</b>		<b>9,801,884</b>	<b>11,810,283</b>
<b>Equity</b>			
Issued capital	11	56,914,169	55,704,569
Reserves		698,428	353,498
Accumulated losses		(47,810,713)	(44,247,784)
<b>Total Equity</b>		<b>9,801,884</b>	<b>11,810,283</b>

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 2021

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Equity \$
<b>Balance as at 1 July 2021</b>	<b>55,704,569</b>	<b>353,498</b>	<b>(44,247,784)</b>	<b>11,810,283</b>
Net (loss) for the period	-	-	(3,562,929)	(3,562,929)
Other comprehensive profit	-	147,545	-	147,545
<b>Total comprehensive (loss) for the period</b>	<b>-</b>	<b>147,545</b>	<b>(3,562,929)</b>	<b>(3,415,384)</b>
<b>Transactions with owners in their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Issue of share capital	1,209,600	-	-	1,209,600
Option Premium Reserve	-	197,385	-	197,385
<b>Balance as at 31 December 2021</b>	<b>56,914,169</b>	<b>698,428</b>	<b>(47,810,713)</b>	<b>9,801,884</b>

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Equity \$
<b>Balance as at 1 July 2020</b>	<b>53,490,057</b>	<b>269,681</b>	<b>(43,237,135)</b>	<b>10,522,603</b>
Net profit for the period	-	-	1,329,993	1,329,993
Other comprehensive (loss)	-	(148,431)	-	(148,431)
<b>Total comprehensive (loss) for the period</b>	<b>-</b>	<b>(148,431)</b>	<b>1,329,993</b>	<b>1,181,562</b>
<b>Transactions with owners in their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Issue of share capital	-	-	-	-
Option Premium Reserve	-	43,887	-	43,887
<b>Balance as at 31 December 2020</b>	<b>53,490,057</b>	<b>165,137</b>	<b>(41,907,142)</b>	<b>11,748,052</b>

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 2021

	Notes	Dec 2021 \$	Dec 2020 \$
<b>Cash flow from operating activities</b>			
Receipts from customers		49,201,563	35,663,711
Receipts from other income		268,759	2,625,880
Payments to suppliers and employees		(50,623,872)	(34,721,150)
Interest received		934	781
Interest paid		(18,379)	-
Income taxes paid		(370,998)	(323,155)
Net cash provided by / (used in) operating activities		(1,541,993)	3,246,067
<b>Cash flow from investing activities</b>			
Payment for property plant and equipment		(248,278)	(582,192)
Payments for intellectual property	8	(250,505)	(561,987)
Payment for deposits		(262,060)	25,937
Divestment of subsidiaries (net of cash divested)		3,648,509	-
Acquisition of subsidiaries (including cash acquired)		(1,348,436)	-
Net cash provided by / (used in) investing activities		1,539,230	(1,118,242)
<b>Cash flow from financing activities</b>			
Proceeds from Loans		1,700,000	-
Lease payments for right of use assets		(366,871)	(388,917)
Net cash provided by / (used in) financing activities		1,333,129	(388,917)
Net increase / (decrease) in cash and cash equivalents		1,330,366	1,738,908
Cash and cash equivalents at beginning of period		1,966,646	4,976,105
Cash and cash equivalents at end of period		3,297,012	6,715,013

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 2021 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 2021. 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) 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.

At 31 December 2021, the Group had net assets of \$9,801,884 (H1 FY21: Net assets of \$11,810,283). The Group has fully drawn down on a \$1.7 million acquisition facility, which is repayable each quarter over the next 3 years. The Group has made a loss of \$3,562,929 for the half year ended 31 December 2021, arising mainly from a comprehensive assessment of the status of the company's portfolio of professional services customer contracts resulting in a \$3.5 million write off and provision for project overruns. A comprehensive operational review by an independent third party has been completed based on the project overruns and has recommended a number of changes to substantively upgrade MOQ's operational controls and project governance. These changes have been adopted and are being implemented by the management team as part of the Back on Track plan with the aim of returning to profitability in H2 FY22.

At the date of this report, the Directors are of the opinion that there are reasonable grounds to expect that the Group will be able to continue as a going concern. In arriving at this conclusion, the Directors considered the following:

- The successful implementation of the Back on Track plan to return to profitability in H2 FY22
- MOQ has received a waiver of the potential breach of its covenants from its bank. The covenants will not be tested again until reporting period ending 31 December 2022, with the implementation of the Entitlement offer and an agreed partial step down of the Company's overdraft facility. The company's current facilities with the bank will continue to be available and serviced in accordance with agreed terms.
- Undertake an entitlement offer to further inject additional capital equity up to \$6 million, of which \$3.2 million has been pre-committed and partially underwritten by the Board, to implement the required personnel and process changes to prudently and effectively deliver on its contractual and other obligations going forward.

The directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report as at 31 December 2021. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern.

### (d) 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.

## 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.



# CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

### 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.

### Deferred income tax assets

The Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test.

## NOTE 2: FINANCIAL RISK MANAGEMENT

### Credit Risk

The Group has no significant concentration of credit risk other than one larger debtor amount totalling \$1.3 million (11.7% of total trade receivables as at 31 December 2021). As at the date of this report no payments have been received in relation to this debtor's balance. As there are no other major concentration of debtors, no sensitivity analysis has been prepared by the Group.

Please refer to Note 7 for a further breakdown of the ageing of receivable amounts

## 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 2021	Recurring Services \$	Professional Services \$	Technology Sales \$	Unallocated \$	Total \$
<b>Revenue from external customers</b>	<b>10,710,774</b>	<b>14,511,379</b>	<b>17,193,358</b>	<b>-</b>	<b>42,415,511</b>
Other income	-	-	-	1,893	1,893
<b>Total Reportable Segment results</b>	<b>3,449,370</b>	<b>(528,694)</b>	<b>1,904,185</b>	<b>(12,022,055)</b>	<b>(7,197,194)</b>
Services / goods transferred at a point in time			17,193,358		17,193,358
Services transferred over time	10,710,774	14,511,379			25,222,153
Total segment assets	-	-	-	33,990,122	<b>33,990,122</b>
Total segment liabilities	-	-	-	24,188,238	<b>24,188,238</b>

# CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3: SEGMENT INFORMATION (cont)

31 December 2020*	Recurring Services \$	Professional Services \$	Technology Sales \$	Unallocated \$	Total \$
<b>Revenue from external customers</b>	<b>9,770,364</b>	<b>12,339,558</b>	<b>12,648,291</b>	<b>-</b>	<b>34,758,213</b>
Other income	-	-	-	1,993,329	<b>1,993,329</b>
<b>Total Reportable Segment results</b>	<b>3,640,649</b>	<b>2,403,555</b>	<b>1,723,089</b>	<b>(6,219,780)</b>	<b>1,547,513</b>
Services / goods transferred at a point in time			12,648,291		12,648,291
Services transferred over time	9,770,364	12,339,558			22,109,922
Total segment assets	-	-	-	35,639,697	<b>35,639,697</b>
Total segment liabilities	-	-	-	23,891,645	<b>23,891,645</b>

\*H1FY21 comparatives exclude Skoolbag discontinued operations

## NOTE 4: REVENUE AND OTHER INCOME

	31 Dec 2021 \$	31 Dec 2020* \$
<b>(a) Revenue from operations</b>	<b>42,415,511</b>	<b>34,758,213</b>
<b>(b) Other income</b>		
Interest received	934	730
Other income	959	103,599
Government Grants <sup>1</sup>	-	1,889,000
	<b>1,893</b>	<b>1,993,329</b>
Total revenue and other income	<b>42,417,404</b>	<b>36,751,542</b>

<sup>1</sup> Government grants include Jobkeeper subsidy and Cashflow Boost.

\*H1FY21 comparatives exclude Skoolbag discontinued operations

The Group benefited from the following no government support packages as a result of COVID-19 during the period. In the 31 December 2020 period the group benefitted from the following government support packages:

### JobKeeper Scheme

Due to the impact of COVID-19 on the Groups' turnover, government subsidies of \$1,947,000 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 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 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 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 2021 \$	31 Dec 2020 \$
(a) Cost of sales		
Technology	15,289,173	10,925,202
Recurring services	7,261,404	6,129,715
Professional services	15,040,073	9,936,003
	<u>37,590,650</u>	<u>26,990,920</u>
(b) Depreciation – office equipment, software and right of use asset	598,752	641,458
Amortisation – intangible assets	1,480,987	1,481,715
	<u>2,079,739</u>	<u>2,123,173</u>
(c) Employee benefits, other labour and related expenses		
Wages and salaries	4,673,749	3,396,786
Superannuation	407,618	327,873
Other employee benefits expenses	1,223,105	714,050
	<u>6,304,472</u>	<u>4,438,709</u>
(d) Legal costs	143,364	63,443
(e) Professional fees		
Consultants fees	444,148	254,918
Compliance fees	130,229	133,562
Other Fees	83,632	3,079
	<u>658,009</u>	<u>391,559</u>

