ARQ group

ARQ GROUP LIMITED

(ABN: 21 073 716 793)

APPENDIX 4E AND PRELIMINARY FINAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

Appendix 4E

1. Company information

Name of entity	Arq Group Limited (formerly 'Melbourne IT Ltd')
ABN or equivalent company reference	21 073 716 793
Reporting period	31 December 2019 (Comparative period – 31 December 2018)

2. Results for announcement to the market

	Year ended 31 December 2019		
	2019 $A'000s	**Movement $A'000s (%)**	**2018[(2)] $A'000s**
Revenue from ordinary activities and continuing operations	83,615	▼ 16,479 (16.5%)	100,094
Underlying earnings before interest, tax, depreciation and amortisation[(1)] from continuing operations	14,794	▼ 568 (3.7%)	15,362
Loss after tax from continuing operations[(3)]	(43,676)	▼ 28,249 (183.1%)	(15,427)
Loss after tax attributable to members of the parent[(4)]	(129,028)	▼ 126,571 (5,152.1%)	(2,457)

(1) The Group believes this unaudited non-IFRS information is relevant to the user's understanding of the Group's underlying performance.

(2) Due to the presentation of the Enterprise business as a discontinued operation for the year ended 31 December 2019, the prior period comparatives have been restated in accordance with *AASB 5: Non-current Assets Held for Sale and Discontinued Operations*.

(3) Loss after tax from continuing operations for the current year ended 31 December 2019 includes an impairment charge of $38,848,000 on the goodwill allocated to the SMB business.

(4) Loss after tax attributable to members of the parent for the current year ended 31 December 2019 include a) an impairment charge of $38,848,000 on the goodwill allocated to the SMB business, and b) a post-tax loss of $81,258,000 recognised on the revaluation of the Enterprise disposal group's net non-monetary assets to fair value less costs of disposal.

3. Dividends

	Amount per security (cents)	**Franked amount per security**
Current period		
Final dividend	0.0 cents	N/A
Interim dividend	0.0 cents	N/A
	0.0 cents	
Previous corresponding period		
Final dividend	4.5 cents	100%
Interim dividend	3.5 cents	100%
	8.0 cents	

No final dividend is proposed to be declared with respect to the 31 December 2019 period.

The dividend or distribution plans shown are in operation.	The Arq Group Limited Dividend Reinvestment Plan

4. Review and results of operations

This report has been prepared and presented with respect to the consolidated entity ("the Group"), being Arq Group Limited ("the Company") and the entities it controlled during the financial year ended 31 December 2019.

Sale of the TPP Wholesale Reseller business

The Group divested certain assets and liabilities related to the TPP Wholesale Reseller business to CentralNic Group plc on 31 July 2019. The Group received $21,300,000 cash of total transaction proceeds, with $3,100,000 expected over the next two years associated with the separation of the business from the Group as part of the Transitional Services Agreement. The transaction proceeds were used to reduce the Group's debt. As a result of the transaction, the Group recognised a $554,000 net gain on disposal of the net assets associated with the TPP Wholesale Reseller business.

Basis of Presentation

Sale of Enterprise

On 11 February 2020, the Group entered into an agreement to divest the Enterprise business unit to a consortium consisting of Quadrant Private Equity and members of management for $35,000,000 in cash. This transaction is scheduled to complete on 2 March 2020. As the intention to divest the Enterprise business was highly probable considering the progress of the Group's strategic review at 31 December 2019, the Enterprise disposal group has been separately presented as held for sale in accordance with *AASB 5: Non-current Assets Held for Sale and Discontinued Operations* as at 31 December 2019. Given the significance of the Enterprise business to the Group's operations, the Enterprise business unit has also been determined to be a discontinued operation. The financial information in this report (including the restatement of the prior year comparative) has therefore been presented in accordance with *AASB 5*.

The assets and liabilities of the Enterprise disposal group have been written down to their fair value less costs of disposal, resulting in the Group incurring a $81,258,000 revaluation loss against the value of non-monetary assets allocated to the Enterprise disposal group.

Accordingly, the remainder of the Group's business has been defined as "continuing operations" in accordance with Australian accounting standards. This consists of the SMB segment, which includes both the SMB Direct business as well as the remainder of the SMB Indirect business following the sale of the TPP Wholesale Reseller business, and associated corporate costs that continue to be incurred by the Group.

Going Concern

The Company has sought and received waivers for financial covenant breaches for the quarter ended 30 September 2019 and quarter ended 31 December 2019. As a condition of those waivers, a Review Event in January 2020 was included in the facility terms, allowing the Company's financiers discretion to withdraw the facilities upon providing the Group 60 days advance written notice. The Group is working with its lenders to manage the debt facilities, including an agreed repayment of debt from the net proceeds of sale of the Enterprise business. No action has yet been taken by the Company's financiers in respect of the Review Event.

The Company anticipates it may be in breach of financial covenants sometime during 2020, such that the financiers have the discretion to withdraw the facilities, and the Company may also require additional short-term funding whilst it continues to execute actions from the Strategic Review, including the potential sale of the SMB business. Therefore, the Company believes it will require the ongoing support of its lenders to continue to provide the existing facilities and any required additional facilities to be able to continue as a going concern.

The Company is continuing to work with its financiers, and the Directors are satisfied there are reasonable grounds to conclude the Company and Group can continue as a going concern. The financial statements and notes have been prepared on a going concern basis at 31 December 2019 and does not include adjustments, if any, relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Performance from continuing operations

The following table provides a summary of our key financial metrics related to our continuing operations, being Revenue and Underlying Earnings before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA)(1):

Continuing operations	31-Dec-19(2) $'000s AASB 16	Adjustment for AASB 117 $'000s	31-Dec-19(2) $'000s AASB 117	31-Dec-18 $'000s AASB 117
Revenue from contracts with customers				
SMB Direct	66,425	-	66,425	74,376
SMB Indirect	17,190	-	17,190	25,718
Total	**83,615**	**-**	**83,615**	**100,094**
Underlying EBITDA(1)				
SMB Direct	9,948	-	9,948	9,284
SMB Indirect	8,042	-	8,042	13,004
Unallocated corporate costs	(3,196)	(2,582)	(5,778)	(6,924)
Total	**14,794**	**(2,582)**	**12,212**	**15,362**
Reported EBITDA loss(1)	**(28,425)**	**(2,582)**	**(31,007)**	**(1,550)**

(1) The Group believes this unaudited non-IFRS information is relevant to the user's understanding of the Group's underlying performance.

