2019
ANNUAL REPORT
For the year ended 30 June 2019

incentiapay

IncentiaPay Ltd
ABN 43 167 603 992

INCENTIAPAY IS AN INTEGRATED LOYALTY SOLUTIONS PROVIDER USING DIGITAL AND MARKETING PROGRAMS THAT ENABLE BUSINESSES TO ATTRACT AND ENGAGE CONSUMERS ACROSS MULTIPLE OUTLETS.

IncentiaPay has several associated lifestyle brands offering savings across dining, travel, leisure, retail and services. Memberships are sold through its primary channel – fundraisers, and secondary channels – direct or affiliate, that all contribute a portion of membership sales to fundraisers. It is also sold to corporate organisations as a loyalty offering, via its Frequent Values program.

entertainment

Entertainment Publications has a 25-year history and is a fundraising tool for more than 16,000 community organisations. It is a unique word of mouth marketing tool for the hospitality industry, and a way for consumers to experience new lifestyle opportunities through valuable offers. Entertainment creates value via a unique three-way relationship between consumers, fundraiser groups and lifestyle merchants. Entertainment offers promotions and incentives for dining, travel, leisure activities, retail and services. Memberships are currently available in two formats; the Entertainment Digital Membership as a smartphone app; and the iconic Entertainment Book in print.

My Bookings™

My Bookings brings hotels, resorts, airlines, rental car companies and cruises, a closed end user group of influential and travel oriented consumers. Over 30 countries are featured; with more than 2,000 hotels and resorts profiled online; 10 per cent off the best available online promotional rates for flights; and 100 per cent of payments made directly with the hotel.

entertainment traveller

Entertainment Traveller provides all inclusive Fly, Stay, Eat, Play, travel packages with both local Australian and international offers, across Hawaii, Fiji, Bali, Samoa, Maldives, Vanuatu and more. These are available to Entertainment Members and Frequent Values Members.

corporate marketing solutions

The Corporate Marketing Solutions group delivers bespoke marketing and value add solutions to help corporate clients drive customer acquisition, retention and engagement. Corporate Marketing Solutions provides tailored incentive offerings to closed loop consumer groups for dining and travel programs. Included in the Corporate Marketing Solutions group is the Frequent Values program, offering white labelled solutions to large corporates in the form of a mobile app or books. Also included is the Entertainment Corporate Platform that sells gift cards from major business chains.

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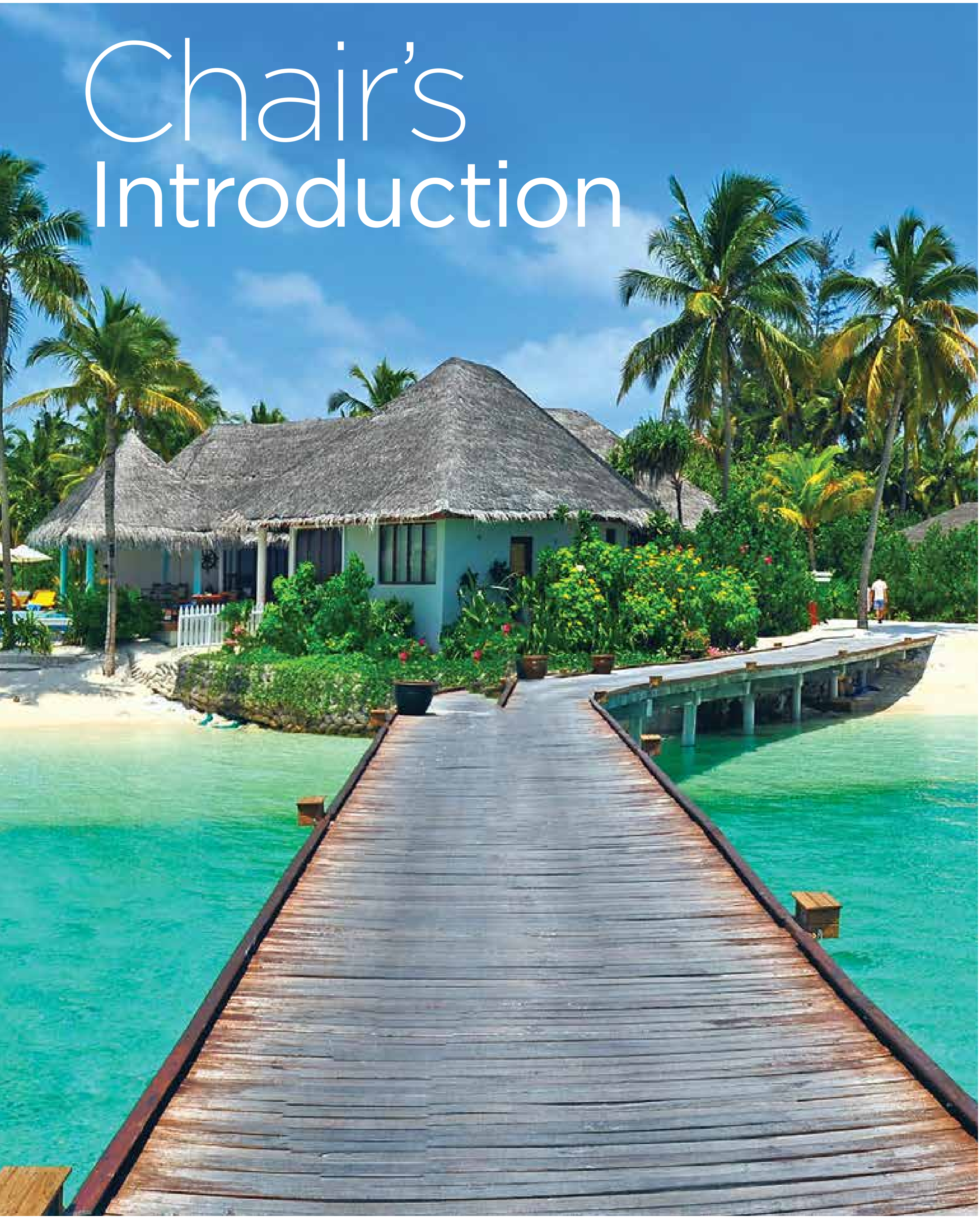
NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of IncentiaPay Ltd will be held on Wednesday, 27 November 2019 at 2.30pm at KPMG - Tower Three, Level 38, 300 Barangaroo Ave Sydney NSW 2000.

IncentiaPay Ltd ABN 43 167 603 992

Chair's Introduction



Dear Shareholders,

On behalf of the Board of Directors of IncentiaPay, and as your newly appointed Chair, I am pleased to present to you the 2019 Annual Report.

During FY2019, the Company announced a strategic review of operations and organisational structure. Over the past eight months, we have made significant progress in our strategy to refocus the business, having sold the Bartercard operations, including the UK and US businesses, and the Government, Enterprise and Performance Management business streams of Gruden. The pursuit of international operations was also scaled back to focus on new growth and market opportunities across Australia, New Zealand and Bali.

Furthermore, we restructured the Senior Management Team and invested in capabilities across the Company, specifically in marketing, product and development. The Company redeployed capital resources to refocus on core and profitable growth areas across Entertainment and corporate sales and operations.

While there has been momentum, there is still significant progress to be made - specifically on the Company's digital transformation strategy, which requires overarching investment in software development, coupled with new employees for emerging and income generating areas of the business.

There has also been significant change across both the Executive Team and the Board, with the resignation of Darius Coveney from his role as Chief Financial Officer in November 2018, followed by Iain Dunstan (previous Chief Executive Officer) leaving in December 2018. During his notice period, Darius took on the position of Acting Chief Executive Officer in December 2018, as well as becoming an Executive Director of the Company, a position he held until May 2019. Darius has been instrumental in managing the Company over the past eight months and we thank him for his commitment. The Board is currently conducting a search for a new Chief Executive Officer.

Executive General Manager - Retail, Heidi Halson, leaves after 25 years with the Company and we wish her all the best.

In September 2018, Murray d'Almeida resigned as Chair of the Board. Naseema Sparks was appointed as Chair but resigned from the position in June 2019. Chris Berkefeld also resigned from his position as Non-Executive Director in June 2019. We thank them for their service during a difficult period of transition and wish them well.

There were four new appointments to the Board this calendar year; I, Stephen Harrison, was appointed to the Board as a Non-Executive Director in February 2019, and appointed as Interim Executive Chair in June 2019; Jeremy Thorpe was appointed as a Non-Executive Director in May 2019; Dr Charles Romito was appointed as a Non-Executive Director in June 2019; and Dean Palmer was appointed as a Non-Executive Director in August 2019. The current Board structure now represents each of the Company's major shareholders.

Over the course of the year, the Company received several expressions of interest, including non-binding indicative proposals to recapitalise or consider change of control transactions. A number of these led to due diligence being undertaken on the business. In February 2019, both Hayaat Group (represented by Mr Mohammad Ikhlaq), and Skybound Capital Ltd (represented firstly by New Gold Coast Holdings Ltd, and more recently Suzerain Investments Holdings Limited (Suzerain)), joined the share register as new substantial shareholders. In May this year, IncentiaPay entered into a short-term funding arrangement with Suzerain Investments Holdings Limited, borrowing $4.0 million in unsecured debt. This has been used to repay the Company's term debt and overdraft facilities from its bank lender.

While the Company announced a proposed pro-rata rights issue in May 2019, IncentiaPay resolved not to move forward following conversations with major shareholders and advisers. After considering the future capital requirements of the Company, the Board have agreed with Suzerain that they will fund the short-term strategies and value creation initiatives of the Company by way of a Convertible Note. The specifics of this funding were announced to the market on 9 August 2019 and will be presented for approval at the Company's AGM in November 2019.

Entertainment is a well-respected brand with a 25-year history. It has a corporate channel that presents significant growth opportunity, book to digital transformation that is well underway, a growing and quality merchant database that improves year on year, an engaged current member database, an active drive to acquire new members and a core business that is returning to profit.

On behalf of the Board, I would like to thank our shareholders, our clients and our employees for their support and contribution.

STEPHEN HARRISON
INTERIM EXECUTIVE CHAIR

Operating & Financial Review

SECTION

1

OPERATING RESULTS OVERVIEW

IncentiaPay has continued to undergo significant change during FY2019, with the Company restructuring to focus on the Entertainment business.

In November 2018, we completed the sale of Bartercard including all its wholly owned subsidiaries. In September 2018, we divested our minority stake in Now Book It Pty Ltd, and in December 2018 completed the sale of non-core assets from the Gruden acquisition. With that, the Company moved to a single operating division – Entertainment. These divestments simplified the Group's corporate structure, removing 15 entities.

Within the Entertainment business, the Company operates in two main product groupings; Memberships (sold via the fundraising channel) and Corporate. These product groupings are supported by central functions, including merchant acquisition, production, marketing, product development, finance, human resources and legal.

MEMBERSHIPS

We have continued to see a shift of customer preference to the Entertainment Digital Membership, reporting at 57 per cent of purchases versus 52 per cent at the same time last year (16/08/2019). Noting this trend, and our continued drive to reduce operating costs, the Company decided to trial a digital-only approach within a test market, forgoing the printing of Entertainment books. Given the City of Darwin's #SmartDarwin initiative, it was the obvious choice as the test market for the 2019|20 membership season. Being a business that runs to an annual cycle, the learnings from Darwin are currently assisting with our planning for future markets and their digitisation in the next fundraising season.

For the 2019|20 membership sales season, the Company transitioned to a new Entertainment website. Over the coming twelve months, we will be undertaking additional development to better utilise this channel. The intention is to create a personalised member experience, delivering offers that are more closely aligned, and better resonate with individual members.

The Company has also taken a new approach to the management of smaller fundraising groups this season. The creation of a phone based inside sales model saw 4,900 of our smaller fundraisers being supported by inside sales executives, rather than field account managers. This resulted in fewer field account managers and provided us with learnings to better manage fundraisers under this revised approach. In addition, with smaller fundraisers no longer taking book inventory on consignment, it de-risked the business in terms of book returns and provided those fundraisers with an improved level of service. This model will be further refined and rolled out for the 2020|21 membership season.

During the year, we also improved operational efficiencies across the business through the automation of several manual processes. Stock management and publishing were the two areas that saw the greatest improvements, with many more projects in the pipeline.

As we move forward into the 2020|21 membership season and beyond, our strategy is to focus on our members, offering them an improved user experience and hyper personalisation enabled via technology. While this has taken us longer than originally anticipated, we are confident that we are now focussed on the right initiatives to support product evolution in the digital world, as well as revenue growth.

These initiatives for growth include:

- Continuing to evolve our digital marketing capabilities, both for our fundraising channel, and for our direct channel and prospect funnel.
- A focus on generating incremental revenue within our existing product set, by finding new and innovative ways to combine and sell our existing product capabilities, for example, by launching our Explorer Membership in 2019, which allows members to access all our offers across Australia, New Zealand and Bali. Further product research and development is currently under way.

CORPORATE

FY2019 saw the Corporate area focus on several initiatives to help build longer-term relationships with our corporate partners. The Corporate team have:

- Created an internal "customer success" team, focussed on assisting corporate loyalty partners to effectively embed our Frequent Values product within their loyalty solution, and drive their customers to use the product. This drives further loyalty from both the customer and the corporate partner.
- Developed an API solution to deliver our Frequent

Values product to corporate partners in a manner that allows them to control the end user experience. Our corporate partners can now obtain a feed of offers from Entertainment's Frequent Values database and display them within their own UI/UX/ App experience.

During FY2020, the business intends to continue to iterate its API model, to create opportunities with blue chip clients who want to control what their end user sees, and their brand experience. We will continue to work closely with our core corporate partners to ensure that our loyalty solution provides measurable value to their customers, helping to further drive business loyalty.

M&A ACTIVITY

FY2019 saw a significant level of M&A activity across IncentiaPay, as the Company worked to create a more focussed business with the best possible chance of creating long-term value for shareholders. Whilst this has been a challenging exercise at times, and the work that has gone into this is yet to be reflected in the Company's share price, the leadership team strongly believe that creating this focus will result in a stronger business over the medium to long term.

DIVESTMENT OF BARTERCARD

In December 2017, IncentiaPay announced its intention to sell non-core operations. On 14 September 2018, IncentiaPay entered into a binding Share Sale Agreement with TCM Investments Australia Pty Ltd relating to the sale of the Company's Bartercard business. The transaction was by way of a sale of all the shares held in Bartercard Group Pty Ltd, Trade Exchange Software Services Pty Ltd, BPS Financial Limited and Bucqi Australia Pty Ltd, and all their wholly owned subsidiaries (the "Sale Entities"). In total 13 entities were divested as part of the transaction.

The Sale Entities were sold for a total consideration of $5.0 million, made up of $2.0 million cash payable on completion and a further $3.0 million of cash payable over a 30-month period – with no performance hurdles related to receipt of this $3.0 million.

GRUDEN

On 11 May 2018, IncentiaPay acquired Gruden, a marketing and transactional payment company that operated across four business streams: Performance Marketing, Government Services, Digital Services and MobileDEN.

On 19 November 2018, at the AGM, the Company announced its intention to divest non-core portions of this asset. On 12 December 2018, IncentiaPay completed the sale of the Gruden Government Services business stream for a total consideration of $1.7 million in cash to a wholly owned subsidiary of The Citadel Group Limited (ASX:CGL) by way of the sale of all the shares in Gruden Pty Ltd. On completion, 75 per cent was paid, with the balance paid subject to a working capital adjustment.

Subsequently, on 12 April 2019, IncentiaPay announced the sale of the Performance Marketing business stream to OpenDNA Limited (ASX:OPN). The sale was structured as a share sale of all the shares in Blackglass Pty Ltd and was sold for a total consideration of $0.3 million with $0.1 million payable on completion, and the balance subject to a working capital adjustment. The transaction completed on 23 April 2019.

During the period, the Digital Services business was wound down, and the MobileDEN team utilised as an internal development arm for the Entertainment division. Prior MobileDEN contracts continue to be serviced, and the MobileDEN technology is being assessed for integration into the Entertainment digital experience.

FINANCIAL RESULTS OVERVIEW

Gross revenue for FY2019 was $64.6 million, Underlying EBITDA for FY2019 was a loss of $7.4 million, with $7.1 million of this amount realised in the second half of the financial year, and negative operating cash flow was $13.3 million. Net loss after tax (NLAT) from ordinary activities in FY2019 was $37.9 million, compared to a NLAT from ordinary activities of $62.2 million in FY2018. One of the main reasons for the decrease in NLAT was the reduction of impairment charges in FY2019 compared to FY2018 of $31.6 million. Due to the decision to divest certain parts of the business during FY2019, impairment charges booked in FY2018 for those entities disposed of in FY2019 have been reclassified in the FY2018 comparative figures and are now included in the line item described as "Loss for the period from discontinued operations". In addition, there was a $5.6 million or 14.9 per cent decline in Entertainment membership revenue and corporate sales revenue, from $37.5 million in FY2018 to $31.9 million in FY2019.

This consisted of $28.6 million of membership sales revenue and $3.3 million in corporate sales revenue (2018:$32.8 million membership and $4.7 million corporate).

GROSS REVENUE

With the removal of discontinued operations, FY2018 gross revenue has been restated from $106.8 million to $75.8 million. Overall gross revenue for FY2019 was $64.6 million, a 14.8 per cent decrease from FY2018. This included $5.4 million, or 8.3 per cent from fee income (restated 2018:$3.7 million), $28.6 million, or 44.3 per cent from membership sales (restated 2018:$32.8 million), $3.3 million or 5.1 per cent from corporate sales (restated 2018:$4.7 million) and $27.3 million, or 42.3 per cent from gift card sales (2018:34.6 million).

The overall decrease of $11.2 million was due to a decline in both membership renewals and corporate sales revenue, as well as a $7.3 million or 21.1 per cent decrease in gift card sales. Gift card sales declined mainly due to the move away from offering David Jones gift cards, which were not providing a positive return on capital. Corporate sales revenue decreased principally due to a change in the revenue recognition assumptions in 2019.

GEOGRAPHIC REVENUE

Australian revenue accounted for $59.2 million, or 91.8 per cent and New Zealand revenue accounted for $5.3 million, or 8.2 per cent. With the gift card sales and the impact of the corporate revenue amendments being predominantly related to Australia, revenue for Australia decreased from FY2018 by 16.0 per cent, whereas New Zealand remained materially unchanged.

NET LOSS AFTER TAX AND IMPAIRMENTS

Reported net loss after tax (NLAT) from ordinary activities in FY2019 was $37.9 million compared to a net loss after tax from ordinary activities in FY2018 of $62.2 million. The net loss was predominantly attributed to a reduction in underlying revenue of $11.2 million (as discussed above), impairments of $14.6 million related to non-cash assets on the balance sheet and losses from discontinued operations of $9.8 million. In addition, significant one-off costs were incurred: restructure, acquisition and divestment activities ($1.3 million), provision for onerous leases relating to branches and head office locations ($0.6 million), recapitalisation of the Group ($0.6 million), and other one-off expenses ($0.5 million).

During FY2019, and in the months since 30 June 2019, the Group completed a key organisational restructure of the business and secured the necessary funding to ensure appropriate support of operations in the short term. This funding was secured with a view to transform the business through a structured and dedicated transformation program, focused on achieving revenue growth and increased profitability through cost reduction. The outcome of this transformation is expected to result in increased revenue from product innovation, changes in product distribution channels and a reduced cost base structured around productivity and efficiency. The removal of the printed product offering is a key part of this transformation program.

In finalising FY2019 results, the Directors have assessed the future profitability of the business using conservative revenue growth predictions and the necessary costs of implementing a transformation program. An impairment charge against goodwill has therefore been taken.

TRANSACTION, INTEGRATION AND RESTRUCTURING COSTS

During the year several entities within the Group were disposed of as part of the restructure program that commenced in 2018. The entities disposed of were predominantly part of the Bartercard businesses, but also included the Government and Performance Marketing businesses of the Gruden group of companies. Costs incurred during FY2019 amounted to $0.7 million for restructure and divestment activities, and $0.6 million for acquisition related initiatives.

In the second half of the year, the Group commenced a series of activities related to recapitalising the business. Ultimately this recapitalisation did not proceed and was replaced with shareholder loan funding from a significant shareholder. Costs associated with recapitalisation and new funding amounted to $0.6 million.

The Group currently has leases for office space in various towns and cities across Australia and New Zealand. As a result of the recent decisions made by the Board to streamline the operations of the business, certain leases have become surplus to requirements. The Group has assessed those leases to be onerous and has recognised an additional cost of $0.6 million in FY2019.

DISCONTINUED OPERATIONS

As previously noted, the Bartercard business and divisions of the Gruden business were exited during the year. As required by the Australian Accounting Standards, the results of these discontinued operations have been reported separately within the FY2019 result.

DEBT MANAGEMENT AND BANKING COVENANTS

During FY2019, IncentiaPay continued to review, assess and manage its funding and capital requirements. This has been a particular focus for both the Board and management, given the divestment of various parts of the business, as well as the focus on rebuilding the operating results of the core business over the medium term.