## NOTE 6: INCOME TAX

	31 Dec 2021 \$	31 Dec 2020 \$
<b>(a) The components of tax (expense) / benefit for continuing operations comprise:</b>		
Current tax	(2,695,677)	(234,283)
Deferred tax	729,369	481,371
Under / (over) provision in prior years	(135,261)	20,269
Total income tax expense / (benefit)	<u>(2,101,569)</u>	<u>267,357</u>
<b>(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable for continuing operations</b>		
Profit / (loss) before income tax expense for continuing operations	(7,197,194)	1,547,513
Income tax calculated at 30% (2020: 30%)	(2,159,158)	464,254
Tax effect for amount which are non-deductible (taxable) in calculating taxable income:		
Permanent differences	(66,870)	32,497
Tax rate differential	(15,468)	(67,642)
Over/ (under) provisions in respect of prior years	(135,261)	20,269
Temporary income tax differences	275,188	(182,022)
Income tax expense / (benefit) for continuing operations	<u>(2,101,569)</u>	<u>267,357</u>
The applicable weighted average effective tax rates for continuing operations are as follows:	29.20%	17.28%

# 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 2021 \$	31 Dec 2020 \$
Potential tax benefit at 30% (2020: 30%)	-	-

### (e) Current tax payable / recoverable

Current tax payable is \$155,432, relating to income tax Dienst Consulting Pty Ltd (31 December 2020: \$499,368 payable relating to MOQdigital NZ Limited and MOQ Limited). Current tax receivable is \$838,848 relating to MOQ Limited.

### Recognised deferred tax assets and liabilities

Deferred tax balances at 31 December 2021 relate to the following:

	31 Dec 2021 \$	30 Jun 2021 \$
(i) Deferred tax liabilities		
Right of use asset	(386,073)	(462,056)
WIP	(310,341)	(270,866)
Contract assets	-	-
Acquired customer contracts	(994,693)	(1,420,988)
Deferred Tax Liabilities	(1,691,107)	(2,153,909)
(ii) Deferred tax assets		
Provisions	1,120,311	855,706
M&A costs	314,772	286,463
Contract liabilities	36,374	389,104
Employee obligations	871,861	862,939
Lease liabilities	345,515	421,545
Tax Losses	1,656,882	-
Deferred Tax Assets	4,345,715	2,815,757

### (f) 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 2021 \$	30 Jun 2021 \$
Trade receivables	11,748,276	13,350,802
Expected credit losses	(1,539,589)	(736,360)
Other receivables	11,524	12,817
Total Trade and other receivables	10,220,211	12,627,259

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 \$3,787,721 at 31 December 2021.

The ageing based on due date of the Group's trade receivables at the reporting date is:

	31 Dec 2021 Gross Receivable \$	31 Dec 2021 Expected credit Loss \$	31 Dec 2021 Net Receivable \$	30 Jun 2021 Gross Receivable \$	30 Jun 2021 Expected credit Loss \$	30 Jun 2021 Net receivable \$
Current	6,564,619	(143,653)	6,420,966	10,363,457	-	10,363,457
30 - 60 days	2,586,292	(115,683)	2,470,609	1,123,037	-	1,123,037
60 - 90 days	926,100	(82,335)	843,765	938,471	(391,443)	547,028
More than 90 days	1,671,265	(1,197,918)	473,347	925,837	(344,917)	580,920
	11,748,276	(1,539,589)	10,208,687	13,350,802	(736,360)	12,614,442

Management believe that the above stated balances are fully recoverable.

## NOTE 8: INTANGIBLE ASSETS

	31 Dec 2021 \$	30 Jun 2021 \$
Goodwill on acquisition of Wardy IT Solutions	1,840,440	1,840,440
Goodwill on acquisition of Dienst Consulting	3,971,727	
Intangible Property Acquired Skoolbag	-	250,678
	5,812,167	2,091,118
Intangible Property – Skoolbag software development -cost	-	3,453,575
Intangible Property – Skoolbag software development – accumulated depreciation	-	(919,917)
	-	2,533,658
Intangible Property - Wardy IT Solutions acquired customers	9,946,906	9,946,906
Intangible Property - Wardy IT Solutions acquired customers – accumulated depreciation	(6,631,271)	(5,210,284)
Intangible Property - Wardy IT Solutions acquired website	-	-
Intangible Property - Wardy IT Solutions acquired website – accumulated depreciation	-	-
Intangible Property - Wardy IT Solutions acquired intangible	600,000	600,000
Intangible Property - Wardy IT Solutions acquired intangible – accumulated depreciation	(280,000)	(220,000)
	3,635,635	5,116,622
Intangible Property - Dienst Consulting acquired customers	95,341	-
	9,543,143	9,741,398

# CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 8: INTANGIBLE ASSETS (cont)

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

	Skoolbag software development \$	Wardy IT Solutions Intangible \$	Dienst Consulting Intangible \$
At 1 July 2021	2,533,658	5,116,622	-
Additions	250,505	-	95,341
Disposals	(2,583,625)	-	-
Amortisation	(200,539)	(1,480,987)	-
At 31 December 2021	-	3,635,635	95,341

	Skoolbag software development \$	Wardy IT Solutions Intangible \$	Dienst Consulting 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	-

## NOTE 9: TRADE AND OTHER PAYABLES

	31 Dec 2021 \$	30 Jun 2021 \$
Trade creditors	7,806,268	6,872,668
Other payables and accrued expenses*	4,160,619	2,614,343
	11,966,887	9,487,011

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

\*Other payables include an amount of \$616,653 being the final amount payable for the Dienst acquisition (refer note 14).

## NOTE 10: INTEREST-BEARING LOANS AND BORROWINGS

The Group has a \$1.7 million floating rate loan facility with a termination date of 1 September 2024 and principal of \$141,667 repayable every calendar quarter starting January 2022. As at 31 December 2021 there was a possible technical breach of the covenants on the facility, therefore the loan was classified as current at period end. As described in note 1 (c) post period end the company has received a temporary waiver for this potential breach.

## NOTE 11: SHARE CAPITAL

### (a) Details of share issues

	31 Dec 2021		30 Jun 2021	
	No. Of Shares	Share Value \$	No. Of Shares	Share Value \$
Balance at the beginning of the period	185,516,415	55,704,569	177,463,641	53,490,057
Acquisition of Wardy IT Solutions	-	-	8,052,774	2,214,512
Acquisition of Dienst Consulting	5,040,000	1,209,600		
<b>Balance at the end of the period</b>	<b>190,556,415</b>	<b>56,914,169</b>	<b>185,516,415</b>	<b>55,704,569</b>

For the half year ended 31 December 2021:

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 11: SHARE CAPITAL (cont)

### (b) Options

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

	Balance at 31/12/2021	Balance at 30/06/2021	Exercise price	Expiry
Unlisted	10,272,717	10,636,353	\$0.181	01/01/2025
Unlisted	1,909,089	1,909,089	\$0.209	01/01/2025
Unlisted	363,636	-	\$0.217	09/07/2025
Unlisted	681,818	-	\$0.234	01/10/2025
Total	13,227,260	12,545,442		

	No. of Options	Weighted Average Exercise Price
<b>Options outstanding at 1 July 2021</b>	<b>12,545,442</b>	<b>\$0.1853</b>
Granted	1,045,454	\$0.228
Forfeited	(363,636)	\$0.181
Exercised	-	-
Expired	-	-
<b>Options outstanding at 31 December 2021</b>	<b>13,227,260</b>	<b>\$0.189</b>
Options exercisable as at 31 December 2021	-	-

The weighted average life of the outstanding share options at 31 December 2021 is 3.06 years.

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

\* 2,109,088 share options granted in 2018 were 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.

### (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 has a Working capital and Acquisition facility (refer Note 10), which are subjected to covenant clauses, which were due to be reported by 15 March 2022. MOQ has received a waiver and the covenants will not be tested again until reporting period ending 31 December 2022, with the implementation of the Entitlement offer and an agreed partial step down of the Company's overdraft facility. The company's current facilities with the bank will continue to be available and serviced in accordance with agreed terms.

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 12: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets at the date of this report.

## NOTE 13: RIGHT OF USE ASSETS AND LEASE LIABILITIES

### Right of use asset

	31 Dec 2021 \$	30 Jun 2021 \$
Cost	3,733,534	3,720,641
Accumulated depreciation	(2,138,106)	(1,804,746)
	<u>1,595,428</u>	<u>1,915,895</u>

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

	31 Dec 2021 \$	30 Jun 2021 \$
Opening balance	1,915,895	2,274,763
Additions	-	466,409
Amortisation	(329,198)	(802,250)
Foreign currency translation differences	8,731	(23,027)
Closing balance	<u>1,595,428</u>	<u>1,915,895</u>

### Lease liabilities

	31 Dec 2021 \$	30 Jun 2021 \$
Current	(479,159)	(622,084)
Non Current	(1,306,992)	(1,466,734)
	<u>(1,786,151)</u>	<u>(2,088,818)</u>

## NOTE 14: ACQUISITION OF DIENST CONSULTING

MOQ Limited acquired 100% of the shares in Dienst Consulting Pty Limited on 30 July 2021.