(2) The Group applies, for the first time, AASB 16: *Leases* ('AASB 16') for the year ended 31 December 2019. The Group has adopted the modified retrospective approach which does not require the restatement of previous financial statements. The nature and effect of these changes are disclosed in Note 13 to these Financial Statements. The impact upon adopting AASB 16 for continuing operations was attributed entirely to corporate costs for comparative purposes. Further information will be provided in the audited Financial Statements that will be enclosed as part of the Group's annual report. For comparative purposes to the year ended 31 December 2018, the Group has also presented unaudited results for the year ended 31 December 2019 under the previous accounting standard AASB 117: *Leases*.

With costs being controlled during the year, along with new sales generated across the business, this resulted in a stronger underlying EBITDA position for the SMB Direct business, meeting our issued guidance.

Both Revenue and Underlying EBITDA has decreased for SMB Indirect following the Group divesting certain assets and liabilities related to the TPP Wholesale Reseller business on 31 July 2019.

Reported EBITDA loss from continuing operations(1) increased compared to the prior year by 1,734.1% (1,900.7% on a pre-AASB 16 basis), driven principally by the impairment charge recognised against the carrying value of goodwill in the SMB business. In assessing the recoverable value of the goodwill allocated to the SMB business, an impairment charge of $38,848,000 has been recognised, driven by the allocation of shared costs previously attributed to the Enterprise business unit. The Group is in the process of removing these shared costs over the first half of 2020.

The following table shows a reconciliation of Reported EBITDA loss to Underlying EBITDA from continuing operations:

	31-Dec-19(2) $'000s AASB 16	31-Dec-19(2) $'000s AASB 117	31-Dec-18 $'000s AASB 117
Reported EBITDA loss from continuing operations(1)	**(28,425)**	**(31,007)**	**(1,550)**
Adjustments to calculate underlying EBITDA(1):			
Loss / (Gain) on reassessment of contingent consideration liability	(98)	(98)	9,702
Gain on sale of TPP Wholesale Reseller business	(554)	(554)	-
Net TPP Wholesale Reseller separation income	(68)	(68)	-
Arq Group brand costs	486	486	2,835
Integration costs	1,567	1,567	2,727
Transaction costs	2,259	2,259	892
Restructuring costs	365	365	-
Property costs	642	642	619
Impairment of goodwill	38,848	38,848	-
Other net non-operating (income) / expense	(228)	(228)	137
Underlying EBITDA from continuing operations(1)	**14,794**	**12,212**	**15,362**

(1) The Group believes this unaudited non-IFRS information is relevant to the user's understanding of the Group's underlying performance.

(2) The Group applies, for the first time, AASB 16: *Leases* ('AASB 16') for the year ended 31 December 2019. The Group has adopted the modified retrospective approach which does not require the restatement of previous financial statements. The nature and effect of these changes are disclosed in Note 13 to these Financial Statements. Further information will be provided in the audited Financial Statements that will be enclosed as part of the Group's annual report. For comparative purposes to the year ended 31 December 2018, the Group has also presented unaudited results for the year ended 31 December 2019 under the previous accounting standard AASB 117: *Leases*.

	31-Dec-19 $'000s
Reported EBITDA loss (under AASB 117)(1)	**(31,007)**
Leases previously classified as operating expenditure	2,582
Reported EBITDA loss (under AASB 16)(1)	**(28,425)**

Performance from discontinued operations

The following table presents a summary of the performance of the Enterprise business that has been classified as a discontinued operation:

Discontinued operations	31-Dec-19(2) $'000s AASB 16	Adjustment for AASB 117 $'000s	31-Dec-19(2) $'000s AASB 117	31-Dec-18 $'000s AASB 117
Revenue from contracts with customers	86,167	-	86,167	112,918
Underlying EBITDA(1)	**2,555**	**(2,317)**	**238**	**22,206**

(1) The Group believes this unaudited non-IFRS information is relevant to the user's understanding of the Group's underlying performance.

(2) The Group applies, for the first time, AASB 16: *Leases* ('AASB 16') for the year ended 31 December 2019. The Group has adopted the modified retrospective approach which does not require the restatement of previous financial statements. The nature and effect of these changes are disclosed in Note 13 to these Financial Statements. Further information will be provided in the audited Financial Statements that will be enclosed as part of the Group's annual report. For comparative purposes to the year ended 31 December 2018, the Group has also presented unaudited results for the year ended 31 December 2019 under the previous accounting standard AASB 117: *Leases*.

Underlying EBITDA from discontinued operations for the year ended 31 December 2019 was $238,000 (2018: $22,206,000), a decrease of 98.9%. Contributing to this decline in Underlying EBITDA was a general decline in the performance of the Mobile practice and deferrals of revenue to the back half of 2019 and 2020, offset by strong performance arising from a one-off large customer contract.

