

RIGHTCROWD

INTERIM FINANCIAL REPORT

RIGHTCROWD
EVERYONE ON SITE IS RIGHT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2020

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**RightCrowd Limited and
Controlled Entities**

A.B.N 20 108 411 427

 www.rightcrowd.com

Appendix 4D Half-year report

1. Company details

Name of entity:	RightCrowd Limited and its controlled entities
ABN:	20 108 411 427
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

	31 December 2020 (\$)	Change on Prior Period
Revenue	6,955,799	Increased by 17%
Net loss for the half year	(2,894,146)	Reduced by 37%

Refer to the Review of Operations and Business Outlook included within the Directors' Report for further commentary on the half-year's results, financial position, and likely developments in future years.

3. Net tangible assets

	31 December 2020	30 June 2020
Net tangible assets per ordinary security (cents)	0.94	0.22

The net tangible asset per ordinary security is calculated based on 222,166,386 ordinary shares on issue at 31 December 2020 and 199,287,114 shares that were on issue at 30 June 2020.

4. Entities over which control has been gained or lost during the period

There was no gain or loss of control of any entities during the period.

5. Dividends

No dividends have been paid or declared in the current reporting period or since the end of the reporting period.

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6. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

7. Signed

Signed



Date: 26 February 2021

Peter Hill
CEO

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RightCrowd Limited 31 December 2020 Interim Financial Report

CONTENTS

Directors Report	5
Auditor's Independence Declaration	9
Condensed consolidated statement of profit or loss and other comprehensive income	10
Condensed consolidated statement of financial position	11
Condensed consolidated statement of changes in equity	12
Condensed consolidated statement of cash flows	14
Notes to the condensed consolidated financial statements	15
Directors' Declaration	25
Independent Auditor's review report	26

RightCrowd Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at Suite 501, Level 5, 203 Robina Town Centre Drive, Robina, Queensland. Its shares are listed on the Australian Stock Exchange.

Releases, financial reports and other information are available on our website: www.rightcrowd.com

Directors Report

The directors of RightCrowd Limited (the “Company”) present their report together with the consolidated financial statements for the six months ended 31 December 2020 and the review report thereon.

Directors

The Directors of the company at any time during or since the end of the interim period are:

Name	Period of Directorship
Robert Baker	Since 2017
Craig Davies	Since 2019
Peter Hill	Since 2004

Principal Activities

RightCrowd is a global provider of safety, security and compliance solutions that manage the access and presence of people. RightCrowd are specialists in technology solutions for the world’s most complex safety, security and compliance challenges.

Review of Operations

RightCrowd has delivered record sales in the first half of FY21. Revenue growth was driven by a sharp increase in activity within the New Products business unit which was well supported by ongoing sales, license renewals and project delivery in the Core business unit.

These results reflect the Company’s focus on high-quality growth, and strategic decisions made at the onset of the COVID-19 pandemic to focus on the complex access and presence management issues challenging our customers.

The RightCrowd Group is organized in three distinct business units:

- **Core** – develops and delivers RightCrowd’s workforce and visitor management solutions.
- **New Products** – develops and delivers RightCrowd’s presence control and RightCrowd IQ cyber solutions.
- **Offsite** – develops and delivers evacuation management and compliance solutions.

These business units are supported by the engineering and corporate services business units of RightCrowd.

Revenue

The Group has delivered a record 1st half result in FY21, despite experiencing challenging trading conditions resulting from the COVID-19 pandemic.

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Revenue for the half year was \$7.0m (FY20 H1: \$6.0m) representing a 17% increase on prior year. Growth was driven by an increase in recurring revenue¹ across the business and strong sales of presence control annual software subscriptions and hardware. Consulting revenue reduced relative to the prior period with delays in project completion due to the impact of the COVID-19 pandemic.

The New Products business unit generated revenue of \$2.2m during the half year (FY20 H1: \$0.1m) registering significant growth of 2,162% as RightCrowd moved quickly to seize the market opportunity to support companies safely managing the return of their workforce. RightCrowd added over 50 new customers during the first half of FY21 with sales in the New Products business unit representing the fastest rate of new customer acquisition in the Company's history.

