

People Infrastructure Ltd

Appendix 4D and Consolidated Financial Statements

For the half-year ended 31 December 2020

ABN: 39 615 173 076

ASX Code: PPE

PEOPLE INFRASTRUCTURE LTD

Appendix 4D – Half Year Financial Report

for the six months ended 31 December 2020

- Report period (“current period”): 6 months ended 31 December 2020
Previous corresponding period: 6 months ended 31 December 2019

2. Results for announcement to the market

	Up/Down	Movement %	1H FY 2020 \$ '000	1H FY 2019 \$ '000
Revenues from ordinary activities	Up	3.16%	200,957	194,811
Profit after tax from ordinary activities attributable to Owners of People Infrastructure Ltd	Up	83.63%	11,649	6,343

The increase in revenue and profit for the half year is reflective of government subsidies received by the group to support the continued employment of staff to service our customers. There was a 4% decrease in revenue excluding subsidies compared to the prior half year. This is reflective of the impact of COVID-19 on the Group in the earlier part of the current half year.

Dividends

	Amount per Share (Cents)	Franked Amount per Share (Cents)	Tax Rate for Franking Credit
Dividends			
<u>Period ended 31 December 2020</u>			
Interim dividend	4.5	4.5	30%
<u>Financial year ended 30 June 2020</u>			
Interim dividend	4.0	4.0	30%
Final dividend	4.5	4.5	30%
	8.5	8.5	30%

Interim Dividend for 31 December 2020

Date the interim 2021 dividend is payable: 31 March 2021
Record date to determine entitlements to the dividend: 5 March 2021
Date interim dividend was declared: 25 February 2021
Note that this dividend has not been provided for in the financial statements given it was declared on the 26 February 2021.

Final Dividend for 30 June 2020

Date the final 2020 dividend was payable: 6 October 2020
Record date to determine entitlements to the dividend: 8 September 2020
Date final dividend was declared: 25 August 2020

Interim Dividend for 31 December 2019

Date the interim 2020 dividend is payable: 30 March 2020
Record date to determine entitlements to the dividend: 28 February 2020
Date interim dividend was declared: 14 February 2020

3. Dividend Re-investment plan

The Dividend Reinvestment Plan was in operation for the dividend paid during the period. Participating shareholders were entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price was at a 3% discount on the market price (calculated as the daily volume weighted average market price over the 10 trading days commencing on the second trading day following the relevant record date).

4. Net tangible assets per security

	31 December 2020 Amount per share (Cents)	30 June 2020 Amount per share (Cents)
Net tangible assets backing per ordinary share	20.13	5.50

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

The following entities entered the group during the financial period either through incorporation.

Name of Entity	Date of Control	Results included in the consolidated results relating to these entities for the period	
		Revenue	Profit and loss after tax
<i>Incorporated entities</i>			
PI ITG Admin Pty Ltd	2/07/2020	N/A	N/A
PeopleIn Nursing Pty Ltd	2/12/2020	N/A	N/A

The following entities left the group during the financial period as they were dormant and voluntarily wound up.

Name of Entity	Date of Loss of Control	Results included in the consolidated results relating to these entities for the period	
		Revenue	Profit and loss after tax
<i>Deregistered entities</i>			
Supreme Nursing Global Pty Ltd	9/12/2020	Nil	Nil

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

6. Details of Associates

There were no associates during the period.

Additional supporting information supporting Appendix 4D disclosure requirements can be found in the Director's report and the consolidated statements for the period ended 31 December 2020. This report is based on the consolidated financial statements for the 6 months ended 31 December 2020 which have been audited by BDO.

This report is made in accordance with a resolution of the directors and is signed off on behalf of the Directors.



Glen Richards
Chair

25 February 2021

PEOPLE INFRASTRUCTURE LTD
and its controlled entities

Interim Financial Report
For the half year ended 31 December 2020

ACN 615 173 076

	Page
Corporate Information	2
Directors' Report	3
Auditor's Independence Declaration	9
Interim financial statements	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Cash Flows	12
Consolidated Statement of Changes in Equity	13
Notes to the Financial Statements	15
Directors' Declaration	32
Independent Auditor's Review Report to the Members	33

This interim financial report does not include all the notes of the type normally included in annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by People Infrastructure Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

The financial statements were authorised for issue by the directors on 25 February 2021. The directors have the power to amend and reissue the financial statements.

Corporate Information

AUSTRALIAN BUSINESS NUMBER

ABN 39 615 173 076

DIRECTORS

Glen Richards
Elizabeth Savage
Declan Sherman
Thomas Reardon

COMPANY SECRETARY

Kim Bradley-Ware
Company Matters Pty Limited
Level 12, 680 George Street,
Sydney NSW 2000

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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COUNTRY OF INCORPORATION

Australia

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AUDITORS

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Directors' Report

The Directors of People Infrastructure Ltd present their report together with the financial statements of the consolidated entity, being People Infrastructure Ltd ('the Company') and its controlled entities ('Group') for the half year ended 31 December 2020.

Directors and company secretary details

The Directors of People Infrastructure Ltd during the half year and up to the date of this report, unless otherwise stated:

Glen Richards	Non-Executive Chairman
Elizabeth Savage	Non-Executive Director
Declan Sherman	Executive Director
Thomas Reardon	Executive Director
Kim Bradley-Ware	Company Secretary

Principal Activity

The principal activities of the Group during the financial period were the provision of staffing, business services and operational services. Services provided by the Group include workforce management, recruiting, on-boarding, contracting, rostering, timesheet management, payroll, and workplace health and safety management.

There have been no significant changes in the nature of these activities during the period.

Review of operations and financial results

Overview

People Infrastructure operates under four main industry sectors being Health and Community Care, Information Technology and General Staffing and Specialist Services.

Health

People Infrastructure continued to be a leader in providing staffing services to healthcare facilities across Australia. People Infrastructure is one of, if not the largest provider of Agency nurses on the eastern seaboard of Australia and this business has been resilient during the first half of this financial year. The healthcare operations have been a beneficiary of Public and Private Hospital operators returning to standard operations during the first half particularly due to elective surgeries recommencing. Furthermore, People Infrastructure's Healthcare operations also included the provision of Nurses to Covid-19 testing centres and hotel quarantine facilities during the first half.

Community

People Infrastructure is the leader in the provision of staffing services to the community care sectors in Australia. People Infrastructure is the largest provider of Support Workers to Disability and Child Protection service providers in Australia. People Infrastructure's staffing operations grew during the first half as a result of growing its services to disability accommodation providers as well as residential child protection providers.

Information Technology

People Infrastructure is one of the largest providers of IT staffing services to the private sector in Australia and intends to continue to significantly grow within the technology sector in the future. Notwithstanding the impact of Covid-19, this continues to be a high growth sector of the Australian and international economy, driven by growth in IT companies as product and service providers and also by growth in utilisation of IT services by businesses across the economy. There is also significant employee mobility due to an ever changing IT ecosystem providing increased demand for recruitment services.

