2020
ANNUAL REPORT

For the year ended 30 June 2020

incentiapay

IncentiaPay Ltd
ABN 43 167 603 992

ASX-listed IncentiaPay is the owner of The Entertainment Group – and the producer of Australia and New Zealand's Entertainment Membership App and corporate Frequent Values product. Entertainment builds communities where everyone wins, through experiences, savings, philanthropy and the building of businesses. Helping others is at the heart of what we do.

Entertainment is an iconic brand with a 26-year history providing one of the largest portfolios of lifestyle offers and content in the market.

Members: A choice of memberships provide access to thousands of 2-for-1 and up to 50% off offers from almost 9,000 business partners in dining, travel, activities, and retail across almost 20,000 partner locations in Australia, New Zealand, and Bali. Our offers are available across 21 major cities, regional areas, and country towns. Entertainment is about discovering new experiences and creating memories with family and friends all while helping a good cause.

Fundraiser groups: An Entertainment Membership allows savvy consumers to do more of what they value and love every day, while at the same time saving money and helping a good cause. 20 per cent of Membership sales go directly to fundraisers, and since its establishment in 1994, Entertainment has helped more than 15,000 charities large and small, local primary and high schools, sports clubs and community groups reach their fundraising community goals.

Merchant partners: Entertainment drives new business and revenue growth through word of mouth and exclusive marketing programs for contemporary and casual dining merchants, retail outlets, and travel and leisure partners.

Enterprise clients: Entertainment's bespoke dining and leisure benefits product provides organisations and major brands with trusted and well-known loyalty programs, featuring always-on special offers across dining, take away, travel, and wellbeing to help retain existing customers, reduce lapsed customers, and acquire new ones. Over 35 corporate clients including household names such as Zurich, Red Energy, HSBC and Budget Direct provide this offering to their clients.

There are over 100 Entertainment employees working in 13 offices across Australia and New Zealand with headquarters in Sydney.

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Chairman's Introduction

Dear Shareholders,

On behalf of the Board of Directors of IncentiaPay, and as your Chairman, I am pleased to present you with the 2020 Annual Report.

The past financial year has been one of significant business change with the organisation evolving and moving forward in many areas, while at the same time, being forced to manage widespread and unexpected macroeconomic and social disruption.

During FY2019, the Company announced a strategic review of operations and organisational structure, and effected a major Company turnaround strategy. Over the past year, we have made significant progress in our efforts to refocus the business; in our successful search for a new Chief Executive Officer and the subsequent development of our Executive Team; in our implementation of a cost reduction program including a restructure; in our repair and rebuild of the business foundations; and, in managing the repercussions and impact on the business from Covid-19. All of this has been underpinned by support from our major shareholders, specifically, Suzerain Investments Holdings Ltd (Suzerain).

People were key to the implementation and delivery of the turnaround. In August 2019, Dean Palmer was appointed to the Board of Directors, to join myself, Jeremy Thorpe, and Charles Romito. In October 2019, the Board's search resulted in the appointment of Henry Jones as CEO, replacing Interim CEO Darius Coveney who departed at the end of August 2019, and allowed me to step down as Executive Chairman. Henry has subsequently formed an Executive Team whose deep experience and background are outlined in the Leadership Team section of this Annual Report.

At the end of 2019, IncentiaPay completed its restructure as announced at the Annual General Meeting in December, removing $14 million in annualised operating expenditure and closing six regional offices.

The strategic focus for moving forward in 2020 continued to centre on three key pillars. Firstly, the transition of the Entertainment Membership to a 100 per cent digital model. This was achieved as at 1 June 2020 with the iconic Entertainment book ceasing to be sold after 26 years. Secondly, a focus on core membership products. The Company enhanced its core digital product to allow a 12-month membership to commence any time - and introduced three different product options including multi-city and multi-year, which has seen the average revenue per transaction in the 2020 sales season increase by 13 per cent. Thirdly, expansion of distribution beyond the 'not-for-profit' channels. While small merchant pilots did commence, this pillar is being deferred due to the onset of Covid-19.

In March 2020, the business experienced major and obviously unexpected disruption due to the Covid-19 pandemic. While the Company's pre-sales season was successfully launched in February, this came to a halt with substantially lower revenues in March, April, and most of May than the organisation had become accustomed to. As the relaxing of restrictions took place across Australia and New Zealand, the Company began to see some increase in its cash inflows from Entertainment Memberships in June, and the first half of July. However, the second half of July and August saw a subsequent down turn due to Covid-19 restrictions being reinforced.

The ongoing results of the pandemic had widespread impact on the organisation and its employees. While health, wellbeing, and safety of the team were the first priority, with work-from-home arrangements put in place, preserving as many jobs as possible was key. In order to achieve this, and in consultation with employees, the Company utilised a combination of salary reductions for executives, senior management, and the Board. A reduction in the number of days worked for other team members, coupled with the government's JobKeeper payments were also utilised.

Strategic focus during this time was on supporting take-away options from Entertainment Merchants, helping Fundraiser groups to prepare for fundraising in a different environment, and the significant technology transformation that is being undertaken in the coming years. We have remained vigilant in managing austerity measures across the business.

The Company has now refocused its attention on the delivery of its technology transformation, the stengthening of consumer sentiment, and ensuring the business is well placed in a post Covid-19 environment. The Company will continue with its planned focus to support Fundraiser groups and their fundraising inititatives, as well as our Merchant partners.

IncentiaPay would like to acknowledge the continued support of its largest shareholder and creditor, Suzerain, during this difficult time. In February 2020, Suzerain converted $19,300,257 of its debt into 410,643,766 ordinary shares (4.7c per share), leaving approximately $500,000 of secured debt, and between February and May provided a further $9.825 million loan facility for the Company to pursue additional growth over the medium to long term.

In addition, a further $1.2 million facility has been approved, to be drawn down for transformational capital expenditure to be agreed between the Company and the lender, Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund (Skybound) - a related entity of Suzerain. This funding is important for the business' focus and its use of technology to transform and advance the Company in the fintech industry.

The first application of this funding was announced to the market on 3 August 2020 and is a multi-year licensing agreement to partner with Paywith Worldwide Inc. (Paywith) - to combine it's Processing Engine Offers Marketplace and Syndication Platform with our strong content and deep relationships - to deliver new products and further enhance our customer value proposition.

We are most grateful for support from our largest shareholder, who has reinforced its ongoing commitment and belief in the business, the value of its underlying assets, the Company's turnaround strategy and our technology transformation focus.

The Board would also like to acknowledge and thank its employees who have remained dedicated and committed to the organisation throughout a challenging period. In recognition, the Board approved an Employee Gift Plan at the end of June, which will be finalised over the coming months, following which shares will be issued.

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

STEPHEN HARRISON
CHAIRMAN


Optus
9:11 am
OTTO
100%
OTTO
value up to
$60
25% off total bill
25% off the TOTAL BILL
Subject to EPA Rules of Use
Redeem now
Favourites
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46
Bonus
User

CEO's Operating Review

CEO'S OPERATING REVIEW

Looking back over the past financial year, there is much for the team at IncentiaPay to be proud of. The transformation that we commenced executing on at the start of FY2020 is clearly moving us in the right direction, despite complexities and delays introduced by Covid-19.

While there is certainly still a long road ahead of us, we also need to acknowledge the significant progress that has been made in the turnaround of the organisation, the building of our business foundations and the alignment on our longer-term strategy. While our restructure was significant, so was the unwavering commitment of our team to our customers - Members, Fundraiser groups, Merchant partners, and Enterprise clients. I would like to acknowledge the hard work and dedication of our employees whose parallel work efforts on customer service and transformation were simultaneously achieved amidst a pandemic that has significantly impacted our team, sales revenue, and entire network of stakeholders.

As I present my first formal letter as your CEO, there is still much work to be done, but I am pleased with the outcomes of our hard work, and confident that IncentiaPay is far better positioned to capitalise on the opportunities before us.

A SOLID FOUNDATION TO BUILD ON

We have the support and backing of our major shareholders, cash funding and enviable assets. We have a brand with more than 26 years of history, a channel of more than 15,000 Fundraiser groups across Australia and New Zealand selling Entertainment Memberships, a Merchant partner base of almost 9,000 organisations offering goods and services across 20,000 merchant locations, and a Member base of more than 590,000 people (including Entertainment subscriptions, Frequent Values subscriptions and Enterprise clients).

LEVERAGING UNIQUE STAKEHOLDER RELATIONSHIPS

We have a unique relationship between our Fundraiser groups, Merchant partners and Member base. Coupled with our Enterprise clients, it presents us with a competitive advantage that is not easy to replicate. All of our underlying strategic foundations are built with these stakeholders in mind – they underpin the workings of our core business.

MEMBER BASE

- We have a premium and affluent member base
- We have a known renewal rate of 50.2 per cent with Members that redeem 12 or more offers a year

MERCHANT PARTNERS

- We have one of the largest databases of quality Merchant partners in Australia and New Zealand
- Unique coverage across multiple category types including dining, travel, activities, and retail
- Best in class savings that are valid year-round without multiple restrictions, unlike other market players
- Members have access to some of the most exclusive restaurants, wine dinners, and experiences, all at reduced prices

FUNDRAISER GROUPS

- We are strongly anchored in local communities with deep connections across our Fundraiser groups
- We provide a unique yet simple fundraising opportunity for our Fundraisers and their supporters, who in turn, are our Members
- Fundraisers have always been and will continue to be core to our value proposition

ENTERPRISE CLIENTS

- 35+ corporate clients
- Clients across multiple industries including banking, insurance, superannuation, utilities, industry bodies and associations
- Widespread geographic footprint with broad depth and breadth of offers built up over many years, and applicability of interest to a wide end-user member base that is difficult and costly to replicate

FOUR-PHASED APPROACH FOR THE ROAD AHEAD

In December last year at the Annual General Meeting, I defined IncentiaPay's four-phased approach for the transformation. It consisted of the following:

1. TURNAROUND • Cost reduction • Book to digital transition • Focus on core business • New channels	**2. FOUNDATIONS** • Platforms • Product • Team • Operating model
3. STRATEGY • Medium to long-term corporate strategy • Organic growth • Inorganic growth	**4. BRAND** • Awareness & profile • Media relations • Investor relations

TURNAROUND

IncentiaPay was a Company in need of significant restructure, as evidenced by our FY2019 financial results. Substantial progress has been made over the past eight months with our turnaround on track, our commitment to a digital future without the iconic Entertainment book completed, and a 54 per cent reduction in our underlying operating loss from $7.4 million in FY2019 to $3.4 million in FY2020. Underlying operating loss in FY2020 was impacted by the application of AASB 16, an accounting standard that removes operating lease payments off the Profit and Loss Statement and onto the Balance Sheet, and is instead replaced by depreciation and interest which appears outside of EBITDA reporting. The net effect is the removal of $1.9 million to underlying operating loss.