The Core business unit continued to generate strong recurring revenue from its existing client base, and it added a major new Fortune 50 customer during the first half of FY21. The pandemic did impact performance with delays in pipeline execution and project milestone completion resulting in a reduction in revenue to \$4.7m versus the prior year (FY20 H1: \$5.8m).

The Offsite business unit continued to be heavily impacted by COVID-19, particularly given that its operations are in the Northeast corridor of the United States where COVID-19 lockdowns were particularly prevalent. Offsite generated revenue of \$48k during the half year (FY20 H1: \$72k). All intangible assets in relation to the Offsite business unit were impaired at 30 June 2020.

Other Income

The Group's other income totalled \$2.5m during the 1st half of FY21 (FY20 H1: \$0.3m). The increase in other income was driven by:

- An accrual of \$1.3m for the R&D rebate claimable under the rules of the R&D incentive scheme.
- Subsidies of \$1.1m received via Australian & US government COVID-19 related stimulus measures of JobKeeper and the Paycheck Protection Program respectively.

Operating Expenses

The Group continues to manage costs carefully to ensure continued progress towards cash flow break-even. The primary cost category continues to be employee related, with \$8.5m expensed during the first half of FY21 (FY20 H1: \$7.9m). The increased expense reflects the impact of additional headcount hired in prior periods, several new staff to support manufacturing and shipping operations in Europe and the introduction of the non-cash expense share-based payment incentive rolled out across the Group, with the first tranche vesting in September 2020.

Cost of sales increased during the period to \$1.3m (FY20 H1: \$0.1m) which was as a direct consequence of the ramp up in hardware sales (security wearables) for presence control solutions.

¹ Recurring revenue comprises of revenue from support and maintenance, subscription software, and software as a service.

Other Expenses totalled \$1.6m which reduced on prior year (FY20 H1: \$2.2m), driven in large part to the reduction in travel and trade exhibitions. There were also reductions in the Company's professional services expenses which totalled \$0.7m during the first half of FY21 (FY20 H1: \$0.9m) as RightCrowd continues to build expertise internally.

Cashflows

Cashflows from operating activities totalled a net outflow of \$1.1m. After adjusting for prepayments made to suppliers for hardware orders of \$0.9m in the current period, the operating cash outflow reduced to \$0.2m for the period (FY20 H1: \$0.6m).

Financial Position

The cash position stood at \$3.8m on the 31st of December 2020 having increased from \$1.5m at the end of FY20. Trade and Other Receivables stood at \$4.4m (30 June 2020: \$5.1m) which related mostly to \$2.7m of receivables due from customers (30 June 2020: \$2.2m). The prior period included a large receivable which related to the R&D rebate (\$2.9m).

In August 2020, a capital raise was completed resulting in \$4m of additional funding. Issued capital was \$44.2m as at 31 December 2020 (30 June 2020: \$40.1m).

The growth of sales in the New Products division led to further investment being made into hardware inventory during the period which reflected an increase in inventory to \$0.2m (30 June 2020: \$0.1m) and a total of \$0.9m of inventory related prepayments which resulted in an increase in Other Assets to \$1.5m (30 June 2020: \$0.4m).

RightCrowd made some adjustments to its debt composition to lower the cost of its facilities during the period. The overall borrowings, excluding lease liabilities, totalled \$1.2m at 31 December 2020 (30 June 2020: \$1.1m).

The Company continued to upgrade its infrastructure, systems, and processes during the first half of FY21. RightCrowd made investments into its infrastructure and successfully managed the pandemic without interruption despite most staff across offices in Australia, Philippines, USA, and Belgium all working from home during the COVID-19 pandemic. During the half-year, RightCrowd also migrated to new ERP systems bringing to completion the integration of entities acquired by RightCrowd in FY19. RightCrowd also worked toward maturing its information security management and completed stage-1 of ISO27001 certification during the period.

Business Outlook

RightCrowd is a fast-growing global software business that has delivered growth in sales revenue of 40.6% per annum from FY17 to FY20². The FY21 half-year results place the Company in a good position to continue this trend for the full financial year.

² Compound Annual Growth Rate (CAGR)

Driven by the COVID-19 pandemic, RightCrowd has seen a rapid acceleration of companies looking to proactively manage the safety of their workforce. The Company expects that demand will continue to build, driving increased sales across all of RightCrowd's business units in the second half of FY21.