In December 2018, IncentiaPay signed a Deed with its senior financier, the Commonwealth Bank of Australia (CBA), whereby the CBA agreed to amend the repayment terms of the Group's debt facilities, with agreed principal repayments to be made between 31 March and 28 June 2019. This Deed also amended the Group's debt covenants and demonstrated the lender's support of IncentiaPay, allowing the Company to focus on production of its 2019|20 Entertainment membership.

In April 2019, an updated repayment schedule was agreed whereby, with lender consent, IncentiaPay made its first repayment under the revised schedule on 29 March 2019 with an agreement to repay all outstanding amounts by 30 June 2019.

IncentiaPay entered into a binding agreement with New Gold Coast Holdings Pty Ltd on 28 February 2019, to issue 14,425,000 fully paid ordinary shares at 8 cents per share and, in doing so, raised $1.154 million. The placement completed 1 March 2019. This holding was subsequently transferred to Suzerain Investments Holdings Limited (Suzerain).

In May this year, IncentiaPay executed a loan agreement for short-term funding with Suzerain, it's largest shareholder. This agreement provided the Group with a $4.0 million unsecured debt facility. This loan has been used to assist with the repayment of the Company's term debt and overdraft facilities from the CBA. The CBA term and overdraft debts were fully repaid before 30 June 2019.

Although the Company announced a proposed pro-rata rights issue in May 2019, following ongoing conversations with major shareholders and advisers, IncentiaPay resolved not to pursue the rights issue, but to continue to assess the future capital requirements of the Company.

Subject to the achievement of certain milestones, Suzerain has agreed to fund the short-term strategies and value creation initiatives of the Company.

DIVIDENDS

No dividend has been declared in relation to the FY2019 results. The Board of Directors of IncentiaPay do not expect to declare any dividends.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

IncentiaPay's Board remains strongly committed to sound corporate governance practices and to managing risk to protect its shareholders, employees, partners, customers, the environment, Company assets and its reputation.

The Board sets the risk appetite of the business to ensure that operational direction is consistent with the goals of the Company.

The Company intends to make incremental and ongoing corporate governance improvements. In February last year, the Board appointed KPMG to assist in a review of the Company's governance and controls, and in December announced the appointment of PwC to assist in the second phase of the strategic review. For more information on corporate governance, please refer to the corporate governance statement on the IncentiaPay website. For an outline of business risks, please refer to the Business Risks section of this Annual Report.

PEOPLE AND CULTURE

IncentiaPay currently employs more than 195 staff (2018:284 including staff from discontinued operations) across 20 offices in Australia and New Zealand who have spent the past year striving to reach Company goals.

This decrease in staffing is the result of the divestment activities previously outlined, as well as the ongoing automation and operational efficiency initiatives progressed by the management team. We continue to maintain a focus on, and recruit for the values that underpin a sustainable and positive culture, supporting our employees with an external Employee Assistance Program (EAP). We value open communication and an inclusive and collaborative working environment.

OUTLOOK

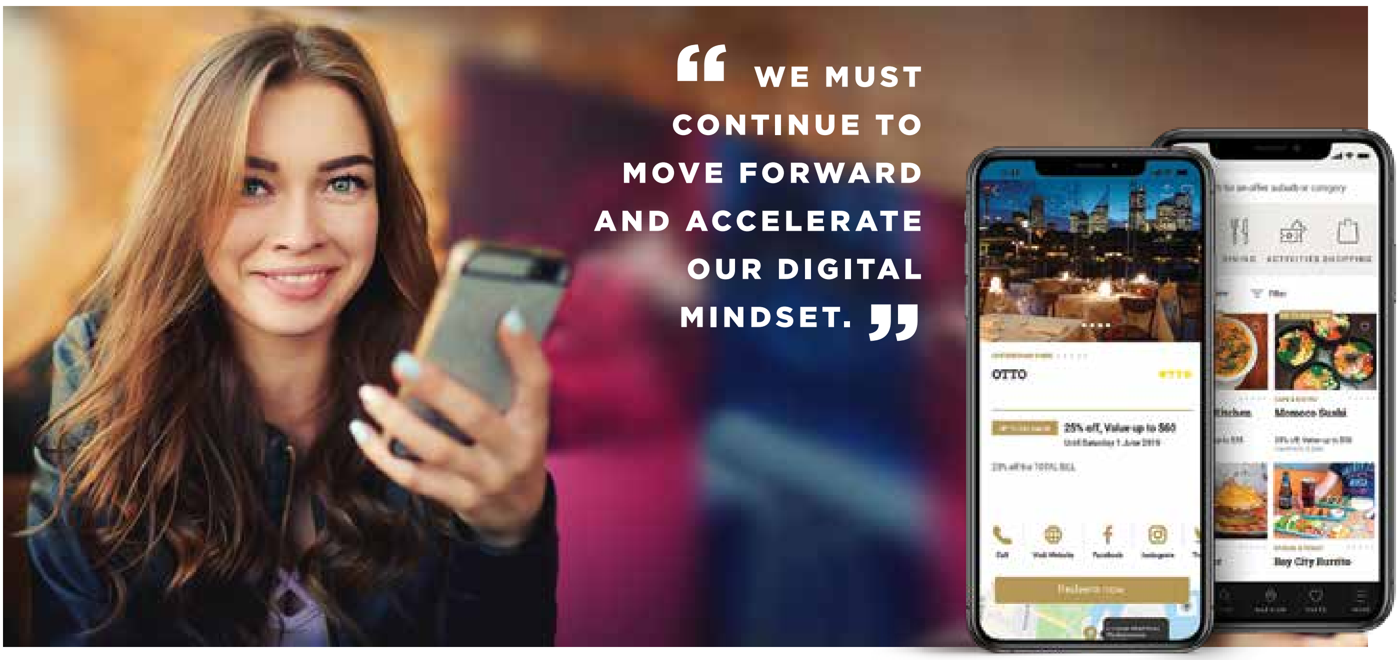
IncentiaPay has undergone significant business change over the past financial year, from a structural, an Executive and a Board perspective. We believe that all of this has been necessary in order to achieve cost savings and business rationalisation, drive productivity gains and implement business improvement initiatives that will increase our investment in technology to innovate. We must continue to move forward and accelerate our digital mindset to return to profitability, and for our planned growth within the Entertainment business and corporate channel to succeed.

The Company is now able to focus on three key areas. Firstly, to grow our digital memberships and products. Entertainment has traditionally been a highly successful publishing business. Digitalisation commenced in 2015 with the launch of the Entertainment Digital App - approximately 57 per cent of our current end users consume the membership in a digital format. The push to digitalisation will eliminate book production and associated distribution costs, allow the Company to create a better user experience, gain increased levels of valuable data and insights to assist with our data driven strategy and decision making, and provide a more flexible merchant offering.

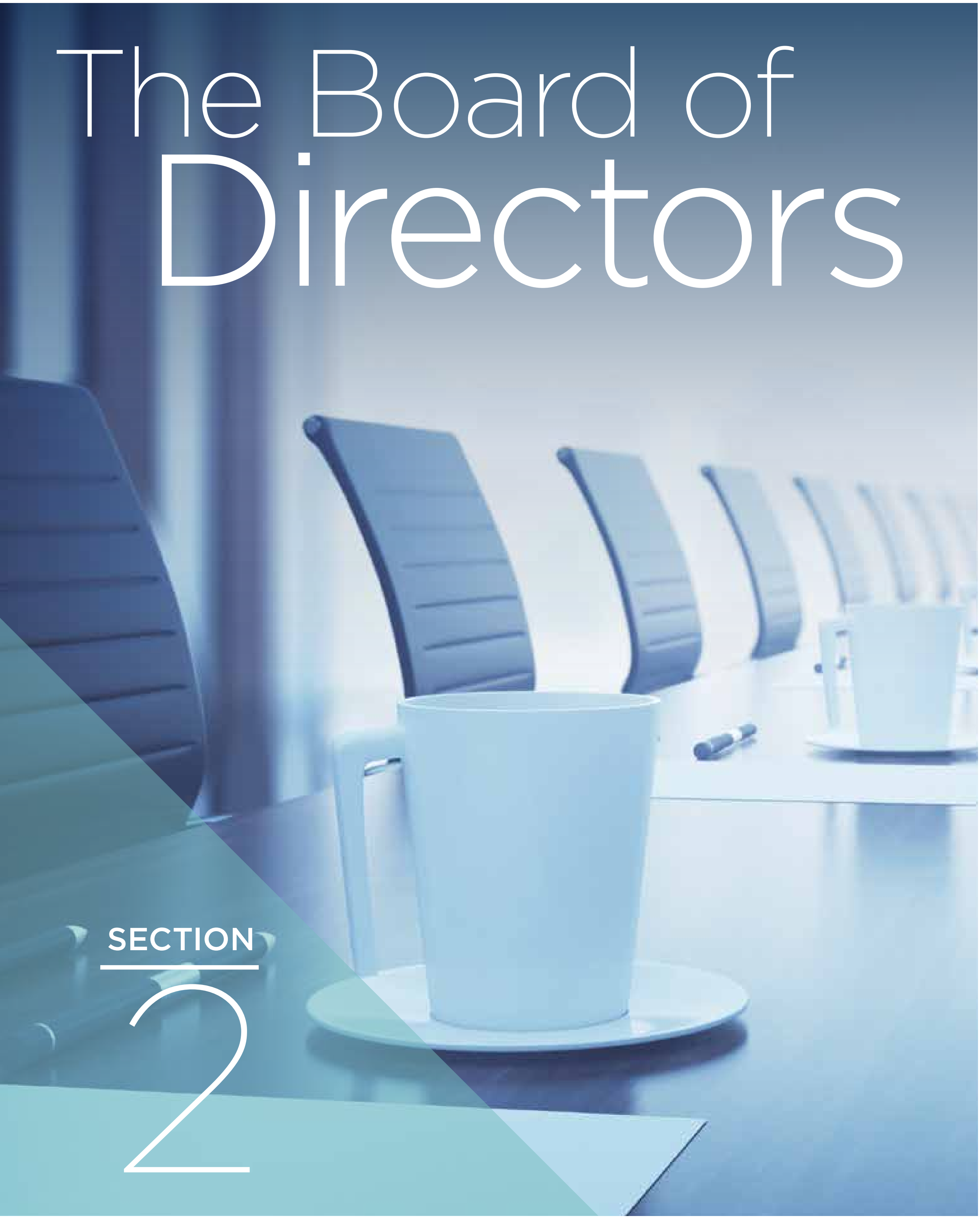
Secondly, to leverage and monetise our database. IncentiaPay has an extensive database of 33,000 merchant locations, 370,000 current members, a large lapsed member database and 15,400 fundraiser groups (as at 16/08/2019). The business has been predominantly focused on the distribution of dining and entertainment offers, such as travel, leisure and theme parks through its fundraising channel. There is now an opportunity to expand on distribution through other channels, including corporates or affiliates, whilst still protecting and supporting our existing fundraiser channel. We will also be investing in our capability to better leverage data analytics and automation.

Thirdly, to improve operational efficiency. The Company currently operates with 195 staff across 20 offices in Australia and New Zealand. Business initiatives underway include the expansion of the phone based inside sales team to manage lower value and regional fundraisers, centralisation of regional offices and resourcing as lease arrangements permit, an increased focus on centralised product and marketing functions to drive revenue, and improved prospect targeting, with investment in IT systems, user interfaces, reporting and data insights.

We will continue to support and develop our employees as we transition and guide the Company through the next phase of change and growth.



The Board of Directors



SECTION

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MEET INCENTIAPAY'S BOARD OF DIRECTORS – A GROUP OF KNOWLEDGEABLE BUSINESS EXECUTIVES WITH A TRACK RECORD OF GROWING AND BUILDING BUSINESSES.

STEPHEN HARRISON INTERIM EXECUTIVE CHAIR

Stephen Harrison has over 30 years of experience in the financial services, funds management, private equity and accounting fields. He has held director positions with Investec Funds Management and the Australian subsidiary of US based fund manager Sanford C. Bernstein.

He has been a founder and held Directorships in a number of listed companies both in Australia and overseas. He is currently Chairman of NobleOak Life Limited and Sinetech Limited.

JEREMY THORPE NON-EXECUTIVE DIRECTOR

Jeremy Thorpe holds BA and LLB degrees, is a qualified attorney in South Africa, and the Managing Director and Chief Executive Officer of Skybound Capital Australia. He serves on the boards of all subsidiary and associate companies within Skybound Australia's diverse range of investments and is directly responsible for their performance and investment returns.

He has over 30 years of experience in corporate finance, private equity, consumer and business credit, and structured finance. In the recent past he has served on the Board of the National Credit Providers Association in Australia.

CHARLES ROMITO NON-EXECUTIVE DIRECTOR

Charles Romito is an experienced management consultant with an extensive background across Venture Capital/Private Equity, Lead Syndicate Investing and Management Academia. His expertise lies at the intersection of innovation management, growth strategy and business transformation; and he has applied this to the benefit of blue-chips, family offices and start-ups alike.

He was previously in the London office of the global strategy consultancy McKinsey & Company and built on this with an Operating Partner/COO role in a VC fund. He has since spent most of this decade as a sought-after advisor to both private investors and corporates. As an academic he has both published and presented at world-leading conferences on Innovation Management; as well as designed, developed and delivered Postgraduate and Executive Education to several thousand high-performers across the world.

DEAN PALMER NON-EXECUTIVE DIRECTOR

Dean Palmer is a chartered accountant with more than 20 years of experience. He is the founder and CEO of Skybound Fidelis Investment Limited - a specialist structured finance, commercial credit and property fund manager.

He has held numerous senior executive roles both in Australia and the UK.

He has a Bachelor of Commerce, Bachelor of Laws and is a member of Chartered Accountants Australia.

Business Risks

SECTION 3

INCENTIAPAY FACES A NUMBER OF BUSINESS RISKS THAT MAY IMPACT THE COMPANY'S ABILITY TO ACHIEVE ITS STRATEGIC OBJECTIVES AND CREATE SHAREHOLDER VALUE. THE BOARD CONSIDERS THE FOLLOWING TO BE THE KEY RISKS CURRENTLY FACING THE BUSINESS.

RISK	NATURE OF RISK
FUNDING	There is no certainty that IncentiaPay will remain sufficiently funded. IncentiaPay is currently conducting a strategic review / recapitalisation process to determine the long-term capital requirements of the business. The outcome of this review is uncertain as is the appetite of its financiers.
	IncentiaPay continually manages its cash position and regularly monitors its investments to balance the risk, outlay and timings.
PEOPLE	IncentiaPay's success depends, in part, upon the continued performance, efforts, abilities and expertise of its key management personnel, as well as other management and technical personnel, including those employed on a contractual basis. The loss of the services of these personnel without replacement could have an adverse impact on the successful operation, management and marketing of IncentiaPay's product/service offerings and platforms. Further, a substantial increase in labour costs for employees or contractors may have an adverse impact on the financial performance and/or financial position of IncentiaPay. The Company has commenced the search for a Chief Executive Officer.
	The Board reviews the incentive structures of key personnel and senior management to ensure their remuneration is in line with the market, with a proportion deferred as a long-term/retention incentive. In addition, management regularly undertakes succession planning analysis of key lead roles with the view to understand suitable internal talent and their readiness to assume these roles.
TECHNOLOGY	IncentiaPay is increasingly reliant on its technology to deliver services to its customers. In the event of a technology outage or planned upgrade not fit for purpose, this could create an adverse reputational or financial impact to IncentiaPay.
	To minimise this risk, IncentiaPay has insourced its technology team to actively manage the product delivery process.
REGULATORY	IncentiaPay is subject to substantial regulatory and legal oversight. The agencies with regulatory oversight of IncentiaPay and its subsidiaries include, among others, ASX and ASIC. Failure to comply with legal and regulatory requirements may have a material adverse effect on IncentiaPay and its reputation among customers and regulators, and in the market.
	IncentiaPay has compliance frameworks, policies and procedures in place to manage the risk of non-compliance and is prepared to play an active role in consulting with regulators on changes that could impact the business.

RISK	NATURE OF RISK
REPUTATION	Reputation risk may arise through the actions of IncentiaPay or its employees and adversely affect perceptions of IncentiaPay held by the public, customers, shareholders or regulators. These issues include appropriately dealing with product outages or issues, potential conflicts of interests, legal and regulatory requirements, ethical issues, privacy laws, information security policies and sales and trading practices. Damage to IncentiaPay's reputation may have an adverse impact on IncentiaPay's financial performance, capacity to source funding, cost of sourcing funding and liquidity.
	IncentiaPay actively manages the above risks by regularly monitoring its market reputation amongst customers and shareholders, as well as keeping an open dialogue with regulators and financiers.
COMPETITION	New competitors are emerging in the loyalty and incentives markets, within which IncentiaPay operates. The loyalty space is particularly competitive, with many well-funded international competitors. An inability to adapt to technological advancement, including further digitisation and flexibility of products, could negatively impact the ability to attract customers and have a material adverse effect on the business of IncentiaPay.
	To mitigate this, IncentiaPay continues to invest in its merchant content, including the signing of exclusive content where applicable. The Company's ongoing investment in its digital technology assets will also assist to lessen this risk.
THIRD PARTY FAILURE	IncentiaPay is reliant on several third party contractors. These third parties provide essential services, on an outsourced basis, including software and/or product development activities. Accordingly, IncentiaPay is reliant on contractors properly performing their contractual obligations and performance failures may have an adverse effect on IncentiaPay. IncentiaPay is also an extensive user of third party provided IT hardware and software platforms, systems and infrastructure. IncentiaPay is reliant on these suppliers properly performing their contractual obligations, and performance failures or unreasonable price increases may have a material adverse impact on the Company. A failure by any of these suppliers to provide those services or a failure of their systems may adversely affect IncentiaPay's ability to provide services to its customers.
	To minimise these risks, IncentiaPay actively engages with its key third party providers on a regular basis and remains abreast of potential risks within these providers through regular interaction at the senior management level.
INTELLECTUAL PROPERTY RISK	Whilst every effort has been made to secure the technology supporting IncentiaPay's various platforms, IncentiaPay does not intend to apply to register patents for all the intellectual property associated with the Entertainment and Frequent Values platforms. Other parties may claim infringement of patents or alternatively other parties may develop and patent other very similar, potentially substitutable products, processes or technologies.
	IncentiaPay see the unique value of its intellectual property, in the content of its Entertainment and Frequent Values platforms, as a mitigant to this risk.

Directors' Report

SECTION
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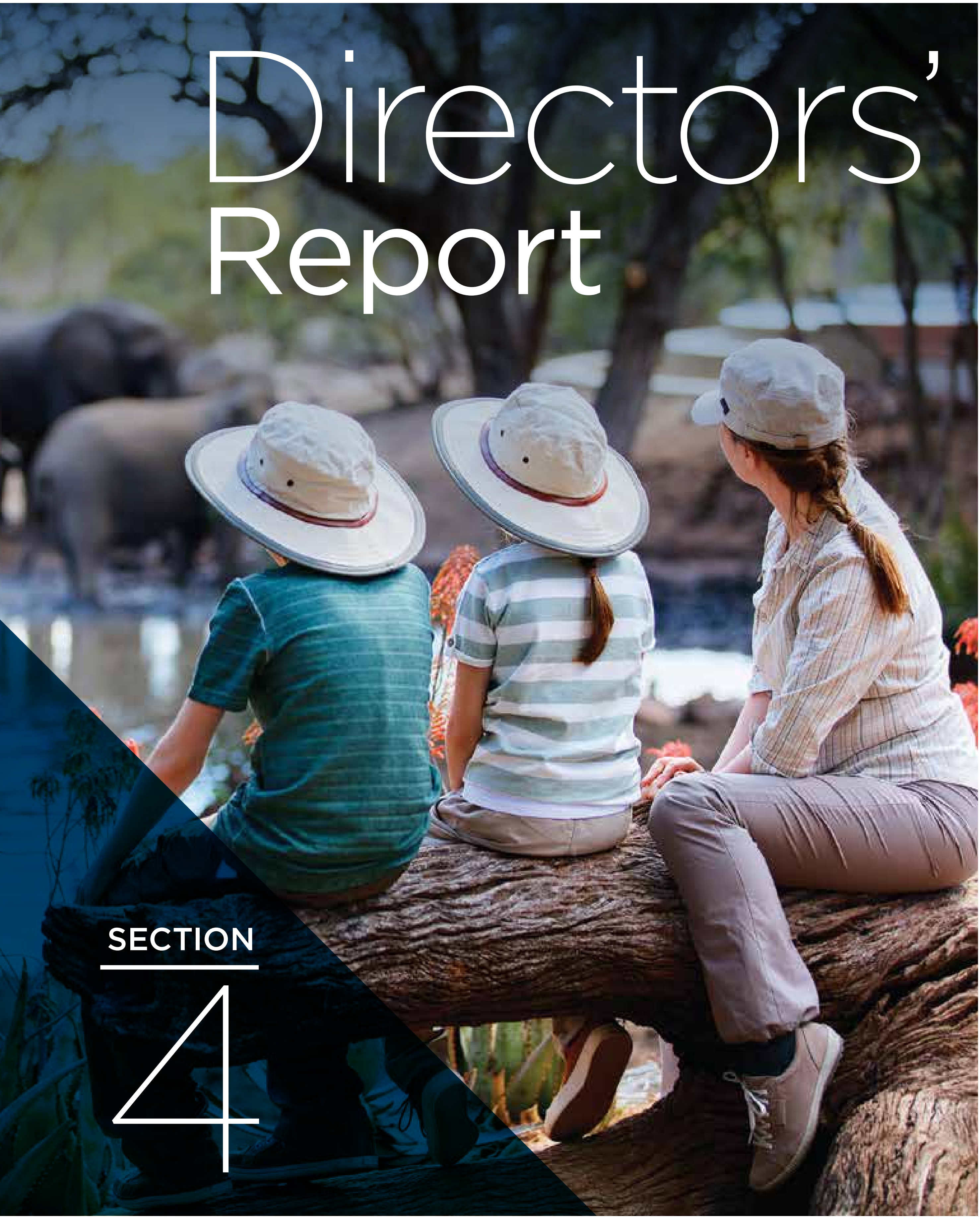


DIRECTORS' REPORT

The Directors present their report on the consolidated entity IncentiaPay Ltd and its controlled entities (IncentiaPay) for the financial year ended 30 June 2019. The information in the Operating and Financial Review forms part of this Directors' report and should be read in conjunction with this section of the Annual Report.