Overall, the cost base going forward was reduced, in particular:

- we reviewed and rationalised branch-based expenditure including early termination of leases where appropriate;
- baseline IT expenditure was reduced as part of an IT infrastructure review;
- we consolidated our payroll systems and moved onto a single payment cycle allowing better cash control; and,
- we implemented tighter controls over expenditure processes including the implementation of a purchase order system.

100 per cent digital

A key decision was also made over the past financial year to transition the Company to a digital-only world. The organisation, which has sold the iconic Entertainment book to its Members for 26 years made a strategic decision that from 1 June 2020, the book would no longer be sold. In addition to cost savings from a logistics and printing perspective, additional benefits also included:

- App members redeeming at higher levels than book members and gaining greater value;
- a full 12-months of validity from the date purchased;
- a more environmentally sustainable delivery mechanism;
- a more user-friendly experience;
- the ability to add new offers at any time and allow members to take advantage of them instantly;
- the ability to share a Membership across multiple devices;
- greater ability to increase member retention;
- better access and connection to our members via electronic communications; and,
- an important step towards our fintech future.

A digital transition campaign was put in place at the end of 2019 to manage the shift of book Members to the App, including free trials to encourage take up. The outcome has been in line with Company expectations, based on general attrition rates, this being the first time a book is not available, and the effects of Covid-19 on the 2020 sales season.

Paramount to the turnaround was returning our attention to the core of the Entertainment business and a focus on our Member base, Merchant partners, Fundraiser groups and Enterprise clients. By better understanding the needs of our audiences and building value propositions to serve them, we will gain far more from these mutually reinforcing relationships. Over the past financial year, there have been a number of high-level initiatives undertaken.

Member base

The Member joining process was revised, with an improved look and feel and a refreshed interface to lessen barriers and move a buyer from consideration to purchase more quickly and easily.

We also launched 12 and 24 month memberships with three new product options and new standard pricing, giving the opportunity to subscribe at any time for a full year of membership from any start date. This change in product pricing has increased the average sale by 13 per cent so far, over an eight-month period.

Also new to the product mix was the opportunity to gift an Entertainment Membership online and instantly deliver it. This was launched in 2019 for Christmas.

Merchant partners

As part of the organisational restructure in October, the travel and leisure department were amalgamated with the Merchant business development team to create a reduced Partnerships team. The team took responsibility for all acquisition, retention, and servicing of content clients across Entertainment memberships, Frequent Values and Enterprise clients, with accounts reallocated due to the decrease in team members.

To facilitate better Merchant servicing with a smaller team and support previous areas that were handled by an in-house production team, the process to automate Merchant onboarding, and manage content changes and additions commenced. This has resulted in the in-house build of a product that can be integrated into other technology systems in the future as needed.

As at the end of June 2020, the seasonal recommit of merchants across Australia and New Zealand saw a 81 per cent retention rate.

Fundraiser groups

We have worked closely with our Fundraiser groups over the past financial year to deliver more value. We launched a new Fundraiser support program, to include education and better training, as well as a digital asset management solution to help store, organise, manage, create, and distribute Fundraiser marketing assets. The software solution allows the organisation to track and analyse the use of digital assets by the Fundraiser groups to better communicate and market to them.

The servicing of Fundraiser groups was also restructured during the past financial year, with smaller Fundraising groups moving to an internal inside sales team, and an external call centre. In response to the need to decrease expenditure due to Covid-19, all accounts were temporarily brought back in-house and reallocated to existing account managers. We continue to use a flexible model that enables us to scale up and down our need for external resourcing.

Enterprise clients

Focus over the past financial year has been on servicing and protecting the existing Enterprise clients. The team have built up long-term relationships with Enterprise clients and work closely to implement health checks and monitor results. Campaigns for Enterprise clients focused on driving activations for the Frequent Values loyalty membership among their customer base, with redemption-based marketing that showcased the value of offers through a scheduled program of client communications and highlighted available and new offers.

This was effective in assisting with activations and renewals as evidenced by a large corporate client reporting a reduction in its lapsed customer rate of over 1.5 per cent, representing a seven-figure cost saving.

While new sales were a secondary focus in FY2020, we continued to field interest, signing a large corporate bank, as well as one of Australia's largest insurance companies.

Website and App enhancements

Several improvements have been made to the Entertainment website and App functionality. Among the most significant for Members included a new website homepage and new online member journey that changed the purchase, activation, and renewal flow, enabled the bulk purchase of online subscriptions, and introduced a membership gifting service. Tagging for revenue source tracking and optimisation purposes along with Google Ad-Words support was also introduced, as was the enablement of promotional codes and back-end redemption tracking for member campaign execution, and a postcode search page to find offers 'near me'.

A number of administration improvements were made to the Fundraiser and Merchant portals of the Entertainment website, including improved functionality to reset forgotten account keys, account numbers and account passwords, and view Fundraiser balances for commission raised.

From an internal perspective, improvements were made to back-end administration portals to improve process efficiency, and benefit from better reporting functionality.

FOUNDATIONS

We worked on defining and implementing the foundations required for an efficient, long-term business to maximise customer focus and take advantage of market opportunities. This included reviewing and redefining our team, structure, platforms, and culture.

Building a high performing team

During the past financial year, we have significantly enhanced our Leadership Team with the following appointments; Ben Newling, our existing GM of Commercial was appointed to the position of Chief Operating Officer (COO), Linda McDonald was appointed as our Chief Customer Experience Officer (CXO), Toby Ellis, our existing GM of Sales was appointed as our Chief Revenue Officer (CRO), and Stacey Hampton remained as our existing General Manager of People (GM People).

Organisational restructure

During the past financial year, IncentiaPay underwent a significant organisational restructure, which saw a decrease in employee numbers. The largest area of restructure was in the Sales Team, as part of the Company's drive for better efficiency and effectiveness. This resulted in the formation of an Inside Sales Team focused on the acquisition and account management of our smaller Fundraiser groups, and in-bound enquiries.

Building platform capability

The two areas in our business where platforms play a significant role in our future are Customer Experience (including Marketing), and Technology. Historically, we have underinvested in building platform capability in both of these areas.

Over the past financial year, we have engaged with our existing and various external providers to implement a transformation plan that going forward, will accelerate and better support the needs of our various stakeholders and help us to access untapped market potential.

Transforming our core with culture

During the past financial year, we commenced the transformation of our corporate culture, with a focus on understanding the Company's mission, and the values and behaviours that we wish to uphold.

The Company cemented and socialised its mission to create connection, a sense of belonging and a clear purpose across all our stakeholders. As a loyalty platform, our purpose is to create communities where everyone benefits, through experiences, savings, philanthropy, and the building of businesses.

We also committed to defining a Company direction that gave purpose to the roles of our employees and forming, "The Entertainment Way", and in so doing, we defined an agreed set of values to work to – Community, Challenge, Courage, and Together. We will come together, challenge ourselves and grow in support of the Entertainment community. This new "Way" is centred on a "One Team" approach in service to our stakeholders.

We have successfully spent the past six months living our new culture, improving communications and information sharing, identifying the best platforms to do so, and providing as much transparency as possible with regards to the decisions that are made.

This has been particularly important from the onset of Covid-19, where we were forced into a work environment that saw us collaborating from afar and unexpectedly changing our short-term strategic focus. Despite challenging times, we have upheld the corporate values and behaviours that were defined, and I am immensely proud of the team.

Impact of Covid-19

At the timing of preparing this Annual Report, the Covid-19 pandemic continues to evolve and change, and the situation differs in Australia by state. As such, the Board and Management continue to monitor the situation and adapt. The virus has impacted the business in its entirety, as well as all its key stakeholders.

Merchant partners have been severely affected with the shutdown of restaurant dine-in, travel restrictions in place and the temporary closure of many leisure activities. As a direct response to the effect of Covid-19, the Company pivoted from a dine-in, to a takeaway focus, launching the #EatAloneTogether campaign in conjunction with the Restaurant & Catering Association of Australia (R&CA) - its purpose to drive immediate offer redemptions and support customer traffic to Merchant partners. We will continue to work with affiliated associations such as R&CA to evolve how we assist our Merchant partners through these challenging times, and evolve campaigns such as these to maintain relevance like the shift from supporting #EatAloneTogether to #TakeAwayTuesdays.

The virus is expected to impact Fundraisers for the remainder of the year who are now unable to raise money as they have traditionally done. With physical events significantly impacted in the foreseeable future, there is a need to find new approaches to engaging with and gaining financial support. Entertainment's new 100 per cent digital platform is a simple, low cost mechanism to aid our Fundraiser Groups in raising those funds.

Commencement of the fundraising season which usually starts in March was delayed by more than three months, as were Entertainment's Fundraiser group launches which pivoted to focus on helping local communities.

With unemployment rates growing, Members are facing economic hardship due to job losses or decreased income. As at the date of this report, renewal rates are lower than in previous years, with the possibility that redemption of offers will also be lower in the coming financial year than in previous periods.

The outcome of this has been financially detrimental to the organisation, delaying the launch of sales season and increasing the Company's requirements for liquidity, and funding. Due to far lower than expected member sales, there was a material impact on revenue between March and August 2020.