To meet demand, RightCrowd will continue to focus on developing its partner channels to scale commercial activities and is aiming to expand partnerships already in place during the second half of FY21.

The Company has achieved strong growth in sales of presence control solutions, with a material pipeline having built up over the first half of FY21. The Company is also seeing a pick-up of activity in the Core business unit with several new pipeline opportunities forecast to close in H2 FY21. Based on the strong growth in pipeline, and as communicated in the AGM in November 2020, RightCrowd maintains market guidance of sales revenue growth of 40% in FY21 to \$16m.

The growth in revenue is expected to be driven by a material uptick in recurring revenue as the Company adds new customers. The Annual Recurring Revenue stood at \$6.1m at 31 December 2020, and the Company maintains guidance that this will exceed \$8m by the end of FY21. Annual recurring revenue represents the total value of all active recurring customer contracts.

Costs are forecast to remain stable, albeit with cost of sales increasing in line with continued sales of presence control solutions.

Auditor's independence declaration

The lead auditor's independence declaration is set out on page 9 and forms part of the directors' report for the six months ended 31 December 2020.

Signed 

Date: 26 February 2021

Peter Hill
CEO



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

To the Directors of RightCrowd Limited

I declare that, to the best of my knowledge and belief, in relation to the review of RightCrowd Limited for the half-year ended 31 December 2020 there have been:

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

KPMG

KPMG

Adam Twemlow

Partner

Gold Coast

26 February 2021

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Condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2020

	Note	31 December 2020 (\$)	31 December 2019 (\$)
Revenue	5a	6,955,799	5,967,399
Other income	5b	2,487,486	260,140
Cost of sales		(1,251,128)	(80,541)
Employee benefits expense		(8,491,438)	(7,939,978)
Depreciation and amortisation expense		(526,126)	(515,228)
Finance costs		(96,475)	(30,402)
Foreign currency gain /(loss)		(396,438)	14,225
Other expenses	6	(1,572,458)	(2,239,633)
Loss before income tax		(2,890,778)	(4,564,018)
Income tax expense		(3,368)	(31,051)
Net loss for the half year		(2,894,146)	(4,595,069)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(428,651)	(50,004)
Total other comprehensive income for the half year		(428,651)	(50,004)
Total comprehensive loss for the half year		(3,322,797)	(4,645,073)
Earnings per share (cents)			
Basic earnings per share		(1.3)	(2.3)
Diluted earnings per share		(1.3)	(2.3)

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

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Condensed consolidated statement of financial position

As at 31 December 2020

	Note	31 December 2020 (\$)	30 June 2020 (\$)
ASSETS			
Cash and cash equivalents		3,767,096	1,471,918
Trade and other receivables	8	4,425,641	5,131,949
Inventories		218,591	111,640
Financial assets		119,769	119,769
Other assets	9	1,486,125	424,146
TOTAL CURRENT ASSETS		10,017,222	7,259,422
Property, plant and equipment		1,733,576	1,864,107
Goodwill		12,657,873	12,945,971
Other intangible assets		1,423,391	1,622,035
TOTAL NON-CURRENT ASSETS		15,814,840	16,432,113
TOTAL ASSETS		25,832,062	23,691,535
LIABILITIES			
Trade and other payables		1,638,720	1,077,854
Borrowings	10	1,275,942	1,256,381
Other liabilities	11	3,754,970	3,188,204
Provisions		1,611,494	1,549,055
TOTAL CURRENT LIABILITIES		8,281,126	7,071,494
Borrowings	10	1,275,239	1,353,115
Provisions		115,923	91,804
TOTAL NON-CURRENT LIABILITIES		1,391,162	1,444,919
TOTAL LIABILITIES		9,672,288	8,516,413
NET ASSETS		16,159,774	15,175,122
EQUITY			
Issued capital	14	44,176,766	40,088,786
Reserves		367,387	726,544
Accumulated losses		(28,384,375)	(25,640,208)
TOTAL EQUITY		16,159,774	15,175,122