Dienst Consulting Pty Limited provides IT consulting and software solutions primarily to mid-to-large Western Australian enterprises in a range of industries including mineral resources, not-for-profits and government. It is a complementary business to MOQdigital, specialising in mobility, cloud and data, increasing MOQ's existing Western Australian presence to more than 30 team members.

The purchase was settled for a total consideration of \$3.5 million, comprising \$2.3 million in cash (after adjusting for working capital of \$0.33 million) and the issue of 5.04 million MOQ Shares with a fair value of \$1.2 million. Of the \$2.32 million cash payment, \$0.62 million is payable within 18 months of the completion date. The final cash payment has been accrued for in Other Payables as at 31 December 2021.

The Acquisition meets the requirements of AASB 3 Business Combinations therefore Dienst has been consolidated into the financial statements of the Group from the date of acquisition, being 30 July 2021.

The fair value of the consideration has been determined using the market price of MOQ Limited shares at the date of Acquisition.

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

The valuation of customer contracts is based on management assessment of retention of customers, which remains provisional at as 31 December 2021. The expected customer retention period is between 3 – 3.5 years.

Provisional details of consideration and the fair value of identified assets acquired, liabilities assumed, and goodwill determined are set out in the following tables. These values are provisional as the group is still pending information used to determine the fair value of assets acquired on acquisition. Amendments may be made to these values up to 12 months following the date of acquisition if new information is obtained about facts and circumstances that existed at acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.



# CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 14: ACQUISITION OF DIENST CONSULTING (cont)

The statement of financial position of the acquired entity, Dienst Consulting, upon completion of the acquisition was as follows:

	Dienst Consulting \$
Cash and cash equivalents	341,165
Trade and other receivables	996,560
<b>Identifiable Intangibles</b>	
Acquired customer contracts	95,341
Deferred Tax Asset	63,902
	<hr/> 1,496,968
Trade and other payables	(1,840,257)
Deferred income	(101,185)
<b>Identifiable net assets</b>	<hr/> <b>(444,474)</b> <hr/>
<b>Representing</b>	
Shares issued in MOQ Limited (at fair value)	1,209,600
Up-front cash consideration	1,701,000
Hold back consideration	616,653
<b>Fair value of consideration transferred</b>	<hr/> 3,527,253 <hr/>
<b>Goodwill on acquisition of Dienst Consulting</b>	<hr/> <b>3,971,727</b> <hr/>

Acquisition costs are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses.

Set out below is the contribution for Dienst Consulting to the reporting entity's profit from ordinary activities during the period:

	Dienst Consulting Financial period 30 Jul 2021 to 31 Dec 2021 \$
<b>Summarised Financial Performance</b>	
Revenue	3,102,268
Profit before tax	988,895
Profit after tax	690,225
Other comprehensive income after tax	-
Total comprehensive (loss)/income*	690,225
Profit/(loss) attributable to non-controlling interests	-

\* The Dienst Consulting business has been integrated into the MOQdigital business during the period and some expenses were incurred in MOQdigital from October 2021.

# CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 15: DIVESTMENT IN IIMAGE TECHNICAL SERVICES PTY LTD

On 3 September 2021, MOQ Limited entered into a binding conditional agreement for the sale of 100% of the shares in iimage Technical Services Pty Ltd to Skilligence Pty Ltd, trading as Junior Engineers, for a purchase price of \$4 million cash, subject to working capital adjustments. The sale was completed on 1 October 2021.