GENERAL INFORMATION

DIRECTORS

The following persons were Directors of IncentiaPay Ltd during or since the end of the financial year up to the date of this report:

- Stephen Harrison (appointed 15 February 2019)
- Dean Palmer (appointed 15 August 2019)
- Charles Romito (appointed 28 June 2018)
- Jeremy Thorpe (appointed 16 May 2019)
- Darius Coveney (appointed 6 December 2018 and resigned 16 May 2019)
- Naseema Sparks (appointed 27 September 2018 and resigned 28 June 2019)
- Chris Berkefeld (resigned 28 June 2019)
- Iain Dunstan (resigned 6 December 2018)
- Murray d'Almeida (resigned 27 September 2018)
- Garth Barrett (resigned 17 July 2018)

Particulars of each Director's experience and qualifications are set out later in this report.

DIVIDENDS PAID OR DECLARED

No dividends were paid or declared for payment during the financial year. Investors should note that the Board of Directors of IncentiaPay Ltd do not expect to declare dividends from the Company during the next financial year.

INDEMNIFYING DIRECTORS AND OFFICERS

During or since the end of the financial year, the Company has paid premiums to insure the Directors and officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Directors or officers of the Company, other than conduct involving a willful breach of duty in relation to the Company.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

NON-AUDIT SERVICES

The Board of Directors, pursuant to advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to KPMG for non-audit services provided during the year ended 30 June 2019:

	$
Taxation services	56,620
Other services	16,595
Total	**73,215**

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 34 of the Annual Report.

OPTIONS

Refer to the Remuneration report for details of performance and other equity instruments on issue.

ASIC INSTRUMENT 2016/191 ROUNDING IN FINANCIAL STATEMENTS / DIRECTORS' REPORT

The Company is an entity to which ASIC Instrument 2016/191 applies. Accordingly, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars.

INFORMATION RELATING TO DIRECTORS AND COMPANY SECRETARY

STEPHEN HARRISON (appointed to the Board 15 February 2019)
INTERIM EXECUTIVE CHAIR (appointed Chair 28 June 2019)

Interest in shares and options	Nil
Special responsibilities	Chairman of the Audit and Risk Committee, from 15 February 2019 until 28 June 2019
Directorships held in other listed entities during the three years prior to the current year	Sinetech Ltd
Qualifications	Bachelor of Economics
Experience	Experienced Chairman and Director with a demonstrated history of working in the investment management industry. Skilled in negotiation, asset management, management, mergers & acquisitions and start-ups.

JEREMY THORPE (appointed to the Board 16 May 2019)
NON-EXECUTIVE DIRECTOR

Interest in shares and options	Nil
Special responsibilities	Member of the Audit and Risk Committee
Directorships held in other listed entities during the three years prior to the current year	Nil
Qualifications	Bachelor of Laws (LLB) Bachelor of Arts
Experience	Experienced in private equity, corporate finance, private equity as well as consumer and business credit.

CHARLES ROMITO (appointed to the Board 28 June 2019)

NON-EXECUTIVE DIRECTOR

Interest in shares and options	Nil
Special responsibilities	Chairman of the Audit and Risk Committee
Directorships held in other listed entities during the three years prior to the current year	Nil
Qualifications	Doctor of Philosophy (Ph.D) MSci, Physics
Experience	Charles is an experienced management consultant with an extensive background in VC/PE and management academia. His expertise lies at the intersection of innovation management, growth strategy and business transformation. He has a passion for business model innovation, growth transformation, venturing & new businesses. He has worked in VC/PE and been a Lead Syndicate Investor for several private deals. As an academic he has published and presented at world-leading conferences on innovation management and designed, developed and delivered postgraduate and executive education to several thousand high-performers from all 5 continents.

DEAN PALMER (appointed to the Board 15 August 2019)

NON-EXECUTIVE DIRECTOR

Interest in shares and options	Nil
Special responsibilities	Nil
Directorships held in other listed entities during the three years prior to the current year	Nil
Qualifications	Bachelor of Laws (LLB) Bachelor of Commerce Member of Chartered Accountants Australia & New Zealand
Experience	Dean is a chartered accountant with more than 20 years of experience. He is the founder and CEO of Skybound Fidelis Investment Limited - a specialist structured finance, commercial credit and property fund manager. He has held numerous senior executive roles both in Australia and the UK.

DARIUS COVENEY (appointed to the Board 6 December 2019)
EXECUTIVE DIRECTOR (resigned 16 May 2019)

Interest in shares and options	2,678,571 Loan Funded Shares held in escrow (as at resignation date)
Special responsibilities	COO/CFO/Acting CEO
Directorships held in other listed entities during the three years prior to the current year	Nil
Qualifications	Graduate Member of Australian Institute of Company Directors (GAICD) Member of Chartered Accountants Australia & New Zealand Bachelor of Commerce Masters of Applied Finance
Experience	More than 20 years operational experience across financial services and technology companies.

NASEEMA SPARKS AM (resigned 28 June 2019)
INDEPENDENT CHAIR

Interest in shares and options	Nil
Special responsibilities	Chair of the Remuneration and Nominations Committee Member of the Audit and Risk Committee
Directorships held in other listed entities during the three years prior to the current year	Australian Vintage Ltd PMP Ltd Melbourne IT Ltd Grays e-Commerce Group Ltd
Qualifications	MBA Dip. Marketing FAICD
Experience	Naseema is an experienced 'top-line growth' Director with expertise in business strategy, marketing, branding, consumer segmentation, digital marketing and data. She has current experience in transformational and disruptor businesses, especially those operating in the rapid growth, customer acquisition and brand awareness stage. She also has experience with businesses facing market and competitive pressures where significant operational transformation is required to restore profitability and growth. She has been a professional non-executive director since 2005, serving on boards of a diverse range of companies including ASX listed and private companies, Government statutory authorities, not-for-profit arts, health and education boards.

CHRIS BERKEFELD (resigned 28 June 2019)

NON-EXECUTIVE DIRECTOR

Interest in shares and options	Nil
Special responsibilities	Chair of the Audit and Risk Committee Member of the Remuneration and Nominations Committee
Directorships held in other listed entities during the three years prior to the current year	Triple Energy Limited
Qualifications	Management Diploma AICD
Experience	Chris has over 20 years of experience on public and private company boards in New Zealand and Australia. He has a background in industrial, waste and mining services in Australia along with engineering and heavy transportation services in Europe and Asia, and has extensive experience as managing director, executive director and chief executive officer in the waste industry spanning almost two decades.

IAIN DUNSTAN (resigned 6 December 2018)

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Interest in shares and options	3,135,714 fully paid ordinary shares (as at resignation date) 3,035,714 Loan Funded Shares held in escrow (as at resignation date)
Special responsibilities	Chief Executive Officer
Directorships held in other listed entities during the three years prior to the current year	Nil
Qualifications	Master of Commercial Law MBA GAICD
Experience	Iain has over 35 years of experience in the global fintech industry, including an extensive listed company and M&A background.

MURRAY D'ALMEIDA (resigned 27 September 2018)

CHAIR OF THE BOARD

Interest in shares and options	178,571 fully paid ordinary shares (as at resignation date)
Directorships held in other listed entities during the three years prior to the current year	Pacific Environment Ltd Management Resource Solutions Plc (UK)
Qualifications	Accountant FAICD
Experience	Murray has over 35 years of diverse national and international business experience, having begun his career as an accountant in Perth. He founded Retail Food Group Limited (ASX: RFG) and led its global expansion.

GARTH BARRETT (resigned 17 July 2018)

NON-EXECUTIVE DIRECTOR

Interest in shares and options	150,000 fully paid ordinary shares (as at resignation date)
Directorships held in other listed entities during the three years prior to the current year	Nil
Qualifications	B.Com, F.C.A. Chartered Accountant
Experience	Garth has more than 40 years of experience in strategic planning, mergers and acquisitions, financial systems, risk analysis and operations management.

BEN NEWLING (appointed 11 February 2019)

COMPANY SECRETARY

Ben was appointed as the Company Secretary on 11 February 2019, replacing Ms Laura Newell. Ben is employed at IncentiaPay as the Executive General Manager - Commercial. He holds an MBA.

MEETINGS OF DIRECTORS

During the financial year, the following meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year was as follows:

	DIRECTORS' MEETINGS		AUDIT AND RISK COMMITTEE		REMUNERATION AND NOMINATIONS COMMITTEE	
	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
Murray d'Almeida	4	4	-	-	-	-
Garth Barrett	1	-	-	-	-	-
Charles Romito	-	-	-	-	-	-
Stephen Harrison	10	10	2	2	-	-
Jeremy Thorpe	4	4	-	-	-	-
Darius Coveney	8	8	-	-	-	-
Iain Dunstan	9	9	-	-	-	-
Chris Berkefeld	21	20	4	4	1	1
Naseema Sparks	21	21	4	3	1	1

This Directors' report, incorporating the Operating and Financial Review and the Remuneration report is signed in accordance with a resolution of the Board of Directors.

STEPHEN HARRISON
INTERIM EXECUTIVE CHAIR

11 September 2019

Remuneration Report

SECTION

5

REMUNERATION REPORT FRAMEWORK

1. KEY MANAGEMENT PERSONNEL

KMP are those people who have authority and responsibility for planning, directing and controlling the strategic activities of the Group, directly or indirectly, including any Group (the Board) or any individual acting under delegated authority (in the case of the Acting CEO and his direct reports).

KEY MANAGEMENT PERSONNEL FOR THE YEAR COMPRISED:

NON-EXECUTIVE DIRECTORS AS AT 30 JUNE 2019

NAME	POSITION	DATES
Stephen Harrison[4]	Interim Executive Chair	Appointed 15 February 2019
Jeremy Thorpe	Non-Executive Director	Appointed 16 May 2019
Charles Romito	Non-Executive Director	Appointed 28 June 2019

PREVIOUS DIRECTORS

NAME	POSITION	DATES
Murray d'Almeida[1]	Non-Executive Chair	Until 27 September 2018
Chris Berkefeld	Non-Executive Director	Until 28 June 2019
Naseema Sparks [1,4]	Non-Executive Chair	Until 28 June 2019
Garth Barrett	Non-Executive Director	Until 17 July 2018

EXECUTIVES

NAME	POSITION	DATES
Iain Dunstan[2]	Managing Director and CEO	Until 6 December 2018
Darius Coveney[2,3]	COO/CFO/Acting CEO	Full financial year
Heidi Halson[5]	EGM – Retail	Full financial year
Toby Ellis	EGM – Corporate Sales	Appointed 13 August 2018

1. Murray d'Almeida resigned from the Board on 27 September 2018, with Naseema Sparks taking over as Chair of the Board.
2. Iain Dunstan fulfilled the role of CEO and Managing Director until 6 December 2019, at which time Darius Coveney was appointed Acting CEO.
3. Darius Coveney departed his role as Acting CEO on 30 August 2019. He was a member of the Board from 6 December 2018 until 16 May 2019.
4. Stephen Harrison was appointed Chair of the Board on 28 June 2019, when Naseema Sparks resigned.
5. Heidi Halson departed from her role as Executive General Manager - Retail on 22 August 2019.

2. REMUNERATION POLICY

The remuneration policy of IncentiaPay has been designed to attract the most qualified and experienced KMP and align objectives with those of the business and shareholders. All executives receive a base salary which is based upon factors such as the length of service, experience and skills, as well as superannuation as required by law. Executives may sacrifice part of their salary to increase payments towards superannuation.

The Company has an Employee Share Ownership Plan. The terms and conditions of the employee incentive plan were approved by shareholders on 5 April 2018. At a meeting of the Board on 22 July 2019, the share plan was wound up, with the winding up share allocation agreed by the Board on that date. The Board will reconsider the employee incentive plan as part of the current executive team refresh.

The Board's policy is to review remuneration for KMP annually, based on market practice, duties and accountability. Independent advice can be sought when required. All remuneration paid to directors and executives is valued at the cost to the Company and expensed in accordance with Australian Accounting Standards.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval at the AGM. The maximum amount currently approved by shareholders is $500,000 per annum.

3. REMUNERATION COMMITTEE AND EXECUTIVE COMPENSATION

The Remuneration Committee has the responsibility for providing advice in relation to the remuneration packages of senior executives, non-executive and executive directors. The Committee is also responsible for the design and oversight of any share option schemes, performance incentive packages, superannuation entitlements and retirement and termination entitlements.

The Remuneration Committee reviews the compensation package for senior executives on an annual basis and makes recommendations to the Board for approval. Compensation packages are reviewed and determined based on current market rates and benchmarked against comparable roles and companies of a similar size.

Ms Sparks chaired the Committee until her resignation on 28 June 2019, at which point the Committee was dissolved and its responsibilities and charter were assumed by the Board.

4. REMUNERATION OBJECTIVES AND PRINCIPLES

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations.

The Company's remuneration strategy is structured to:

- ensure employee remuneration is fair and reasonable;
- attract and retain high calibre executives;
- align performance with shareholder value; and
- be easily understood by all stakeholders.

5. REMUNERATION FRAMEWORK

The Executive Remuneration Framework is characterised by Fixed Remuneration (base salary, superannuation plus other fixed benefits) and Variable/Performance Related Remuneration (including short-term incentive (STI) and long-term incentive (LTI) linked to performance).

FIXED COMPENSATION

This component is not performance linked and generally consists of salary, superannuation entitlements and a motor vehicle allowance. The base amount is reviewed annually by the Remuneration Committee for the Chief Executive Officer and other senior executives. Any adjustments made during the year will either be as a result of market rate changes in order for the Company to remain competitive or to reflect any changes in the level of responsibility in the event the role has expanded.

PERFORMANCE RELATED COMPENSATION

Performance related compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The STI is an 'At Risk' bonus provided in the form of cash and its calculation is based on Underlying EBITDA and the achievement of agreed KPIs, while the LTI is provided predominantly as exposure to the price performance of ordinary shares of the consolidated entity.

SHORT-TERM INCENTIVES (STI)

The STI performance target is a Board approved scheme in which executives are incentivised to increase revenue and decrease cost to maximise IncentiaPay earnings. Hurdles are set in order to incentivise improved business performance. Individuals have STI targets, as set out in their contracts, with final payment amounts subject to individual, divisional and group KPIs as well as Board review and approval. In some cases, guaranteed STI amounts are approved on the initial hiring of key executives.

LONG-TERM INCENTIVES (LTI)

LTI's are linked to share price performance and provided to certain key management personnel as part of their remuneration package, at the discretion of the Board. During the year these LTI arrangements included time-based vesting arrangements, the achievement of annual EBITDA hurdles and exercise prices set at or above the share price on the date of issuance and thereby assist in the alignment of management and shareholders.

6. GROUP PERFORMANCE AND CHANGES IN SHAREHOLDER WEALTH

The table below sets out summary information about the Group's performance and its impact on shareholder wealth for the five years to 30 June 2019:

	2019	2018	2017	2016	2015
Revenue ($'000)	64,572[2]	75,809[2]	110,464	50,172	48,157
Profit/(loss) for the period before tax ($'000)	(27,367)[2]	(23,197)[2]	11,349	8,134	9,356
Dividends paid ($'000)	-	2,666	3,877	3,071	1,316
Share price as at 30 June	$0.045	$0.245	$0.740	$0.952	$0.807
Change in share price	($0.200)	($0.495)	($0.212)	$0.145	($0.145)[1]

1. Movement is for the period from 9 September 2014 to 30 June 2015 as the Group listed on the stock exchange from 9 September 2014.

2. Amounts exclude discontinued operations.

7. FULLY PAID ORDINARY SHARES HELD BY KEY MANAGEMENT PERSONNEL

2019	OPENING BALANCE	RECEIVED AS PART OF REMUNERATION	OTHER CHANGES	CLOSING[1] BALANCE
DIRECTORS				
Murray d'Almeida[2]	178,571	-	-	178,571
Garth Barrett[3]	150,000	-	-	150,000
EXECUTIVES				
Iain Dunstan[4]	2,192,569	-	943,145	3,135,714

2018	OPENING BALANCE	RECEIVED AS PART OF REMUNERATION	OTHER CHANGES	CLOSING[1] BALANCE
DIRECTORS				
Murray d'Almeida	5,000	-	173,571	178,571
Garth Barrett	-	-	150,000	150,000
Brian Hall[5]	9,504,000	-	10,423	9,514,423
Antonie Wiese[5]	8,174,663	-	6,423	8,181,086
Trevor Dietz[6]	10,514,000	-	11,923	10,525,923
EXECUTIVES				
Iain Dunstan	-	-	2,192,569	2,192,569

1. Represents the balance as at 30 June, unless KMP member resigned, then this represents the balance as at date of resignation.
2. Resigned 27 September 2018.
3. Resigned 17 July 2018.
4. Resigned 6 December 2018.
5. Resigned 2 February 2018.
6. Resigned 25 January 2018.

8. LOAN FUNDED SHARES HELD BY KEY MANAGEMENT PERSONNEL

2019	OPENING BALANCE	RECEIVED AS PART OF REMUNERATION	CLOSING BALANCE	NUMBER OF SHARES VESTED
EXECUTIVES				
Iain Dunstan[1]	3,035,714	-	3,035,714	-
Darius Coveney[1]	2,678,571	-	2,678,571	-

2018	OPENING BALANCE	RECEIVED AS PART OF REMUNERATION	CLOSING BALANCE	NUMBER OF SHARES VESTED
EXECUTIVES				
Iain Dunstan[1]	-	3,035,714	3,035,714	-
Darius Coveney[1]	-	2,678,571	2,678,571	-

1. Both Iain Dunstan and Darius Coveney left the Company during the year ended 30 June 2019. The shares are in the process of being returned to the consolidated entity and will be held in an Employee Trust.

9. PERFORMANCE RIGHTS HELD BY KEY MANAGEMENT PERSONNEL

2019	OPENING BALANCE	RECEIVED AS PART OF REMUNERATION	CLOSING BALANCE	VESTED AND EXERCISABLE
EXECUTIVES				
Heidi Halson	80,000	-	80,000	80,000

2018	OPENING BALANCE	RECEIVED AS PART OF REMUNERATION	CLOSING BALANCE	VESTED AND EXERCISABLE
EXECUTIVES				
Heidi Halson		80,000	80,000	80,000

10. DETAILS OF REMUNERATION (KMP)

Details of the remuneration of KMP of the consolidated entity are set out in the following tables.

	SHORT-TERM BENEFITS		POST EMPLOYMENT BENEFITS	LONG-TERM BENEFITS		SHARE-BASED PAYMENTS	
2019	SALARY AND FEES $	BONUS $	SUPER-ANNUATION $	LONG SERVICE LEAVE $	TERMINATION BENEFITS $	EQUITY SETTLED $	TOTAL $
DIRECTORS							
Stephen Harrison[1,5]	26,820	-	965	-	-	-	27,785
Jeremy Thorpe[3,5]	10,007	-	-	-	-	-	10,007
Charles Romito[5]	-	-	-	-	-	-	-
PREVIOUS DIRECTORS							
Murray d'Almeida[1,5]	42,975	-	-	-	-	-	42,975
Garth Barrett[1,5]	12,624	-	1,199	-	-	-	13,823
Chris Berkefeld[1,5]	138,186	-	7,947	-	-	-	146,133
Naseema Sparks[1,5]	128,073	-	8,828	-	-	-	136,901
EXECUTIVES							
Iain Dunstan[2,5]	245,718	70,832	21,740	-	28,237	(27,933)	338,594
Darius Coveney[4]	432,784	148,332	77,440	-	271,875	(24,647)	905,784
Heidi Halson	325,200	17,500	27,645	-	-	72,706	445,051
Toby Ellis[5]	236,346	-	18,413	-	-	-	254,759

1. Remuneration was paid partly in salary and partly to an associated entity.

2. Termination benefits include unused annual leave paid on termination. Negative share-based payment is due to a reversal of share-based payment previously recognised.