The following table presents total underlying EBITDA as an aggregation of both continuing and discontinued operations:

	31-Dec-19 $'000s AASB 16	31-Dec-19 $'000s AASB 117	31-Dec-18 $'000s AASB 117
Underlying EBITDA			
Continuing operations	14,794	12,212	15,362
Discontinued operations	2,555	238	22,206
Total	**17,349**	**12,450**	**37,568**

Reconciliation with reported performance and other statutory measures

The following table presents a reconciliation of EBITDA loss from continuing operations(1) to the reported loss after tax attributable to members of the parent:

	31-Dec-19(2) $'000s AASB 16	Adjustment for AASB 117 $'000s	31-Dec-19(2) $'000s AASB 117	31-Dec-18 $'000s AASB 117
Reported EBITDA loss from continuing operations(1)	**(28,425)**	**(2,582)**	**(31,007)**	**(1,550)**
Depreciation and amortisation	(10,536)	2,412	(8,124)	(13,379)
Loss before interest and tax(1)	(38,961)	(170)	(39,131)	(14,929)
Net interest expense	(4,477)	317	(4,160)	(2,714)
Income tax (expense)/credit	(238)	(190)	(429)	2,216
Loss after tax from continuing operations	**(43,676)**	**(43)**	**(43,719)**	**(15,427)**
(Loss) / profit from discontinued operation, net of tax	(85,272)	107	(85,165)	13,101
Loss after tax for the year	**(128,948)**	**66**	**(128,884)**	**(2,326)**
Less Profit after tax attributable to non-controlling interests:	80	-	80	131
Loss after tax attributable to members of the parent	**(129,028)**	**66**	**(128,964)**	**(2,457)**

(1) The Group believes this unaudited non-IFRS information is relevant to the user's understanding of the Group's underlying performance.

(2) The Group applies, for the first time, AASB 16: *Leases* ('AASB 16') for the year ended 31 December 2019. The Group has adopted the modified retrospective approach which does not require the restatement of previous financial statements. The nature and effect of these changes are disclosed in Note 12 to these Financial Statements. Further information will be provided in the audited Financial Statements that will be enclosed as part of the Group's annual report. For comparative purposes to the year ended 31 December 2018, the Group has also presented unaudited results for the year ended 31 December 2019 under the previous accounting standard AASB 117: *Leases*.

Upon adoption of AASB 16, reported EBITDA loss from continuing operations decreased by $2,582,000 due to a reduction in lease rental expenses. Loss after tax attributable to members of the parent increased by $66,000, owing to a combination of a reduction in lease rental expenses offset by depreciation expense of right-of-use assets and interest on lease liabilities recognised on the Statement of Financial Position.

Reported loss per share from continuing operations at 31 December 2019 was 36.13 cents (2018: loss per share of 0.13 cents). Loss per share attributable to members of the parent at 31 December 2019 was 106.7 cents (2018: 2.08 cents).

Operating cash flow for the year ended 31 December 2019 was $11,273,000 (2018: $18,267,000), a decrease of 38.3%. This was driven by the lower performance of the Enterprise business unit as well as an ongoing dispute with a major customer impacting the level of our trade receivables, offset by $5,911,000 of cash outflows associated with payments of lease liabilities now presented in Financing cash flows on adoption of AASB 16.

Included in cash flows from investing activities are inflows from the sale of the TPP Wholesale Reseller business for $21,268,000 and outflows from transaction costs related to current activities in the strategic review of $2,394,000. Net cash inflows from investing activities for the year ended 31 December 2019 was $13,715,000 (2018: net outflows of $19,647,000).

Cash flows from the sale of the TPP Wholesale Reseller business were primarily used to partially repay the Group's existing debt. Net cash outflows from financing activities was $24,336,000 (2018: $10,586,000).

Cash and cash equivalents were $8,949,000 at 31 December 2019 (2018: $8,279,000).

Income received in advance was $34,090,000 at 31 December 2019 (2018: $38,196,000), a decrease of 10.7%, excluding $2,239,000 of income received in advance presented as part of liabilities held for sale at 31 December 2019.

It is recommended the Appendix 4E be read in conjunction with the financial report for the year ended 31 December 2019 and considered together with any public announcements made by Arq Group Limited and its controlled entities during the year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX listing rules.

5. Net tangible asset backing

	Current period	Previous period
Net tangible asset backing per ordinary security	(51.79) cents	(53.88) cents

Net assets at 31 December 2019 were $33,156,000, including $226,000 of net deferred tax liabilities and $80,080,000 of intangible assets associated with the Group's previous acquisitions and capitalised software, excluding assets and liabilities held for sale at 31 December 2019 as well as right-of-use lease assets.

6. Details of entities over which control has been gained or lost

N/A

7. Other information

Additional Appendix 4E disclosure requirements can be found in the attached Preliminary Final Financial Report. Information should be read in conjunction with Arq Group Limited's 2019 Annual Report and the attached Preliminary Final Financial Report.

This report is based on accounts which are in the process of being audited. The audit report will be made available in Arq Group Limited's 2019 Annual Report.

Mr. Fraser Bearsley

Chief Financial Officer and Company Secretary

Melbourne

27 February 2020

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	CONSOLIDATED 31-Dec-19 $'000	31-Dec-18 $'000
ASSETS			
Cash and cash equivalents		8,949	8,279
Trade and other receivables	7	13,772	26,403
Prepayments of domain name registry charges		7,810	7,327
Lease receivable	13	2,064	-
Current tax refund		375	-
Other assets		3,529	6,634
		36,499	48,643
Assets held for sale	12 (b)	38,212	32,698
Total Current Assets		**74,711**	**81,341**
Plant and equipment		8,199	13,899
Right-of-use asset	13	16,553	-
Intangible assets		80,080	225,239
Prepayments of domain name registry charges		678	2,508
Lease receivable	13	1,830	-
Deferred tax assets		7,323	6,775
Financial assets		1,375	1,870
Other assets		561	696
Total Non-Current Assets		**116,599**	**250,987**
TOTAL ASSETS		**191,310**	**332,328**
LIABILITIES			
Trade and other payables		8,693	17,138
Income received in advance		22,792	28,632
Current tax liability		-	1,909
Provisions		1,585	3,406
Derivative financial instruments		510	80
Interest bearing loans and borrowings	10	61,929	-
Other financial liabilities	11	5,548	12,971
Current lease liabilities	13	6,160	-
		107,217	64,136
Liabilities directly associated with assets held for sale	12 (b)	15,931	11,292
Total Current Liabilities		**123,148**	**75,428**
Income received in advance		11,298	9,563
Provisions		3,187	3,530
Deferred tax liabilities		7,549	5,469
Interest bearing loans and borrowings	10	-	74,992
Non current lease liabilities	13	12,972	850
Total Non-Current Liabilities		**35,006**	**94,404**
TOTAL LIABILITIES		**158,154**	**169,832**
NET ASSETS		**33,156**	**162,496**
EQUITY			
Contributed equity	9	91,179	85,724
Foreign currency translation reserve		(533)	(552)
Share based payments reserve		193	1,136
Other reserves		(278)	9
Retained earnings		(57,531)	76,053
Equity attributable to members of the parent		**33,030**	**162,370**
Non-controlling interests		126	126
TOTAL EQUITY		**33,156**	**162,496**