The results of iimage Technical Services for the reporting period are as follows:

	31 Dec 2021 \$	31 Dec 2020 \$
Revenue	469,616	915,099
Cost of Sales	(195,153)	(365,813)
Gross Profit	274,463	549,286
Gain on sale of Skoolbag	1,442,168	-
Other Income	56,445	108,332
Expenses	(202,927)	(478,771)
(Loss)/ Profit before income tax	1,570,149	178,847
Tax Benefit / (expense)	(37,451)	(129,009)
(Loss)/ Profit for the year from discontinued operations	1,532,698	49,838

The major class of assets held by iimage Technical Services immediately prior to divestment are as follows

	30 Sep 2021 \$
<b>Current Assets</b>	
Cash and cash equivalents	351,491
Trade and other receivables	130,353
Other assets	4,048
	485,892
<b>Non Current Assets</b>	
Deferred tax assets	275,656
Property plant and equipment	30,564
Intangibles	2,834,302
	3,140,522
<b>Total assets</b>	<b>3,626,414</b>
<b>Current Liabilities</b>	
Trade and other payables	(135,667)
Contract liabilities	(667,300)
Provisions	(54,258)
<b>Total Liabilities</b>	<b>(857,225)</b>
<b>Net Assets</b>	<b>2,769,189</b>
<b>Equity</b>	
Issued Capital	(2)
Accumulated Losses	(2,769,187)
<b>Total Equity</b>	<b>(2,769,189)</b>





# CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 15: DIVESTMENT IN IIMAGE TECHNICAL SERVICES PTY LTD (cont)

Net Cashflows for iimage Technical Services Pty Ltd are as follows:

	31 Dec 2021 \$	31 Dec 2020 \$
Operating	628,474	142,998
Investing	(479,065)	(561,987)
Financing	-	-
Gross Profit	149,409	(418,989)

## NOTE 16: EARNINGS / (LOSS) PER SHARE

	31 Dec 2021 \$	31 Dec 2020 \$
<b>(a) Basic earnings / (loss) per share (cents per share)</b>	<b>(1.88)</b>	<b>0.75</b>
From continuing operations	(2.69)	0.72
From discontinued operations	0.81	0.03
<b>(b) Diluted earnings / (loss) per share (cents per share)</b>	<b>(1.88)</b>	<b>0.75</b>
From continuing operations	(2.69)	0.72
From discontinued operations	0.81	0.03
<b>(c) Reconciliation of earnings / (loss) in calculating earnings per share</b>	<b>(3,562,929)</b>	<b>1,329,993</b>
Basic and diluted profit per share		
(Loss)/ Profit from continuing operations attributable to ordinary equity holders	(5,095,625)	1,280,155
(Loss)/ Profit from discontinued operations attributable to ordinary equity holders	1,532,696	49,838
<b>(d) Total shares</b>		
Weighted average number of ordinary shares outstanding during the half year used in the calculation of basic earnings per share	189,734,676	177,463,641
Weighted average number of ordinary shares outstanding during the half year used in the calculation of diluted earnings per share	189,734,676	177,463,641

## NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

As at the date of signing, the Board is raising additional equity capital up to \$6 million by way of a non-renounceable entitlement offer to all existing shareholders, of which \$3.2 million has been pre-committed and partially underwritten by the Board.

The directors are not aware of any other matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of MOQ, the results of these operations or the state of affairs of MOQ in the period subsequent to the half year ended 31 December 2021.

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 8-23 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 2021 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', enclosed within a large, stylized, handwritten loop that forms a triangular shape.

David Shein  
Non Executive Chairman  
28 February 2022



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28 February 2022

Board of Directors  
MOQ Limited  
Suite 1, 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 2021, 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 LTD**  
**(An Authorised Audit Company)**

**Samir Tirodkar**  
**Director**



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**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 statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, condensed notes comprising 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 MOQ Limited's financial position as at 31 December 2021 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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 Group on 28 February 2022.

**Material Uncertainty regarding Going Concern**

As described in note 1(c) to the financial report, the financial statements have been prepared on a going concern basis. At 31 December 2021 the consolidated entity had working capital deficiency of \$4,336,911 (30 June 2021 deficiency of \$599,079) and had incurred a loss after tax for the half year amounting to \$3,562,929 (31 December 2021 profit \$1,329,983). The ability of the consolidated entity to continue as a going concern is subject to profitable operations and collecting its outstanding receivables (refer note 7) in accordance with its budgeted cash flows or to raise capital. In the event that the consolidated entity is not profitable and able to collect its outstanding receivables or raise capital to meet its budgeted cash flows, the consolidated entity may not be able to meet its liabilities as and when they fall due and the carrying value of the non-current assets would be lower than its net realisable values.



### ***Responsibility of the Directors for the Financial Report***

The directors of 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 2021 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**  
**(An Authorised Audit Company)**

*Stantons International Audit and Consulting Pty Ltd*  
*Samir*

**Samir Tirodkar**  
Director

West Perth, Western Australia  
28 February 2022