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

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2020

	Note	Issued capital (\$)	Accumulated losses (\$)	Foreign currency translation reserve (\$)	Share based payment reserve (\$)	Total (\$)
Balance at 30 June 2020		40,088,786	(25,640,208)	230,949	495,595	15,175,122
Comprehensive income for the period						
Loss for the period		-	(2,894,146)	-	-	(2,894,146)
Other comprehensive income		-		(428,651)	-	(428,651)
Total comprehensive income for the period		-	(2,894,146)	(428,651)	-	(3,322,797)
Transactions with owners of the company						
Issue of ordinary shares	14	4,000,000	-	-	-	4,000,000
Transfer on exercise to share capital	14	137,980			(137,980)	-
Transaction costs		(50,000)	-	-	-	(50,000)
Share options and performance rights expensed during the year	14	-	-	-	357,453	357,453
Transfer of expired share options to retained earnings		-	149,979	-	(149,979)	-
Total transactions with owners of the company		4,087,980	149,979	-	69,494	4,307,453
Balance at 31 December 2020		44,176,766	(28,384,375)	(197,702)	565,089	16,159,774

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

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2019

	Note	Issued capital (\$)	Accumulated losses (\$)	Foreign currency translation reserve (\$)	Share based payment reserve (\$)	Total (\$)
Balance at 30 June 2019		39,650,533	(18,994,879)	116,459	666,497	21,438,610
Comprehensive income for the period						
Loss for the period		-	(4,595,069)	-	-	(4,595,069)
Other comprehensive income		-	-	(50,004)	-	(50,004)
Total comprehensive income for the period		-	(4,595,069)	(50,004)	-	(4,645,073)
Transactions with owners of the company						
Issue of ordinary shares		40,362	-	-	-	40,362
Share options and performance rights expensed during the year		-	-	-	228,990	228,990
Transfer of expired share options to retained earnings		-	233,232		(233,232)	-
Total transactions with owners of the company		40,362	233,232		(4,242)	269,352
Balance at 31 December 2019		39,690,895	(23,356,716)	66,455	662,255	17,062,889

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

Condensed consolidated statement of cash flows

For the half year ended 31 December 2020

	Note	31 December 2020 (\$)	31 December 2019 (\$)
Cash flows from operating activities			
Cash receipts from customers		6,262,045	7,171,130
Cash payments to suppliers and employees		(11,318,761)	(9,799,236)
Interest paid		(96,112)	(30,402)
Interest received		4,636	9,299
Income tax refunded (paid)		(11,624)	62,666
Grant income received		4,030,597	2,026,110
Net cash (used in) from operating activities		(1,129,220)	(560,433)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	1,564
Purchase of property, plant and equipment		(98,118)	(128,849)
Net cash (used in) from investing activities		(98,118)	(127,285)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		4,000,000	-
Share issue costs		(55,000)	-
Proceeds from borrowings		1,555,852	-
Repayment of borrowings		(1,735,925)	(25,295)
Repayment of lease liabilities		(272,120)	(294,076)
Net cash (used in) from financing activities		3,492,807	(319,371)
Net increase (decrease) in cash and cash equivalents		2,265,470	(1,007,089)
Cash and cash equivalents at 1 July		1,471,918	4,972,136
Effect of exchange rate fluctuations on cash held		29,708	(145,940)
Cash and cash equivalents at 31 December		3,767,096	3,819,107

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

Notes to the condensed consolidated financial statements

1. Reporting entity

RightCrowd Limited (the “Company”) is a company domiciled in Australia. These condensed consolidated interim financial statements (“interim financial statements”) as at and for the six months ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in the development and sale of physical security, safety, and compliance software.

2. Basis of preparation

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting*.

They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2020.

These interim financial statements were authorised for issue by the Company’s Board of Directors on 26 February 2021.

3. Use of judgements and estimates

In preparing these interim financial statements, Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

4. Going Concern

The condensed consolidated financial statements as at and for the year ended 31 December 2020 have been prepared on a going concern basis, indicating that the Group is able to pay its debts as and when they fall due for at least the next twelve months.

The Group has significantly improved its cash position since the last annual financial statements. As at 31 December 2020, the Group has \$3.767m in cash and cash equivalents, representing an increase of \$2.295m from 30 June 2020 (\$1.472m). This increase has primarily been driven by a successful capital raise, the receipt of the Research and Development rebate from the Australian Taxation Office, and a significant ramp-up in revenue generated by the Group’s New Products division related to the sale of presence control solutions.