STRATEGY

At the end of 2019, IncentiaPay commenced a strategic engagement to review and document the medium to long-term corporate business strategy. As we move through the current turnaround phase and focus on building the business foundations, of equal importance is how we both execute in the short term, and position ourselves well to take advantage of the longer-term opportunities to 2023 and beyond. We have engaged a corporate consulting agency to work with the business to define our approach, and we look forward to working through and sharing these plans with the market in due course.

Corporate governance and risk management

IncentiaPay's Board remain strongly committed to sound corporate governance practices and to managing risk to protect 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.

For more information on our corporate governance, please refer to the corporate governance statement on the IncentiaPay website at www.incentiapay.com. For an outline of business risks, please refer the Business Risks section of this Annual Report.

Looking ahead

Our turnaround is on track. Despite Covid-19 delays, it is still expected to complete towards the end of next financial year. We have made substantial progress on business foundations and will continue to define and refine our overall strategy for FY2023 and beyond.

We are sufficiently capitalised, with Suzerain, our largest shareholder continuing to demonstrate its ongoing confidence and commitment to the business so we can address the significant and untapped market potential we know exists.

We are working on enhanced value propositions for Members, Fundraisers, and Merchants. We intend to improve the current Fundraiser portal, as well as the process by which Fundraiser groups join Entertainment. We will create a more user friendly, automated, quicker, and easier process, that is facilitated by software, and allows these groups to access Fundraiser material needed in a manner we can analyse.

We will partner with our Merchants to continue to drive value and new customers to their businesses, and enhanced insights to assist them in delivering a stronger business outcome.

We will use our existing marketing and automation platform more strategically to target current and future Members with more relevant product offers, communications, and campaigns that deliver even greater performance.

We will utilise our relationships with Enterprise clients in healthcare, telecommunications, and superannuation to target their customer bases fuelling both our acquisition growth strategy and our Enterprise client engagement.

Technology and platforms are key to our current and future success. On 3 August 2020, we announced a strategic partnership with Paywith, an innovative fintech company with a proven track record in building game changing offer syndication, payments, and rewards solutions. This is a key step forward in our transformation strategy, with an impending product suite that is going to transform the rewards and payment industry, and positively impact thousands of not-for-profits, schools and associations.

We look to our technology focused future in the fintech industry. We will leverage data and insights, improve participant experience, build member scale, focus on the breadth and depth of Merchant partner content, and better support Fundraiser groups.

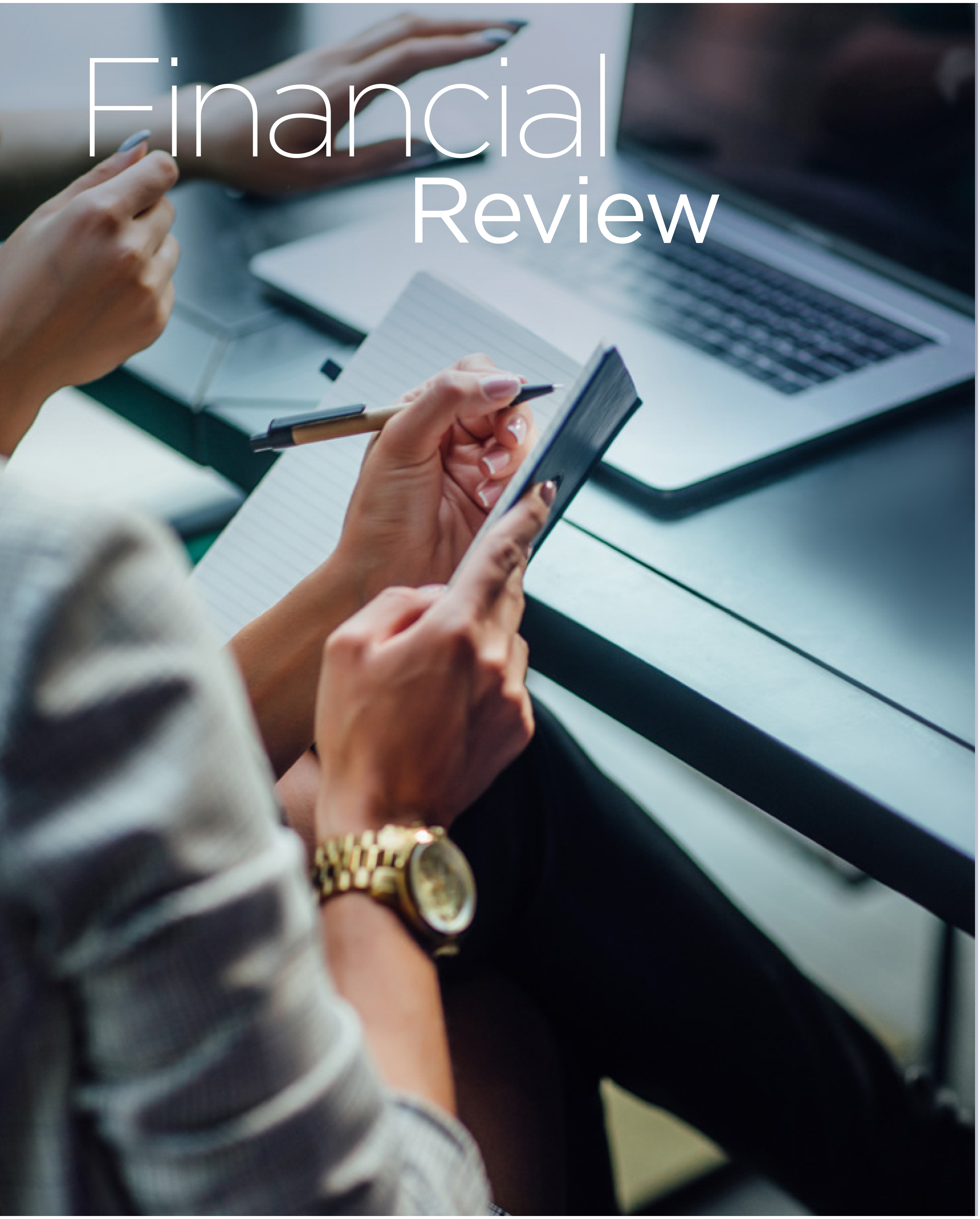
A future that works for everyone

We have strong foundations, a significant opportunity to deliver better value to customers and shareholders and plans to execute. I would like to thank our Members, Fundraisers, Merchant partners and Enterprise clients for their loyalty, use of the platform and for being our most vocal champions. I would like to thank the team at IncentiaPay, including the Board, for their hard work, dedication, sacrifice, and customer focus, in a period that has been extremely challenging.

Finally, thank you to our shareholders for your faith in the longer-term potential of this Company.

HENRY JONES
CHIEF EXECUTIVE OFFICER

Financial Review



FINANCIAL REVIEW

Gross revenue for FY2020 was $42.2 million, underlying EBITDA for FY2020 was a loss of $3.4 million, and negative operating cash flow was $13.8 million. Net loss after tax (NLAT) from ordinary activities was $24.7 million. Australian revenue accounted for $37.6 million, or 89.0 per cent (FY2019: $59.2 million, 91.8 per cent), while New Zealand revenue accounted for $4.6 million, or 11.0 per cent (FY2019: $5.3 million, 8.2 per cent).

GROSS REVENUE

Overall gross revenue for FY2020 was $42.2 million compared to $64.6 million in FY2019. This included $2.5 million, or 0.6 per cent from fee income and paid advertising (2019: $5.4 million), $24.8 million, or 59 per cent from membership sales (2019: $28.6 million), $4.1 million, or 1.0 per cent from Enterprise client sales (2019: $3.3 million) and $10.7 million, or 25.4 per cent from gift card sales (2019: $27.3 million). Government assistance provided during the calendar year was $1.05 million (compared to no government assistance in the previous corresponding period) and consisted of a cash boost of $0.15 million and JobKeeper payments of $0.9 million.

The decrease in revenue was predominantly attributed to a $16.6 million or a 61.0 per cent decline in gift card sales from $27.3 million down to $10.7 million; a $1.2 million or 36 per cent decline in paid advertising and travel from $3.3 million down to $2.1 million; a $3.8 million or 13.0 per cent decline in membership sales from $28.6 million to $24.8 million; and, a $0.8 million increase in Enterprise client revenue from $3.3 million to $4.0 million or a 24.0 per cent increase.

A review of gift card offerings was undertaken midway through FY2019, with a view to only offer gift cards that provided a positive margin and contributed to overall business objectives. The prior year's gift card revenue included those gift cards that were subsequently removed from Entertainment's offering. Furthermore, gift card revenue was severely impacted towards the second half of the year due to Covid-19.

Membership revenue during FY2020 was lower than expected due to a delay in the formal commencement of the 2020 sales season, originally scheduled for February. The launch was rescheduled to June 2020 as a series of virtual events, due to restrictions placed on large gatherings. In prior years, the sales launch was a series of face to face events that spearheaded the seasons Fundraiser group activities.

This disruption led to lower than anticipated activity from the fundraiser channel, and accordingly subdued sales to members. In addition to launch disruption, access to membership benefits has temporarily reduced the appeal of an Entertainment subscription, and uncertainty associated with job security has also driven down demand.

Paid advertising revenue is down on the prior year due to the move away from printed books to digital-only memberships. This reduction was expected given the nature of the change and the popularity of the printed book with both Entertainment Members and Merchants. The Company is repositioning the advertising product offering to capitalise on the digital platform moving forward.

NET LOSS AFTER TAX AND IMPAIRMENTS

Reported net loss after tax (NLAT) from ordinary activities in FY2020 was $24.7 million compared to a net loss after tax from ordinary activities in FY2019 of $37.9 million. The net loss was predominantly attributed to:

- a 35.0 per cent or $22.4 million reduction in underlying revenue;
- transformation and restructure costs incurred to pivot the business from print to digital-only memberships;
- impairment of the deferred consideration from the Bartercard divestment;
- impairment of leasehold improvement assets due to branch closures;
- impairment of Entertainment Digital intangible assets prior to disposal in early July 2020;
- impairment of goodwill given the assessment of the net present value of discounted cash flows associated with the Entertainment cash generating unit; and,
- acceleration of amortisation for technology related intangible assets due to the technology transformation initiative.