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

Comparative figures as at 31 December 2018 have not been restated for the effect of AASB 16 and therefore may not be directly comparable.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	CONSOLIDATED 31-Dec-19 $'000	31-Dec-18 $'000
Continuing operations			
Revenue from contracts with customers	1 (a)	83,615	100,094
Cost of sales	2 (a)	(27,672)	(34,981)
Gross profit		**55,943**	**65,113**
Other income	1 (b)	1,315	68
Gain/(loss) on reassessment of contingent consideration liability	11	98	(9,702)
Salaries and employee benefits expenses	2 (a)	(30,576)	(35,685)
Depreciation expenses	2 (b)	(7,026)	(4,376)
Amortisation of intangible assets	2 (c)	(3,511)	(9,004)
Other expenses	2 (d)	(12,953)	(18,878)
Finance costs	2 (e)	(5,810)	(4,287)
Transaction costs		(2,259)	(892)
Restructuring costs		(365)	-
Impairment of goodwill	8	(38,848)	-
Gain on disposal of assets	12 (a)	554	-
Loss before tax		**(43,438)**	**(17,643)**
Income tax (expense) / credit	3	(238)	2,216
Loss after tax from continuing operations		**(43,676)**	**(15,427)**
Discontinued operation			
(Loss) / profit from discontinued operation, net of tax	12 (b)	**(85,272)**	**13,101**
Loss after tax for the year		**(128,948)**	**(2,326)**
Other comprehensive income			
Items that may be reclassified to the profit or loss in subsequent periods (net of tax):			
Currency translation differences		19	(5)
Changes in fair value of cash flow hedges, net of tax		(297)	-
Items that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Net gains on equity instruments designated at fair value through other comprehensive income		10	152
Other comprehensive (loss) / income for the period, net of tax		**(268)**	**147**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(129,216)**	**(2,179)**
Loss for the year attributable to:			
Members of the parent		(129,028)	(2,457)
Non-controlling interests		80	131
		(128,948)	**(2,326)**
Total comprehensive loss attributable to:			
Members of the parent		(129,296)	(2,310)
Non-controlling interests		80	131
		(129,216)	**(2,179)**
Loss per share from continuing operations (cents)		**31-Dec-19**	**31-Dec-18**
Basic loss per share	5	(36.13)	(0.13)
Diluted loss per share	5	(36.13)	(0.13)
Loss per share attributable to members of the parent (cents)			
Basic loss per share	5	(106.73)	(2.08)
Diluted loss per share	5	(106.73)	(2.08)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes. Comparative figures as at 31 December 2018 have not been restated for the effect of AASB 16 and therefore may not be directly comparable.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	FOREIGN CURRENCY RESERVE $'000	SHARE BASED PAYMENTS RESERVE $'000	OTHER RESERVES $'000	CONTRIBUTED EQUITY $'000	TREASURY SHARES $'000	RETAINED EARNINGS $'000	TOTAL $'000	NON-CONTROLLING INTERESTS $'000	TOTAL EQUITY $'000
As at 1 January 2019	**(552)**	**1,136**	**9**	**85,724**	**-**	**76,053**	**162,370**	**126**	**162,496**
Impact of change in accounting policy	-	-	-	-	-	911	**911**	-	**911**
As at 1 January 2019 (restated)	**(552)**	**1,136**	**9**	**85,724**	**-**	**76,964**	**163,281**	**126**	**163,407**
Profit/(loss) for the period	-	-	-	-	-	(129,028)	**(129,028)**	80	**(128,948)**
Other comprehensive income	19	-	(287)	-	-	-	**(268)**	-	**(268)**
Total comprehensive income for the period	**19**	**-**	**(287)**	**-**	**-**	**(129,028)**	**(129,296)**	**80**	**(129,216)**
Transactions with owners in their capacity as owners:									
Share based payment/(writeback)	-	(471)	-	-	-	-	**(471)**	-	**(471)**
Issue of shares for long term incentive plan	-	(472)	-	472	-	-	**-**	-	**-**
Issue of shares for Infoready earn out liability settlement	-	-	-	4,000	-	-	**4,000**	-	**4,000**
Dividend reinvestment plan	-	-	-	983	-	-	**983**	-	**983**
Dividend associated with InfoReady earn out	-	-	-	-	-	(110)	**(110)**	-	**(110)**
Equity dividends	-	-	-	-	-	(5,357)	**(5,357)**	(80)	**(5,437)**
As at 31 December 2019	**(533)**	**193**	**(278)**	**91,179**	**-**	**(57,531)**	**33,030**	**126**	**33,156**