People Infrastructure completed the transaction of prominent Sydney based IT staffing firms eCareer and Illuminate during January 2021. This acquisition is complimentary to People Infrastructure's existing Technology Staffing brands and provides an entrenched market position within the NSW market for further cultivation by People Infrastructure.

Industrial and Specialist Services

People Infrastructure continues to be a leader in providing industrial staffing services to small, medium and large corporates across Australia. During the half year, People Infrastructure saw strong growth in the food processing and mining sectors and continued strong demand from government clients and civil construction. Furthermore, during the first half, the specialist services business demonstrated a strong rebound from the Covid-19 impacts, especially in the childcare and hospitality business units.

Directors' Report (cont.)
For the half year ended 31 December 2020

Review of operations and financial results (cont.)

Financial Results

The revenue of the Group for the financial period was \$200,957,104 (2019: \$194,810,474), representing an increase of 3%. The profit before income tax expense of the Group for the financial period was \$17,048,699 (2019: \$8,814,476). The profit of the Group for the financial period after providing for income tax amounted to \$11,648,890 (2019: \$6,343,825), representing an increase of 84%. The increase in revenue and profit for the half year is reflective of government subsidies received by the group to support the continued employment of staff to service our customers. There was a 4% decrease in revenue excluding subsidies compared to the prior half year. This is reflective of the impact of Covid-19 on the Group in the earlier part of the current half year.

EBITDA and NPATA is how the board and management assess the performance of the Group. This is further adjusted by normalisation adjustments being non-recurring expenses and non-cash expenses including costs associated with acquisitions, fair value movement in equity investments and contingent considerations, costs of employee options and performance rights and the associated tax deduction of these expenses. The directors believe that this presentation is useful to investors to understand the Group results also as it shows how the Group would have performed had these types of transactions not occurred.

All normalisation adjustments in the calculation of the normalised NPAT, EBITDA and Operating Cashflows are unaudited.

The following reconciles statutory profit before tax to EBITDA and normalised EBITDA.

	31 December 2020 \$	31 December 2019 \$
Statutory Profit Before Tax	17,048,699	8,814,476
Depreciation and amortisation	3,152,714	3,313,524
Finance costs	704,412	1,210,736
EBITDA	20,905,825	13,338,736
<i>Normalisation adjustments:</i>		
Acquisition costs	197,883	54,040
Performance rights costs	183,127	83,201
Write off of Warrawong Office Fitout on relocation	217,888	-
Fair value movement in contingent consideration ¹	(911,007)	278,301
Share based payments expense	396,629	303,976
Normalised EBITDA	20,990,345	14,058,254

¹ This represents non-cash income of \$911,007 which is the fair value adjustment of the contingent consideration that will be settled via the issue of People Infrastructure shares (i.e. not cash) with respect to the acquisition of Halcyon Knights Pty Ltd, Halcyon Knights Commercial and Contracting Pty Ltd and Halcyon Knights New Zealand Limited.

Directors' Report (cont.)
For the half year ended 31 December 2020

Review of operations and financial results (cont.)

Financial Results (cont.)

Normalised net profit after taxation and before amortisation (NPATA) which represents the statutory NPAT adjusted for one off expenses including costs associated with acquisitions, costs of employee options and performance rights and the associated tax deduction of these expenses and amortisation.

	31 December 2020 \$	31 December 2019 \$
Statutory NPAT	11,648,890	6,343,825
Acquisition costs	197,883	54,040
Performance rights costs	183,127	83,201
Write off of Warrawong Office Fitout on relocation	217,888	-
Fair value movement in contingent consideration	(911,007)	278,301
Share based payments expense	396,629	303,976
Tax adjustment	39,577	10,808
Normalised NPAT	11,772,988	7,074,151
Amortisation	1,897,563	1,948,632
Normalised NPATA	13,670,551	9,022,783

Operating cash flow was positive throughout the period resulting in \$1,707,867 (2019: \$2,614,072) in net cash provided by operating activities. The following table shows the normalised cashflows from operations.

	31 December 2020 \$	31 December 2019 \$
Statutory Operating Cashflows	1,707,867	2,614,072
GST deferrals	5,748,679	-
Payroll tax deferrals	797,588	-
Income tax instalments re FY20	1,168,550	-
Acquisition costs	197,883	54,040
Performance rights costs	183,127	83,201
Normalised Operating Cashflows	9,803,694	2,751,313

Operating cashflow was reduced due to the repayment during the half-year of income taxes, payroll taxes, and GST which were all deferred as part of the Covid-19 government assistance regulations during last financial year.

Capital expenditure on plant and equipment and intangibles of \$489,962 (2019: \$648,180) was at a similar level to the prior year. There were also cash outflows from investing activities surrounding the acquisitions of \$250,000. Net outflows from financing activities of \$5,761,766 related to the repayment of borrowings and additionally, fully franked dividends totalling \$3,462,188 were paid during the period (2019: \$2,892,668).

The Group balance sheet has strengthened overall by \$12,046,725, with net assets at \$108,819,996 (June 2020: \$96,773,271). This is mainly reflective of the earnings generated during the half year.

People Infrastructure Ltd had \$19,495,234 (excluding lease liabilities) in total debt at 31 December 2020 and \$26,704,390 in cash at 31 December 2020. The utilisation of People Infrastructure's lending facilities has decreased during the period with the repayment of commercial bills of \$2,073,658. Note that the working capital facility wasn't utilised during the half year as a result of the strong cash position of the Group. The net debt position at 31 December 2020 was a positive cash position of \$7,209,156, excluding lease liabilities.

Directors' Report (cont.)
For the half year ended 31 December 2020

Covid-19 Impact

Covid-19 had an impact on workforces globally, not previously seen in the last 50 years. The welfare of People Infrastructure Ltd's employees is at all times an absolute priority to the business and from the outset of the spread of Covid-19, People Infrastructure Ltd worked extensively with its clients to implement comprehensive preventative measures consistent with government advice to protect its employees against the potential spread of Covid-19. The work performed by People Infrastructure employees in some cases is of a critical nature and once again in some cases involves close contact, with people infected by Covid-19.

From a business perspective, whilst the first wave of Covid-19 created increased volatility in parts of our staffing business, over the course of the last 10 months the business has generally returned to normal. The second wave of Covid-19 that Victoria experienced had a lingering impact on our Halcyon Knights Technology staffing business.

The great majority of People Infrastructure's clients are large corporations, government or government backed organisations and not-for-profits who are well positioned to manage the impact of Covid-19 and continue to utilise People Infrastructure workforce solutions. We provide a critical service to these organisations and demand from our clients for most of our business has largely returned to pre Covid-19 levels.

As a result of a short period of reduced demand for our employees' services, People Infrastructure reduced the work hours of a number of its employees. It also made the decision to not permanently reduce its workforce but to apply for Jobkeeper in order to keep employing those individuals.