The Directors have prepared cash flow projections that support the Group's ability to continue as a going concern. The cash flow projections indicate the Group will have sufficient cash to meet its minimum expenditure commitments. The Group's ability to continue to adopt the going concern assumption will depend on a number of matters as follows:

- The successful development and further commercialisation of RightCrowd solutions;
- Increased revenues being achieved through sales of products and services;
- Receipt of future government grants, in particular the research and development tax incentive scheme;
- Maintaining expenses in line with available funding;
- The future impacts of COVID-19 remaining consistent with the Group's assumptions in its cash flow forecasts.

As at 31 December 2020, the Group's current assets of \$10.017m (30 June 2020: \$7.259m) exceed its current liabilities of \$8.281m (30 June 2020: \$7.071m) by \$1.736m.

Given the surplus of current assets, strengthened cash position, and increase in revenue generated by the New Products division, the directors are of the opinion that the Group can continue as a going concern for at least the next twelve months.

5a. Revenue

	31 December 2020 (\$)	31 December 2019 (\$)
Support and maintenance	2,084,856	737,666
Subscription software	232,996	683,693
Software as a Service	525,507	288,626
Perpetual software	268,190	1,089,489
Presence control hardware	1,771,446	-
Consulting	2,072,804	3,167,926
Total:	6,955,799	5,967,399

5b. Other income

	31 December 2020 (\$)	31 December 2019 (\$)
COVID support government incentives	1,003,500	-
Research and development grant	1,347,625	176,110
Other income	136,361	84,031
Total:	2,487,486	260,140

The Group receives a research and development rebate from the Australian Taxation Office each year based on qualifying research and development expenditure incurred.

The Group considers that there is reasonable assurance in relation to the claim for expenses incurred within the current half year and has therefore included an estimate of the rebate receivable in the financial statements for the half year ended 31 December 2020.

6. Other Expenses

	31 December 2020 (\$)	31 December 2019 (\$)
Rent expense	59,559	163,032
Travel expense	34,621	588,795
Professional and consulting	678,719	907,022
Advertising and marketing	70,052	30,558
Communication	76,613	65,946
Software rental	207,494	117,165
Insurance	223,893	141,827
Other expenses	221,507	225,288
Total:	1,572,458	2,239,633

7. Disaggregation of Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. In the following table, revenue is disaggregated by service/product line and timing of revenue recognition. The table also includes a reconciliation between the disaggregated revenue with the Group's reportable segments.

	Core (\$)		New Products (\$)		Offsite Vision (\$)		Total (\$)	
	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19
Revenue by service line								
Perpetual Software	268,190	1,089,489	-	-	-	-	268,190	1,089,489
Subscription software	188,054	611,655	-	-	44,942	72,038	232,996	628,693
Consulting	2,015,120	3,167,926	54,831	-	2,853	-	2,072,804	3,167,926
Support and Maintenance	2,084,856	737,666	-	-	-	-	2,084,856	737,666
Software as a service	193,214	193,214	332,293	95,412	-	-	525,507	343,626
Presence control hardware	-	-	1,771,446	-	-	-	1,771,446	-
Total	4,749,434	5,799,949	2,158,570	95,412	47,745	72,038	6,955,799	5,967,399
Timing of recognition								
Point in time recognition	2,471,364	4,869,069	1,826,277	-	47,745	72,038	4,345,436	4,886,107
Over time recognition	2,278,070	930,880	332,293	95,412	-	-	2,610,363	1,081,292
Total:	4,749,434	5,799,949	2,158,570	95,412	47,745	72,038	6,955,799	5,967,399

8. Trade and other receivables

	31 December 2020 (\$)	30 June 2020 (\$)
Trade receivables arising from contracts with customers	2,713,369	2,186,222
Research and Development Grant receivable	1,347,625	2,945,727
Other receivables	346,647	-
Total:	4,425,641	5,131,949

9. Other assets

	31 December 2020 (\$)	30 June 2020 (\$)
Prepayments for inventory	927,578	-
Other prepayments	558,547	424,146
Total:	1,486,125	424,146