3. Directors fees were paid to an associated entity of Jeremy Thorpe and a related party of IncentiaPay Ltd.

4. Termination benefits include unused annual leave paid on termination, and contract termination costs agreed on 28 July 2019 but not paid

until FY2020. Negative share-based payment is due to a reversal of share-based payment previously recognised.

5. Remuneration disclosed is for period as KMP.

	SHORT-TERM BENEFITS		POST EMPLOYMENT BENEFITS	LONG-TERM BENEFITS		SHARE-BASED PAYMENTS	
2018	SALARY AND FEES $	BONUS $	SUPER-ANNUATION $	LONG SERVICE LEAVE $	TERMINATION BENEFITS $	EQUITY SETTLED $	TOTAL $
DIRECTORS							
Murray d'Almeida[1]	108,546	-	-	-	-	-	108,546
Chris Berkefeld[2]	25,000	-	2,375	-	-	-	27,375
Naseema Sparks[2]	7,083	-	672	-	-	-	7,755
Garth Barrett[3]	75,000	-	7,125	-	-	-	82,125
PREVIOUS DIRECTORS							
Trevor Dietz[4]	433,222	-	38,068	184,471	45,287	-	701,048
Brian Hall[4]	302,269	-	11,038	-	252,900	-	566,207
Antonie Wiese[4]	306,444	-	11,038	-	252,900	-	570,382
EXECUTIVES							
Iain Dunstan[2]	261,155	106,250	23,293	-	-	27,933	418,631
Darius Coveney[2]	151,809	72,500	14,172	-	-	24,647	263,128
Heidi Halson	225,307	95,500	20,048	-	-	97,113	437,968

1. Directors fees were paid to an associated entity of Murray d'Almeida.

2. Remuneration disclosed is from the date of appointment as a KMP.

3. Remuneration was paid partly in salary and partly to an associated entity.

4. Remuneration disclosed is up to date of resignation as KMP and includes payments as an employee as well as payments to an associated entity and all deferred settlement arrangements.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
DIRECTORS						
Stephen Harrison	100%	N/A	-	N/A	-	N/A
Jeremy Thorpe	100%	N/A	-	N/A	-	N/A
Charles Romito	100%	N/A	-	N/A	-	N/A
PREVIOUS DIRECTORS						
Murray d'Almeida	100%	100%	-	-	-	-
Garth Barrett	100%	100%	-	-	-	-
Chris Berkefeld	100%	100%	-	-	-	-
Naseema Sparks	100%	100%	-	-	-	-
EXECUTIVES						
Iain Dunstan	87%	68%	21%	25%	(8%)	7%
Darius Coveney	86%	63%	17%	28%	(3%)	9%
Heidi Halson	80%	56%	4%	22%	16%	22%
Toby Ellis	100%	N/A	-	N/A	-	N/A

The proportion of the cash bonus paid/payable or forfeited is as follows:

	CASH BONUS PAID/PAYABLE		CASH BONUS FORFEITED	
	FY2019	FY2018	FY2019	FY2018
DIRECTORS				
Stephen Harrison	-	-	-	-
Jeremy Thorpe	-	-	-	-
Charles Romito	-	-	-	-
PREVIOUS DIRECTORS				
Murray d'Almeida	-	-	-	-
Chris Berkefeld	-	-	-	-
Naseema Sparks	-	-	-	-
EXECUTIVES				
Iain Dunstan	50%	50%	50%	50%
Darius Coveney	75%	50%	25%	50%
Heidi Halson	100%	-	-	-
Toby Ellis	-	-	-	-

11. SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

NAME	Darius Coveney
Title	Acting CEO (previously CFO/COO)
Agreement commenced	1 February 2018
Term of engagement	3 years
Details	**Termination of employment:** The Company agreed to terminate Mr Coveney's contract on and from 30 August 2019. On termination Mr Coveney was paid a termination payment equal to nine (9) months salary (excluding higher duties arrangements as Acting CEO). **Equity compensation:** 2,678,571 Loan Funded Shares, which were returned to the Company on exit.

NAME	Heidi Halson
Title	Executive General Manager – Retail
Agreement commenced	New agreement signed 7 January 2019 (service commenced 1 June 1994)
Term of engagement	Ongoing
Details	**Termination of employment:** The Company agreed to terminate Ms Halson's contract on and from 22 August 2019. On termination Ms Halson was paid a termination payment equal to 13 weeks salary plus statutory entitlements. **Equity compensation:** Up to 200,000 Performance Rights per annum.

NAME	Toby Ellis
Title	Executive General Manager – Corporate Sales
Agreement commenced	13 August 2018
Term of engagement	Ongoing
Details	**Termination of employment:** By either party on giving four (4) weeks notice; or immediately on payment in lieu of notice or if any of the conditions for summary terminations are met including serious misconduct, gross negligence, breach of contract, bankruptcy, crime or repeated absence without explanation. Excluding payment in lieu of notice, the contract does not specify any termination payment. **Equity compensation:** Nil

12. SHARE-BASED COMPENSATION

LOAN FUNDED SHARES

As at 30 June 2018, there were 5,714,285 shares issued to key management personnel as part of Loan Funded Share (LFS) arrangements approved by shareholders on 5 April 2018.

Given both Mr Coveney and Mr Dunstan have left IncentiaPay, the shares are in the process of being returned to the consolidated entity. These shares will be held in an Employee Trust and be available to the Board to meet future share-based compensation requirements.

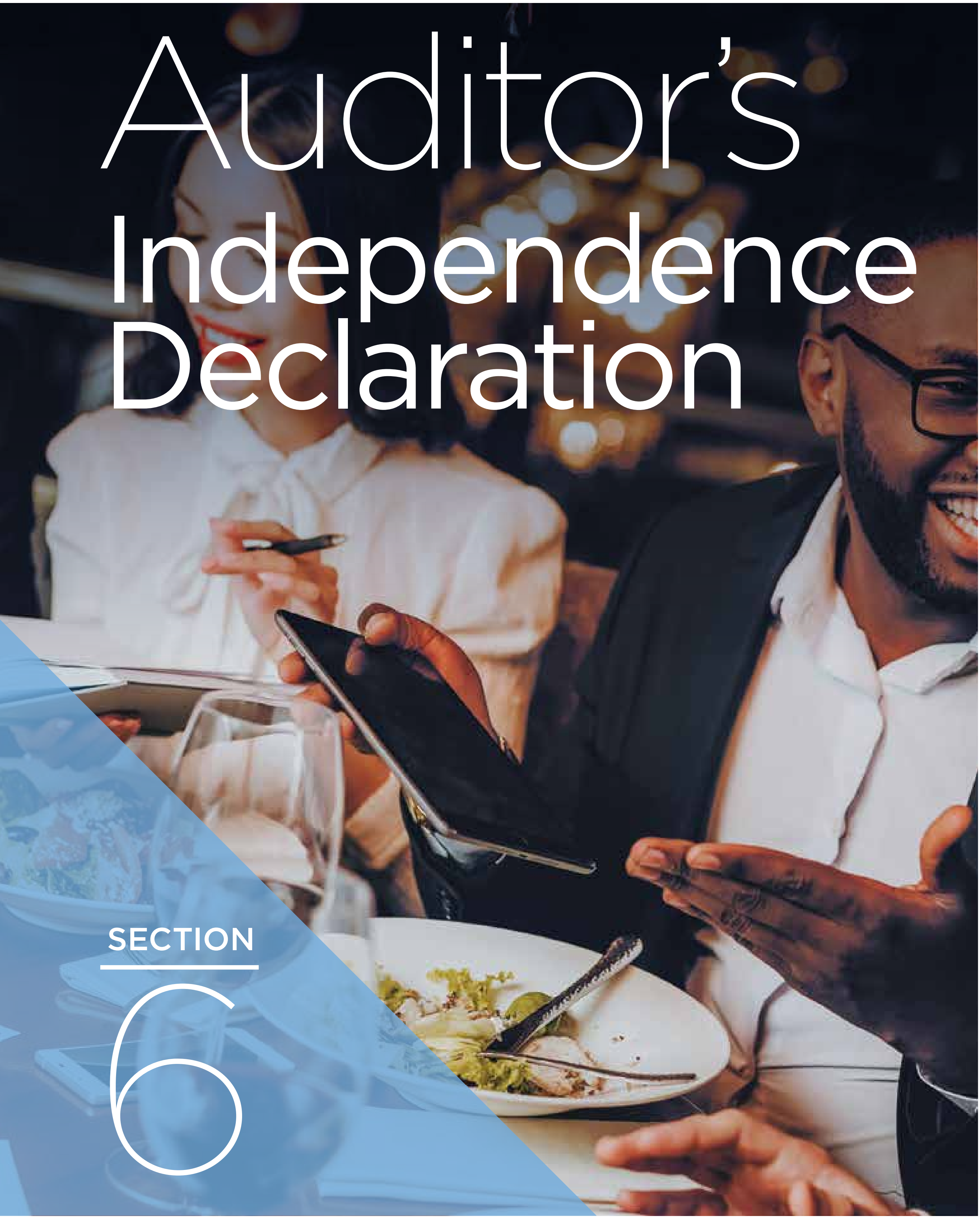
PERFORMANCE RIGHTS EQUITY PLAN

As at 30 June 2018, there were 80,000 Performance Rights issued to key management personnel, following shareholder approval on 5 April 2018.

The Performance Rights were issued under the 'Performance Rights Equity Plan' (PREP) which was communicated to shareholders on 24 May 2017 and approved at the Company's EGM held on 5 April 2018.

The key terms of the PREP can be summarised as follows:

- Annual grant of Performance Rights for four years.
- Number of Performance Rights granted is calculated based on:
    - Annual maximum grant amount;
    - Annual (calendar year) revenue hurdles;
    - Annual (calendar year) EBITDA hurdles; and
    - Continuing employment.
- Performance Rights issued then vest annually in July at 25 per cent per annum for four years.
- Vested Performance Rights convert to ordinary shares 1:1.



Auditor's Independence Declaration

SECTION

6

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

To the Directors of IncentiaPay Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of IncentiaPay Limited for the year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

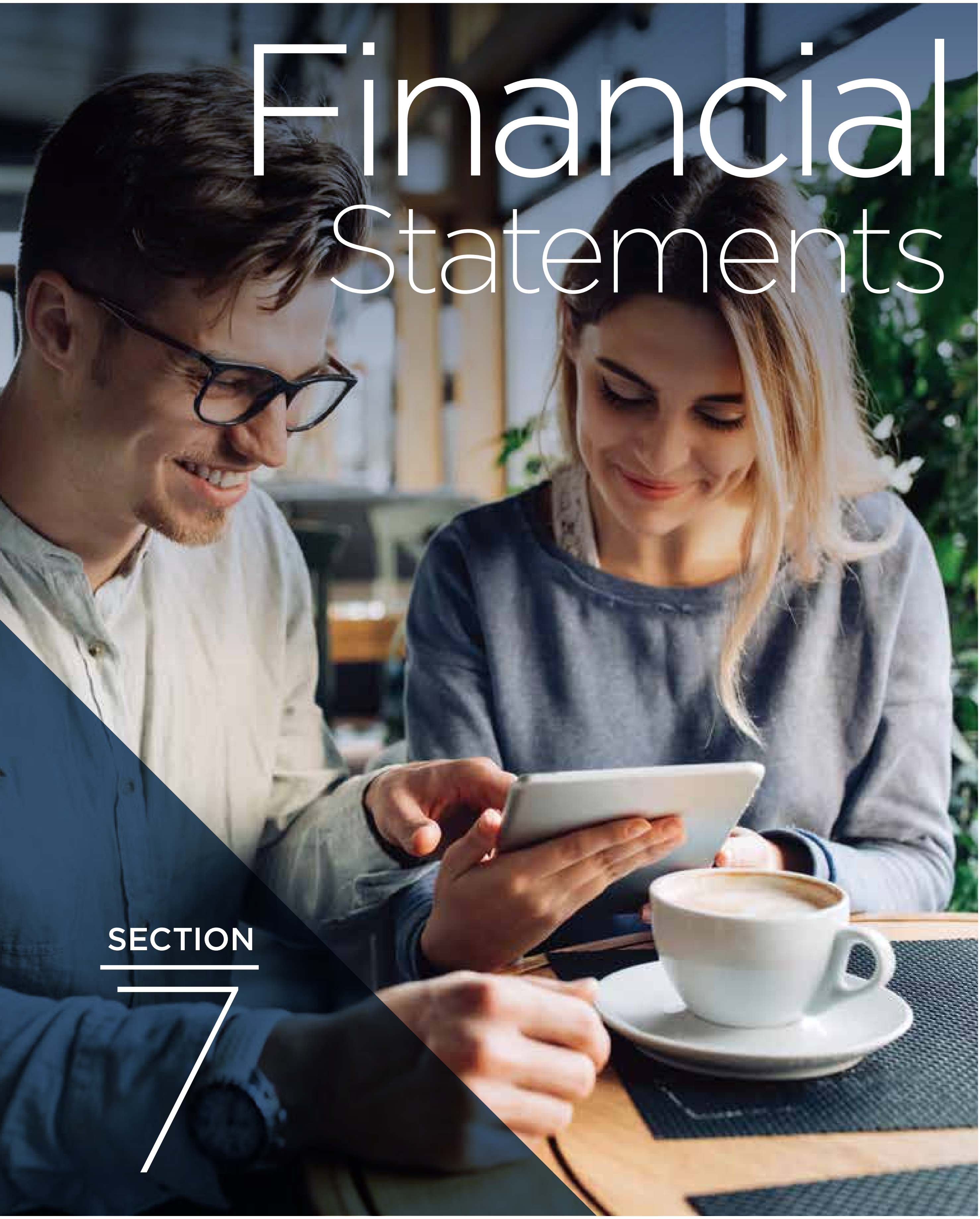
ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

John Wigglesworth
Partner

Sydney
11 September 2019

Financial Statements



SECTION 7

INCENTIAPAY LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

		CONSOLIDATED GROUP	
	NOTE	FY2019 $'000	FY2018 RESTATED* $'000
Revenue	2	64,572	75,809
Direct expenses of providing services	3	(41,919)	(44,972)
Impairments	3	(14,553)	(11,929)
Employee expenses		(19,141)	(23,910)
Depreciation and amortisation expense	3	(2,015)	(3,981)
Building occupancy expense	3	(2,943)	(1,995)
Finance costs	3	(346)	(1,101)
Legal and professional costs		(2,622)	(1,320)
Website and communication		(2,419)	(1,763)
Other expenses		(6,581)	(8,035)
Operating loss before income tax		**(27,967)**	**(23,197)**
Gain on disposal of equity accounted investment		600	-
Loss before income tax		**(27,367)**	**(23,197)**
Tax (expenses)/benefit	4(a)	(786)	2,000
Loss for the period		**(28,153)**	**(21,197)**
Loss for the period from discontinued operations	23	(9,751)	(40,986)
Net profit attributable to			
Members of the parent entity		**(37,904)**	**(62,183)**
Other comprehensive income			
Gain arising from translating foreign controlled entities from continuing operations		399	883
Transfer of foreign currency translation reserve to loss from discontinued operations	23	(208)	-
Total comprehensive income/(loss) for the period		**(37,713)**	**(61,300)**
Earnings/(loss) per share	5		
Basic earnings/(loss) per share (cents)			
Loss from continuing operations		(12.1)	(18.2)
Loss from discontinued operations		(4.2)	(35.3)
Total		**(16.3)**	**(53.5)**
Diluted earnings/(loss) per share (cents)	5		
Loss from continuing operations		(12.1)	(18.2)
Loss from discontinued operations		(4.2)	(35.3)
Total		**(16.3)**	**(53.5)**

*See note 23 for details about restatements as a result of the divestments.

The accompanying notes form part of these financial statements.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

		CONSOLIDATED GROUP	
		FY2019	FY2018
Current assets	**NOTE**	**$'000**	**$'000**
Cash and cash equivalents	6	3,460	11,130
Deferred consideration	23	695	-
Trade and other receivables	8	2,728	9,675
Inventories	9	96	350
Other assets	10	7,853	12,186
Assets disposal group classified as held for sale		-	1,596
Total current assets		**14,832**	**34,937**
Non-current assets			
Deferred consideration	23	2,414	-
Trade and other receivables	8	-	141
Property, plant and equipment	11	2,383	2,366
Deferred tax assets	4(c)	3,717	4,773
Intangible assets	12	22,507	49,280
Total non-current assets		**31,021**	**56,560**
Total assets		**45,853**	**91,497**
Liabilities			
Current liabilities			
Trade and other payables	13	5,941	11,949
Borrowings	14	4,169	-
Vendor loans	15	-	800
Current tax liabilities	4(d)	186	169
Deferred revenue	16	21,394	22,001
Provisions	17	1,833	5,643
Liabilities included in disposal group held for sale		-	777
Total current liabilities		**33,523**	**41,339**
Non-current liabilities			
Trade and other payables	13	-	851
Borrowings	14	466	-
Provisions	17	217	1,131
Total non-current liabilities		**683**	**1,982**
Total liabilities		**34,206**	**43,321**
Net assets		**11,647**	**48,176**
Issued capital	18	96,006	94,892
Reserves	19	1,136	875
Accumulated losses		(85,495)	(47,591)
Total equity		**11,647**	**48,176**

The accompanying notes form part of these financial statements.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	ORDINARY SHARE CAPITAL $'000	ACCUMULATED LOSSES $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	SHARE-BASED PAYMENTS RESERVE $'000	TOTAL $'000
Balance at 1 July 2017	**54,554**	**17,258**	**(668)**	**-**	**71,144**
Comprehensive income					
Loss for the period	-	(62,183)	-	-	(62,183)
Other comprehensive income					
Exchange differences on translation of foreign operations	-	-	883	-	883
Total comprehensive loss for the period	**-**	**(62,183)**	**883**	**-**	**(61,300)**
Transactions with owners, in their capacity as owners and other transfers					
Shares issued during the period	41,689	-	-	-	41,689
Transaction costs	(2,041)	-	-	-	(2,041)
Other equity movement	690	-	-	-	690
Dividends for the period	-	(2,666)	-	-	(2,666)
Movement during the period	-	-	-	660	660
Total transactions with owners and other transfers	**40,338**	**(2,666)**	**-**	**660**	**38,332**
Balance at 30 June 2018	**94,892**	**(47,591)**	**215**	**660**	**48,176**

The accompanying notes form part of these financial statements.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	ORDINARY SHARE CAPITAL $'000	ACCUMULATED LOSSES $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	SHARE-BASED PAYMENTS RESERVE $'000	TOTAL $'000
Balance at 1 July 2018		**94,892**	**(47,591)**	**215**	**660**	**48,176**
Comprehensive income						
Loss for the period		-	(37,904)	-	-	(37,904)
Other comprehensive income						
Exchange differences on translation of foreign operations		-	-	399	-	399
Transfer of foreign currency translation reserve to loss from discontinued operations	23	-	-	(208)		(208)
Total comprehensive loss for the period		**-**	**(37,904)**	**191**	**-**	**(37,713)**
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the period	18	1,155	-	-	-	1,155
Transaction costs	18	(41)	-	-	-	(41)
Movement during the period	19	-	-	-	70	70
Total transactions with owners and other transfers		**1,114**	**-**	**-**	**70**	**1,184**
Balance at 30 June 2019		**96,006**	**(85,495)**	**406**	**730**	**11,647**

The accompanying notes form part of these financial statements.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		CONSOLIDATED GROUP	
	NOTE	FY2019 $'000	FY2018 $'000
Cash flows from operating activities			
Receipts from customers		86,175	120,003
Payments to suppliers and employees		(99,591)	(123,020)
Interest received		78	-
Tax paid		-	(580)
Net cash from/(used in) continuing operations	7	**(13,338)**	**(3,597)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,597)	(339)
Purchase of intangibles	12	(1,878)	(6,103)
Proceeds from sales of businesses (net of cash disposed)	23	2,058	-
Acquisition of subsidiaries net of cash acquired	22(c)	-	297
Proceeds from sale of equity investment	22(b)	600	-
Net cash from/(used in) investing activities		**(817)**	**(6,145)**
Cash flows from financing activities			
Net proceeds from issue of shares	18	1,114	30,241
Proceeds of loan repaid from external parties	15	800	-
Repayment of borrowings		(4,000)	(14,439)
Repayment of convertible note		-	(5,000)
Proceeds from borrowings		8,635	-
Interest paid		(221)	(1,216)
Loan to external parties		-	(1,000)
Dividends paid		-	(2,666)
Net cash from financing activities		**6,328**	**5,920**
Net increase/(decrease) in cash held		(7,827)	(3,822)
Cash and cash equivalents at beginning of financial period		11,508	15,330
Cash and cash equivalents at the end of the financial period in continuing operations		**3,681**	**11,508**
Cash held in discontinued operations		-	(378)
Effects of exchange rate changes on cash and cash equivalents		(221)	-
Cash and cash equivalents at the end of the financial period in continuing operations	6	**3,460**	**11,130**

The accompanying notes form part of these financial statements.