People Infrastructure's focus since the onset of Covid-19 has been on retaining our talent to support continuity of operations and enable ongoing growth. Government subsidies received by People Infrastructure have ensured that in relation to our internal staff:

- Net headcount has been retained throughout the Covid-19 period;
- Creation of new jobs to replace departures;
- Stood down staff remained connected with the business and have all since returned to pre Covid-19 hours;
- Carried roles during the period to enable continuity in customer service delivery;
- Retention of staff to support rebound and future growth; and
- Expansion into new service lines.

In relation to our Associates (field staff), People Infrastructure's focus has been on maintaining on-hire workforce pools to meet client service requirements and delivering consistency of staffing to our clients.

Government subsidies received by People Infrastructure have ensured:

- Associates' employment was retained during the government subsidy period which has enabled a positive rebound across all operating verticals;
- Passing on of government subsidies to clients impacted by Covid-19;
- Allowed stood down Associates (primarily casual staff) to remain connected with People Infrastructure and its clients;
- Enabled training and upskilling of Associate workforces during the period; and
- Created new roles.

Approximately 1,350 People Infrastructure employees received Jobkeeper. The following provides details of the monies received for Jobkeeper:

	\$
Payments made to employees in the field	10,174,050
Payments made to internal employees	3,103,350
Total jobkeeper payment	<u>13,277,400</u>

Directors' Report (cont.)
For the half year ended 31 December 2020

Future Prospects and Outlook

People Infrastructure has seen a significant rebound in its business over the half year period and expects the strong momentum to continue into the second half. We expect our Victorian based Technology staffing business to continue to improve its performance during the second half. The diversity of our clients, low client concentration and the critical nature of many of the services that our clients provide means that our core business is resilient even in times of economic uncertainty. Our strategy has always focused on growing our business in sectors that have long term demand for their products and services and with clients that are able to withstand volatility in their business. As a result of this People Infrastructure is well placed to continue to generate strong earnings even in a volatile economic environment.

Furthermore, People Infrastructure has continued to focus on numerous growth initiatives including; internally generated new business units (Homecare and Facilities Maintenance), making strategic hires which will further support organic growth in the business and undertake acquisitions activities. The Group will continue to proactively seek acquisitions which fit a disciplined criterion and can generate significant upside through being part of People Infrastructure Group.

Conversely, People Infrastructure's economic performance and future prospects are subject to a number of risks which may impact its business which include a downturn in the employment market, increase in competition, a change in the regulatory environment, reliance on key personnel, reliance on its industrial agreements, change in how on-costs or benefits are assessed for its employees, change in client circumstances or technology risks. Whilst it believes that none of these risks are particularly significant at this point in time, to the extent there is any change in these risks it may impact the business.

People Infrastructure has also considered the impact of global climate change on its business and has concluded it does not pose a significant risk to its operations. Clients that People Infrastructure service predominantly operate in sectors that are unlikely to be directly impacted by climate change. People Infrastructure does service certain clients who may be impacted by climate change but do not expect an adverse impact on these clients' operations to have a material impact on People Infrastructure.

Significant Changes in the State of Affairs

In November 2020, 763,742 shares were issued due to the performance rights being satisfied and 640,000 due to options being exercised. The shares were issued to numerous employees, including related entities of key management personnel of the Group. The shares related to options and performance rights which have been issued historically over a 5 year period.

There was an issue of 225,325 shares under the dividend reinvestment plan during the period.

There have been no other significant changes in the state of affairs during the financial year that could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial periods.

Events Arising Since the End of the Reporting Period

On the 29 January 2021, 100% of the shares in the holding companies of eCareer Employment Services Pty Ltd and Illuminate Search and Consulting Pty Ltd (together "the Business") were acquired. The purpose of the acquisition was to expand the Information Technology sector of the Group. It is complimentary to the existing Victorian and Queensland focused technology staffing businesses. The Business was first established in 1999 and is a leading technology staffing firm focused on the NSW market, with Victorian operations. The Business is primarily a provider of on-hire technology contracting personnel to NSW Government and blue-chip corporates in the banking, finance and insurance sectors. Refer to Note 5 for further details.

On the 12 February 2021, the assets of ECT4Health Pty Ltd were acquired. The purpose of the acquisition is to utilise the training operations to refer nurses for placement in rural and remote assignments.

A dividend of 4.5 cents per share was declared on 25 February 2021.

There are no other significant matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future periods.

Directors' Report (cont.)
For the half year ended 31 December 2020

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9 and forms part of this Directors' Report.

This report is signed in accordance with a resolution of the board of directors of People Infrastructure Ltd.

A handwritten signature in black ink, appearing to read 'Glen Richards', with a horizontal line underneath it.

Glen Richards
Chair

Dated this 25th day of February 2021



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DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF PEOPLE INFRASTRUCTURE LTD

As lead auditor for the review of People Infrastructure Ltd for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of People Infrastructure Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'T J Kendall', with a stylized flourish at the end.

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 25 February 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2020

		Half year	
		31 December 2020	31 December 2019
	Note	\$	\$
Revenue and other revenue from contracts with customers	2	200,957,104	194,810,474
Other income	2	1,011,119	39,590
Employee benefits expense		(175,401,167)	(174,751,817)
Occupancy expenses		(524,994)	(418,208)
Depreciation and amortisation expense		(3,152,714)	(3,313,524)
Other expenses		(5,136,237)	(6,341,303)
Finance costs		(704,412)	(1,210,736)
Profit before income tax expense	2	17,048,699	8,814,476
Income tax expense		(5,399,809)	(2,470,651)
Profit for the half year		11,648,890	6,343,825
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations, net of tax		(1,213)	7,014
		(1,213)	7,014
Total comprehensive profit for the half year		11,647,677	6,350,839
Profit for the half year is attributable to:			
Owners of People Infrastructure Ltd		11,648,890	6,343,825
		11,648,890	6,343,825
Total comprehensive profit for the half year is attributable to:			
Owners of People Infrastructure Ltd		11,457,677	6,350,839
		11,457,677	6,350,839
Basic profit per share attributable to the shareholders of People Infrastructure Ltd			
Basic profit per share (cents per share)	3	12.93	8.75
Diluted profit per share attributable to the shareholders of People Infrastructure Ltd			
Diluted profit per share (cents per share)	3	12.44	8.31

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Consolidated Statement of Financial Position
As at 31 December 2020**

	Note	31 December 2020 \$	30 June 2020 \$
Current assets			
Cash and cash equivalents	4	26,704,390	31,464,965
Trade and other receivables		44,250,007	41,192,837
Other current assets		1,765,638	1,466,252
Total current assets		72,720,035	74,124,054
Non-current assets			
Property, plant and equipment		6,008,172	6,233,153
Intangible assets	6	85,857,234	87,458,716
Total non-current assets		91,865,406	93,691,869
Total assets		164,585,441	167,815,923
Current liabilities			
Trade and other payables		21,546,758	30,848,720
Contingent consideration		451,387	2,230,416
Financial liabilities	7	5,475,563	5,736,777
Current tax liabilities		2,278,070	1,271,674
Employee benefits		3,647,659	3,167,265
Total current liabilities		33,399,437	43,254,852
Non-current liabilities			
Contingent consideration		1,813,897	3,720,483
Financial liabilities	7	19,060,562	20,893,983
Deferred tax liabilities		959,347	2,656,581
Employee benefits		532,202	516,753
Total non-current liabilities		22,366,008	27,787,800
Total liabilities		55,765,445	71,042,652
Net assets		108,819,996	96,773,271
Equity			
Share capital	8	82,314,625	78,230,119
Retained earnings		25,085,811	17,519,008
Reserves		1,419,560	1,024,144
Total equity		108,819,996	96,773,271