Despite a reduction in gross revenue and higher than expected NLAT, the NLAT has reduced from the prior year due to the transition from a printed book to a digital-only Entertainment membership, resulting in reduced production and logistics costs. Furthermore, a restructure of operations and the reduction of employee headcount has successfully removed fixed employee related costs from the business, while the closure of branches reduced property related fixed costs. Additionally, the prior year's NLAT was impacted to a greater extent by impairment adjustments to goodwill.

The Company has also taken active steps in the management of costs due to challenging conditions brought on by reduced revenue and the delayed sales season launch. These included negotiating with property managers for rent relief, employees' salaries reduced by between 10 per cent and 40 per cent, negotiating delayed payments to suppliers and accessing all available support provided by both Federal and State governments, including accessing cash grants and deferment of tax obligations. This will continue into FY2021, thereby accessing all available cost reductions and government support.

TRANSACTION, INTEGRATION AND RESTRUCTURING COSTS

The Company continued with the restructure program which commenced in the second half of FY2019, with the focus to remove ongoing fixed costs from the business. In line with that, the Company incurred restructure costs associated with employee termination and redundancies. Furthermore, the Company continued to review leased office space and terminated two leases early during FY2020.

DISCONTINUED OPERATIONS

As part of the ongoing review of operations of the Company, the Board commenced the disposal of the assets associated with MobileDEN, which was then finalised on 1 July 2020. This transaction did not result in the divestment of any entities, as it was structured around the disposal of associated assets of the MobileDEN platform.

DEBT MANAGEMENT AND BANKING COVENANTS

During FY2020, 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 effects of Covid-19, as well as the focus on rebuilding the core business over the short to medium term.

As announced on 28 February 2020, the Company obtained additional unsecured funding from its major shareholder, Suzerain Investments Holdings Ltd (Suzerain) of $5.8 million to support the business in expediting revenue generating initiatives.

The Company also announced on 4 June 2020, that Suzerain agreed to increase the facility by $4.0 million for working capital and operational requirements. Furthermore, an additional $1.2 million facility was secured for transformational capital expenditure, from Skybound Fidelis Investment Limited as trustee for Skybound Fidelis Credit Fund.

DIVIDENDS

No dividend has been declared in relation to the FY2020 results. The Board of Directors of IncentiaPay do not expect to declare any dividends.

Leadership Team

BOARD OF DIRECTORS

Meet IncentiaPay's Board of Directors – a group of knowledgeable business executives with a track record of growing and building businesses.

STEPHEN HARRISON CHAIRMAN

Stephen has over 30 years of experience in the financial services, funds management, M&A, private equity, and accounting fields - primarily focused on the energy, technology, IT services, infrastructure, financial services, health, entertainment, and natural resource sectors.

He has held Director positions with international fund manager subsidiaries, 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 unlisted and listed companies both in Australia and internationally.

He is currently the Chairman of two other public companies in Australia; NobleOak Life Limited and Conscious Capital 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.

Charles hold an M.Sci (Physics) and a PhD (Innovation Management) from the University of Cambridge.

DEAN PALMER NON-EXECUTIVE DIRECTOR

Dean Palmer is an experienced business professional with more than 20 years of experience across a variety of industries including finance, property, and funds management.

He is the founder and CEO of Skybound Fidelis Investment Limited - a specialist structured finance, commercial credit, and property fund manager. He also serves on the boards of all subsidiary and associate companies within Skybound Australia's diverse range of investments in Australia.

Dean holds a Bachelor of Commerce, Bachelor of Laws and is a member of Chartered Accountants Australia and New Zealand.

EXCECUTIVE TEAM

IncentiaPay has an outstanding leadership team with a deep history in business management, technology, and marketing.

HENRY JONES CHIEF EXECUTIVE OFFICER

Henry Jones has more than 25 years of executive experience, predominantly in the technology sector, having started, stabilised and grown businesses, both regionally and globally. Prior to IncentiaPay, Henry was with IBM where he held senior positions across Australia, New Zealand, and North America. Henry is also active with a number of smaller entrepreneurial ventures, as a mentor and investor.

His role as CEO is key to leading and accelerating the Company's turnaround and building on its existing foundation to set the strategy for future growth.

Henry has an MBA from Harvard Business School, an LLB (Law) and a BA (Economics and Politics) from the University of Melbourne.

BEN NEWLING CHIEF OPERATING OFFICER

Ben Newling has more than 15 years of experience across general management and corporate advisory within investment banking, retail banking, and technology. His executive experience covers equities, capital markets, M&A's, and people management.

His role as COO spans commercial and legal compliance, finance, operations and human resources.

Ben has a Master of Business Administration (MBA) focused in Finance and Financial Management Services from the Macquarie Graduate School of Management.

LINDA MCDONALD CHIEF CUSTOMER EXPERIENCE OFFICER

Linda McDonald has more than 20 years of experience in delivering exceptional results in the retail, FMCG and consumer healthcare industries, having held several senior executive leadership roles in Marketing, Customer experience, eCommerce and Sales.

Her role as CXO is key to driving significant revenue, the creation of a transformation digital program and a clear focus on customer acquisition, retention, and value growth.

Linda has a Bachelor of Commerce (Marketing) from the University of Wollongong and is currently completing her MBA at the Macquarie Graduate School of Management.

TOBY ELLIS CHIEF REVENUE OFFICER

Toby Ellis has more than 20 years of experience in sales and distribution, customer experience, start-up commercialisation, emerging technologies, telecommunications and enabling infrastructure, financial services, and transformation, across Australia and Asia.

His role as CRO is key to driving revenue and growth across all the Company's channels. He is also responsible for Merchant and Partner engagement.

Toby has numerous finance and project management qualifications, including an MBA from the Macquarie Graduate School of Management.

STACEY HAMPTON GM OF PEOPLE

Stacey Hampton has over 18 years of experience managing people and culture across finance and technology companies, with previous roles focused on building a culture of engagement, diversity, and inclusion.

Her role as GM of People is key to leading the Company through transformational change, focusing on employee lifecycle and workforce planning, attraction, selection, performance management, talent identification, leadership, learning and development, and reward and recognition.

Stacey has a Bachelor of Business (Human Resources) and a Graduate Diploma Human Resources and Industrial Relations.


Business
Risks

BUSINESS RISKS

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 recently secured additional funding from its largest shareholder Suzerain Investments Holdings Ltd (Suzerain) to provide it with sufficient working capital for the short term. **IncentiaPay continually manages its cash position and regularly monitors its investments to balance the risk, outlay, and timings.**
MACRO-ECONOMIC UNCERTAINTY DUE TO COVID-19	The Company has seen operating cash inflows decline due to the delay of the sales season, and restrictions affecting dining out and general travel expenditure. This has directly resulted in the Company making the difficult decision to stand down employees and reduce hours, as well as reduce salaries for senior management, executives and the Board. This has had a short-term impact on operational capacity. It has further impacted our working environment, with work from home arrangements put in place to protect the health, safety, and well-being of our employees. **As the Covid-19 pandemic continues to evolve, the Board and Management continue to monitor the situation and adapt, and expenditure continues to be closely monitored and managed based on revenue. The team remains vigilant in managing austerity measures across the business whilst commencing the implementation of transformational initiatives to ensure the business is well placed in a post Covid environment.**
PERSONNEL	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. 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 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. 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.**

RISK	NATURE OF RISK
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.
	IncentiaPay has signed a multi-year Master Services Agreement with Paywith Worldwide to deliver core components of its future technology capability. The Apps and websites will remain the intellectual property of IncentiaPay and continuity of service to Paywith's backend has been protected though a call option, and market standard escrow provisions. In addition, IncentiaPay have a technology team on staff, to ensure the ongoing performance of our systems.
REGULATORY	IncentiaPay is subject to substantial regulatory and legal oversight. The agencies with regulatory oversight of IncentiaPay and its subsidiaries include, among others, the 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.
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.

RISK	NATURE OF RISK
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 and customer experience platform 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

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 2020. The information in the CEO's Operating Review 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)
- Jeremy Thorpe (appointed 16 May 2019)
- Charles Romito (appointed 28 June 2019)
- Dean Palmer (appointed 15 August 2019)

Particulars of each Director's experience and qualifications are set out on pages 28 to 29 of 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

The Company has entered into a deed of indemnity in favour of each Director and Officer of the Company. The indemnity operates so that officers are indemnified on a full indemnity basis and to the full extent permitted by law against liabilities and losses incurred as an officer of the Company.

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 wilful breach of duty in relation to the Company. The insurance is in accordance with section 199B of the Corporations Act 2001 (Cth). In accordance with the terms of the policy, the policy prohibits disclosure of its terms, including the amount of the premium.

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 2020:

	$
Taxation services	79,874
Other services	725
Total	**80,599**

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 41 of the Annual Report.

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, or in certain cases, to the nearest dollar.

MATTERS ARISING AFTER THE END OF THE FINANCIAL YEAR

The impact of the Covid-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries.

There were no other matters arising after the end of the financial year which may significantly affect IncentiaPay's operations, their results in future financial years or the state of affairs in future financial years.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

OPTIONS

There were no options over ordinary shares granted to or vested by directors or other key management personnel as part of compensation during the year ended 30 June 2020. There were no ordinary shares of the Group issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

INFORMATION RELATING TO DIRECTORS AND COMPANY SECRETARY

STEPHEN HARRISON

CHAIRMAN

Board appointment	15 February 2019 as Non-Executive Director 28 June 2019 as Chairman 13 August to 14 October 2019 as Interim Executive Chairman
Interest in shares and options	Nil
Special responsibilities	Member of the Audit and Risk Committee Member of the Nominations and Remuneration Committee
Directorships held in other listed entities during the three years prior to the current year	Sinetech Ltd MEC Resources Limited
Qualifications	Bachelor of Economics, CPA
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

NON-EXECUTIVE DIRECTOR

Board appointment	16 May 2019
Interest in shares and options	Jeremy Thorpe has an indirect interest in 422,386,092 shares. Jeremy Thorpe's family trust is a unit holder in Australia Fintech Pty Ltd ACN 619 156 099 as trustee of the Australian Fintech Trust, and Jeremy Thorpe is an employee of a related entity of Suzerain.
Special responsibilities	Member of the Audit and Risk Committee Member of the Nominations and Remuneration 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, and consumer and business credit.