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NOTE 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These general-purpose financial statements for the year ended 30 June 2019 have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. IncentiaPay Ltd is a listed public company incorporated and domiciled in Australia. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

These financial statements were authorised for issue on 11 September 2019.

GOING CONCERN

The consolidated financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

During the year the Group divested its Bartercard business, government business and performance marketing business and received $3.6 million in cash consideration (with deferred consideration of $3.1 million yet to be collected).

On 28 February 2019, the Group successfully completed a placement of 14,425,000 ordinary shares to its largest shareholder group, raising approximately $1.15 million.

On 16 May 2019, the Group entered into a short-term loan agreement with Suzerain Investments Holdings Limited, a major shareholder of the Company, for $4.0 million. The loan attracts interest at 10 per cent per annum and was originally repayable on 30 September 2019 however the maturity date of the loan was amended subsequent to year-end and has now been extended to 30 September 2020.

At 30 June 2019 the Group had cash on hand of $3.5 million, net assets of $11.6 million and a net current asset deficiency of $18.7 million ($13.5 million of which will not crystallise as a cash outflow in the next 12 months as it relates to revenue received in advance (liability) and prepaid production and commission expenses (asset)). During the year ended 30 June 2019, the Group incurred a net loss before tax from continuing operations of $27.4 million, including impairment of $14.6 million, and incurred net cash outflows from operating activities of $13.3 million.

Subsequent to year end, on 9 August 2019 the Group entered into a Loan Deed with Suzerain Investments Holdings Limited, a major shareholder of the Company, for $19.0 million. This includes the $4.0 million already provided to the Group in May 2019. The additional $15.0 million is to be provided to support the working capital requirements of the Group and to restructure the business. The receipt of funds will occur in four separate tranches which are dependent upon certain conditions being met, see note 30.

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections assume the Group will satisfy all conditions to enable the drawdown of all four tranches under the Loan Deed.

The ongoing operation of the Group is dependent upon the Group satisfying the conditions required to enable the funding under the Loan Deed to be granted and/or the Group reducing expenditure in-line with available funding and/or the Group raising additional debt or equity funding, the achievement of which are inherently uncertain until realised.

These conditions give rise to material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

In the event the Group does not continue as a going concern it may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations.

A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent IncentiaPay Ltd and all of its subsidiaries (also referred to as "the Group"). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation.

Accounting policies of subsidiaries have been adjusted where necessary to ensure uniformity of the accounting policies adopted by the Group.

B) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income. Otherwise the exchange difference is recognised in profit or loss.

GROUP COMPANIES

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the Statement of Financial Position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the Group disposes of the operation.

C) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant taxation authority.

Receivables and payables are stated exclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the relevant taxation authority are presented as operating cash flows included in receipts from customers or payments to suppliers.

D) COMPARATIVE FIGURES

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements. See note 22(c) and 23.

E) ROUNDING OF AMOUNTS

The parent entity has applied the relief available to it under ASIC Instrument 2016 / 191. Accordingly, amounts in the financial statements and Directors' report have been rounded off to the nearest $1,000.

F) NEW AND AMENDED ACCOUNTING POLICIES ADOPTED BY THE GROUP

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and Related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 16: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Group has reviewed all the Group's leasing arrangements over the last year in light of the new lease accounting rules in AASB 16. The Standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of $6.0 million.

Right-of-use assets for property leases will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). All other leases are identified as short-term leases or low value leases which will be recognised on a straight-line basis as expense in profit or loss.

The Group expects to recognise right-of-use assets of approximately $4.4 million on 1 July 2019 and lease liabilities of $4.4 million. There is no expected impact to the overall net assets, however net current assets will be $1.6 million lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will increase by approximately $0.054 million for 2020 as a result of adopting AASB 16. EBITDA is expected to increase by approximately $1.6 million, as operating lease payments were previously accounted for as part of EBITDA, however, the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase, and financing cash flows decrease by approximately $1.6 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group will apply the Standard from its mandatory adoption date of 1 July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

G) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors' estimates and judgments are incorporated into the financial statements and are based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and from within the Group.

KEY ESTIMATES AND JUDGEMENTS

Impairment – goodwill and other intangibles

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using the higher of fair value less costs of disposal or value-in-use calculations which incorporate various key assumptions.

Further details on the key estimates used in the impairment evaluation and the impairment recognised in respect of goodwill or other intangibles for the year ended 30 June 2019 can be found in note 12.

Impairment – cash debtor receivables

The Group assesses impairment of cash debtor receivables at the end of each reporting period by reference to the history of cash debtor collections.

H) CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

AASB 9 Financial Instruments, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The only financial assets expected to be impacted are trade receivables. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. The application of this new approach has not had a significant impact on the classification and measurement of this provision, although it will result in an earlier recognition of credit losses.

The Group initially adopted AASB 9 Financial Instruments from 1 July 2018. The adoption of this Standard did not have a material effect on the Group's opening retained earnings, see note 8.

NOTE 2 | REVENUE

ACCOUNTING POLICY

Other than for a limited number of exceptions, including leases, the revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective AASB 15 provides the following five-step process:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

The membership year runs from 1 June to the following 31 May.

Entertainment Publications satisfies its obligations as services are rendered to members during the period of membership. Benefits must be provided constantly throughout the period and Entertainment Publications has concluded that a straight-line basis is the most appropriate method.

- Revenue from Entertainment Publications marketing and merchant support fees through the placement of advertisements and the distribution of offers and promotions on behalf of businesses to members is recognised when the advertisement or offer is placed, distributed and invoiced. Revenue from the successful promotion of merchant offers is recognised when the transaction occurs which evidences the take up of the promotion.
- Revenue from commission's receivable for bookings are

recognised when the bookings are made, and it is paid for.

- On commencement of memberships, Entertainment Publications enters into a performance obligation to deliver benefits in the form of special offers, discounts, promotions and booking facilities to members during the period of membership. A liability is recognised for unearned revenue for performance obligations to members that have not yet been satisfied. Payment for membership is made prior to the commencement of membership.
- Entertainment Publications enters into contracts with corporate customers to develop a program of special offers, discounts, promotions and booking facilities for their customers or employees during the period applicable in the contract. Entertainment Publications has taken the view that the performance obligations defined in the contract should be bundled into one performance obligation centred around access to the program of benefits. Revenue is therefore recognised evenly over the period of the agreement.
- Revenue from the sale of gift cards on behalf of businesses to members is recognised when the gift card is provided to the customer and it is paid for.

Payment terms are highly varied for the different sources of revenue, different customers and contract terms are individually negotiated.

All revenue is stated net of the amount of goods and services tax (GST).

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 RESTATED* $'000
Sales revenue		
Fee income - Paid advertising and travel booking	3,274	2,963
Fee income - Consulting and media	2,097	764
Membership subscriptions	28,611	32,751
Corporate sales	3,283	4,724
Gift card sales	27,307	34,607
Total	**64,572**	**75,809**

*Amounts have been restated due to discontinued operations.

NOTE 3 | EXPENSES

ACCOUNTING POLICY

DIRECT EXPENSES OF PROVIDING SERVICES

Sales commissions paid for the sale of memberships, being an incremental cost of obtaining contracts with customers, are recognised initially as prepayments, see note 10. Subsequently, they are amortised as expenses through the income statement in line with the recognition of revenue from membership sales. These relate predominantly to commission paid to not for profit partners.

Costs incurred for the development of the following year's membership package are capitalised as costs incurred to fulfil a contract with a customer. They are recognised initially as an asset and subsequently amortised over the period of membership during which those benefits are delivered to members, see note 10.

Loss before income tax from continuing operations includes the following significant expenses:

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 RESTATED* $'000
Direct expenses of providing services		
Membership book printing and production	12,558	9,174
Corporate book printing	1,943	1,243
Gift cards	26,706	34,406
Other	712	149
Total	**41,919**	**44,972**
Bad and doubtful debts		
Trade receivables	447	275
Rental expense on operating leases		
Minimum lease payments	2,943	1,995
Finance cost		
Finance cost paid or payable	346	1,101
Depreciation and amortisation expense		
Plant and equipment	325	1,282
Amortisation of intangibles	1,690	2,699
Total	**2,015**	**3,981**
Impairments		
Goodwill	14,553	-
Development costs	-	6,519
Investment in unlisted entity	-	1,500
Other balance sheet items	-	3,910
Total	**14,553**	**11,929**

See note 12 for the impairment of goodwill related to the Entertainment business.

*Amounts have been restated due to discontinued operations.

NOTE 4 | INCOME TAX

ACCOUNTING POLICY

The income tax expense for the year comprises current income tax expense and deferred tax expense. Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged outside profit or loss when the tax relates to items that are recognised outside profit or loss. Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:

- a legally enforceable right of set-off exists; and
- the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
a) The components of income tax expense/(benefit) comprise		
Current tax	-	(700)
Deferred tax	786	(1,300)
Income tax expense/(benefit)	**786**	**(2,000)**
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(27,367)	(22,723)
Loss from discontinuing operation before income tax expense	(9,881)	(41,461)
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to income tax as follows		
Prima facie tax benefit on profit from ordinary activities before income tax at domestic statutory rate of 30% (2018: 30%)	(11,174)	(19,255)
Add /(less) tax effect of		
Permanent differences	9,288	17,925
Recoupment of prior year tax (profits)/losses not previously brought to account	-	(1,143)
Unrecognised tax losses	2,672	473
Income tax expense/(benefit)	**786**	**(2,000)**

No income tax benefit was recognised from permanent differences associated with tax losses. Income tax benefits arising from tax losses will only be realised if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the Group to benefit from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

c) Deferred tax	CONSOLIDATED GROUP				
	OPENING BALANCE	CHARGED TO INCOME	CHARGED DIRECTLY TO EQUITY	DIVESTMENT	TOTAL
Deferred tax assets					
Provisions	5,585	579	-	-	6,164
Transaction costs on equity issues	659	(462)	691	-	888
Employee benefits	937	451	-	-	1,388
Property, plant and equipment	(30)	12	-	-	(18)
Intangibles	(1,892)	184	-	-	(1,708)
Other	(2,198)	257	-	-	(1,941)
Balance as at 30 June 2018	**3,061**	**1,021**	**691**	**-**	**4,773**
Provisions	6,164	(5,103)	-	(319)	742
Transaction costs on equity issues	888	(888)	-	-	-
Employee benefits	1,388	(174)	-	(548)	666
Property, plant and equipment	(18)	19	-	(1)	-
Intangibles	(1,708)	(388)	-	250	(1,846)
Other	(1,941)	5,748	-	348	4,155
Balance as at 30 June 2019	**4,773**	**(786)**	**-**	**(270)**	**3,717**

d) Current tax	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Income tax payable	**186**	**169**

The income tax payable relates to provisional income tax payable in New Zealand.

NOTE 5 | DIVIDENDS AND EARNINGS PER SHARE

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Dividends paid during the year		
2018 interim fully franked ordinary dividend of 2.25 cents (2017: 2.25 cents) per share paid 9 January 2018	-	2,666
Distributions paid	**-**	**2,666**
Total dividends for the period	-	2.25 cents
Franking account		
Balance of franking account at year end adjusted for franking credits arising from	6,493	6,506
Payments of income tax	-	(13)
Franking credits available for subsequent financial year	**6,493**	**6,493**

The Directors have advised that they do not intend to declare dividends for FY2019.

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 RESTATED* $'000
a) Reconciliation of earnings to profit or loss		
Loss from continuing operations	(28,153)	(21,197)
Loss from discontinued operations	(9,751)	(40,986)
Loss used to calculate basic EPS	**(37,904)**	**(62,183)**
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	233,011,438	116,182,656
Weighted average of dilutive convertible notes and equity instruments outstanding	-	5,520,548
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	**233,011,438**	**121,703,204**

*Amounts have been restated due to discontinued operations. See note 23.

NOTE 6 | CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are reported within short-term borrowings in current liabilities in the Statement of Financial Position.

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Cash at bank and on hand	3,457	10,120
Short-term bank deposits	3	1,010
Total cash and cash equivalents	**3,460**	**11,130**
Reconciliation of cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows		
Cash and cash equivalents	3,460	11,130
Total cash and cash equivalents	**3,460**	**11,130**

NOTE 7 | CASH FLOW INFORMATION

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Reconciliation of loss after income tax to net cash flow from operations		
Loss after income tax	(37,904)	(62,183)
Cash flows excluded from profit attributable to operating activities	-	-
Non-cash flows in profit		
Amortisation	1,690	4,774
Loss/(gain) on disposal of discontinued operations	7,326	(1,770)
Write down of inventory to fair value	-	3,432
Depreciation	325	1,281
Impairment of intangibles in continuing operations	14,553	11,929
Impairment of intangibles in discontinued operations	-	33,693
Sale of unlisted equity investment	(600)	-
Share-based payment	(70)	-
Net interest paid including investing	(346)	(1,216)
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade receivables	8,081	2,564
(Increase)/decrease in prepayments	4,329	(2,386)
(Increase)/decrease in inventories	254	4,919
(Increase)/decrease in deferred taxes receivable	1,059	(1,712)
Increase/(decrease) in trade payables and accruals	(6,860)	969
Increase/(decrease) in deferred income	(606)	(915)
Increase/(decrease) in income taxes payable	18	(868)
Increase/(decrease) in deferred taxes payable	-	-
Increase/(decrease) in provisions	(4,725)	3,892
Cash flow from operating activities	**(13,338)**	**(3,597)**

RECONCILIATION OF LIABILITIES ARISING FROM CASH FLOWS FROM FINANCING ACTIVITIES

	FY2018 $'000	BORROW $'000	REPAYMENT $'000	INTEREST PAID $'000	INTEREST EXPENSES $'000	FY2019 $'000
Credit line facility	-	4,029	-	-	-	4,029
Lease incentive loan*	-	606	-	-	-	606
Bank term loan	-	4,000	(4,000)	(46)	46	-
Total	**-**	**8,635**	**(4,000)**	**(46)**	**46**	**4,635**

* The lease incentive loan carries no interest component. If there is no default, the loan reduces by 20 per cent each year until the balance is zero at the end of the lease.

NOTE 8 | TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value, less any provision for loss allowance.

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Current		
Trade receivables	2,495	9,150
Provision for loss allowance	(580)	(2,287)
Net trade receivables	**1,915**	**6,863**
Other receivables	813	2,812
Total current trade and other receivables	**2,728**	**9,675**
Non-current		
Other receivables	-	141
Total non-current trade and other receivables	**-**	**141**

Movement in the provision for loss allowance of receivables is as follows:

	OPENING BALANCE 1 JULY 18 $'000	RECLASSIFIED AS HELD FOR SALE FOR YEAR $'000	CHARGE FOR THE YEAR $'000	AMOUNTS WRITTEN OFF $'000	CLOSING BALANCE 30 JUNE 19 $'000
Current trade receivables	(2,287)	1,954	(522)	275	(580)
Total	**(2,287)**	**1,954**	**(522)**	**275**	**(580)**

	OPENING BALANCE 1 JULY 17 $'000	RECLASSIFIED AS HELD FOR SALE FOR YEAR $'000	CHARGE FOR THE YEAR $'000	AMOUNTS WRITTEN OFF $'000	CLOSING BALANCE 30 JUNE 18 $'000
Current trade receivables	(4,285)	-	(301)	2,299	(2,287)
Total	**(4,285)**	**-**	**(301)**	**2,299**	**(2,287)**

The Group impairs the value of individual trade debtors based on an assessment of the credit quality of the customer, the previous trading pattern of the customer and management's assessment of the likely recovery. All trade debtors which are not likely to be recovered are either written off or an impairment for expected credit losses is recognised. No credit risk is expected in respect of recoverables which are not written off or provided against. The remainder of receivables, after credit losses, are considered to be of high credit quality.

The Group uses a "roll rate" method to calculate expected credit losses for trade receivables from individual customers that is made up of a variable mix of number and size of balances. Loss rates are calculated based on the probability of receivables progressing through successive stages of delinquency to write off. Roll rates are calculated using an analysis of how balances change from one month to next until they reach 90 days. Data over the last 12 months was reviewed to determine the level of recovery of those receivables older than 90 days. Combining these two measurements provided the Group with the ability to determine the loss allowance as at 30 June.

REPORT CATEGORY	DAYS	ADJUSTED LOSS RATE %	RECEIVABLES BALANCE AS AT 30 JUNE 2019 $'000	LOSS ALLOWANCE AT 30 JUNE 2019 $'000
Current	0-30	8	1,342	111
Past due 1-30	31-60	24	333	79
Past due 31-60	61-90	16	264	43
Past due 61-90	91-120	12	23	3
Past due 90-120	121-150	49	103	51
Greater than 120 days overdue	Greater than 150	53	430	293
		Total	**2,495**	**580**

CREDIT RISK

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically impaired and mentioned within note 8. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

No collateral is held in respect of these exposures and there are no other credit enhancement arrangements. All trade receivables have been investigated and, other than those which have been written off or for which credit losses have been recognised, there are no indicators of poor credit quality for trade receivables.

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Gross amount	2,495	9,150
Impaired (past due)	(580)	(2,287)
Net trade receivables	**1,915**	**6,863**
Within initial trade terms	1,231	2,653
Past due not impaired - 30 days	254	396
60 days	221	555
90 days	20	63
90 days +	189	3,196
Total	**1,915**	**6,863**

GEOGRAPHICAL CREDIT RISK

The Group has significant operations in Australia and New Zealand. The Group's exposure to credit risk for trade and other receivables at the end of the reporting period in these regions was as follows:

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Australia	1,856	6,645
New Zealand	59	218
Total	**1,915**	**6,863**

NOTE 9 | INVENTORIES

ACCOUNTING POLICY

Inventories represent gift cards. These assets are valued at the lower of cost and net realisable value.

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Gift cards held for sale	96	350
Total inventories	**96**	**350**

NOTE 10 | OTHER ASSETS

ACCOUNTING POLICY

Other assets relate to prepaid sales commissions paid for the sale of memberships and costs incurred for the development of the following year's membership package, see note 3, and short-term investments that relate to security deposits for leased premises.

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Current		
Short-term investments	391	1,267
Current loans receivable	-	1,598
Prepayments	198	763
Production prepayments	7,264	8,558
Total other assets	**7,853**	**12,186**

	PRODUCTION PREPAYMENT $'000
Year ended 30 June 2018	
Balance as at 1 July 2017	8,520
Prepayments	9,371
Amortisation	(9,333)
Balance as at 30 June 2018	**8,558**

Year ended 30 June 2019	
Balance as at 1 July 2018	8,558
Prepayments	7,742
Amortisation	(9,036)
Balance as at 30 June 2019	**7,264**

Production prepayments relate to contract assets under AASB 15, being incremental cost of obtaining contracts with customers.

NOTE 11 | PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Each class of property, plant and equipment is carried at cost or fair value (as indicated) less, where applicable, any accumulated depreciation and impairment losses.

PLANT AND EQUIPMENT

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. Where material, the expected net cash flows are discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

DEPRECIATION

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated Group. Useful life is taken to commence from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

CLASS OF FIXED ASSET	ESTIMATED USEFUL LIFE
Leasehold improvements	10 - 40 years
Plant and equipment	3 - 5 years
Leased plant and equipment	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

LEASES

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership are transferred to entities in the consolidated Group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Plant and equipment		
At cost	806	2,395
Accumulated depreciation	(490)	(1,262)
Net book value	**316**	**1,133**
Leasehold improvements		
At cost	2,970	2,042
Accumulated depreciation	(903)	(977)
Net book value	**2,067**	**1,065**
Leased plant and equipment		
At cost	-	246
Accumulated depreciation	-	(78)
Net book value	**-**	**168**
Total plant and equipment	**2,383**	**2,366**

MOVEMENTS IN CARRYING AMOUNTS

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are set out below.

	CONSOLIDATED GROUP			
	PLANT AND EQUIPMENT $'000	LEASEHOLD IMPROVEMENTS $'000	LEASED PLANT AND EQUIPMENT $'000	TOTAL $'000
Balance as at 1 July 2017	1,676	1,464	155	3,295
Additions	197	67	75	339
Disposals	(109)	-	-	(109)
Transfers	-	-	-	-
Addition through business combinations	67	56	-	123
Depreciation expense	(698)	(522)	(62)	(1,282)
Balance as at 30 June 2018	**1,133**	**1,065**	**168**	**2,366**
Balance as at 1 July 2018	1,133	1,065	168	2,366
Additions	23	1,050	-	1,073
Disposals	(125)	(25)	(40)	(190)
Transfers	-	584	-	584
Reclassified as held for sale	(592)	(405)	(128)	(1,125)
Addition through business combinations	-	-	-	-
Depreciation expense	(123)	(202)	-	(325)
Balance as at 30 June 2019	**316**	**2,067**	**-**	**2,383**

NOTE 12 | INTANGIBLE ASSETS

ACCOUNTING POLICY

GOODWILL

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of the following items, over the acquisition date fair value of net identifiable assets acquired:

- the consideration transferred;
- any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- the acquisition date fair value of any previously held equity interest.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognised in the profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment at least annually and/or when other indicators of impairment exist and is allocated to the Group's CGUs or groups of CGUs ("CGUs"). These CGUs represent the lowest level at which goodwill is monitored but are not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill of the entity that has been sold. Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

TECHNOLOGY, SOFTWARE AND DATABASE ASSETS

Technology and software assets acquired separately are capitalised at cost. Where the technology and software asset has been acquired as part of a business acquisition, these assets are recognised at fair value as at the date of acquisition.