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2020

	Note	Half year	
		31 December 2020	31 December 2019
		\$	\$
Cash flows from operating activities			
Receipts from customers		217,016,989	210,499,315
Payments to suppliers and employees		(208,522,669)	(201,791,076)
Interest received		8,606	10,446
Finance costs paid		(704,412)	(1,210,736)
Income taxes paid		(6,090,647)	(4,893,878)
Net cash provided by operating activities	4	1,707,867	2,614,071
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	6,330
Purchase of property, plant and equipment		(387,975)	(436,610)
Purchase of intangible assets		(101,987)	(211,568)
Purchase of subsidiaries (net of cash acquired) and assets of businesses	5	(250,000)	(12,099,994)
Net cash (used in) investing activities		(739,962)	(12,741,842)
Cash flows from financing activities			
Proceeds from borrowings	4c	-	2,291,722
Repayments of borrowings	4c	(2,092,003)	(1,936,837)
Repayment of lease liabilities	4c	(847,575)	(948,446)
Dividends paid		(3,462,188)	(2,892,668)
Proceeds from share issues on conversion of options		640,000	-
Net cash provided by / (used in) financing activities		(5,761,766)	(3,486,229)
Net change in cash and cash equivalents held		(4,793,861)	(13,614,000)
Effects of foreign exchange on cash		33,286	192
Cash and cash equivalents at the beginning of the half year		31,464,965	21,328,339
Cash and cash equivalents at end of the half year		26,704,390	7,714,531

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2020**

	Share Capital	Retained earnings	Share options reserve	Foreign currency reserve	Other reserve	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	60,205,498	7,317,935	547,660	(26,328)	70,443	68,115,208
Comprehensive Income						
Profit for the half year	-	6,343,825	-	-	-	6,343,825
Other comprehensive income, net of tax	-	-	-	7,014	-	7,014
Total comprehensive income for the half year	-	6,343,825	-	7,014	-	6,350,839
Transactions with owners in their capacity as owners						
Employee share-based payment options	-	-	303,976	-	-	303,976
Dividends paid (Refer to Note 8)	-	(3,258,183)	-	-	-	(3,258,183)
Dividends reinvested	365,515	-	-	-	-	365,515
	365,515	(3,258,183)	303,976	-	-	(2,588,692)
Balance at 31 December 2019	60,571,013	10,403,577	851,636	(19,314)	70,443	71,877,355

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2020

	Share Capital	Retained earnings	Share options reserve	Foreign currency reserve	Other reserve	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	78,230,119	17,519,008	1,013,573	(59,872)	70,443	96,773,271
Comprehensive Income						
Profit for the half year	-	11,648,890	-	-	-	11,648,890
Other comprehensive income, net of tax	-	-	-	(1,213)	-	(1,213)
Total comprehensive income for the half year	-	11,648,890	-	(1,213)	-	11,647,677
Transactions with owners in their capacity as owners						
Employee share-based payment options	-	-	396,629	-	-	396,629
Contingent consideration equity settled (Refer to Note 12)	2,824,608	-	-	-	-	2,824,608
Settlement of employee share-based options	640,000	-	-	-	-	640,000
Dividends paid (Refer to Note 8)	-	(4,082,087)	-	-	-	(4,082,087)
Dividends reinvested	619,898	-	-	-	-	619,898
	4,084,506	(4,082,087)	396,629	-	-	399,048
Balance at 31 December 2020	82,314,625	25,085,811	1,410,202	(61,085)	70,443	108,819,996

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the half-year ended 31 December 2020

Corporate information

These consolidated 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'). They have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

People Infrastructure Ltd is a Public Company, incorporated and domiciled in Australia.

Basis of preparation

These half year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements. Accordingly, these half year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2020 and any public announcements made by People Infrastructure Ltd during the half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

New standards, interpretations and amendments adopted by the Group

The same accounting policies and methods of computation have generally been followed in these half year financial statements as compared with the most recent annual financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of any new and revised Standards and Interpretations did not have any material impact on the amounts recognised in the financial statements of the Group for the current or prior periods.

Key judgements and estimates

The preparation of the interim financial report required management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported assets and liabilities, income and expenses. The significant judgements made by management in applying Group accounting policies were same as those applied to the annual financial report for the year ended 30 June 2020. Judgements and estimates which are material to the interim financial report relate to:

Note 5: Acquisition of subsidiaries / Intangible assets	Page 20
Note 9: Share based payments	Page 27
Note 12: Contingent consideration	Page 29

The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered relevant and material if for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business for example, acquisitions and impairment write-downs; or
- it is related to an aspect of the Group's operations that is important to its future performance.

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 1: Segment Reporting

The Group operates in one segment, being the provision of contracted staffing and human resources (HR) outsourcing services. The Group has determined its one operating segment based on the internal information that is provided to the chief operating decision maker and which is used in making strategic decisions. The chief executive officer has been identified as the Group's chief operating decision maker. Further, no geographical segments have been identified. The financial results from the segment are equivalent to the financial statements of the Group as a whole.

Note 2: Profit or loss information

Revenue and other revenue

	Half year	
	31 December 2020	31 December 2019
	\$	\$
Revenue from contracts with customers		
<i>Recognised at a point in time</i>		
Contract hire revenue	172,568,098	176,125,793
Planting revenue	2,253,079	3,196,338
Facilities maintenance revenue	1,139,291	1,234,123
Recruitment revenue	5,305,677	8,174,225
Consultancy and other sales revenue	1,081,087	1,761,888
	182,347,232	190,492,367
<i>Recognised over time</i>		
Facilities project maintenance revenue	4,764,846	4,083,630
Total revenue from contracts with customers	187,112,078	194,575,997
Other revenue		
Government subsidies	13,845,026	234,477
Total other revenue	13,845,026	234,477
Total revenue and other revenue	200,957,104	194,810,474

Revenue for the half year ended 31 December 2020 is \$200,957,104 compared to \$194,810,474 in prior half-year. The increase of \$6,146,630 includes government subsidies received by the group to support the continued employment of staff to service our customers. There was a 4% decrease in revenue excluding subsidies compared to the prior half year. This is reflective of the impact of Covid-19 on the Group in the earlier part of the half year. Refer to Note 14 for further discussions on Covid-19 impact during the half-year 31 December 2020.

Government subsidies

As a result of the Covid-19 pandemic, governments have responded with various stimulus packages, to provide relief to companies and individuals, to ensure business and employment continuity. The most significant to the Group was the receipt of Jobkeeper and the gross receipts are contained within government subsidies above. The payments to employees and other on-costs related to Jobkeeper are contained within employee benefits expense.