CHARLES ROMITO
NON-EXECUTIVE DIRECTOR

Board appointment	28 June 2019
Interest in shares and options	Nil
Special responsibilities	Member of the Audit and Risk Committee Chairman of the Nominations and Remuneration 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	Experienced management consultant with an extensive background in VC/PE and management academia. Expertise lies in the intersection of innovation management, growth strategy, and business transformation. Passion for business model innovation, growth, transformation, venturing and new businesses. Worked in VC/PE and been a Lead Syndicate Investor for several private deals. Published academic that has presented at world-leading conferences on innovation management and designed, developed, and delivered postgraduate and executive education to several thousand high-performers from all five continents.

DEAN PALMER
NON-EXECUTIVE DIRECTOR

Board appointment	15 August 2019
Interest in shares and options	Dean Palmer has an indirect interest in 422,386,092 shares. Dean Palmer's family trust is a unit holder in Australia Fintech Pty Ltd ACN 619 156 099 as trustee of the Australian Fintech Trust, and Dean Palmer is an employee of a related entity of Suzerain.
Special responsibilities	Chairman of the Audit and Risk Committee Member of the Nominations and Remuneration Committee
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	Chartered Accountant with more than 20 years of experience. Founder and CEO of Skybound Fidelis Investment Limited - a specialist structured finance, commercial credit, and property fund manager. Has held numerous senior executive roles both in Australia and the UK.

BEN NEWLING

COMPANY SECRETARY

Ben was appointed as the Company Secretary on 11 February 2019. Ben is employed at IncentiaPay as the Chief Operating Officer. 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
Stephen Harrison	15	15	2	2	3	3
Jeremy Thorpe	15	14	2	2	3	3
Charles Romito	15	15	2	2	3	3
Dean Palmer	11	10	2	2	3	3

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

STEPHEN HARRISON

CHAIRMAN

18 September 2020

Remuneration Report

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.

KEY MANAGEMENT PERSONNEL FOR THE YEAR COMPRISED:

NON-EXECUTIVE DIRECTORS AS AT 30 JUNE 2020

NAME	POSITION	DATES
Stephen Harrison	Non-Executive Chairman	Full Financial Year
Jeremy Thorpe	Non-Executive Director	Full Financial Year
Charles Romito	Non-Executive Director	Full Financial Year
Dean Palmer	Non-Executive Director	Appointed 15 August 2019

EXECUTIVES AS AT 30 JUNE 2020

NAME	POSITION	DATES
Henry Jones	CEO	Appointed 14 October 2019
Ben Newling[1]	COO	Full Financial Year
Darius Coveney	Acting CEO	Until 30 August 2019
Heidi Halson	EGM Retail	Until 20 August 2019

1. For the purposes of this report, Ben Newling is a KMP from 30 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.

During the period, the Company had a Performance Rights Equity Plan (PREP) in place. The terms and conditions of the employee incentive plan were originally approved by shareholders on 5 April 2018. The PREP was wound up on 22 July 2019 as most eligible employees had left the business and the Board's intention was to provide a more inclusive incentive plan for management and staff.

The Board has approved an Employee Gift Plan, which will see the Company issue $1,000 of shares to eligible staff under section 83A-35 of the Income Tax Assessment Act 1997. The Board intends to issue theses shares from its placement capacity.

Due to the impacts of Covid-19, the Board of Directors and KMPs temporarily reduced their remuneration by between 30 per cent and 40 per cent.

Further, although not in the period, the Board approved a Loan Funded Share Scheme (LFS) for Henry Jones and Ben Newling on 23 July 2020, and an Employee Share Scheme for other senior executives.

The Board approved Loan Funded Share Scheme is a three year long-term incentive plan for the CEO and COO, which will vest over a three year period. Vesting conditions related to achieving FY2021 Board approved budget, and for the FY2022 and FY2023 financial years, will vest where the share price is greater than $0.10 and $0.15 respectively.

The Board approved Employee Share Scheme for senior management, will result in shares being issued into a trust controlled by the Company. These shares will be subject to the same vesting hurdles as the LFS.

The Board's policy is to review remuneration for KMP annually, based on market practice, duties and accountability. All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed in accordance with Australian Accounting Standards. Independent advice is proactively sought when required, particularly around the employment arrangements of new KMP including long-term incentive plans.

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.

The role, responsibility and charter of the Remuneration Committee was performed by the Board until 5 March 2020 when the Committee was re-constituted with Charles Romito appointed as Chairman of the Committee.

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).

EMPLOYEE GIFT PLAN

On 18 June 2020, the Board resolved to implement an Employee Gift Plan for all eligible employees under section 83A-35 of the Income Tax Assessment Act 1997. The Board accepts, since the onset of Covid-19, many staff have been working reduced hours or are on reduced salaries. Commensurate with this, the Board approved the scheme and all eligible employees will receive $1,000 of shares which will be issued from the Company's placement capacity. Additional information is included in note 31 to the Financial Statements.

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 the achievement of agreed KPIs. The LTI is provided predominantly as exposure to the price performance of ordinary shares of the consolidated entity, and to align management incentives with long-term shareholder value.

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.

LONG-TERM INCENTIVES (LTI)

LTI's are linked to share price performance and are provided to certain key management personnel as part of their remuneration package, at the discretion of the Board. There were no LTI arrangements in place during the period, however, LTI arrangements approved by the Board on 23 July 2020 include vesting arrangements on the achievement of Board approved budget and share price hurdles. The exercise prices are 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 Company's performance and its impact on shareholder wealth for the five years to 30 June 2020:

	FY2020	FY2019	FY2018	FY2017	FY2016
Revenue ($'000)	42,205	64,572[1]	75,809[1]	110,464	50,172
Profit/(loss) for the period before tax ($'000)	(20,945)	(27,367)[1]	(23,197)[1]	11,349	8,134
Dividends paid ($'000)	-	-	2,666	3,877	3,071
Share price as at 30 June	$0.026	$0.045	$0.245	$0.740	$0.952
Change in share price	($0.019)	($0.200)	($0.495)	($0.212)	$0.145

1. Amounts exclude discontinued operations.

7. FULLY PAID ORDINARY SHARES HELD BY KEY MANAGEMENT PERSONNEL

	HELD AT 1 JULY 2019	RECEIVED AS PART OF REMUNERATION	OTHER CHANGES	HELD AT 30 JUNE 2020
DIRECTORS				
Jeremy Thorpe[1]	-	-	36,732,674	36,732,674
Dean Palmer[1]	-	-	36,732,674	36,732,674
EXECUTIVES				
Henry Jones	-	-	2,528,631	2,528,631

1. On 28 May 2020, Australia Fintech Pty Ltd as trustee for the Australia Fintech Trust, purchased 36,732,674 shares from Suzerain Investments Holdings Ltd. Jeremy Thorpe and Dean Palmer are Directors of Australia Fintech Pty Ltd and beneficiaries of the Australia Fintech Trust.

8. LOAN FUNDED SHARES HELD BY KEY MANAGEMENT PERSONNEL

	HELD AT 1 JULY 2019	CHANGE IN KMP STATUS	CLOSING BALANCE
DIRECTORS			
Iain Dunstan[1]	3,035,714	(3,035,714)	-
Darius Coveney[1]	2,678,571	(2,678,571)	-

1. Iain Dunstan left the Company during the year ended 30 June 2019 and Darius Coveney left the Company during the year ended 30 June 2020. The shares will be returned to the consolidated entity and will be held in an Employee Trust. As at 30 June 2020, the shares had not been transferred to the employee trust, however, both individuals no longer qualify as KMP.

9. DETAILS OF REMUNERATION (KMP)

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

2020	SHORT-TERM BENEFITS				POST EMPLOYMENT BENEFITS		LONG-TERM BENEFITS			SHARE BASED PAYMENTS			
	CASH SALARY AND FEES $	NON-MONETARY BENEFITS $	BONUS $	OTHER $	SUPER-ANNU-ATION $	OTHER $	LONG SERVICE LEAVE $	TERMINA-TION BENEFITS $	LONG-TERM INCENTIVE PLAN $	EQUITY SETTLED $	CASH SETTLED $	OTHER (E.G. HYBRIDS) $	TOTAL $
DIRECTORS[9]													
Stephen Harrison[1]	145,156	-	-	-	292	-	-	-	-	-	-	-	145,448
Jeremy Thorpe[6]	74,542	-	-	-	-	-	-	-	-	-	-	-	74,542
Charles Romito[7]	83,220	-	-	-	-	-	-	-	-	-	-	-	83,220
Dean Palmer[2,6]	65,270	-	-	-	-	-	-	-	-	-	-	-	65,270
EXECUTIVES													
Henry Jones[3]	189,750	-	-	-	15,752	-	-	-	-	-	-	-	205,502
Ben Newling[8]	201,831	-	-	-	15,498	-	-	-	-	-	-	-	217,329
Darius Coveney[4]	94,717	3,590	-	-	(68)	-	-	22,256	-	-	-	-	120,495
Heidi Halson[5]	46,835	-	-	-	10,105	-	126,426	189,319	-	-	-	-	372,685

1. Stephen Harrison was appointed as Interim Executive Chairman from 30 August 2019 to 14 October 2019. This amount includes remuneration related to that temporary appointment. Remuneration was paid partly in salary and partly to an associated entity.
2. Appointed as Director on 15/08/2019.
3. Appointed as CEO on 14/10/2019. Henry Jones is employed by IncentiaPay as a permanent full-time employee. For details relating to his notice period required to terminate his contract, and termination payments provided for under the contract, refer to page 39.
4. Terminated on 30/08/2019. Termination benefits include unused annual leave paid on termination.
5. Terminated on 23/08/2019. Termination benefits include unused annual leave, redundancy, and notice period.
6. Directors fees were paid to an associated entity of Jeremy Thorpe and Dean Palmer and a related party of IncentiaPay Ltd.
7. Directors fees were paid to an associated entity of Charles Romito.
8. Remuneration disclosed is for period as KMP. Ben Newling is employed by IncentiaPay as a permanent full-time employee. For details relating to his notice period required to terminate his contract, and termination payments provided for under the contract, refer to page 39.
9. All Directors are Non-Executive Directors other than where noted for an interim period. Directors do not receive performance related compensation and are not provided with retirement benefits, apart from statutory superannuation where applicable.