	FOREIGN CURRENCY RESERVE $'000	SHARE BASED PAYMENTS RESERVE $'000	OTHER RESERVES $'000	CONTRIBUTED EQUITY $'000	TREASURY SHARES $'000	RETAINED EARNINGS $'000	TOTAL $'000	NON-CONTROLLING INTERESTS $'000	TOTAL EQUITY $'000
As at 1 January 2018	**(547)**	**2,331**	**(211)**	**83,507**	**(1,884)**	**91,503**	**174,699**	**100**	**174,799**
Profit/(loss) for the period	-	-	-	-	-	(2,457)	**(2,457)**	131	**(2,326)**
Other comprehensive income	(5)	-	152	-	-	-	**147**	-	**147**
Total comprehensive income for the period	**(5)**	**-**	**152**	**-**	**-**	**(2,457)**	**(2,310)**	**131**	**(2,179)**
Transactions with owners in their capacity as owners:									
Share based payment	-	490	-	-	-	-	**490**	-	**490**
Issue of shares for long term incentive plan	-	(685)	-	685	-	-	**-**	-	**-**
Issue of shares for Outware accelerated purchase settlement	-	(1,000)	-	1,000	-	-	**-**	-	**-**
Dividend reinvestment plan	-	-	-	2,633	-	-	**2,633**	-	**2,633**
Capital raising (net transaction costs)	-	-	-	(217)	-	-	**(217)**	-	**(217)**
Equity dividends	-	-	-	-	-	(12,993)	**(12,993)**	(105)	**(13,098)**
Transfer from/(to) contributed equity	-	-	-	(1,884)	1,884		**-**	-	**-**
Transfer from/(to) financial liabilities	-	-	68	-	-	-	**68**	-	**68**
As at 31 December 2018	**(552)**	**1,136**	**9**	**85,724**	**-**	**76,053**	**162,370**	**126**	**162,496**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes. Comparative figures as at 31 December 2018 have not been restated for the effect of AASB 16 and therefore may not be directly comparable.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	CONSOLIDATED	
	31-Dec-19	**31-Dec-18**
	$'000	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt of service revenue and recoveries	187,353	228,893
Payments to suppliers and employees	(168,488)	(200,828)
Interest received	202	68
Interest paid	(3,390)	(2,687)
Bank charges and credit card merchant fees	(1,135)	(1,530)
Income tax refunds	-	1,121
Income tax paid	(3,269)	(6,770)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**11,273**	**18,267**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment and intangible assets	(3,424)	(13,894)
Proceeds from subleases	1,869	-
Payment of financial liability for InfoReady earn out	(4,110)	(5,668)
Return of capital from Tiger Pistol	506	-
Transaction costs	(2,394)	(85)
Sale of the TPPW Reseller business	21,268	-
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	**13,715**	**(19,647)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	7,375	-
Repayment of borrowings	(21,292)	-
Payment of dividend on ordinary shares	(4,378)	(10,361)
Payment of dividend to non-controlling interests	(80)	(105)
Payment of lease liabilities	(5,961)	(120)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(24,336)**	**(10,586)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**651**	**(11,966)**
Net foreign exchange differences	19	(5)
Cash and cash equivalents at beginning of period	8,279	20,250
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**8,949**	**8,279**

The above statement of cash flows should be read in conjunction with the accompanying notes and includes cash flows from both continuing and discontinued operations. Refer to Note 12(b) for the cash flows relating to discontinued operations. Comparative figures as at 31 December 2018 have not been restated for the effect of AASB 16 and therefore may not be directly comparable.

Notes to the Financial Statements

1. Revenue from Contracts with Customers

(a) Disaggregation of revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Continuing operations	**CONSOLIDATED 31-Dec-19 $'000s**
Types of goods of service	
Registration revenue	30,289
Solutions, hosting & services	53,326
Total revenue from contracts with customers	**83,615**
Timing of revenue recognition	
Services/goods transferred at a point in time	291
Services transferred over time	83,324
Total revenue from contracts with customers	**83,615**

Continuing operations	**CONSOLIDATED 31-Dec-18 $'000s**
Types of goods of service	
Registration revenue	35,004
Solutions, hosting & services	65,090
Total revenue from contracts with customers	**100,094**
Timing of revenue recognition	
Services/goods transferred at a point in time	867
Services transferred over time	99,227
Total revenue from contracts with customers	**100,094**

(b) Other income

	CONSOLIDATED	
	31-Dec-19 $'000s	**31-Dec-18 $'000s**
Dividend income	125	-
Interest income	202	68
Management fees - TPPW Reseller	587	-
Sundry income	401	-
	1,315	68

Under the terms of the Transitional Services Agreement for the sale of the TPP Wholesale Reseller business, the Group is entitled to receive ongoing management fees associated with the separation of the business. This agreement will continue over the next two years.

2. Expenses

Continuing operations	CONSOLIDATED 31-Dec-19 $'000s	31-Dec-18 $'000s
(a) Salaries and employee benefits expenses:		
Included in cost of sales:		
Salaries and employee benefits expenses	2,133	2,766
Superannuation expense	181	240
Included in Salaries and employee benefits expenses:		
Salaries and wages	24,325	27,659
Superannuation expense	2,096	2,261
Expensing of share-based payments	(438)	382
(b) Depreciation of non-current assets		
Right-of-use assets	2,996	-
Plant and equipment	1,752	2,137
Leasehold improvements	1,748	1,572
Furniture	526	308
Leasehold make-good	4	359
Total depreciation of non-current assets	7,026	4,376
(c) Amortisation of identifiable intangible assets		
Capitalised software	2,117	1,910
Customer contracts	1,394	1,748
Marketing related intangibles	-	5,346
Total amortisation of identifiable intangible assets	3,511	9,004
(d) Other Expenses		
Included in other expenses:		
Marketing	3,357	3,749
Software licences	2,275	2,247
Consulting fees	2,569	4,126
Expected credit losses arising on trade receivables	1,290	1,584
Foreign exchange (gain)/loss	(86)	1
(e) Finance costs		
Interest expense on debt and borrowings	3,164	2,689
Interest expense on lease liabilities	492	-
Loss on modification of debt facility	968	-
Bank charges and credit card merchant fees	1,131	1,505
Unwinding of discount on other financial liabilities	55	93
	5,810	4,287

On 31 October 2017, the Group approved the retirement of the WebCentral brand in line with a group-wide brand review. The Group anticipated the retirement of the WebCentral brand completed within 12 months, and as a result the useful life of the related brand intangible asset was revised to 12 months ending 31 October 2018. As a result, $5,346,000 of accelerated amortisation expense was recognised in the Statement of Comprehensive Income for the year ended 31 Dec 2018.

In accordance with the requirements AASB 9: *Financial Instruments*, a $968,000 loss was recognised in profit & loss owing to the changed terms and conditions in the Group's revised debt facility arrangements with its financiers as described in Note 10, which was determined to be a modification to the financial liability.