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 2: Profit or loss information (cont.)

Other Income

	Half year	
	31 December 2020	31 December 2019
	\$	\$
Other income		
Rental income	600	25,002
Rental discounts	90,905	-
Interest revenue – third parties	8,607	10,446
Gain on fair value of contingent consideration ¹	911,007	-
Net gain on disposal of property, plant and equipment	-	4,142
Total sales revenue	1,011,119	39,590

¹ This represents non-cash income which is the fair value adjustment of the contingent consideration that will be settled via the People Infrastructure shares with respect to the acquisition of Halcyon Knights Pty Ltd, Halcyon Knights Commercial and Contracting Pty Ltd and Halcyon Knights New Zealand Limited.

Expenditure

Total expenditure has decreased from \$186,035,588 to \$184,919,524 for similar reasons as revenue. Refer to Note 14 for further discussions on Covid-19 impact during the half-year 31 December 2020.

	Half year	
	31 December 2020	31 December 2019
	\$	\$
Other expenses include:		
Loss on fair value of contingent consideration	-	278,301
Net loss on disposal of property, plant and equipment	217,888	-

The loss on disposal of property, plant and equipment is due to the relocation of one of the office premises. This is the loss on the disposal of the fitout and other equipment as a result of relocating.

Note 3: Earnings per share

	Half year	
	31 December 2020	31 December 2019
	\$	\$
Profit attributable to the shareholders of People Infrastructure Ltd:		
Profit from continuing operations	11,648,890	6,343,825
Weighted average number of ordinary shares used in the calculation of basic profit per share	90,111,293	72,509,416
<i>Adjustments for calculation of diluted earnings per share:</i>		
Options	3,524,476	3,840,372
Weighted average number of ordinary shares used in the calculation of diluted profit per share	93,635,769	76,349,788

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 4: Cash and cash equivalents

	31 December 2020	30 June 2020
	\$	\$
Cash at bank	26,703,697	31,464,235
Cash on hand	693	730
	26,704,390	31,464,965

Reconciliation of Cash

The above figures are reconciled to the cash at the end of the financial period as shown in the consolidated statement of cashflows as follows:

Cash at bank and in hand	26,704,390	31,464,965
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Cash flow information

	Half year 31 December 2020	31 December 2019
	\$	\$
(a) Reconciliation of cash flow from operations with profit/(loss) after income tax		
Profit after income tax	11,648,890	6,343,825
Non-cash flows in profit:		
Depreciation and amortisation	3,152,714	3,313,524
Bad and doubtful debts	(14,620)	(68,327)
Net loss on disposal of property, plant and equipment	217,888	(4,142)
Fair value adjustment on contingent consideration	(911,007)	278,301
Share based payments expense	396,629	303,976
Lease modifications	56,265	-
Changes in assets and liabilities:		
Change in trade and other receivables	(3,042,550)	(3,275,414)
Change in other assets	(299,386)	(888,545)
Change in trade and other payables	(9,301,962)	(1,014,207)
Change in income taxes payable	1,006,396	(1,306,291)
Change in deferred taxes payable	(1,697,233)	(1,116,935)
Change in employee benefits	495,843	48,306
Net cash provided by operating activities	1,707,867	2,614,071

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 4: Cash and cash equivalents (cont.)

Cash flow information (cont.)

(b) Non-cash financing and investing activities

Non-cash acquisitions of plant and equipment through leases of nil (2019: \$124,512) occurred during the period.

Dividends satisfied by the issue of shares under the dividend reinvestment plan – see note 8.

Options and shares issued to employees under the employee options plan and employee share scheme for no cash consideration – see note 8.

(c) Cash and Non-Cash Movements in Liabilities arising from Financing Activities

The following table reconciles the cash and non-cash movements in liabilities arising from financing activities.

	1 July 2020	Net cash flows	Non-cash changes Net Acquisition and disposal of leased assets	On Acquisition	31 December 2020
Financial liabilities	\$	\$	\$	\$	\$
Credit cards	76,547	(18,345)	-	-	58,202
Debtor finance accounts	-	-	-	-	-
Commercial bills	21,510,690	(2,073,658)	-	-	19,437,032
Lease liabilities	5,043,523	(847,575)	844,943	-	5,040,891
	26,630,760	(2,939,578)	844,943	-	24,536,125

	1 July 2019	Net cash flows	Non-cash changes Net Acquisition and disposal of leased assets	On Acquisition	31 December 2019
Financial liabilities	\$	\$	\$	\$	\$
Credit cards	16,445	(13,199)	-	7,184	10,430
Debtor finance accounts	9,713,255	1,981,722	-	-	11,694,977
Commercial bills	25,047,986	(1,613,638)	-	-	23,434,348
Lease liabilities	6,071,658	(948,446)	974,989	196,140	6,294,341
	40,849,344	(593,561)	974,989	203,324	41,434,096

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 5: Acquisition of subsidiaries

eCareer Employment Services Pty Ltd and Illuminate Search and Consulting Pty Ltd

On the 29 January 2021, 100% of the shares in the holding companies of eCareer Employment Services Pty Ltd and Illuminate Search and Consulting Pty Ltd (together “the Business”) were acquired. The purpose of the acquisition was to expand the Information Technology sector of the Group. It is complimentary to the existing Victorian and Queensland focused technology staffing businesses. The Business was first established in 1999 and is a leading technology staffing firm focused on the NSW market, with Victorian operations. The Business is primarily a provider of on-hire technology contracting personnel to NSW Government and blue-chip corporates in the banking, finance and insurance sectors. Details of the acquisition and the fair values of the assets and liabilities acquired are as follows:

	29 January 2021
Purchase consideration	\$
Cash consideration	8,329,113
Total consideration	8,329,113
Assets and liabilities acquired:	
Cash and cash equivalents	3,271,618
Trade and other receivables	1,251,108
Other current assets	143,605
Property, plant and equipment	891,814
Deferred tax assets	129,373
Trade and other payables	(1,883,857)
Employee entitlements	(307,560)
Current tax liabilities	(30,091)
Financial liabilities	(841,312)
Fair value of assets and liabilities acquired	2,624,698
Identifiable assets acquired	
Brand names	1,300,256
Customer relationships	1,319,842
Deferred tax liability	(786,031)
Total identifiable assets acquired and liabilities assumed	4,458,765
Goodwill on acquisition	3,870,348
Cashflows on acquisition	
Cash consideration	8,329,113
Cash acquired	(3,271,618)
Total cashflows outflows on acquisition	5,057,495

Provisional accounting has been applied given how recent this acquisition is. The finalisation of the review of reconciliations and valuations of identified assets is still being completed given the recent completion of this transaction. Cashflows have not been presented as there have been none to date.

Key judgements and estimations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see Note 12).

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 5: Acquisition of subsidiaries (cont.)