The useful lives of these assets are then assessed to be either finite or indefinite. Assets with a finite life are amortised over that life with the expense being recognised in the profit and loss. Expenditure on the development of technology and software assets are capitalised until the software is ready for use and then amortised over their expected useful life of 4 - 5 years (FY2018: 4 - 5 years).

These assets are tested for impairment at least annually as part of the value in use analysis associated with the cash generating unit.

BRAND NAMES AND INTERNATIONAL RIGHTS

The brand names and international rights were acquired in a separate transaction. These assets are recognised using the cost model, which requires an intangible asset to be recorded at cost less any accumulated amortisation and any accumulated impairment losses.

These intangible assets have been assessed as having an indefinite useful life as neither brand names nor international rights are subject to contractual or statutory time limits. There is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. As a result, no amortisation will be charged.

These assets are tested for impairment at least annually, either individually or within a CGU.

DEVELOPMENT COSTS

Development costs consist of costs incurred in designing, developing and contracting new territories. Recognition of the development costs only occurs when feasibility studies confirm that franchise proliferation is expected to deliver future economic benefits, these benefits can be measured reliably and there are adequate resources available to complete the development. The development costs are amortised over their useful life starting from the time the development of a territory is complete. The franchise agreements are for a term of 10 years and this will be used as the useful life for the purposes of amortisation.

IMPAIRMENT OF ASSETS

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another

Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Impairment testing is performed at least annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Goodwill		
Cost	31,199	56,310
Accumulated impairment losses	(17,503)	(26,969)
Net book value	**13,696**	**29,341**
Technology and Software		
Cost	9,127	22,625
Accumulated amortisation and impairment losses	(4,068)	(8,037)
Net book value	**5,059**	**14,588**
Purchased brand names and international rights		
Cost	3,000	6,610
Accumulated impairment losses	-	(2,951)
Net book value	**3,000**	**3,659**
Development costs		
Cost	-	6,792
Accumulated impairment losses	-	(6,792)
Net book value	**-**	**-**
Other intangibles		
Cost	752	1,729
Accumulated amortisation	-	(37)
Net book value	**752**	**1,692**
Total intangibles	**22,507**	**49,280**

	GOODWILL $'000	TECHNOLOGY AND SOFTWARE RESTATED^ $'000	BRAND NAME & INTERNATIONAL RIGHTS $'000	DEVELOPMENT COSTS $'000	OTHER INTANGIBLES RESTATED^ $'000	TOTAL $'000
Balance as at 1 July 2017	**52,425**	**13,585**	**6,610**	**5,355**	**-**	**77,975**
Additions	-	4,809	-	1,164	37	6,010
Acquisition of franchises	93	-	-	-	-	93
Disposals	-	(335)	-	-	-	(335)
Additions through business combinations	3,792	2,971	-	-	1,692	8,455
Amortisation charge	-	(4,737)	-	-	(37)	(4,774)
Impairment	(26,969)	(1,705)	(2,951)	(6,519)	-	(38,144)
Balance as at 30 June 2018	**29,341**	**14,588**	**3,659**	**-**	**1,692**	**49,280**
Balance as at 1 July 2018	**29,341**	**14,588**	**3,659**	**-**	**1,692**	**49,280**
Measurement period adjustment^	1,858	(2,317)	-	-	459	-
Balance as at 1 July 2018	**31,199**	**12,271**	**3,659**	**-**	**2,151**	**49,280**
Additions	-	1,877	-	-	-	1,877
Disposals*	(2,950)	(7,399)	(659)	-	(1,399)	(12,407)
Amortisation charge	-	(1,690)	-	-	-	(1,690)
Impairment	(14,553)	-	-	-	-	(14,553)
Balance as at 30 June 2019	**13,696**	**5,059**	**3,000**	**-**	**752**	**22,507**

^See note 22(c).

*See note 23.

At 30 June 2019, the market capitalisation of the Group was below the carrying value of the Group's net assets. Under the requirements of Australian Accounting Standards, this is a trigger event for assessing whether the carrying value of the Group's goodwill and other non-current assets may be impaired.

In line with this requirement, the recoverable amount of the CGU was determined based on a value-in-use calculation, covering a detailed five-year forecast, followed by an expected cash flow for the unit's remaining useful life using the growth rates determined by management. Where appropriate the value of any proposed sale of CGUs has been considered and the model includes a sensitivity analysis allowing for a range of growth rates.

The following assumptions were used in the value-in-use calculations:

Year ended 30 June 2019

2020 - 2024	GROWTH RATES 2020 - 2024	GROWTH RATES 2024 ONWARD	DISCOUNT RATE/WEIGHTED AVERAGE COST OF CAPITAL
Entertainment Publications	2%	2%	11%

Year ended 30 June 2018

2019- 2021	GROWTH RATES 2019-2020	GROWTH RATES 2021 ONWARD	DISCOUNT RATE/WEIGHTED AVERAGE COST OF CAPITAL
Bartercard	(7.0%) to (5.0%)	2.5%	14.5%
Entertainment Publications	5.0%	FY2021 at 5.0% FY2022 onward at 2.5%	12.0%

Cash flows used in the value-in-use calculations are based on forecasts produced by management. The Directors consider these forecasts to be conservative, as the growth rates are based on a proposed strategic repositioning of the core operations of the business, focusing on long-term sustainability. Forecasts for 2020 take into account expected strategic structural changes, which form the basis for forecast profitability from 2021 onwards. Costs have been adjusted to take into account growth assumptions and inflation expectations appropriate to the locations in which the Group operates.

The key assumptions to which the model is most sensitive include:

- Forecast revenue and expenditure (based on the proposed transformation program); and
- The discount rate of 11 per cent (post tax).

As at 30 June 2019 the estimated recoverable amounts determined using the method outlined above were found to be less than the carrying value of the net assets of the CGU and accordingly, an impairment adjustment was required.

Following the impairment loss recognised in the Group's CGU, the recoverable amount was equal to the carrying amount, therefore, any adverse movement in a key assumption would lead to further impairment.

NOTE 13 | TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 60 days of recognition of the liability. The non-current part of payables are amounts not expected to be settled within the next 12 months.

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Current		
Unsecured liabilities		
Trade payables	2,172	6,169
Sundry payables and accruals	3,769	5,780
Total current unsecured liabilities	**5,941**	**11,949**
Non-current		
Unsecured liabilities		
Sundry payables and accruals	-	851
Total non-current unsecured liabilities	**-**	**851**

NOTE 14 | BORROWINGS

ACCOUNTING POLICY

NON-DERIVATIVE

Non-derivative loans and borrowings are financial liabilities with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Amortised cost is calculated as the amount at which the financial liability is measured at initial recognition less principal repayments, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Current		
Unsecured liabilities		
Lease incentive loan	140	-
Line of credit facility	4,029	-
Total current borrowings	**4,169**	**-**
Non-current		
Unsecured liabilities		
Lease incentive loan	466	-
Total non-current borrowings	**466**	**-**
Total borrowings	**4,635**	**-**

During the first half of the year, the Group drew down $2.7 million of its $3.0 million overdraft facility and borrowed an additional $4.0 million to facilitate existing operations from its bank. The two facilities were fully repaid during the second half of the year from the share placement in February 2019 and supported by the new line of credit facility extended by a major shareholder.

Line of credit facility

A major shareholder has provided a $4.0 million line of credit facility to the Group. During the period the Group drew down $4.0 million of the line of credit facility on 9 August 2019. The term of this loan was extended to 30 September 2020. See note 30 for further details of the facility.

Lease incentive loan

As part of the new lease agreement for the new office in Sydney, the landlord has financed the new fitout with a lease incentive loan. The loan carries no interest component. If there is no default, the loan reduces by 20 per cent each year until the balance is zero at the end of the lease.

NOTE 15 | VENDOR LOAN

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Current		
Vendor loan	-	800
Total vendor loan	**-**	**800**

NOTE 16 | DEFERRED REVENUE

ACCOUNTING POLICY

Deferred revenue constitutes contract liabilities under AASB 15, as it relates to performance obligations to the members of Entertainment Publications not yet satisfied, see note 2.

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Current		
Deferred revenue	21,394	22,001
Total deferred revenue	**21,394**	**22,001**

	DEFERRED REVENUE $'000
Year ended 30 June 2018	
Balance as at 1 July 2017	21,671
Revenue deferred	31,776
Revenue recognised	(31,446)
Balance as at 30 June 2018	**22,001**
Year ended 30 June 2019	
Balance as at 1 July 2018	22,001
Revenue deferred	36,758
Revenue recognised	(37,365)
Balance as at 30 June 2019	**21,394**

NOTE 17 | PROVISIONS

ACCOUNTING POLICY

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

EMPLOYEE BENEFITS

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled within 12 months after the end of the annual reporting period in which the employees render the related service. These benefits include wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits are recognised as a part of current trade and other payables in the Statement of Financial Position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the Statement of Financial Position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its Statement of Financial Position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period. In this case the obligations are presented as current provisions.

Retirement benefit contributions

All employees of the Australian entities and the majority of employees of foreign subsidiaries in the Group receive defined contribution superannuation entitlements, for which the Group pays a fixed superannuation contribution based on a percentage of the employee's ordinary salary. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation contributions at the end of the reporting period. All obligations for unpaid superannuation contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's Statement of Financial Position.

ONEROUS LEASE PROVISION

The Group currently has leases for office space in various towns and cities across Australia and New Zealand. As a result of recent decisions made by the Board to streamline the operations of the business, certain leases have become surplus to requirements. For those locations the Group will vacate the premises and attempt to sublease the space. These leases have been determined to be onerous at the time the Group vacates the premises, and the provision has been calculated based on the present value of contracted obligations net of expected rental income.

RESTRUCTURING PROVISION

In December 2017 IncentiaPay Ltd announced a restructure program in respect of geographical presence and the employee cost base. As at 31 December, a provision was raised for $4.5 million, being for employee entitlements and occupancy costs. The Company spent $1.9 million of the provision during the six-month period ended 30 June 2018 and the remaining balance of $2.6 million was utilised during the year.

	CONSOLIDATED GROUP			
	EMPLOYEE BENEFITS $'000	RESTRUCTURING PROVISION $'000	ONEROUS LEASE PROVISION $'000	TOTAL $'000
Year ended 30 June 2018				
Balance as at 1 July 2017	2,882	-	-	2,882
Additional provisions	1,292	2,600	-	3,892
Balance as at 30 June 2018	**4,174**	**2,600**	**-**	**6,774**
Year ended 30 June 2019				
Balance as at 1 July 2018	4,174	2,600	-	6,774
Utilised	-	(2,600)	-	(2,600)
(Released)/additional provisions	(1,506)	-	635	(871)
Disposals	(1,253)	-	-	(1,253)
Balance as at 30 June 2019	**1,415**	**-**	**635**	**2,050**

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Analysis of total provisions		
Current		
Employee benefits	1,198	3,043
Restructuring provision	-	2,600
Onerous lease provision	635	-
Total current provisions	**1,833**	**5,643**
Non-current		
Employee benefits	217	1,131
Total non-current provisions	**217**	**1,131**
Total provisions	**2,050**	**6,774**

NOTE 18 | ISSUED CAPITAL

	CONSOLIDATED GROUP			
	FY2019 SHARES	FY2018 SHARES	FY2019 $'000	FY2018 $'000
Ordinary shares - fully paid on issue	242,608,274	228,193,274	96,006	94,892

IncentiaPay Ltd has no limit to its authorised share capital.

Movements in ordinary share capital	DATE	NUMBER OF SHARES	ISSUE PRICE $	$'000
Ordinary shares at beginning of the year		91,327,771	-	54,554
Issues during the year:	19 September 2017	275,000	1.00	275
	19 September 2017	620,000	0.77	477
	27 November 2017	21,818,000	0.45	9,818
	15 December 2017	4,446,323	0.45	2,001
	2 March 2018	78,991,895	0.28	22,118
	5 April 2018	5,714,285	0.28	-
	11 May 2018	25,000,000	0.28	7,000
	Less, costs of issues	-	-	(2,041)
	Tax related costs of issues	-	-	690
Balance as at 30 June 2018		**228,193,274**		**94,892**
Ordinary shares at beginning of the year		228,193,274	-	94,892
Issues during the year:	28 February 2019	14,415,000	0.08	1,155
	Less, costs of issues	-	-	(41)
Balance as at 30 June 2019		**242,608,274**		**96,006**

Ordinary shares participate in dividends and the proceeds on winding-up of the Parent Entity in proportion to the number of shares held. Shares have no par value.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The entity manages its capital to ensure that it maximises the returns to shareholders as dividends and in capital value, whilst maintaining sufficient equity to ensure the Company can meet its business development objectives and continue as a going concern. The Group only has ordinary shares on issue and is not subject to any externally imposed capital requirements.

Capital is also managed having regard to the Group's long-term growth requirements.

PERFORMANCE RIGHTS

Movements in performance rights	DATE	NUMBER OF PERFORMANCE RIGHTS	ISSUED PRICE $	$'000
Performance rights at beginning of the year				
Issued to staff	23 May 2017	2,072,000	0.875	1,813,000
Balance as at 30 June 2018		**2,072,000**		**1,813,000**
Performance rights at beginning of the year		2,072,000	0.875	1,813,000
Balance as at 30 June 2019		**2,072,000**		**1,813,000**

Performance rights were issued to management and employees of Entertainment Publications entities in May 2017.

NOTE 19 | RESERVES

ACCOUNTING POLICY

SHARE-BASED PAYMENTS

The fair value of unissued ordinary shares granted is recognised as a benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the recipients become unconditionally entitled to the equity based incentive.

Upon the issue of shares, the balance of the share-based payments reserve relating to those right is transferred to share capital.

FOREIGN CURRENCY TRANSLATION

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as a foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

	CONSOLIDATED GROUP		
	SHARE-BASED PAYMENTS RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	TOTAL $'000
Year ended 30 June 2018			
Balance as at 1 July 2017	-	(668)	(668)
Amortised during the period	660	-	660
Movement during the period	-	883	883
Balance as at 30 June 2018	**660**	**215**	**875**
Year ended 30 June 2019			
Balance as at 1 July 2018	660	215	875
Amortised during the period	452	-	452
Unvested during the period	(382)	-	(382)
Movement during the period	-	191	191
Balance as at 30 June 2019	**730**	**406**	**1,136**

The shares issued on 5 April 2018 related to Loan Funded Share arrangements with the CEO and COO/CFO. These shares are subject to various restrictions, as set out further in the Company's Remuneration report. The departure of key personnel to which the Loan Funded Shares relate has and will result in these shares not vesting. The portion of the share-based-payments reserve relating to these shares has been reversed to reflect this.

NOTE 20 | KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the Remuneration report in Section 5 of this Annual Report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the year ended 30 June 2019.

The total remuneration paid to KMP of the Group during the year was as follows:

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Short-term employee benefits	1,835	2,170
Post-employment benefits	164	128
Long-term benefits	300	735
Share-based payments	20	150
Total KMP compensation	**2,319**	**3,183**

NOTE 21 | AUDITOR'S REMUNERATION

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Auditing or reviewing the financial statements	306	306
Taxation services - compliance	57	103
Other services	17	267
Total	**380**	**676**

NOTE 22 | INTERESTS IN SUBSIDIARIES AND BUSINESS COMBINATIONS

The Subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each Subsidiary's principal place of business also reflects its country of incorporation.

		OWNERSHIP INTEREST	
Name of Entity	Principal Place of Business	FY2019 %	FY2018 %
a) Information about Principal Subsidiaries			
Bucqi Australia Pty Ltd	Australia	-	100
Bartercard Group Pty Ltd	Australia	-	100
Bartercard Services Pty Ltd	Australia	-	100
Bartercard Operations UK Ltd	United Kingdom	-	100
Bartercard Operations NZ Ltd	New Zealand	-	100
Bartercard Operations AUS Pty Ltd	Australia	-	100
Bartercard New Zealand GP Ltd	New Zealand	-	100
Bartercard New Zealand LP	New Zealand	-	100
Trade Exchange Software Services Pty Ltd	Australia	-	100
BPS Financial Ltd	Australia	-	100
Tindalls Dream Ltd	New Zealand	-	100
Valeo Corporation Ltd	New Zealand	-	100
Entertainment Publications of Australia Pty Ltd	Australia	100	100
Entertainment Publications Ltd	New Zealand	100	100
Gruden Pty Ltd	Australia	-	100
MobileDEN Pty Ltd	Australia	100	100
Blackglass Pty Ltd	Australia	-	100
b) Information about associated entity			
Now Book It Pty Ltd*	Australia	-	33

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements, using the same accounting policies. There are no significant restrictions over the Group's ability to access or use the assets and settle liabilities of the Group.

*The Group divested 33 per cent interest in Now Book It Pty Ltd for a consideration of $0.6 million during the year, this is part of the plan to move to a single operating division – Entertainment.

C) BUSINESS COMBINATIONS

ACCOUNTING POLICY

BUSINESS COMBINATIONS

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised.

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is re-measured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

ACQUISITION OF GRUDEN

On 14 May 2018, the Group acquired 100 per cent of the equity instruments of three wholly owned subsidiaries of Gruden Group Limited, the subsidiaries are Gruden Pty Ltd, MobileDEN Pty Ltd and Blackglass Pty Ltd, thereby obtaining control.

The acquisition was made to enhance the Group's commitment to becoming Asia Pacific's leading integrated loyalty and payment solutions provider, enabling merchants to attract and engage consumers across multiple platforms.

The fair value of the acquired intangible assets (patented technology and customer relationships) were presented as provisional in the 30 June 2018 financial statements.

During the year ended 30 June 2019, the Group engaged an independent valuer to complete an assessment over the identifiable intangible assets acquired as part of these acquisitions, using industry adopted valuation techniques. Determining the fair value of acquired intangible assets involved developing estimates and assumptions consistent with how market participants would price the identified assets. Where possible, assumptions were based on observable or benchmark data. The intangible assets are presented in note 12.

As a result of the above independent valuation, the fair value of the acquired intangible assets have been restated and are presented in the tables following.

Included in these restated amounts is also an adjustment to remove inter-company loan balances that should not have been disclosed in the original purchase price allocation. We note that these inter-company assets and liabilities fully eliminated on consolidation and therefore were correctly excluded from the consolidated Statement of Financial Position in the prior year.

See note 23 as Gruden Pty Ltd and Blackglass Pty Ltd were divested during the year.

The details of the business combinations were finalised and are presented in the following tables.

	GRUDEN PTY LTD	MOBILEDEN PTY LTD	BLACKGLASS PTY LTD		
	PROVISIONAL FAIR VALUE $'000	PROVISIONAL FAIR VALUE $'000	PROVISIONAL FAIR VALUE $'000	ADJUSTMENTS TO PURCHASE PRICE ALLOCATION $'000	RESTATED FAIR VALUE $'000
Recognised amounts of identifiable net assets					
Property, plant and equipment	80	42	1	-	123
Intangible assets	1,827	2,266	570	(1,859)	2,804
Total non-current assets	**1,907**	**2,308**	**571**	**(1,859)**	**2,927**
Trade and other receivables	1,728	289	457	-	2,474
Cash and cash equivalents	440	495	25	-	960
Assets-intercompany loans	2,908	-	1,920	(4,828)	-
Total current assets	**5,076**	**784**	**2,402**	**(4,828)**	**3,434**
Provisions	35	4	26	-	65
Total non-current liabilities	**35**	**4**	**26**	**-**	**65**
Provisions	468	68	58	-	594
Trade and other payables	2,154	520	678	-	3,352
Liabilities-intercompany loans	1,047	3,781	-	(4,828)	-
Total current liabilities	**3,669**	**4,369**	**736**	**(4,828)**	**3,946**
Identifiable net assets/(liabilities)	**3,279**	**(1,281)**	**2,211**	**(1,859)**	**2,350**

	PROVISIONAL AMOUNT	ADJUSTMENTS TO PROVISIONAL AMOUNT	RESTATED* AMOUNT
Purchase consideration			
Amount settled in cash	250	-	250

Amount settled in shares at fair value	7,750	-	7,750
Total consideration	**8,000**		**8,000**
Goodwill on acquisition	**3,791**	**1,859**	**5,650**
Consideration settled in cash	(250)	-	(250)
Cash and cash equivalents acquired	960	-	960
Net cash inflow on acquisition	**710**		**710**
Acquisition costs charged to expenses	(413)	-	(413)
Net cash received relating to the acquisition	**297**	-	**297**

	GRUDEN PTY LTD $'000	MOBILEDEN PTY LTD $'000	BLACKGLASS PTY LTD $'000
Goodwill acquired	2,954	700	1,996
Written off in FY2018	(2,000)	-	-
Disposed as part of the divestments*	(954)	-	(1,996)
Total	**-**	**700**	**-**

*See note 23.