3. Taxation

The major components of income tax expense are:

(a) Statement of comprehensive income

	CONSOLIDATED	
	31-Dec-19 $'000s	**31-Dec-18 $'000s**
Current income tax		
Current income tax charge	638	4,689
Adjustments in respect of current income tax of previous periods	(486)	9
Deferred income tax		
Relating to origination and reversal of temporary differences	(2,350)	(1,280)
Derecognition of deferred tax asset	2,666	-
Income tax expense reported in the statement of comprehensive income	**468**	**3,418**

(b) Statement of changes in equity

	CONSOLIDATED	
	31-Dec-19 $'000s	**31-Dec-18 $'000s**
Deferred income tax related to items charged or credited directly to equity		
Net loss on revaluation of cash flow hedges	(129)	(24)
Deferred tax asset recognised on equity raise costs	145	145
Income tax expense reported in equity	**16**	**121**

(c) A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Loss before income tax from continuing operations	(43,438)	(17,643)
(Loss) / profit before income tax from discontinued operations	(85,043)	18,735
(Loss) / profit before income tax	**(128,481)**	**1,092**
At the Group's statutory income tax rate of 30% (2018: 30%)	(38,543)	328
Adjustments in respect of current income tax of previous years	(486)	9
Non-assessable income	(107)	-
Non-deductible expenses	36,401	273
Reassessment of contingent consideration	(30)	2,911
Adjustment for sale of TPPW Reseller business	(391)	-
Unwinding of discount on other financial liabilities	16	28
Adjustments in deferred tax balances	(77)	-
Derecognition of deferred tax asset	2,666	-
Estimated R&D tax incentive claims	-	(67)
Unrecognised tax loss for the year	1,093	-
Other	(74)	(64)
Income tax expense at the effective income tax rate	**468**	**3,418**
Income tax expense / (credit) reported in the statement of comprehensive income:		
- From continuing operations	238	(2,216)
- From discontinued operations	230	5,634
	468	**3,418**

The Group derecognised $2,666,000 in deferred tax assets on the basis the Group cannot conclude that it is probable it can realise its gross deferred tax assets in excess of its deferred tax liabilities at 31 December 2019.

As at 31 December 2019, the Group has unrecognised income tax losses of $1,003,000 tax-effected at 30% (2018: none), and capital losses of $499,000 arising from the sale of the TPP Wholesale Reseller business (2018: none).

4. Dividends

Equity dividends on ordinary shares

(a) Dividends declared and paid during the year on ordinary shares

	CONSOLIDATED	
	31-Dec-19 **$'000s**	**31-Dec-18** **$'000s**
(i) Final franked dividend for the financial year ended 31 December 2018: 4.5 cents per share (2017: 7.5 cents per share)	5,357	8,846
(ii) Dividend for the Infoready earn out year ended 31 December 2019:	109	-
	5,466	8,846

(b) Dividends proposed and not recognised as a liability

Final franked dividend for the year ended 31 December 2019: 0.0 cents per share (2018: 4.5 cents per share)	-	5,349

(c) Franking credit balance

	CONSOLIDATED	
	31-Dec-19 **$'000s**	**31-Dec-18** **$'000s**
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year at 30% (2018: 30%)	3,134	2,320

5. Earnings per Share (EPS)

	CONSOLIDATED	
	31-Dec-19 **cents**	**31-Dec-18** **cents**
From continuing operations		
Basic loss per share	(36.13)	(0.13)
Diluted loss per share	(36.13)	(0.13)
Attributable to members of the parent		
Basic loss per share	(106.73)	(2.08)
Diluted loss per share	(106.73)	(2.08)

The following reflects the income and share data used in the calculations of basic and diluted loss per share:

	31-Dec-19 **$'000s**	**31-Dec-18** **$'000s**
Loss for the year from continuing operations	(43,676)	(15,427)
(Loss) / profit for the year from discontinued operations	(85,272)	13,101
Less profit attributed to non-controlling interests	80	131
Loss for the year attributable to members of the parent	**(129,028)**	**(2,457)**

	Number of shares	
	31-Dec-19	**31-Dec-18**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	120,887,297	118,876,222
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	120,887,297	118,876,222

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of this report.

Performance rights granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive. Where an operating loss is incurred, performance rights are not dilutive. These options have not been included in the determination of basic earnings per share.

6. Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers.

As described in the Basis of Presentation in Section 4 to the Appendix 4E, following the presentation of the Enterprise business as a disposal group held for sale and as a discontinued operation during the year ended 31 December 2019, the Group's continuing operations as presented in the Statement of Comprehensive Income represent only one operating segment, being the SMB operating segment and unallocated corporate costs.

7. Trade and Other Receivables

(a) Disaggregation of trade and other receivables

	CONSOLIDATED	
	31-Dec-19 $'000s	**31-Dec-18 $'000s**
Trade receivables	14,702	27,179
Allowance for expected credit losses	(1,840)	(1,370)
Other receivables	910	594
Total trade and other receivables (current)	13,772	26,403

Significant judgements regarding recoverability of trade and other receivables

During the period a customer disputed the calculation of amounts being charged in relation to a contract for services. At balance date an amount recorded in trade receivables of $10,006,000 (31 December 2018: $5,445,000) is subject to this dispute. Based on the Group's interpretation of the contract applied over a number of years and supporting legal advice the Group is confident that the amount will be fully recovered.

8. Impairment of Goodwill

The Group has performed its annual impairment testing over the carrying value of goodwill. The entire balance of goodwill has been allocated to the SMB cash-generating unit (CGU) at 31 December 2019.

The recoverable amount of the SMB CGU was determined based on a fair value less costs of disposal method. Fair values were obtained based on preliminary information of indicative transaction prices for the SMB business provided by potential interested parties as part of the ongoing due diligence process as part of the Group's Strategic Review. These indicative transaction prices were derived based on a variety of methods such as EBITDA multiples and indicative prices for businesses of a similar nature and size to the SMB business. As such, these fair value measurements would be categorised within the Level 3 fair value hierarchy. Due to the commercial sensitivities of the assumptions used, these assumptions have not been disclosed.

Based on current indicative transaction prices for the SMB business, the Group recognised an impairment charge of $38,848,000, recognised in profit & loss. As the Strategic Review process is ongoing, the Group has not disclosed these indicative transaction prices due to their commercial sensitivities as at balance date.