Summary of cashflows of acquisitions

	31 December 2020	31 December 2019
	\$	\$
Cash paid for subsidiaries and businesses acquired (net of cash acquired)		
Network Nursing Agency Pty Ltd and Australian Healthcare Academy Pty Ltd	-	(1,100,000)
Halcyon Knights Group	-	(553,086)
First Choice Care Pty Ltd	-	(10,446,908)
SMC Refrigeration, Airconditioning & Electrical Pty Ltd	(250,000)	-
Total cash paid for subsidiaries and businesses acquired (net of cash acquired)	(250,000)	(12,099,994)

The cashflows for 31 December 2019 relate to Network Nursing Agency and Halcyon Knights Group being the payment of contingent consideration and working capital adjustments made under the original contract.

Note 6: Intangible assets

	31 December 2020	30 June 2020
	\$	\$
Goodwill – at cost	73,156,005	72,977,230
Brand names – at cost	4,636,869	4,636,869
Customer relationships		
Cost	14,535,200	14,535,200
Accumulated amortisation	(7,521,375)	(6,087,361)
	7,013,825	8,447,839
Candidate database		
Cost	2,539,525	2,539,525
Accumulated amortisation	(2,217,706)	(1,923,223)
	321,819	616,302
Mobile application software		
Cost	458,359	458,359
Accumulated amortisation	(282,941)	(237,051)
	175,418	221,308
Website		
Cost	166,040	162,373
Accumulated amortisation	(132,404)	(126,065)
	33,636	36,308
Software		
Cost	1,674,661	1,553,449
Accumulated amortisation	(1,178,698)	(1,053,474)
	495,963	499,975
Patents and trademarks		
Cost	32,156	31,256
Accumulated amortisation	(8,457)	(8,371)
	23,699	22,885
Total intangible assets	85,857,234	87,458,716

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 6: Intangible assets (cont.)

31 December 2020	Goodwill	Brand names	Customer relationships	Candidate database	Mobile application software	Website	Software	Patents and trademarks	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	72,977,230	4,636,869	8,447,839	616,302	221,308	36,308	499,975	22,885	87,458,716
Additions through business combinations (Refer Note 5)	178,775	-	-	-	-	-	-	-	178,775
Transfers from property plant and equipment	-	-	-	-	-	-	14,556	-	14,556
Foreign exchange movements	-	-	-	-	-	726	37	900	763
Additions	-	-	-	-	-	3,667	97,420	-	101,987
Amortisation expense	-	-	(1,434,014)	(294,483)	(45,890)	(7,065)	(116,025)	(86)	(1,897,563)
Balance at 31 December 2020	73,156,005	4,636,869	7,013,825	321,819	175,418	33,636	495,963	23,699	85,857,234

30 June 2020	Goodwill	Brand names	Customer relationships	Candidate database	Mobile application software	Website	Software	Patents and trademarks	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019 (reported)	63,896,778	4,309,470	8,552,700	1,025,480	222,266	16,262	529,479	21,213	78,573,648
Adjustments to business combinations	(839,595)	-	1,581,450	-	-	-	-	-	741,855
Balance at 1 July 2019 (restated)	63,057,183	4,309,470	10,134,150	1,025,480	222,266	16,262	529,479	21,213	79,315,503
Additions through business combinations	9,920,047*	327,399	1,216,808	225,703	-	-	-	-	11,689,957
Foreign exchange movements	-	-	-	-	-	-	(455)	-	(455)
Additions	-	-	-	-	82,824	27,167	271,625	1,700	383,316
Disposals	-	-	-	-	-	(801)	-	-	(801)
Amortisation expense	-	-	(2,903,119)	(634,881)	(83,782)	(6,320)	(300,674)	(28)	(3,928,804)
Balance at 30 June 2020	72,977,230	4,636,869	8,447,839	616,302	221,308	36,308	499,975	22,885	87,458,716

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 7: Financial liabilities

	31 December 2020 \$	30 June 2020 \$
<i>Current</i>		
Credit cards	58,202	76,547
Commercial bills	3,847,316	3,847,316
Lease liabilities	1,570,045	1,812,914
Total current financial liabilities	5,475,563	5,736,777
<i>Non-current</i>		
Commercial bills	15,589,716	17,663,374
Lease liabilities	3,470,846	3,230,609
Total non-current financial liabilities	19,060,562	20,893,983
Total financial liabilities including leases	24,536,125	26,630,760

Facilities

31 December 2020	Available facility	Facility used	Remaining Facility
Credit cards	473,500	58,202	415,298
Debtor finance / invoice discounting facility	18,000,000	-	18,000,000
Commercial bills	19,437,032	19,437,032	-
	37,910,532	19,495,234	18,415,298
30 June 2020	Available facility	Facility used	Remaining Facility
Credit cards	433,500	76,547	356,953
Debtor finance / invoice discounting facility	18,000,000	-	18,000,000
Commercial bills	21,510,690	21,510,690	-
	39,944,190	21,587,237	18,356,953

Security

St George Bank provided the above facilities and as a result has first registered general security over the assets and undertaking of the Group.

Covenants

The following covenants have been imposed by St George Bank:

- Interest Cover Ratio – not less than 3.0 times;
- Financial Debt/EBITDA Ratio – less than 3.0 times.

These covenants were not breached during the reporting period.

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 8: Share capital

	31 December 2020 \$	30 June 2020 \$
92,341,953 (30 June 2020: 89,646,996) fully paid ordinary shares	82,314,625	78,230,119

	31 December 2020 Number	30 June 2020 Number	31 December 2020 \$	30 June 2020 \$
At the beginning of the period	89,646,996	72,404,030	78,230,119	60,205,498
Dividends reinvested ¹	225,325	335,605	619,898	1,016,059
Issue of shares on vesting of options ²	1,403,742	907,361	640,000	-
Issue of ordinary shares under a capital raising ³	-	16,000,000	-	17,600,000
Costs to issue shares	-	-	-	(844,907)
Recognition of deferred tax on shares issue costs	-	-	-	253,469
Issue of shares on settlement of contingent consideration ⁴	1,065,890		2,824,608	-
At reporting date	92,341,953	89,646,996	82,314,625	78,230,119

¹ Dividends reinvested 6 October 2020 (June 2020: 2 October 2019 and 30 March 2020).

² Issue of shares on vesting of options 21 September 2020, 14 October 2020, 6 November 2020, 17 November 2020 and 26 November 2020 (June 2020: 22 and 26 November 2019).

³ Issue of ordinary shares June 2020: 17 April 2020 and 18 May 2020.

⁴ Issue of ordinary shares 26 August 2020 as settlement of contingent consideration surrounding the acquisition of the Halcyon Knights Group.

Dividends

	Half Year 31 December 2020 \$	31 December 2019 \$
Dividends provided for or paid during the half-year (4.5 cents per share)	4,082,087	3,258,183
Dividends satisfied by the issue of shares under the dividend reinvestment plan during the year	619,898	365,515
Dividends not recognised at the end of the reporting period		
Since period end the directors have recommended the payment of an interim dividend of 4.5 cents per fully paid ordinary share. The aggregate amount of the proposed dividend expected to be paid on 31 March 2021 out of retained earnings at 31 December 2020, but not recognised as a liability at year end, is:	4,155,388	2,936,939
Franked dividends		
The interim dividend recommended after 31 December 2020 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2020.		
Franking credits available for subsequent reporting periods based on a tax rate of 30%	13,638,995	10,354,325

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 9: Share-based payments

The following share-based payment arrangements existed at 31 December 2020.