2019	SHORT-TERM BENEFITS				POST EMPLOYMENT BENEFITS		LONG-TERM BENEFITS			SHARE BASED PAYMENTS			
	CASH SALARY AND FEES	NON-MONETARY BENEFITS	BONUS	OTHER	SUPER-ANNU-ATION	OTHER	LONG SERVICE LEAVE	TERMINA-TION BENEFITS	LONG-TERM INCENTIVE PLAN	EQUITY SETTLED	CASH SETTLED	OTHER (E.G HYBRIDS)	TOTAL
	$	$	$	$	$	$	$	$	$	$	$	$	$
DIRECTORS[6]													
Stephen Harrison[1,5]	26,820	-	-	-	965	-	-	-	-	-	-	-	27,785
Jeremy Thorpe[3]	10,007	-	-	-	-	-	-	-	-	-	-	-	10,007
Charles Romito	-	-	-	-	-	-	-	-	-	-	-	-	-
PREVIOUS DIRECTORS													
Murray d'Almeida[1]	42,975	-	-	-	-	-	-	-	-	-	-	-	42,975
Garth Barrett[1]	12,624	-	-	-	1,199	-	-	-	-	-	-	-	13,823
Chris Berkefeld[1]	138,186	-	-	-	7,947	-	-	-	-	-	-	-	146,133
Naseema Sparks[1]	128,073	-	-	-	8,828	-	-	-	-	-	-	-	136,901
EXECUTIVES													
Iain Dunstan[2,5]	245,343	375	70,832	-	21,740	-	-	28,237	-	(27,933)	-	-	338,594
Darius Coveney[4]	427,582	5,202	148,332	-	77,440	-	-	271,875	-	(24,647)	-	-	905,784
Heidi Halson	325,200	-	17,500	-	27,645	-	-	-	-	72,706	-	-	443,051
Toby Ellis	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.
6. All Directors are Non-Executive Directors other than where noted. Directors do not receive performance related compensation and are not provided with retirement benefits apart from statutory superannuation where applicable.

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

	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
DIRECTORS						
Stephen Harrison	100%	100%	-	-	-	-
Jeremy Thorpe	100%	100%	-	-	-	-
Charles Romito	100%	100%	-	-	-	-
Dean Palmer	100%	N/A	-	-	-	-
PREVIOUS DIRECTORS						
Chris Berkefeld	N/A	100%	-	-	-	-
Murray d'Almeida	N/A	100%	-	-	-	-
Garth Barrett	N/A	100%	-	-	-	-
Naseema Sparks	N/A	100%	-	-	-	-
EXECUTIVES						
Henry Jones	100%	N/A	-	N/A	-	N/A
Iain Dunstan	N/A	87%	N/A	21%	N/A	(8%)
Toby Ellis	N/A	100%	-	-	-	-
Ben Newling	100%	N/A	-	N/A	-	N/A
Darius Coveney	100%	86%	-	17%	-	(3%)
Heidi Halson	100%	80%	-	4%	-	16%

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

	CASH BONUS PAID/PAYABLE		CASH BONUS FORFEITED	
	FY2020	FY2019	FY2020	FY2019
DIRECTORS				
Stephen Harrison	-	-	-	-
Jeremy Thorpe	-	-	-	-
Charles Romito	-	-	-	-
Dean Palmer	-	-	-	-
PREVIOUS DIRECTORS				
Chris Berkefeld	-	-	-	-
Murray d'Almeida	-	-	-	-
Garth Barrett	-	-	-	-
Naseema Sparks	-	-	-	-
EXECUTIVES				
Iain Dunstan	N/A	50%	-	50%
Darius Coveney	-	75%	-	25%
Heidi Halson	-	100%	-	-
Toby Ellis	N/A	-	-	-
Ben Newling	-	N/A	100%	N/A
Henry Jones	-	N/A	100%	N/A

10. 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	Henry Jones
Title	Chief Executive Officer
Agreement commenced	14 October 2019
Term of engagement	Ongoing
Details	**Termination of employment:** • By either party on giving twenty-six (26) 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 and statutory entitlements to accrued leave, the contract does not specify any termination payment. **Equity compensation** • Nil

NAME	Ben Newling
Title	Chief Operating Officer
Agreement commenced	30 August 2019
Term of engagement	Ongoing
Details	**Termination of employment:** • By either party on giving thirteen (13) 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 and statutory entitlements to accrued leave, the contract does not specify any termination payment. **Equity compensation** • Nil

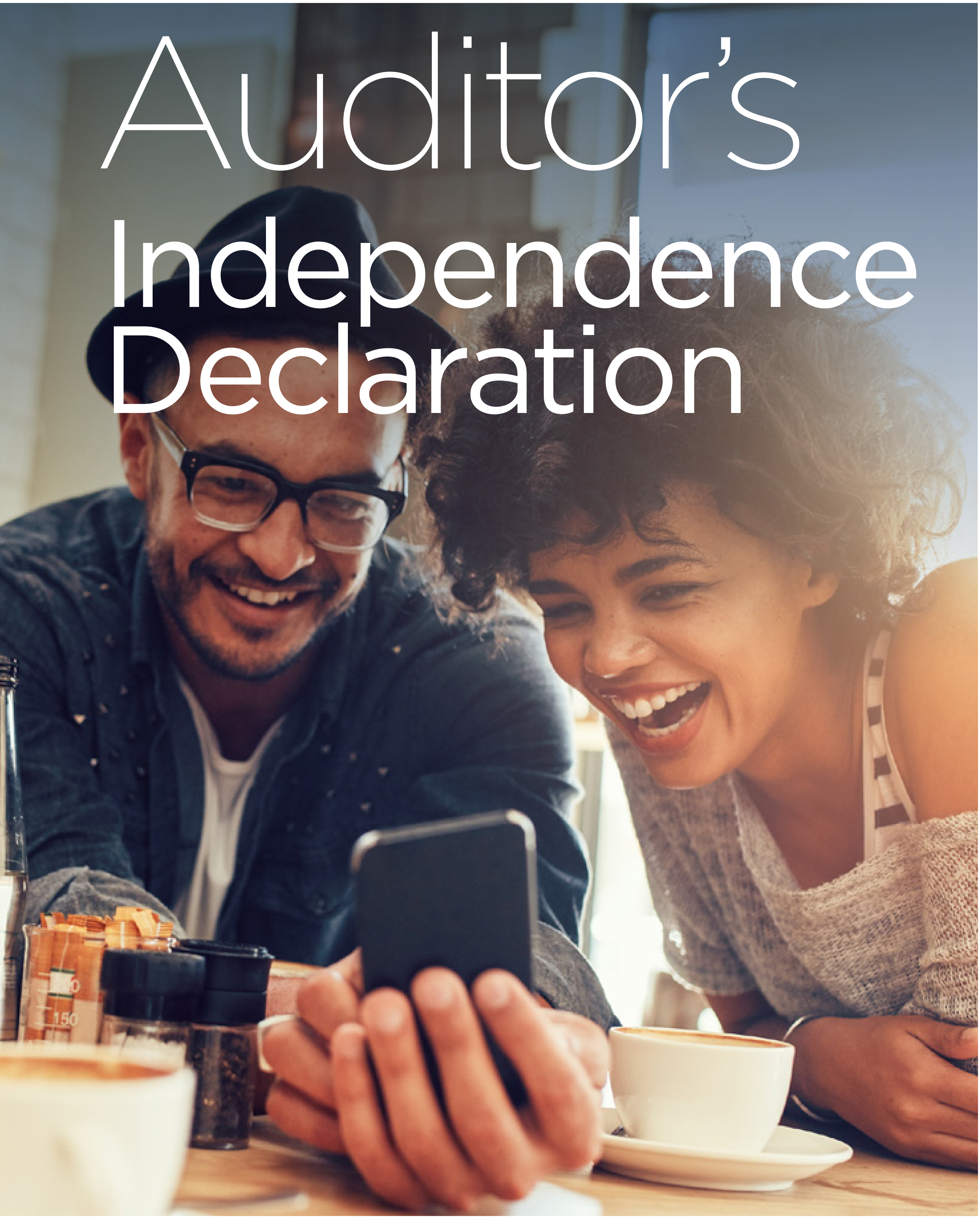
11. REMUNERATION CONSULTANT

IncentiaPay engaged a remuneration consultant in the financial year ended 30 June 2020.