NOTE 23 | DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

BARTERCARD BUSINESS

On 14 September 2018 the Group announced its intention to exit the Bartercard business. A binding Share Sale Agreement to divest the Bartercard business was signed on 14 September 2018 and the sale transaction closed on 19 November 2018. As such, this business is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The financial performance and cash flow information presented are for the period 1 July 2018 to 18 November 2018.

	FY2019 $'000	FY2018 $'000
Statement of Profit or Loss and other Comprehensive Income		
Revenue	8,887	32,719
Expenses	(8,271)	(71,275)
Profit before income tax	**616**	**(38,556)**
Income tax	-	75
Profit/(loss) after income tax of discontinued operation	**616**	**(38,481)**
Loss on sale of the subsidiary after income tax	(6,196)	-
Loss from discontinued operation	**(5,580)**	**(38,481)**
Exchange differences on translation of discontinued operations	(208)	-
Other comprehensive income from discontinued operations	**(208)**	**-**
Net cash inflow from operating activities	953	448
Net cash (outflow) from investing activities	(1,100)	(2,096)
Net cash inflow/(outflow) from financing activities	273	(104)
Net increase in cash generated by the division	**126**	**(1,752)**

	FY2019 $'000
Cash	2,000
Deferred consideration	2,878
Total disposal consideration	**4,878**
Carrying amount of net assets sold	(11,282)
Loss on sale before income tax and reclassification of foreign currency translation reserve	**(6,404)**
Reclassification of foreign currency translation reserve	208
Income tax expense on loss	-
Loss on sale after income tax	**(6,196)**

There is no 'earn out' clause in the sale agreement. Additional cash consideration of $3.0 million is receivable over three years to November 2021. At the time of the sale the present value of the consideration receivable was determined to be $2.9 million, bringing total disposal consideration to $4.9 million in return for the sale of the share capital of the following subsidiary entities:

- Bartercard Group Pty Ltd
- Trade Exchange Software Services Pty Ltd
- BPS Financial Ltd
- Bucqi Australia Pty Ltd
- Bartercard Operations AUS Pty Ltd
- Bartercard Operations NZ Ltd
- Bartercard Services Pty Ltd
- Bartercard Operations UK Ltd
- Bartercard New Zealand GP Ltd
- Bartercard New Zealand LP
- Tindalls Dream Ltd
- Valeo Corporation Ltd

The carrying amounts of assets and liabilities as at the date of sale (19 November 2018) were:

	19 NOV 2018 $'000
Cash and cash equivalents	1,413
Trade and other receivables	6,294
Inventories	32
Other assets	313
Property, plant and equipment	1,124
Intangible assets	7,031
Total assets	**16,207**
Trade and other payables	3,437
Vendor loans	107
Deferred revenue	335
Provisions	1,046
Total liabilities	**4,925**
Net assets	**11,282**

GOVERNMENT BUSINESS (GRUDEN PTY LTD)

On 19 November 2018 the Group announced its intention to exit the Government business. The business was sold on 13 December 2018 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The financial performance and cash flow information presented is for the period 1 July 2018 to 13 December 2018.

	FY2019 $'000	FY2018* $'000
Revenue	2,773	1,074
Expenses	(3,550)	(3,566)
Loss before income tax	**(777)**	**(2,492)**
Income tax	-	399
Loss after income tax of discontinued operation	**(777)**	**(2,093)**
Loss on sale of the subsidiary after income tax	(1,270)	-
Loss from discontinued operation	**(2,047)**	**(2,093)**
Net cash outflow from operating activities	(489)	186
Net cash outflow from investing activities	(5)	-
Net decrease in cash generated by the division	**(494)**	**186**

*As the business was purchased on 14 May 2018, the comparative financial performance and cash flow information presented is for the period 14 May 2018 to 30 June 2018.

	FY2019 $'000
Details of the sale of the subsidiary	
Cash	1,238
Deferred consideration	411
Total disposal consideration	**1,649**
Carrying amount of net assets sold	(2,919)
Loss on sale before income tax	**(1,270)**
Income tax expense on gain	-
Loss on sale after income tax	**(1,270)**

There is no 'earn out' clause in the sale agreement, additional cash consideration of $0.4 million will be receivable. At the time of the sale the present value of the consideration receivable was determined to be $0.4 million.

The carrying amounts of assets and liabilities as at the date of sale (13 December 2018) were:

	13 DEC 2018 $'000
Cash and cash equivalents	132
Trade and other receivables	3,366
Other assets	9
Intangible assets	2,058
Total assets	**5,565**
Trade and other payables	2,321
Deferred revenue	148
Provisions	177
Total liabilities	**2,646**
Net assets	**2,919**

PERFORMANCE MARKETING BUSINESS (BLACKGLASS PTY LTD)

On 12 April 2019, the Group announced it had entered into a binding agreement to divest the Performance Marketing business. The business was sold on 22 April 2019 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The financial performance and cash flow information presented are for the period 1 July 2018 to 22 April 2019.

	FY2019 $'000	FY2018* $'000
Revenue	2,732	522
Expenses	(3,942)	(460)
Loss before income tax	**(1,210)**	**62**
Income tax	130	-
Loss after income tax of discontinued operation	**(1,080)**	**62**
Loss on sale of the subsidiary after income tax	(1,044)	-
Loss from discontinued operation	**(2,124)**	**62**
Net cash outflow from operating activities	(336)	-
Net cash inflow from investing activities	371	-
Net decrease in cash generated by the division	**35**	**-**

*As the business was purchased on 14 May 2018, the comparative financial performance and cash flow information presented is for the period 14 May 2018 to 30 June 2018.

DETAILS OF THE SALE OF THE SUBSIDIARY

	22 APRIL 2019 $'000
Cash	100
Deferred consideration	200
Total disposal consideration	**300**
Carrying amount of net assets sold	(1,344)
Gain on sale before income tax	**(1,044)**
Income tax expense on gain	-
Gain on sale after income tax	**(1,044)**

There is no 'earn out' clause in the sale agreement, additional cash consideration of $0.2 million will be receivable. No net present value calculation is required as the deferred consideration is payable within a year.

The carrying amounts of assets and liabilities as at the date of sale (22 April 2019) were:

	22 APRIL 2019 $'000
Cash and cash equivalents	60
Trade and other receivables	1,556
Other assets	1
Intangible assets	2,235
Total assets	**3,852**
Trade and other payables	2,479
Provisions	29
Total liabilities	**2,508**
Net assets	**1,344**

CONSOLIDATED DISCONTINUED OPERATION INFORMATION

The total presented for the tables above reconcile to the key financial figures as presented in these financial statements as follows:

	FY2019 $'000
Deferred consideration receivable	
Current	1,101
Interest unlocked	5
Received during the year	(411)
Total current deferred consideration receivable	**695**
Non-current	
Interest unlocked	26
Total non-current deferred consideration receivable	**2,414**
Total deferred consideration receivable	**3,109**

	FY2019 $'000	FY2018 $'000
Loss for the period from discontinued operations		
Bartercard business	(5,580)	(38,556)
Government business	(2,047)	(2,492)
Performance Marketing business	(2,124)	62
Total loss for the period from discontinued operations	**(9,751)**	**(40,986)**

	FY2019 $'000
Year to date cash receipts from the sales of business	
Bartercard business	2,000
Government business	1,563
Performance Marketing business	100
Total cash receipts from the sales of business	**3,663**

	19 NOV 2018 BARTERCARD BUSINESS $'000	13 DEC 2018 GOVERNMENT BUSINESS $'000	22 APR 2019 PERFORMANCE MARKETING BUSINESS $'000	TOTAL $'000
Cash held at date of sale	1,413	132	60	1,605

NOTE 24 | PARENT COMPANY INFORMATION

a) Information relating to IncentiaPay Ltd (the Parent Entity):

	FY2019 $'000	FY2018 $'000
Statement of profit or loss and other comprehensive income		
Total (loss)/profit	(39,638)	(36,262)
Total comprehensive income	**(39,638)**	**(36,262)**
Statement of financial position		
Assets		
Current assets	1,029	305
Non-current assets	28,824	56,711
Total assets	**29,853**	**57,016**
Liabilities		
Current liabilities	7,970	5,712
Non-current liabilities	12,069	3,902
Total liabilities	**20,039**	**9,614**
Equity		
Issued capital	96,006	94,892
Reserves	1,339	403
Retained earnings	(87,531)	(47,893)
Total equity	**9,814**	**47,402**

Details of the contingent assets and liabilities of the Group are contained in note 27. Details of the contractual commitments are contained in note 26.

b) IncentiaPay Ltd, Entertainment Publications of Australia Pty Ltd and MobileDEN Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

Set out below is a consolidated balance sheet as at 30 June 2019 of the parties to the Deed of Cross Guarantee.

	FY2019
Current assets	**$'000**
Cash and cash equivalents	2,532
Deferred consideration	695
Trade and other receivables	2,549
Inventories	23
Other assets	6,605
Total current assets	**12,404**
Non-current assets	
Deferred consideration	2,414
Property, plant and equipment	2,261
Deferred tax assets	2,790
Intangible assets	22,505
Total non-current assets	**29,970**
Total assets	**42,374**
Liabilities	
Current liabilities	
Trade and other payables	5,521
Borrowings	4,635
Deferred revenue	18,189
Provisions	1,779
Total current liabilities	**30,124**
Non-current liabilities	
Trade and other payables	1,863
Provisions	216
Total non-current liabilities	**2,079**
Total liabilities	**32,203**
Net assets	**10,171**
Equity	
Issued capital	96,006
Reserves	1,051
Retained Earnings	(86,886)
Total equity	**10,171**

See note 25 for the Consolidated Statement of Profit or Loss for the year ended 30 June 2019 of the parties to the Deed of Cross Guarantee.

NOTE 25 | SEGMENT INFORMATION

ACCOUNTING POLICY

Reportable segments are identified on the basis of internal reports on the business units of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and assess its performance. Since the divestment of the Bartercard entities, IncentiaPay Ltd manages the Group as one segment, being the Entertainment Publications business.

The Group's segment results include a corporate category reflecting head office operating costs. This does not qualify as an operating segment in its own right.

The Group has not disclosed the results of the discontinued operation within the segment disclosures, because the Group has not separately reviewed the results of this division since the decision to dispose of it. The results of discontinued operations are disclosed in note 23.

REVENUE BY GEOGRAPHIC REGION

Revenue, excluding revenue from discontinued operations, attributable to external customers is disclosed below based on the country in which the revenue is derived and billed.

Year ended 30 June 2019	AUSTRALIA $'000	NEW ZEALAND $'000	TOTAL $'000
Revenue			
Revenue from external customers	59,247	5,325	64,572
Total revenue	**59,247**	**5,325**	**64,572**
Expenses			
Direct expenses of providing services	(39,023)	(2,896)	(41,919)
Employee expenses	(17,669)	(1,472)	(19,141)
Depreciation and amortisation	(1,989)	(26)	(2,015)
Impairments	(14,553)	-	(14,553)
Interest	(346)	-	(346)
Other expenses	(13,404)	(1,161)	(14,565)
Total expenses	**(86,984)**	**(5,555)**	**(92,539)**
Segment profit before tax	**(27,737)**	**(230)**	**(27,967)**
Non-current assets			
Segment non-current assets	**29,970**	**1,051**	**31,021**

Year ended 30 June 2018	AUSTRALIA $'000	NEW ZEALAND $'000	TOTAL $'000
Revenue			
Revenue from external customers	70,491	5,318	75,809
Total revenue	**70,491**	**5,318**	**75,809**
Expenses			
Direct expenses of providing services	(43,068)	(1,904)	(44,972)
Employee expenses	(21,507)	(2,403)	(23,910)
Depreciation and amortisation	(3,960)	(21)	(3,981)
Impairments	(11,929)	-	(11,929)
Interest	(1,101)	-	(1,101)
Other expenses	(12,089)	(1,024)	(13,113)
Total expenses	**(93,654)**	**(5,352)**	**(99,006)**
Segment profit before tax	**(23,163)**	**(34)**	**(23,197)**

Non-current assets			
Segment non-current assets*	**51,547**	**3,430**	**54,977**

*This item only includes Australia and New Zealand non-current assets. United Kingdom and USA non-current assets have been divested.

MAJOR CUSTOMERS

The Group has no major customers with all customers contributing small balances to revenues.

NOTE 26 | CAPITAL AND LEASING COMMITMENTS

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Operating lease commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Not later than 1 year	2,080	3,512
Between 2 and 5 years	3,961	6,954
Later than 5 years	311	1,454
	6,352	**11,920**

NOTE 27 | CONTINGENT LIABILITIES AND CONTINGENT ASSETS

BANK GUARANTEES

The Parent Entity has given bank guarantees as at 30 June 2019 of $1.2 million relating to the lease of the Sydney office space.

NOTE 28 | FINANCIAL RISK MANAGEMENT

ACCOUNTING POLICY

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and leases.

The totals for each category of financial instruments, measured in accordance with AASB 9: Financial Instruments: Recognition and Measurement as detailed in the accounting policies to these financial statements, are as follows:

	CONSOLIDATED GROUP	
	FY2019 $'000	FY2018 $'000
Financial assets		
Cash and cash equivalents	3,460	11,130
Deferred consideration	3,109	-
Trade and other receivables	2,728	9,816
Total financial assets	**9,297**	**20,946**
Financial liabilities		
Trade and other payables	5,941	12,800
Borrowings	4,635	-
Total financial liabilities	**10,576**	**12,800**

FINANCIAL RISK MANAGEMENT POLICIES

Senior management meet on a regular basis to review currency and interest rate exposure and to evaluate treasury management strategies where relevant, in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use credit risk policies and future cash flow requirements.

Maturity analysis	WITHIN 1 YEAR		1 - 5 YEARS		> 5 YEARS		TOTAL	
	FY2019 $'000	FY2018 $'000	FY2019 $'000	FY2018 $'000	FY2019 $'000	FY2018 $'000	FY2019 $'000	FY2018 $'000
Financial assets								
Cash	3,460	11,130	-	-	-	-	3,460	11,130
Deferred consideration	695	-	2,414	-	-	-	3,109	-
Trade debtors	1,915	6,863	-	-	-	-	1,915	6,863
Other receivables	813	2,812	-	141	-	-	813	2,953
Financial liabilities								
Trade and other payables	5,940	11,949	-	851	-	-	5,940	12,800
Borrowings	4,169	-	466	-	-	-	4,635	-
Vendor loan	-	800	-	-	-	-	-	800

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2019	CARRYING VALUE RECEIVABLES	CARRYING VALUE OTHER FINANCIAL LIABILITIES $'000	FAIR VALUE			
			LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets not measured at fair value						
Cash	3,460	-	-	-	-	3,460
Deferred consideration	3,109	-	3,109	-	-	3,109
Trade debtors	1,915	-	-	-	-	1,915
Other receivables	813	-	-	-	-	813
Financial liabilities not measured at fair value						
Trade and other payables	-	5,941	-	-	-	5,941
Borrowings	-	4,635	-	-	-	4,635

30 June 2018	CARRYING VALUE RECEIVABLES	CARRYING VALUE OTHER FINANCIAL LIABILITIES $'000	FAIR VALUE LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets not measured at fair value						
Cash	11,130	-	-	-	-	11,130
Trade debtors	6,863	-	-	-	-	6,863
Other receivables	2,953	-	-	-	-	2,953
Financial assets not measured at fair value						
Trade and other payables	-	12,800	-	-	-	12,800
Vendor loan	-	800	-	-	-	800

RECOGNISED FAIR VALUE MEASUREMENTS

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

VALUATION TECHNIQUES USED TO DETERMINE FAIR VALUES

The fair value of the deferred consideration has been determined based on the present value of the future cash flows, discounted using a 3 year government bond rate.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

SENSITIVITY ANALYSIS

Directors believe that the fair value of financial assets and liabilities are not sensitive to movements in either interest rates or exchange rates having taken into account the relatively stable interest rate market, our interest exposure and the low number of cross border transactions. Refer to the Market Risk information below for further information.

SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk.

MARKET RISK

A. CREDIT RISK

Exposure to credit risk relating to financial assets arises from the potential non-performance by customers of contract obligations that could lead to a financial loss to the Group.

I. RISK MANAGEMENT

Credit risk is managed through the maintenance of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers, ensuring to the extent possible that customers to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 30 days from the invoice date.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentrations of credit risk with any single customer or group of customers. $56.0 million of the revenue in note 2 relates to memberships and gift cards sales, which are cash on delivery, therefore, the Group has no significant credit risk.

II. IMPAIRMENT OF FINANCIAL ASSETS

The Group has trade and other receivables that are subject to the expected credit loss model. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in note 8. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

TRADE AND OTHER RECEIVABLES

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 8 for details.

B. LIQUIDITY RISK

Included in the $4.169 million disclosed in the 2019 borrowings time band 'within 1 year', is the line of credit facility from Suzerain. Subsequent to year end, the terms of the borrowings were revised and this amount is now payable on 30 September 2020. See note 30. Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows.

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from major financial institutions;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

I. FINANCING ARRANGEMENTS

On 9 August 2019 the Group entered into a Loan Deed with Suzerain Investments Holdings Limited (Suzerain) for funding of an additional $15.0 million to support working capital requirements and to restructure the business. The restructure is designed to remove an estimated $10.0 million in operational cost from the business. See note 30.

II. MATURITIES OF FINANCIAL LIABILITIES

Line of credit facility

As at 30 June 2019, the line of credit facility with Suzerain was due to mature on 30 September 2019, however, subsequent to year end, the terms of the facility were adjusted. See note 30.

Lease incentive loan

As part of the lease agreement for the new office in Sydney, the landlord has financed the fitout with a lease incentive loan. The loan carries no interest component. If there is no default, the loan reduces by 20 per cent each year until there is a zero balance owing at the end of the lease. The loan will be payable immediately if the Group fails the contractual obligation.

C. FOREIGN EXCHANGE RISK

The Group is exposed to foreign currency risk on the sale of memberships and other fee income from foreign entities and on the translation of its foreign subsidiaries. Senior management had not hedged foreign currency transactions as at 30 June 2019 as $8.0 million of total revenue is in NZD and the foreign currency fluctuation between AUD and NZD is historically insignificant at 5 per cent during the year. Therefore, foreign exchange risk was considered insignificant. Senior management continue to evaluate this risk on an ongoing basis.

	FY2019 NZD $'000	FY2018 NZD $'000
Trade debtors	218	6,954
Trade payables	(69)	1,454

	PROFIT $'000	EQUITY $'000
Year ended 30 June 2019		
+/- 0.5% in foreign exchange rates	7	74
Year ended 30 June 2018		
+/- 0.5% in foreign exchange rates	17	64

D. INTEREST RATE RISK

The interest rate relating to the borrowing with Suzerain is capitalised with a fixed rate of 10 per cent and is now repayable on 30 September 2020. See note 30.

NOTE 29 | RELATED PARTY TRANSACTIONS

KEY MANAGEMENT PERSONNEL

Any persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity, are considered key management personnel.

Pursuant to its LFS Plan the Company loaned funds to Iain Dunstan and Darius Coveney with respect to the shares issued to them during the prior year. These shares will no longer vest and the associated balance in the share-based payment reserve has been removed during the current financial year ended 30 June 2019.

In addition to the above, as at 30 June 2018, there were 80,000 Performance Rights issued to Heidi Halson, following shareholder approval on 5 April 2018.

During the year certain remuneration entitlements of executive and non-executive directors were paid, upon request of the Directors, to related entities or associates of those Directors.

See note 20 for the value of remuneration related transactions to key management personnel.

OTHER RELATED PARTIES

Other related parties include entities controlled by the Company and entities over which key management personnel have joint control. Amounts disclosed in note 20 includes transactions with associated entities of key management personnel.

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

Transactions between the Company and controlled entities include loans, management fees and interest. These are eliminated on consolidation.

Suzerain Investments Holdings Limited (Suzerain), a related party to Mr Thorpe has provided a $4.0 million line of credit facility to the Group, during the period the Group drew down $4.0 million of the line of credit facility. Subsequent to year end, the terms of the credit facility were amended. See note 30.

NOTE 30 | EVENTS AFTER THE REPORTING PERIOD

On 9 August 2019 the Group entered into a Loan Deed with Suzerain for funding of an additional $15.0 million to support working capital requirements and to restructure the business.
The restructure is designed to remove an estimated $10.0 million in operational cost from the business.