Shares

During the half year ended 31 December 2020, 1,403,742 (2019: 907,361) shares were issued to directors and employees as a result of performance rights and options achieving their conditions and being eligible for exercising. The weighted average shares price at the exercise date was \$3.44 (June 2020: \$3.28).

Options and Performance Rights

The following summarised the options and performance rights granted under the plan.

	31 December 2020		30 June 2020	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	No.	\$	No.	\$
Outstanding at beginning of the period	4,221,579	0.22	4,087,508	0.26
Exercised	(1,316,242)	-	(907,361)	-
Forfeited	(50,084)	-	(321,442)	-
Granted	205,816	-	1,362,874	-
Outstanding at end of the period	3,061,069	0.27	4,221,579	0.22
Exercisable at end of the period	-	-	300,000	0.06

No options or performance rights expired during the periods covered by the above tables.

Unissued ordinary shares of People Infrastructure Ltd under option at the end of the reporting period are:

	Date options granted	Expiry date	Exercise price of shares	Number under option 31 December 2020	Number under option 30 June 2020
TR Options	14 October 2017	14 October 2020	\$1.00	-	340,000
TR Options	14 October 2017	14 October 2021	\$1.00	340,000	340,000
NED Options	22 November 2017	22 November 2020	\$1.00	-	300,000
Performance Rights (Tranche 1)	22 November 2017	22 November 2021	\$0.00	250,000	500,000
Performance Rights (Tranche 2)	22 November 2017	22 November 2021	\$0.00	265,829	554,163
Performance Rights (Tranche 4)	26 November 2018	26 November 2022	\$0.00	119,374	179,062
Performance Rights (Tranche 5)	26 November 2018	26 November 2022	\$0.00	125,000	187,500
Performance Rights (Tranche 6)	15 May 2019	15 May 2023	\$0.00	24,000	24,000
Performance Rights (Tranche 7)	31 May 2019	31 May 2023	\$0.00	262,500	262,500
Performance Rights (Tranche 8)	31 May 2019	31 May 2022	\$0.00	141,396	171,480
Performance Rights (Tranche 9)	28 October 2019	26 November 2023	\$0.00	80,000	100,000
Performance Rights (Tranche 10)	26 November 2019	26 November 2023	\$0.00	47,154	62,874
Performance Rights (Tranche 11)	3 January 2020	30 January 2024	\$0.00	1,200,000	1,200,000
Performance Rights (Tranche 12)	30 July 2020	30 July 2024	\$0.00	63,000	-
Performance Rights (Tranche 13)	31 August 2020	31 August 2021	\$0.00	15,150	-
Performance Rights (Tranche 14)	31 August 2020	31 August 2021	\$0.00	127,666	-
Total under option				3,061,069	4,221,579

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 9: Share-based payments (cont.)

Terms and Conditions of options and performance rights

During the reporting period tranche 12, 13 and 14 were granted. The conditions around these are as follows:

Performance Rights – Tranche 12

These Performance Rights vest equally over FY23, FY24, and FY25 (each a Vesting Period). 50% of the Performance Rights in any given Vesting Period will vest if CAGR of total shareholder return and earnings per share growth (Growth Metric) over the relevant Vesting Period is greater than 15% and a further 50% vest if the Growth Metric, over the relevant Vesting Period is greater than 10%. Additionally, in order to have their Performance Rights vest, the relevant participant must remain employed by People Infrastructure Ltd at the time of vesting.

Performance Rights – Tranche 13 and 14

These Performance Rights only have the condition to remain employed. Tranche 13 was in relation to a sign on incentive and Tranche 14 is in relation to the employees opting to receive during the vesting period a reduced cash component of their remuneration in lieu of performance rights.

Fair value of performance rights granted

The assessed fair value at granted date of performance rights granted during the period ended 31 December 2020 are disclosed in the table below. The fair value at grant date is independently determined using a Monte Carlo simulation model that takes into account the exercise price, the term of the performance right, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

The principal assumptions used in the valuation were:

	Performance Rights – Tranche 12	Performance Rights – Tranche 13	Performance Rights – Tranche 14
Grant date	30/07/2020	31/08/2020	31/08/2020
Number of options	63,000	15,150	127,666
Vesting period end	33% 30/07/2022 33% 30/07/2023 33% 30/07/2024	31/08/2021	31/08/2021
Share price at grant date	\$3.36	\$2.75	\$2.75
Volatility	40%	N/A	N/A
Options life	4 years	1 year	1 year
Dividend yield	Continuous	N/A	N/A
Fair value at grant date	33% \$1.058, 33% \$0.823, 33% \$0.654	\$2.35	\$2.35
Exercise price at grant date	\$0.00	\$0.00	\$0.00
Exercisable from	30 days after the exercise date	At end of the vesting period	At end of the vesting period
Exercisable to	30 days after the exercise date	At end of the vesting period	At end of the vesting period

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 9: Share-based payments (cont.)

Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the period as a part of employee benefit expenses were as follows:

	Half Year	
	31 December 2020	31 December 2019
	\$	\$
Options and performance rights issued under employee share plan	396,629	303,976

These amounts have been recognised in equity in the Consolidated Statement of Financial Position as follows:

	31 December 2020	30 June 2020
	\$	\$
Share capital	-	-
Share based payment reserve	1,410,202	1,013,573

Key estimates – share-based payments

The Group uses estimates to determine the fair value of equity instruments issued to Directors, executives and employees. The estimates include volatility, risk free rates and consideration of satisfaction of performance criteria for recipients of equity instruments. Options were issued as outlined above and the cost of these rights represents the valuation and the accounting impact of prior issuances and determinations remains unchanged.

Note 10: Contingent assets and contingent liabilities

The Group has a significant casual workforce given the nature of its business. Therefore, when the Federal Court decision in *WorkPac Pty Ltd v Rossato* [2020] FCAFC 84 was released the outcomes were reviewed for its potential application to the Group. The decision provided further clarity around how the courts would define a casual worker and pointed to circumstances where there was a firm advance commitment from the employer and as a result the employee had an expectation of continuing and indefinite work.

At the time management performed a review of its businesses and how they engage with their casual employees and has determined that the outcomes of this case have limited implications for the People Infrastructure Group primarily as there is no firm advance commitment to our casual workers and there is no expectation on behalf of the worker of continuing and indefinite work. However, given the broad application and the significant number of casuals that People Infrastructure engage there is a potential that an obligation may arise in the future should the courts judgement be more broadly interpreted. This assessment is unchanged from 30 June 2020.

The Group has no other contingent assets and no contingent liabilities.

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 11: Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Parent entity

The parent entity is People Infrastructure Ltd, which is incorporated in Australia.