Details of the recommendations made by the remuneration consultant are as follows:

- AON Rewards Solutions
- The consultant provided a benchmarking report in relation to the CEO's remuneration on comparable companies
- The total consideration for this engagement was $6,500 (excl. GST)
- The engagement was undertaken by the Chairman of the Nominations and Remuneration Committee in consultation with the Chairman of the Board
- The Board is satisfied the recommendation was free from influence of KMP, given the selection of firm and the engagement was managed directly through the Nominations and Remuneration Committee

Auditor's Independence Declaration



KPMG

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 2020 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
18 September 2020

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Financial Statements

INCENTIAPAY LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	CONSOLIDATED GROUP FY2020 $'000	CONSOLIDATED GROUP FY2019 $'000
Revenue	2	42,205	64,572
Direct expenses of providing services	3	(23,937)	(41,919)
Impairments	3	(4,990)	(14,553)
Employee expenses	3	(16,980)	(19,141)
Depreciation and amortisation expense	3	(5,466)	(2,015)
Building occupancy expense	3	(279)	(2,943)
Finance costs	3	(1,295)	(346)
Legal and professional costs		(674)	(2,622)
Website and communication		(2,017)	(2,419)
Bad debts	3	(2,810)	(447)
Other expenses		(4,702)	(6,134)
Operating loss before income tax		**(20,945)**	**(27,967)**
Gain on disposal of equity accounted investment		-	600
Loss before income tax		**(20,945)**	**(27,367)**
Tax benefit/(expense)	4(a)	(3,717)	(786)
Loss for the period		**(24,662)**	**(28,153)**
Loss for the period from discontinued operations	24	-	(9,751)
Net profit attributable to:			
Members of the parent entity		**(24,662)**	**(37,904)**
Other comprehensive income			
(Loss)/gain arising from translating foreign controlled entities from continuing operations	20	(29)	399
Transfer of foreign currency translation reserve to loss of discontinued operations	24	-	(208)
Total comprehensive loss for the period		**(24,691)**	**(37,713)**
Loss per share			
Basic loss per share (cents)	5(a)		
Loss from continuing operations		(8.2)	(12.1)
Loss from discontinued operations		-	(4.2)
Total		**(8.2)**	**(16.3)**
Diluted loss per share (cents)	5(a)		
Loss from continuing operations		(8.2)	(12.1)
Loss from discontinued operations		-	(4.2)
Total		**(8.2)**	**(16.3)**

The accompanying notes form part of these financial statements.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

		CONSOLIDATED GROUP	
	NOTE	FY2020 $'000	FY2019 $'000
Current assets			
Cash and cash equivalents	6	5,307	3,460
Deferred consideration	24	-	695
Trade and other receivables	8	992	2,728
Inventories	9	134	96
Other assets	10	2,351	7,853
Total current assets		**8,784**	**14,832**
Non-current assets			
Deferred consideration	24	-	2,414
Right-of-use asset	11	2,781	-
Property, plant and equipment	12	1,327	2,383
Deferred tax assets	4(c)	-	3,717
Intangible assets	13	14,387	22,507
Total non-current assets		**18,495**	**31,021**
Total assets		**27,279**	**45,853**
Current liabilities			
Trade and other payables	14	6,235	5,941
Lease liabilities	15	1,731	-
Borrowings	16	517	4,169
Current tax liabilities	4(d)	186	186
Deferred revenue	17	6,219	21,394
Provisions	18	764	1,833
Total current liabilities		**15,652**	**33,523**
Non-current liabilities			
Lease liabilities	15	2,158	-
Borrowings	16	2,691	466
Deferred revenue	17	350	-
Provisions	18	182	217
Total non-current liabilities		**5,381**	**683**
Total liabilities		**21,033**	**34,206**
Net assets		**6,246**	**11,647**
Equity			
Issued capital	19	116,026	96,006
Reserves	20	377	1,136
Accumulated losses		(110,157)	(85,495)
Total equity		**6,246**	**11,647**

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 2020

	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 of discontinued operations	24	-	-	(208)		(208)
Total comprehensive loss for period		**-**	**(37,904)**	**191**	**-**	**(37,713)**
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the period	19	1,155	-	-	-	1,155
Transaction costs	19	(41)	-	-	-	(41)
Movement during the period	20	-	-	-	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**

INCENTIAPAY LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

The accompanying notes form part of these financial statements.

	NOTE	ORDINARY SHARE CAPITAL $'000	ACCUMULATED LOSSES $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	SHARE BASED PAYMENTS RESERVE $'000	TOTAL $'000
Balance at 1 July 2019		**96,006**	**(85,495)**	**406**	**730**	**11,647**
Comprehensive income						
Loss for the period		-	(24,662)	-	-	(24,662)
Other comprehensive income						
Exchange differences on translation of foreign operations		-	-	(29)	-	(29)
Transfer of foreign currency translation reserve to loss of discontinued operations	24	-	-	-	-	-
Total comprehensive loss for period		**-**	**(24,662)**	**(29)**	**-**	**(24,691)**
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the period	19	20,050	-	-	-	20,050
Transaction costs	19	(30)	-	-	-	(30)
Movement during the period	20	-	-	-	(730)	(730)
Total transactions with owners and other transfers		**20,020**	**-**	**-**	**(730)**	**19,290**
Balance at 30 June 2020		**116,026**	**(110,157)**	**377**	**-**	**6,246**

INCENTIAPAY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

The accompanying notes form part of these financial statements.

		CONSOLIDATED GROUP	
	NOTE	FY2020 $'000	FY2019 $'000
Cash flows from operating activities			
Receipts from customers		33,126	86,175
Payments to suppliers and employees		(47,616)	(99,591)
Government assistance received		677	-
Interest received		25	78
Net cash used in continuing operations	7	**(13,788)**	**(13,338)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(40)	(1,597)
Purchase of intangibles		(169)	(1,878)
Proceeds from sales of businesses	24	155	2,058
Proceeds from sale of unlisted equity investment		-	600
Net cash used in investing activities		**(54)**	**(817)**
Cash flows from financing activities			
Net proceeds from issue of shares	19	-	1,114
Proceeds of loan repaid from external parties		-	800
Repayment of borrowings		-	(4,000)
Proceeds from borrowings		17,585	8,635
Payment of lease liabilities		(1,610)	-
Interest paid		(249)	(221)
Net cash from financing activities		**15,726**	**6,328**
Net increase/(decrease) in cash held		1,884	(7,827)
Cash and cash equivalents at beginning of financial period		3,460	11,508
Effects of movements in exchange rates on cash and cash equivalents held		(37)	(221)
Cash and cash equivalents at the end of the financial period in continuing operations	6	**5,307**	**3,460**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These general-purpose financial statements for the year ended 30 June 2020 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 (IFRS). Consequently, this financial report is compliant with IFRS. 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 audited consolidated financial statements were authorised for issue on 18 September 2020.

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 focused its efforts on transforming the business from a fixed membership period to a 100 per cent rolling digital membership. The digital membership was launched in November 2019 to capitalise on the Christmas season. The formal launch was scheduled for February 2020, however, due to Covid-19 restrictions, was delayed as a virtual launch to June 2020. Membership periods were extended beyond 12 months to acknowledge the impact of limited access to membership benefits and address concerns raised by members. These changes have impacted the timing of expected revenue over the next 12 months by delaying renewals, which has been taken into account in preparing the cash flow projections to assess the outcome of the going concern viability.

At 30 June 2020 the Group had cash on hand of $5.3 million, net assets of $6.2 million and a net current asset deficiency of $6.9 million. During the year ended 30 June 2020, the Group incurred a net loss before tax from continuing operations of $20.9 million, including impairment of $5.0 million, and incurred net cash outflows from operating activities of $13.8 million.

The Directors have prepared cash flow projections for the period from 1 July 2020 to 30 September 2021 that support the ability of the Group to continue as a going concern. Most notable aspects of the cash flow projections include:

- Business transformation centred around technology, to support revenue growth;
- Improved trading conditions on a progressive basis to support merchant accessibility for members in the short to medium term;
- Continued cost cutting through streamlining of activities and processes;
- Continued receipt of government assistance; and,
- Continued support from the Group's major shareholder, Suzerain, through the availability of financing facilities and accommodative repayment terms. This includes an expectation that the Group will defer the repayment of an amount of $500,000 in respect of the interest bearing loan, which is a facility provided by Suzerain and its related entities (all facilities in note 16 collectively referred to as the Suzerain facilities) due to be settled on 30 September 2020, or to capitalise the repayment amount into the existing facilities.

The funding of ongoing operations of the Group is dependent upon the Group continuing to access the Suzerain facilities and/or the Group reducing expenditure in-line with current cash and financing resources. As of 30 June 2020, the Group had undrawn financing facilities from Suzerain totalling $8.3 million. See note 16 for further information. This undrawn amount has reduced to $7.6 million at the date of the approval of this annual financial report.

The Directors have reasonable grounds to believe that the ongoing financial support of Suzerain and its related entities is likely to continue and therefore, the going concern basis on which the financial report has been prepared is appropriate. However, should the Group not meet its cash flow projections, the achievement of which is inherently uncertain and highly sensitive to assumptions made in respect of revenue performance, including not obtaining further financing from Suzerain and its related entities as required, there is a material uncertainty as to whether the Group will be able to continue as a going concern.

In the event the Group is unable to continue as a going concern, the Group may be required to realise assets at an amount different to that recorded in the Statement of Financial Position, settle liabilities other than in the ordinary course of business and make provision for other costs which may arise.

A) IMPACT KEY STATEMENTS OF FINANCIAL POSITION ITEMS AND RELATED DISCLOSURES THAT HAVE BEEN IMPACTED BY COVID-19 WERE AS FOLLOWS:

Covid-19 was declared a world-wide pandemic by the World Health Organisation in March 2020. Covid-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt, and commodity markets. The Group has considered the impact of Covid-19 and other market volatility in preparing its financial statements.

Given the dynamic and evolving nature of Covid-19, limited recent experience of the economic and financial impacts of such a pandemic, and the short duration between the declaration of the pandemic and the preparation of these financial statements, changes to estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

PROCESSES APPLIED

As a consequence of Covid-19 and in preparing these financial statements, management:

- Re-evaluated whether there were any additional areas of judgement or estimation uncertainty beyond what has been disclosed above;
- Updated its economic outlook – principally for the purposes of inputs into its Expected Credit Losses ("ECL") through the application of forward-looking information, but also for the input into the impairment analysis of financial and non-financial asset classes and disclosures such as fair values;
- Reviewed external market communications to identify other Covid-19 related impacts;
- Reviewed public forecasts and experience from previous downturns;
- Conducted several internal processes to ensure consistency in the application of the expected impact of Covid-19 across all asset classes; and,
- Considered the impact of Covid-19 on the Group's financial statement disclosures.

Key Statements of Financial Position items and related disclosures that have been impacted by Covid-19 were as follows:

TRADE AND OTHER RECEIVABLES

The Group has reassessed expected credit losses in light of the current Covid-19 pandemic impacts on customers as at 30 June 2020 and the adjusted loss rate was updated accordingly. See note 8.

PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Given the impact of Covid-19, the Property, plant and equipment and Right-of-use assets were subject to impairment testing which concluded that no material impairment was required.

INTANGIBLE ASSETS

Consistent with the Group's accounting policies, the Group has tested goodwill and indefinite life intangible assets for impairment and has reviewed the carrying value of its finite life intangible assets at the reporting date for indicators of impairment and, where applicable, reviewed the measurement of the carrying value of such intangible assets. Such assessment incorporated a consideration of Covid-19. See note 13.