10. Borrowings

	31 December 2020 (\$)	30 June 2020 (\$)
Borrowings (current)		
Insurance premium funding	207,794	100,055
Lease liabilities	526,398	590,503
Other unsecured loan	41,749	68,023
R & D Factoring	-	497,800
Export Finance	500,000	-
Total borrowings (current):	1,275,942	1,256,381
Borrowings (non-current)		
Lease liabilities	873,545	925,759
Payroll Protection Program loan	178,606	196,377
Small Business Administration loan	35,624	43,516

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	31 December 2020 (\$)	30 June 2020 (\$)
QRIDA Loan	187,463	187,463
Total borrowings (non-current):	1,275,239	1,353,115
Total borrowings:	2,551,178	2,609,496

Terms and conditions of existing borrowings are as disclosed in the most recent annual financial statements for the year ended 30 June 2020.

The Group has entered a new loan facility with Export Finance during the period. The maximum facility limit was \$1.4 million, of which the Group has drawn down \$500K at 31 December 2020. The interest rate of the facility is 6.45% per annum, with the term of the facility being a maximum of 12 months from execution date, being 9 October 2020. The undrawn portion expired at 15 December 2020.

The facility is subject to a general security deed provided to the lender by the Group over all present and after acquired assets.

The purpose of the facility is to support the continued growth of the RightCrowd Group in overseas markets.

11. Other Liabilities

	31 December 2020 (\$)	30 June 2020 (\$)
Contract liabilities	3,754,970	3,160,777
Other liabilities	-	27,427
Total:	3,754,970	3,188,204

Contract liabilities relate to invoices raised in respect of support and maintenance and software as a service revenue, for which the related performance obligations under the contact have not been met as at the half year end. The performance obligations will be satisfied over the underlying contract periods, which are typically over a period of 12 months.

12. Share based payment arrangements

At 31 December 2020, the Group had granted the following share based payment awards:

(a) RightCrowd Long term Incentive plan

The RightCrowd long term incentive plan has been implemented through the issue of performance rights to eligible RightCrowd employees. Each performance right is convertible to one ordinary share in

the company which only vests if certain performance conditions are met. The Performance Rights are granted under the plan for no consideration and carry no voting rights.

The plan is split into two tranches. The performance targets attached to each Tranche are set out below:

	Tranche A performance target	Tranche B performance target
Performance Period	Financial Year 2020	Financial Year 2021
Revenue	\$13.7 million	\$19.1 million
Net income ³	(\$7.8 million)	(\$2.4 million)

Tranche A of the long-term incentive plan vested on 30 September 2020, whilst tranche B vests on 30 September 2021. Although non-market performance conditions relating to revenue and net income were not achieved, the board of directors exercised their discretion as permitted under the plan and awarded employees a percentage of the total possible performance rights available. This was in recognition that the company was on track to achieve its targets prior to the delays in contract execution or milestone completion caused by COVID restrictions.

Set out below is a summary of performance rights granted under the plan for each Tranche and movements in rights from grant date to 31 December 2020. Performance rights under each Tranche were granted on 28 February 2020.

	Tranche A	Tranche B
Performance rights issued at grant date	1,716,774	4,029,806
Not awarded or forfeited	(389,704)	(64,653)
Vested	670,020	-
Exercised	657,050	-
Performance rights outstanding at 31 December 2020	-	3,965,153
Grant date fair value of performance right (\$)	0.18	0.17

The expense recognised in relation to the performance rights for the half year ended 31 December 2020 was \$305,111. The fair value was calculated using the Black Scholes model using the following inputs:

	Tranche A	Tranche B
Number of performance rights	1,716,774	4,029,806
Exercise price	-	-
Grant date	28/02/2020	28/02/2020
Expiry date	30/09/2020	30/09/2021
Vesting period (years)	0.6	1.5
Volatility	68%	68%
Dividend yield	0%	0%
Risk-free interest rate	1.12%	1.12%
Fair value at grant date	\$309,019	\$685,067

³ Net Income for the LTI is measured as Total Sales Revenue – Total Costs. Net Income for LTI performance calculation excludes Other Income.