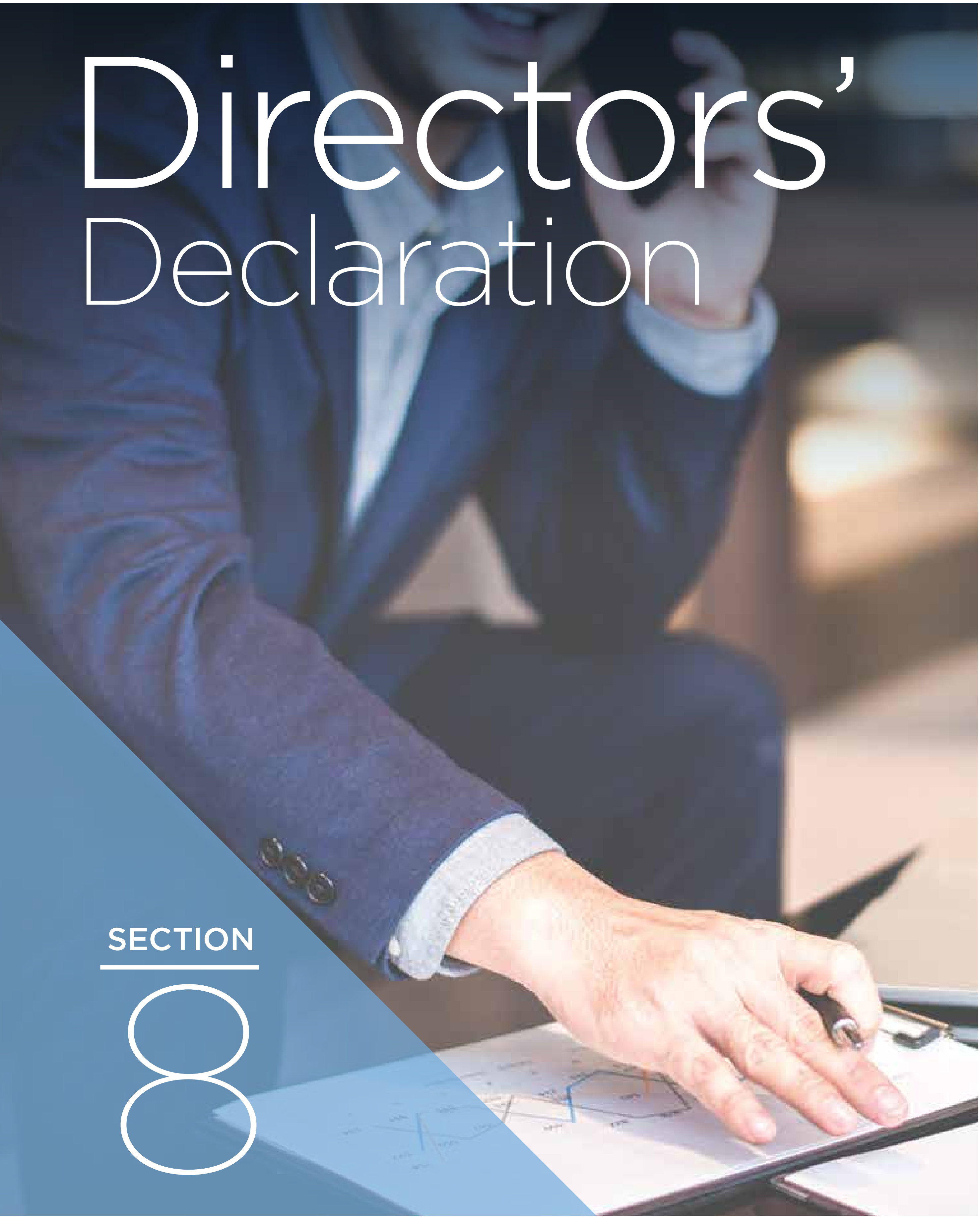
The receipt of the funding will occur in four stages:

- $4.0 million immediately after signing of the deed;
- $5.0 million on agreement of restructure specifics and associated cost;
- $3.0 million subject to shareholder approval of convertible loan security and operational cash flow being within 10 per cent of planned operational cash flow as at 1 December 2019; and
- $3.0 million subject to shareholder approval of convertible loan security and operational cash flow being within 10 per cent of planned operational cash flow as at 1 January 2020.

The loan is to be repaid on 30 September 2020 with interest capitalised at 10 per cent per annum. The Board will seek shareholder approval at the next AGM to enter into a general security deed over the assets of the Group in the form attached to the Loan Deed. The Board will also seek shareholder approval for the loan to be convertible to ordinary shares at the higher of $0.047 per share or 30 days volume weighted average price prior to conversion.

On 22 July 2019, the Board voted to wind up the original Performance Rights Equity Plan and replace it with a new broad-based employee share equity plan. The new plan is yet to be defined or implemented, however the Board has approved the winding up of the program and the associated settlement on the assumption of 40 per cent of all entitlements vesting, equating to 1,550,000 shares.

Directors' Declaration



SECTION

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In accordance with a resolution of the Directors of IncentiaPay Ltd, the Directors of the Company declare that:

The financial statements and notes, as set out on pages 35 to 96, are in accordance with the Corporations Act 2001 and:

a) Comply with Australian Accounting Standards, which, as stated in the notes to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

b) Give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the consolidated Group;

In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and the Directors have been given the declarations required by s295A of the Corporations Act 2001 from the Financial Controller.

Stephen Harris

STEPHEN HARRISON
INTERIM EXECUTIVE CHAIR

IncentiaPay Limited ABN 43 167 603 992
Level 10, 220 George Street, Sydney 2000 NSW
p | +61 2 8256 5300 | e | info@incentiapay.com
www.incentiapay.com

Independent Auditor's Report

SECTION

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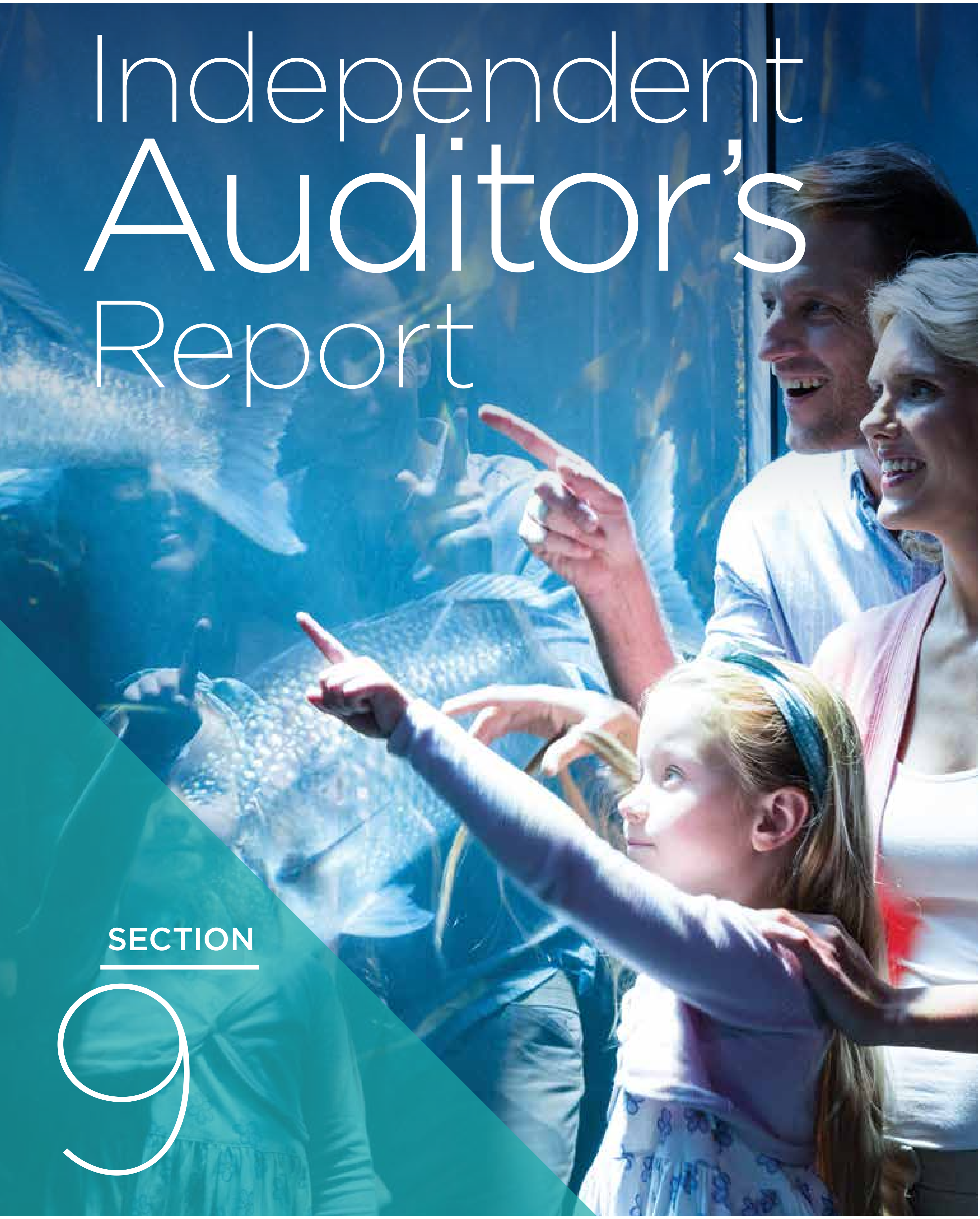

KPMG

Independent Auditor's Report

To the shareholders of IncentiaPay Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of IncentiaPay Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with 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* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Material uncertainty related to going concern

We draw attention to Note 1, "Going Concern" in the Financial Report. The conditions disclosed in Note 1, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. This included:

- Analysing the cash flow projections by:
  - Evaluating the underlying data used to generate the projections for consistency with other information tested by us, and our understanding of the Group's intentions, and past results and practices;
  - Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group's historical results, particularly in light of recent loss making operations, results since year end, and our understanding of the business, industry and economic conditions of the Group;
- Assessing significant non-routine forecast cash inflows and outflows for feasibility, quantum and timing. We used our knowledge of the client, its industry and financial position to assess the level of associated uncertainty;
- Reading correspondence with existing financiers to understand the financing options available to the Group, and assess the level of associated uncertainty resulting from financial loan draw-down conditions and negotiation of additional/revised funding arrangements;
- Evaluating the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements. We specifically focused on the principal matters giving rise to the material uncertainty.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

KPMG

Valuation of Goodwill and other intangible assets ($22.51m)	
Refer to Note 12 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's annual testing of goodwill and other intangible assets for impairment, given the size of the balance (being 49% of total assets). We focussed on the significant forward-looking assumptions the Group applied in their value in use model, including: • forecast operating cash flows – the Group has incurred a loss during the year, as a result of impacts of reductions in membership subscriptions and gift card sales, as well as integration costs associated with acquired businesses and restructuring costs incurred this financial year. These conditions increase the possibility of goodwill and other intangible assets being impaired. Forecast operating cash flows take into account the Groups proposed transformation program, including the strategic reposition of the core operations of the business focussing on long-term sustainability which increases the risk of inaccurate forecasts or a wider range of possible outcomes, for us to consider. • forecast growth rate and terminal growth rate – In addition to the uncertainties described above, the Group's model is highly sensitive to small changes in these assumptions, indicating likely impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy. • discount rate – this is complicated in nature and varies according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time, and the model's approach to incorporating risks into the cash flows or discount rate. The Group's modelling is highly sensitive to small changes in the discount rate.	Working with our valuation specialists, our procedures included: • We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • We, along with our valuation specialists, assessed the integrity of the value in use model used, including the accuracy of the underlying calculation formulas. • We considered the sensitivity of the model by varying key assumptions, such as forecast growth rate, terminal growth rate and discount rate, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. • We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the model. • Working with our valuation specialists, we challenged the Group's significant forecast cash flow and growth assumptions in light of the expected continued downturn in membership subscriptions in the short-term and as a result of the Group's proposed transformation program. We compared key events to the Board approved plan and strategy. We applied increased scepticism to forecasts in the areas where previous forecasts were not achieved. We compared forecast growth rate and terminal growth rate to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, their past

The Group's model used to perform their annual testing of goodwill and other intangible assets for impairment is largely manually developed, uses adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. The Group have not met prior forecasts, raising our concern for reliability of current forecasts. Complex modelling, using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. The carrying amount of the net assets of the Group exceeded the Group's market capitalisation at year end, increasing the possibility of goodwill and other intangible assets being impaired. This further increased our audit effort in this key audit area. In addition to the above, the Group recorded an impairment charge of $14.55m against goodwill, resulting from the reduction in business, increasing the sensitivity of the model to small changes. This further increased our audit effort in this key audit area. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	performance, business and customers, and our industry experience. • We checked the consistency of the growth rate to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the industry/economic environment in which they operate. • Working with our valuation specialists, we analysed the Group's discount rate against publicly available data of a group of comparable entities. • We assessed the difference between the Group's year-end market capitalisation and the carrying amount of the net assets, by comparing the year-end market capitalisation to the Group's enterprise value. • We recalculated the impairment charge against the recorded amount disclosed. • We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in IncentiaPay Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of IncentiaPay Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 24 to 32 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

John Wigglesworth

Partner

Sydney

11 September 2019

ASX Additional Information

SECTION

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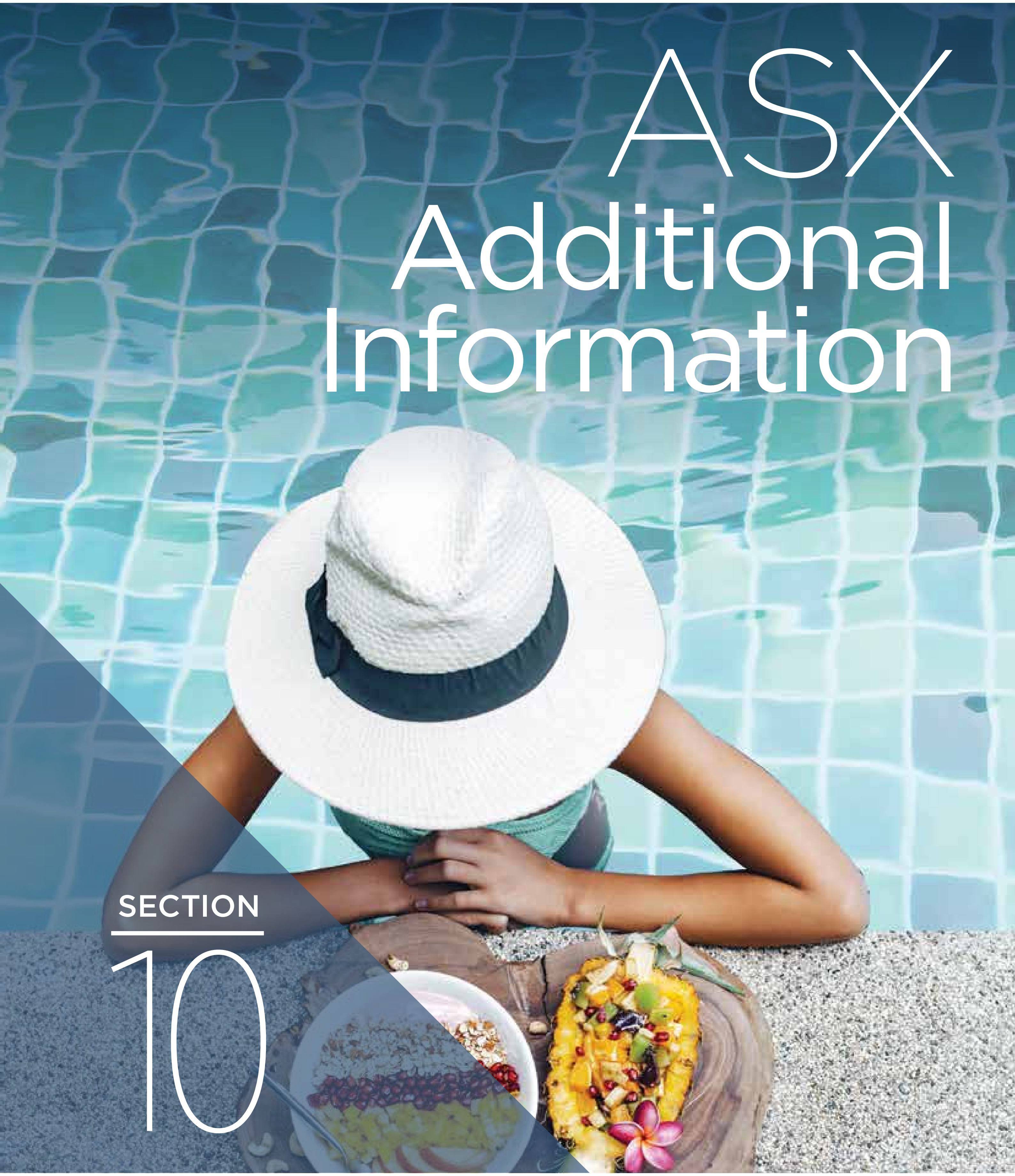

ASX ADDITIONAL INFORMATION

As at 31 August 2019

DISTRIBUTION OF EQUITABLE SECURITIES

ANALYSIS OF THE NUMBER OF EQUITABLE SECURITY HOLDERS BY SIZE OF HOLDING

RANGE	TOTAL HOLDERS	SECURITIES	% ISSUED CAPITAL
1 to 1000	133	30,456	0.01
1001 to 5000	257	767,386	0.32
5001 to 10000	142	1,145,662	0.48
10001 to 50000	384	10,185,198	4.30
50001 to 100000	131	9,667,183	4.09
100001 and over	197	215,098,104	90.80
TOTAL	**1,242**	**236,903,989***	**100.00**

*Excluding Loan Funded Shares in escrow.

UNMARKETABLE PARCELS

The number of security investors holding less than a marketable parcel of 17,858 securities ($0.28 on 30/08/2019) is 642 and they hold 3,477,900 securities.

SUBSTANTIAL HOLDERS

RANK	NAME	CURRENT BALANCE	% ISSUED CAPITAL
1	Suzerain Investments Holdings Ltd	48,475,000	19.98%
2	Citicorp Nominees Pty Limited	39,885,242	16.44%
3	Sinetech Limited	18,500,002	7.63%
4	JP Morgan Nominees Australia Pty Limited	17,062,358	7.03%

TOP 20 HOLDERS OF FULLY PAID ORDINARY SHARES

The names of the twenty largest security holders of quoted equity securities are listed below:

		ORDINARY/FULLY PAID ORDINARY SHARES	
RANK	INVESTOR	CURRENT BALANCE	% ISSUED CAPITAL
1	Suzerain Investments Holdings Ltd	48,475,000	19.98%
2	Citicorp Nominees Pty Limited	39,885,242	16.44%
3	Sinetech Limited	18,500,002	7.63%
4	JP Morgan Nominees Australia Pty Limited	17,062,358	7.03%

5	Everest MB Pty Ltd	7,518,000	3.10%
6	Kootenay Investments Pty Ltd	6,500,000	2.68%
7	BNP Paribas Nominees Pty Ltd	3,387,013	1.40%
8	Iain Dunstan	3,035,714	1.25%
9	Darius Coveney	2,678,571	1.10%
10	Future Land Limited	2,500,000	1.03%
11	Quotidian No2 Pty Ltd	2,250,000	0.93%
12	Yarran Park Pty Ltd	2,170,034	0.89%
13	Ben Johnson	2,139,574	0.88%
14	Mr Lucas Rudolph Jansen Van Vuuren	2,131,667	0.88%
15	Virpaysol Pty Ltd	1,723,685	0.71%
16	Ms Li Zhao	1,572,818	0.65%
17	Sulamerica Investments Pty Ltd	1,465,000	0.60%
18	Mr Jibanath Nepal	1,440,000	0.59%
19	Mr Mark Andrew Wing Young + Ms Noreen Hallion + Mr Paul Simon Hallion	1,297,878	0.53%
20	Ms Meirong Wang	1,285,599	0.53%

VOTING RIGHTS

The Company has 236,903,989 fully paid ordinary shares on issue and 5,714,285 in voluntary escrow. Each ordinary share is entitled to 1 vote when a poll is called, otherwise each member present at a meeting, or by proxy, has 1 vote by a show of hands. There are no other classes of equity securities.

IncentiaPay Corporate Directory

Directors	Mr Stephen Harrison – Interim Executive Chair Mr Jeremy Thorpe – Non-Executive Director Dr Charles Romito – Non-Executive Director Mr Dean Palmer – Non-Executive Director
Company Secretary	Mr Ben Newling
Registered office	Level 5, 68 Harrington Street The Rocks NSW 2000
Principal place of business	Level 5, 68 Harrington Street The Rocks NSW 2000
Share registry	Link Market Services ACN 083 214 537 Level 12, 680 George Street Sydney NSW 2000 +61 2 8280 7100
Auditor	KPMG Level 38, Tower Three, International Towers Sydney 300 Barangaroo Avenue, Sydney, NSW 2000
Legal advisers	Gilbert + Tobin Level 35, Tower Two, International Towers Sydney 200 Barangaroo Avenue Barangaroo NSW 2000
Bankers	Commonwealth Bank of Australia Level 3, 240 Queen Street Brisbane Qld 4000
Stock exchange listing	IncentiaPay Ltd shares are listed on the Australian Securities Exchange (ASX code: INP)
Website	www.incentiapay.com.au

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