9. Contributed equity

Ordinary shares

	CONSOLIDATED 31-Dec-19 $'000s	CONSOLIDATED 31-Dec-18 $'000s
Issued and fully paid	91,179	85,724

Movements in ordinary shares on issue

	31-Dec-19 No. of Shares	31-Dec-19 $'000s	31-Dec-18 No. of Shares	31-Dec-18 $'000s
Beginning of the financial period	118,876,222	85,724	117,368,988	83,507
Issued during the year				
- Performance rights vested	271,100	472	584,054	685
- Dividend reinvestment plan	544,778	983	923,180	2,633
- Infoready third earnout liability settlement	2,439,024	4,000	-	-
- Outware accelerated purchase settlement	-	-	-	1,000
- Transfer from treasury shares	-	-	-	(1,884)
- Transaction costs on capital raising and share repurchase, net of tax	-	-	-	(217)
End of the financial period	122,131,124	91,179	118,876,222	85,724

Performance rights

	31-Dec-19 No. of Rights	31-Dec-18 No. of Rights
Unissued ordinary shares under performance rights	90,099	1,185,303

10. Borrowings

	CONSOLIDATED 31-Dec-19 $'000s	CONSOLIDATED 31-Dec-18 $'000s
Current		
Bank loan	61,929	-
	61,929	-
Non-current		
Bank loan	-	74,992
	-	74,992

On 12 November 2019, the Group and its financiers revised the terms of the existing finance facility with ANZ Bank and National Australia Bank. The facility provides committed funding of $68,700,000, and an additional $7,500,000 in the form of uncommitted working capital funding tranches. The facility is secured against the Group's assets and replaced the Company's existing debt facilities of $142,000,000. This agreement was executed on 23 December 2019.

The Group was subject to a review event on 31 January 2020 pending the potential outcome of the Strategic Review. Therefore, the Group has classified the entire amount of the bank loan as current at 31 December 2019. As described in Section 4 of the Appendix 4E, the Group's financiers have the discretion to withdraw the finance facilities upon providing the Group 60 days advance written notice, as the Group believes it may be in breach of its financial covenants sometime during FY20. Therefore, the Group is dependent on the ongoing support of its lenders to continue to provide the existing facilities and any required additional facilities to be able to continue as a going concern.

Included in the balance of the bank loan at 31 December 2019 is a $969,000 loss on modification of the loan agreement as described in Note 2 to the financial statements.

11. Other financial liabilities

	CONSOLIDATED	
	31-Dec-19	31-Dec-18
	$'000s	$'000s
Current		
Contingent consideration liability	-	12,971
Financial liability	5,548	-
	5,548	12,971

Other financial liabilities comprise the financial liabilities in relation to acquisition of InfoReady Pty Ltd.

As part of the Share Purchase Agreement ('SPA') with the previous owners of InfoReady, three earn out payments have been agreed. The earn out payments are calculated based on the excess of the EBITDA performance during the earn out periods over the EBITDA threshold amount specified in the SPA for each of the earn out periods multiplied by three. The earn out periods start from 1 April to 31 March the following year with the final earn out period ending 31 March 2019. If the EBITDA threshold amount is not achieved during any of the earn out periods, then no contingent consideration will be payable. The maximum amount payable is dependent upon the excess of the of the EBITDA performance during the earn out period over the EBITDA threshold amount specified in the SPA for each of the earn out period multiplied by three.

As at the acquisition date, the fair value of the contingent consideration was estimated to be $9,337,000 representing the total of the three earn out amounts. Key input assumptions used in the determination of the contingent consideration include forecast EBITDA performance for the first earn out period (1 April 2016 to 31 March 2017), and revenue and EBITDA growth rates for the second and third earn out periods from the end of the first earn out period. The fair value is determined using the discounted cash flow method.

The final earn-out amount of $12,872,000 was agreed between Arq Group and InfoReady vendors. On revaluation of the financial liability based on the final earn-out amount, a gain of $98,000 was recognised in profit & loss. In March 2019, Arq Group has entered into a Deed of Variation in relation to the payment arrangement of the earn out amount. The default payment option was enacted which resulted in an initial instalment of $1,500,000 plus a share placement representing a value of $4,000,000, followed by 6 monthly instalments with a final balloon payment in December with interest calculated at 14% on the third earn out amount less $5,000,000. The issue of ordinary shares also resulted in a $109,000 dividend paid based on 4.5 cents for each ordinary share issued.

At 31 December 2019, the remaining balance of $5,548,000 remains unpaid. Arq Group and Infoready have agreed to defer the final balloon payment on completion of the sale of the Enterprise business (refer to Notes 12(b) and 14).

12. Disposal Groups Held for Sale and Discontinued Operations

A. SALE OF THE TPP WHOLESALE RESELLER BUSINESS

On 5 December 2018, the Board of Directors approved the sale of the TPP Wholesale Reseller (TPPW) business. The TPP Wholesale Reseller business together with the Telecommunications Reseller business form the SMB Indirect division. SMB Indirect together with SMB Direct form the SMB segment, which is one of the two operating segments of the Group. The other operating segment is Enterprise.

The sale of the TPP Wholesale Reseller business was completed on 31 July 2019. It is not classified as a discontinued operation on the basis that the TPP Wholesale Reseller business represents less than 10% of the Group's revenue and is not considered a separate major line of business.

The net gain on disposal of the TPPW business was $554,000, presented in the Statement of Comprehensive Income.

The major classes of assets and liabilities of the TPP Wholesale Reseller business disposed as at 31 July 2019 are as follows:

	$'000s
Current Assets	
Prepayments of domain name registry charges	6,616
Total Current Assets	**6,616**
Non-Current Assets	
Intangible assets	24,121
Total Non-Current Assets	**24,121**
Total Assets Disposed	**30,737**
Current Liabilities	
Trade and Other Payables	(387)
Income received in advance	(10,378)
Total Current Liabilities	**(10,765)**
Total Liabilities directly associated with assets disposed	**(10,765)**
Net assets disposed	**19,972**

B. DISPOSAL GROUP HELD FOR SALE – ENTERPRISE

On 24 September 2019, the Board of Directors initiated a Strategic Review of the Group's business. Due diligence advisers were appointed by the Group to investigate the potential sale of each of the SMB and Enterprise divisions.