The probability of performance rights being converted to ordinary shares based on satisfaction of non-market performance conditions was incorporated into the total share-based payments expense by adjusting the number of performance rights ultimately expected to vest under the plan.

(b) RightCrowd Limited Option Plan

The RightCrowd Limited option plan was designed to provide long-term incentives for employees to deliver long-term shareholder returns.

As at 31-December 2020, the remaining options that had not yet expired are:

	Tranche 3
Number of Options	106,666
Exercise price (\$)	0.68
Grant date	30/05/2018
Expiry date	28/08/2021

The Group did not issue any other share-based payments awards during the period.

13. Related party transactions

On 6 August 2020, members of Key Management Personnel (KMP) loaned the company \$230,000. The purpose of the loan was to assist in securing additional manufacturing capacity to enable the company to meet significant short-term demand for its social distancing solutions. The loan was provided with an interest rate of 6% per annum unsecured and maximum repayment term of 6 months. The loan was fully repaid early by 31 December 2020.

The names of KMP involved and amounts lent and interest paid are shown in the below table:

KMP	Position	Loan Amount (\$)	Interest (\$)
Peter Hill	Chief Executive Officer	200,000	4,570
James Stewart	Chief Financial and Operating Officer	30,000	685

14. Issued capital

On 12 August 2020, the Group finalised a placement of 22,222,222 fully paid ordinary shares for a total consideration of \$4 million. The funds raised under the placement have been used to accelerate necessary product manufacturing to meet ongoing high demand for RightCrowd's COVID-19 related products.

The Group also issued shares to eligible employees under Tranche A of the RightCrowd Long Term Incentive plan as detailed in note 13. The increase in share capital as a result of the issuance was \$137,980.

15. Operating segments

The following table presents information on the Group's reportable segments. The basis for segmentation is as described in the Group's most recent annual financial statements for the year ended 30 June 2020.

	Core (\$)		New Products (\$)		Offsite Vision (\$)		Total (\$)	
	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19
External Revenues	4,749,434	5,799,949	2,158,570	95,412	47,795	72,038	6,955,799	5,967,399
Segment profit (loss) before tax	(1,677,086)	(2,550,034)	(454,513)	(1,419,294)	(759,180)	(594,690)	(2,890,778)	(4,564,018)
Employee benefits expense	(7,112,341)	(6,767,634)	(989,736)	(941,021)	(389,361)	(430,352)	(8,491,438)	(7,939,978)
Cost of sales	-	-	(1,238,246)	(80,541)	(12,882)	-	(1,251,128)	(80,541)
Depreciation and amortisation expense	(247,138)	(269,574)	(246,286)	(190,181)	(32,702)	(55,473)	(526,126)	(515,228)
Equity settled share-based payments	(357,493)	(228,990)	-	-	-	-	(357,493)	(228,990)
	Core (\$)		New Products (\$)		Offsite Vision (\$)		Total (\$)	
	31 Dec 20	30 Jun 20	31 Dec 20	30 Jun 20	31 Dec 20	30 Jun 20	31 Dec 20	30 Jun 20
Segment assets	8,810,583	8,948,905	16,769,646	14,399,864	251,833	342,766	25,832,062	23,691,535
Segment liabilities	(7,098,350)	(7,316,610)	(2,147,455)	(711,399)	(426,483)	(488,404)	(9,672,288)	(8,516,413)

Corporate Services costs are reported within the Core business unit.

16. Events after the reporting period

The Directors are not aware of any events occurring subsequent to the end of the reporting period requiring disclosure in these financial statements.

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Directors Declaration

In the opinion of the directors of RightCrowd Limited ("the Group"):

- (a) the condensed consolidated financial statements and notes set out on pages 10 to 24, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance, for the six month period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated 26th February 2021



Peter Hill

Director

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Independent Auditor's Review Report

To the shareholders of RightCrowd Limited

Report on the Half-year Financial Report

Conclusion

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

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of RightCrowd Limited does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the Half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 31 December 2020.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date.
- Notes comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

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

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.

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Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Group are responsible for:

- The preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- Such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Half-Year ended on that date, and complying with *Australian 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.



KPMG

Gold Coast

26 February 2021



Adam Twemlow

Partner

Gold Coast