Subsidiaries

The following entities have entered the group during the reporting period:

Name of Subsidiary	Country of Incorporation	Ownership interest held by the Group	
		31 December 2020	30 June 2020
PI ITG Admin Pty Ltd	Australia	100%	-
PeopleIn Nursing Pty Ltd	Australia	100%	-

These entities are newly incorporated entities.

The following entities have left the group during the reporting period:

Name of Subsidiary	Country of Incorporation	Ownership interest held by the Group	
		31 December 2020	30 June 2020
Supreme Nursing Global Pty Ltd	Australia	-	100%

This entity was a dormant entity which were wound up during the period.

There were no other significant changes to the group during the reporting period.

Other related party transactions

The following related party transactions occurred with entities related to key management personnel in addition to those relating to options set out in Note 8: Share Capital:

	31 December 2020
Shares Issued	\$
Directors	
Glen Richards ¹	200,000
Elizabeth Savage ^{1,2}	100,390
Declan Sherman ¹	162,704
Thomas Reardon ¹	502,704
Senior Executives	
David Cuda (CEO) ¹	62,500
Options or Performance Rights Issued	
Senior Executives	
Megan Just (CFO)	47,066

¹ These shares were issued as a result of performance rights meeting their conditions.

² 390 shares were issued as a result of participating in the dividend reinvestment plan.

There were no other transactions with other related parties during the period.

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 12: Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The carrying value of a significant portion of all financial assets and financial liabilities approximate their fair values due to their short-term nature and for borrowings with longer terms as a result of them having floating interest rates.

Financial Liabilities at fair value through the profit or loss

	Level 1	Level 2	Level 3
	\$	\$	\$
31 December 2020			
Contingent consideration	-	-	2,265,284
Total Financial Liabilities	-	-	2,265,284
30 June 2020			
Contingent consideration	-	-	5,950,899
Total Financial Liabilities	-	-	5,950,899

There were no transfers between the levels of fair value hierarchy during the half year ended 31 December 2020 or the year ended 30 June 2020. There were no other financial assets or liabilities valued at fair value at 31 December 2020 and 30 June 2020.

Reconciliation of Level 3 fair value movements

	Contingent Consideration
Opening balance at 1 July 2019	10,164,160
Repayments	(1,350,000)
Gains and losses recognised in profit or loss	(2,863,261)
Closing balance at 30 June 2020	5,950,899
Settlement via share issue	(2,824,608)
Additions	50,000
Gains and losses recognised in profit or loss	(911,007)
Closing balance at 31 December 2020	2,265,284

Contingent Consideration - Key Estimates

The fair value of contingent consideration related to the acquisition of the Halcyon Knights Group is estimated using a present value technique. The value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting. During the year the expected contingent consideration was adjusted based on agreed targets and expected share price at the date of payment.

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 13: Events arising since the end of the reporting period

On the 29 January 2021, 100% of the shares in the holding companies of eCareer Employment Services Pty Ltd and Illuminate Search and Consulting Pty Ltd (together “the Business”) were acquired. The purpose of the acquisition was to expand the Information Technology sector of the Group. It is complimentary to the existing Victorian and Queensland focused technology staffing businesses. The Business was first established in 1999 and is a leading technology staffing firm focused on the NSW market, with Victorian operations. The Business is primarily a provider of on-hire technology contracting personnel to NSW Government and blue-chip corporates in the banking, finance and insurance sectors. Refer to Note 5 for further details.

On the 12 February 2021, the assets of ECT4Health Pty Ltd were acquired. The purpose of the acquisition is to utilise the training operations to refer Nurses for placement in Rural and Remote assignments.

A dividend of 4.5 cents per share was declared on 25 February 2021.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Note 14: Covid-19

Covid-19 had an impact on workforces globally, not previously seen in the last 50 years. From a business perspective, whilst the first wave of Covid-19 created increased volatility in parts of our staffing business it was only a short-term impact and the business returned to a more normalised operating level by July 2020. The second wave of Covid-19 that Victoria experienced had a significant impact on our Halcyon Knights Information Technology business which is Melbourne headquartered.

The great majority of People Infrastructure’s clients are large corporations, government or government backed organisations and not-for-profits who are well positioned to manage the impact of Covid-19 and continue to utilise People Infrastructure workforce solutions. We provide a critical service to these organisations and demand from our clients for most of our business is largely unchanged.

People Infrastructure made the decision to not permanently reduce its workforce but to apply for Jobkeeper in order to keep employing those individuals.

People Infrastructures focus since the onset of Covid-19 has been on retaining our talent to support continuity of operations and enable ongoing growth. Government subsidies received by People Infrastructure have ensured that in relation to our internal staff:

- Net headcount has been retained throughout the Covid-19 period;
- Creation of new jobs to replace departures;
- Stood down staff remained connected with the business and have all since returned to pre Covid-19 hours;
- Carried roles during the period to enable continuity in customer service delivery;
- Retention of staff to support rebound and future growth; and
- Expansion into new service lines.

Notes to the Financial Statements for the half-year ended 31 December 2020

Note 14: Covid-19 (cont.)

In relation to our Associates (field staff), People Infrastructures focus has been on maintaining on-hire workforce pools to meet client service requirements and delivering consistency of staffing to our clients.

Government subsidies received by People Infrastructure have ensured:

- Associates employment was retained during the government subsidy period which has enabled a positive rebound across all operating verticals;
- Passing on of government subsidies to clients impacted by Covid-19;
- Allowed stood down Associates (primarily casual staff) to remain connected with People Infrastructure and its clients;
- Enabled training and upskilling of Associate workforces during the period; and
- Created new roles.

Senior Management also chose to forego the award of short and long term incentives in recognition of the sacrifices made by its employees and the benefit of certain government subsidies that were received during the year.

People Infrastructure has seen a significant rebound in its business since the initial impact of the Covid-19 lockdown and expects a strong profit contribution from each division in 2021. In particular we note the strong performance of our Health & Community Services Division and Industrial Services Division providing a positive impact in our financial results during the period. The diversity of our clients, low client concentration and the critical nature of many of the services that our clients provide means that our core business is resilient even in times of economic uncertainty.

Directors' Declaration

In the opinion of the Directors of People Infrastructure Ltd (the 'Company'):

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Accounting Standard AASB 134 *'Interim Financial Reporting'*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the Consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
- there are reasonable grounds to believe that the Consolidated entity will be able to pay its debts as and when they become due and payable, after taking into consideration the extent to which such debts are limited-recourse in nature or owing to the responsible entity.

Signed in accordance with a resolution of directors of People Infrastructure Ltd.

A handwritten signature in black ink, appearing to read 'Glen Richards', with a horizontal line drawn underneath it.

Glen Richards
Chair

Dated this 25th day of February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of People Infrastructure Ltd

Report on the Half-Year Financial Report

Conclusion

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

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply 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 financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

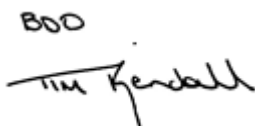
The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd



T J Kendall

Director

Brisbane, 25 February 2021