The sale of the Enterprise business is considered highly probable at 31 December 2019 given the sufficiently advanced progress of the Strategic Review as at that date. Therefore, at 31 December 2019, the Enterprise segment was classified as a disposal group held for sale. Due to the significance of the operations, and financial contribution, of the Enterprise business to the Group, the Enterprise segment has also been presented as a discontinued operation.

Whilst the potential sale of the SMB business is being investigated as part of the continuing Strategic Review, the sale of the SMB business is not considered highly probable at 31 December 2019.

The associated net assets for the Enterprise disposal group has been revalued to its fair value less costs of disposal in accordance with accounting standards, resulting in the recognition of a revaluation loss of $81,258,000, which has been applied against the carrying value of goodwill allocated to the Enterprise business. The fair value has been calculated based on indicative transaction prices for the sale of the Enterprise disposal group, less transaction costs as well as the Group's best estimate of the working capital adjustment at 31 December 2019.

12. Disposal Groups Held for Sale and Discontinued Operations (cont.)

Financial information relating to the discontinued operation for the year is set out below:

	31-Dec-19 $'000s
Current Assets	
Trade and other receivables	9,313
Prepayments	440
Other assets (accrued revenue)	3,890
Total Current Assets	**13,643**
Non-Current Assets	
Property, plant and equipment	492
Intangible assets	23,359
Deferred tax asset	1,018
Total Non-Current Assets	**24,869**
Total Assets Held for Sale	**38,512**
Current Liabilities	
Trade and Other Payables	(10,904)
Income received in advance	(2,239)
Provisions	(2,180)
Total Current Liabilities	**(15,323)**
Non-Current Liabilities	
Provisions	(608)
Total Non-current Liabilities	**(608)**
Total Liabilities directly associated with assets held for sale	**(15,931)**
Net assets directly associated with the disposal group	**22,581**

As at the date of this report, the above net assets related to the disposal group represents the Group's best estimate of the fair value of the disposal group, which includes the impact of estimated total costs of disposal as well as the Group's best estimate of the working capital adjustment.

The results of the discontinued operations during the year is presented below:

	31-Dec-19 $'000s	31-Dec-18 $'000s
Revenue from contracts with customers	86,167	112,918
Cost of sales	(51,822)	(58,414)
Gross profit	**34,345**	**54,504**
Other operating expenses	(33,083)	(33,441)
Loss on revaluation of disposal group net assets to fair value	(81,258)	-
(Loss) / earnings before interest, tax, depreciation and amortisation	**(79,996)**	**21,063**
Depreciation and amortisation expense	(4,742)	(2,328)
Interest expense	(304)	-
(Loss) / profit before tax from discontinued operations	**(85,042)**	**18,735**
Tax expense	(230)	(5,634)
(Loss) / profit for the year from discontinued operations	**(85,272)**	**13,101**

Included in the above amounts disclosed in Other Operating Expenses are allocations of shared services costs between continuing and discontinued operations during the current and prior financial years. These costs will continue to be incurred by the continuing operations until such time the cost base can be restructured.

The net cash flows from the discontinued operations are as follows:

	31-Dec-19 $'000s	31-Dec-18 $'000s
Net cash inflows from operating activities	8,130	23,894
Net cash outflows from investing activities	(178)	(275)
Net cash inflows	**7,952**	**23,619**

The transaction to sell the Enterprise business was announced to the market on 11 February 2020. Refer to Note 14 for further details.

13. Changes in Accounting Policies

AASB 16 supersedes AASB 117: *Leases* ('AASB 117'), AASB Interpretation 4: *Determining whether an Arrangement contains a Lease*, Interpretation 115: *Operating Leases-Incentives* and Interpretation 127: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. However, on adoption of AASB 16 there was a change in the classification of sub-leases as a net investment in the sublease.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application being 1 January 2019. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. As the Group adopted the modified retrospective method, there was no restatement of previous financial statements. The right-of-use assets were measured on adoption as if AASB 16 had always applied.

The effect of adopting AASB 16 is, as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019

Assets	**$'000**
Right-of-use assets	16,341
Lease receivable	5,343
Plant and equipment	(1,647)
Other assets	(101)
Deferred tax assets	5,578
Total Assets	**25,514**
Liabilities	
Lease liabilities	19,566
Provisions	(124)
Other liabilities	(850)
Deferred tax liabilities	6,011
Total Liabilities	**24,603**
Equity	
Retained earnings	911
Total Equity	**911**

There is no impact on the statement of comprehensive income, basic and diluted EPS or the statement of cash flows for the prior period as the Group as elected to adopt the modified retrospective approach.

Impact on the results for the year ended 31 December 2019

For comparative purposes, the Group has disclosed its financial results based on the previous lease accounting standard (AASB 117) for comparative purposes with the prior year ended 31 December 2018. Refer to section 4 to the Appendix 4E.

14. Subsequent Events

On 11 February 2020, the Group entered into a binding sale agreement with a consortium consisting of Quadrant Private Equity and members of management for the sale of the Enterprise business for $35,000,000 in cash consideration, with a further working capital adjustment. The transaction is expected to be completed on 2 March 2020.

Estimate of the final proceeds net of the remaining Infoready earnout, adjustment for working capital, debt-like items and transaction costs are outlined in the table below:

Item	Amount
Transaction consideration	$35.0m
Infoready earn-out settlement	($6.0m)
Restructuring costs	($0.5m)
Transaction costs	($2.9m)
Working capital and debt-like items adjustment	($4.0m)
Net proceeds	**$21.6m**

It is expected that the consideration will be used to partially settle the Group's existing debt and the balance of the Infoready earn-out settlement (refer to Note 11), with the remainder to fund the Group's working capital requirements. Refer to Note 12 for the discontinued operation relating to, and assets and liabilities associated with, the Enterprise business that has been presented as a disposal group held for sale.

Other than the above, there has not been any other matter or circumstance in the interval between the end of the year and the date of this report that has materially affected or may materially affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.