DEFERRED TAX ASSETS

The Group has reassessed the recognition of deferred tax assets based on a forecast taxable income in light of the current Covid-19 pandemic impacts. See note 4.

B) 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.

C) 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.

D) 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.

E) COMPARATIVE FIGURES

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) Statement of Financial Position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

F) ROUNDING OF AMOUNTS

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

G) NEW AUSTRALIAN ACCOUNTING STANDARDS AND AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period and have not been adopted early by the Group. These amended standards and interpretations are not expected to have a material impact on the Group's consolidated financial statements in the current or future reporting periods:

- Amendments to references to conceptual framework in AASB standards;
- Definition of a business (Amendments to AASB 3); and,
- Definition of material (Amendments to AASB 101 and AASB 108).

H) 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 JUDGEMENTS

Revenue recognition

The Group recognises revenue over time, using a method that reflects the manner in which its obligations are fulfilled. See note 2.

Lease term

The Group assesses whether it is reasonably certain that an extension option will be exercised.

KEY ESTIMATES

Measurement of ECL allowance for trade receivables and contract assets

ECLs are measured at an unbiased, probability-weighted amount, using reasonable and supportable information that is available without undue cost or effort at the reporting date. See note 8.

Deferred tax assets "DTA"

Availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.

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 2020 can be found in note 13.

The Group has re-assessed the useful life of the software intangible asset, largely comprising costs associated with capitalised web development. As a result, amortisation has been accelerated to reflect this, resulting in the asset being fully written down by 31 December 2020. See note 13.

I) CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated and it is presented as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not been applied to comparative information.

DEFINITION OF A LEASE

Previously the Group determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4, determining whether an arrangement contains a lease.

The Group now assesses whether a contract is or contains a lease, based on the criteria outlined in note 11. A contract is, or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into on or after 1 July 2019.

THE GROUP AS A LESSEE

As a lessee, the Group leases various properties and equipment. Rental contracts are made for fixed periods of 2 to 4 years. The Group's leases may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but lease assets may not be used as security for borrowing purposes.

Until 30 June 2019, leases of properties and equipment were classified as operating leases under AASB 117. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payment, less any lease incentives receivable;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and,
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Lease payments made at or before the commencement date less any lease incentive received;
- Initial costs; and,
- Restoration costs.

Right-of-use assets are subsequently measured at cost less any accumulated depreciation and adjustments for remeasurement of the lease liability.

PRACTICAL EXPEDIENTS APPLIED

The Group used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

In particular, the Group:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on previous assessments on whether leases are onerous;
- Adjusted the right-of-use asset by the amount of any provision for onerous leases recognised in the Statement of Financial Position immediately before the date of initial application;
- Excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and,
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

IMPACT ON TRANSITION

On transition to AASB 16, the Group recognised right-of-use assets and lease liabilities. The change in accounting policy impacted the following balance sheet accounts on 1 July 2019:

- Right-of-use assets – increase by $4.3 million
- Lease liabilities – increase by $5.7 million
- Lease incentive loan – decrease by $0.6 million
- Onerous lease provision – decease by $0.6 million

The net impact on retained earnings on 1 July 2019 was nil as the Group applied the simplified transition approach and has not restated comparative amounts.

IMPACT ON EARNINGS

EBITDA increased by approximately $1.9 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

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 business, IncentiaPay Ltd manages the Group as one segment, being the Entertainment business. There is no allocation impact to segment earnings.

ADJUSTMENTS RECOGNISED ON ADOPTION OF AASB 16

On transition to AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.54 per cent.

Lease liabilities recognised in the Statement of Financial Position at the date of initial application:

	1 JULY 2019 $'000
Operating lease commitments disclosed as at 30 June 2019	**6,352**
Discounted using the lessee's incremental borrowing rate at the date of initial application	5,711
Add/(less): recognition exemption for leases with less than 12 months of lease term at transition	-
Add/(less): recognition exemption for leases of low-value assets	-
Add/(less): adjustments as a result of a different treatment of extension and termination options[1]	-
Lease liabilities recognised as at 1 July 2019	**5,711**
Current lease liabilities	**1,723**
Non-current liabilities	**3,988**

1. The Group has not included option extensions in the calculation as it is considered probable that option extensions will not be exercised.

All right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrual lease payments relating to that lease recognised in that balance sheet as at 30 June 2019.

The Group has adjusted the right-of-use asset at the date of initial application by $1.2 million, the amount of provision for onerous lease and lease incentive loan recognised in the Statement of Financial Position immediately at the date of initial application.

EXTENSION OPTIONS

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group is still reviewing its options to renew, as such, extension options are not included in the calculation.

This is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

AMOUNTS RECOGNISED IN PROFIT AND LOSS

	FY2020 $'000
2020 leases under AASB 16	
Interest on lease liabilities	249
Expenses relating to short-term leases	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-
2019 operating leases under AASB 117	
Lease expense	2,943

AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

	FY2020 $'000
Interest on lease liabilities	249
Principal element of lease payments	1,610
Total cash flow for leases	**1,859**

RENT CONCESSION

The Group has applied the practical expedient to all rent concessions that meet the conditions.

Rent concession amounts recognised in profit and loss:

	FY2020 $'000
Rent concession as a negative variable lease payment	99

Rent concession amounts recognised in statement of cash flows:

	FY2020 $'000
Reduced cash outflows	99

NOTE 2 | REVENUE

ACCOUNTING POLICY

REVENUE FROM CONTRACTS WITH CUSTOMERS

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.

In November 2019, Entertainment launched a wholly digital version of the Entertainment membership that incorporates a rolling 12-month subscription period. The subscription period commences when the membership is activated and expires after a period of between 12 to 24 months, depending on the subscription purchased, or longer if extensions have been applied under circumstances. The membership year for the 19/20 edition of the Entertainment book ran from 1 June 2019 to 31 May 2020.

The Group 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. The Group has consistently applied this revenue recognition model to both the 19/20 physical book, which expired on 31 May 2020 and the relaunched rolling digital memberships.

A summary of the revenue recognition by income stream of the Group is as follows:

- Fee income – Paid advertising: 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.
- Fee income – Travel booking: Revenue from commission's receivable for bookings are recognised when the bookings are made, and it is paid for. Members have access to a range of discounts and deals from hotels, airlines and car rental companies through the Group's platform, from which the Group acts as an agent on behalf of the hotels, airlines and car rental companies.
- Fee income - Consulting and media: Revenue relates to rendering of information technology consulting services and it is recognised by reference to the stage of completion of the contract.
- Membership subscriptions: 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 contract 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. A gift with purchase promotion is treated as a reduction in revenue over the life of the subscription.

- Corporate sales: 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.
- Gift card sales: 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.

REVENUE FROM GOVERNMENT GRANTS

Revenue from government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

The Group has made an election to present JobKeeper on a net basis, being set off against the related salary expense.

Cash flow boost assistance received during the period has been presented as revenue.

	CONSOLIDATED GROUP	
	FY2020 $'000	FY20219 $'000
Fee income - Paid advertising and travel booking	2,108	3,274
Fee income - Consulting and media	347	2,097
Membership subscriptions	24,767	28,611
Corporate sales	4,121	3,283
Gift card sales	10,692	27,307
Government assistance	150	-
Revenue from ordinary activities	**42,185**	**64,572**
Interest received	20	-
Total	**42,205**	**64,572**

	NOTE	FY2020 $'000	FY2019 $'000
Contract receivables (included in 'Trade and other receivables')	8	870	2,495
Contract liabilities	17	6,569	21,394

The contract liabilities primarily relate to the advance consideration received from members for subscriptions, for which revenue is recognised over time.

NOTE 3 | EXPENSES

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

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Direct expenses of providing services		
Variable expenses relating to book printing and production	2,503	3,522
Amortisation of printing and production	9,359	9,036
Corporate book printing	584	1,943
Gift cards	10,508	26,706
Other	983	712
Total	**23,937**	**41,919**
Bad debts written off		
Deferred consideration	2,966	-
Other debtors	59	447
Movement in expected credit losses	(215)	-
Total	**2,810**	**447**
Employee expenses		
Employee related expenses	17,889	19,141
JobKeeper payments earned	(909)	-
Total	**16,980**	**19,141**
Building occupancy expense		
Rent	-	2,943
Variable lease expense	279	-
Total	**279**	**2,943**
Finance costs		
Finance costs on borrowings	1,046	346
Interest expense on lease liabilities	249	-
Total	**1,295**	**346**
Depreciation and amortisation expense		
Plant and equipment	521	325
Intangibles	3,299	1,690
Right-of-use assets	1,646	-
Total	**5,466**	**2,015**
Impairments		
Goodwill	3,605	14,553
Intangible assets	1,385	-
Total	**4,990**	**14,553**

DIRECT EXPENSES OF PROVIDING SERVICES

Membership book printing and production expenses includes the amortisation of fundraiser sales commission and prepaid production costs.

Sales commission paid to fundraiser partners for the sale of Entertainment memberships is an incremental cost of obtaining contracts with customers, and is initially recognised as a prepayment on the balance sheet, and subsequently amortised as an expense through the income statement in line with the recognition of revenue from associated membership sales.

BAD DEBTS WRITTEN OFF

Bad debts written off relates to $2.9 million deferred consideration for the sale of a group of previous subsidiaries known as the Bartercard business, (see ASX release 24 December 2019 Settlement of Claim with TCM), and $0.06 million owing from Blackglass Pty Ltd also a previous subsidiary, for deferred consideration held for working capital adjustments.

The Board has determined that these balances will not be recoverable.

EMPLOYEE EXPENSES

Employee related expenses include all costs associated with human resources and is offset by JobKeeper payments earned as part of the Covid-19 government assistance package.

The Group has elected to present JobKeeper payments on a net basis, with the income being set off against the related salary expense.

IMPAIRMENT OF INTANGIBLE ASSETS

See note 13.

DEPRECIATION AND AMORTISATION EXPENSE

The Group has re-assessed the useful life of the software intangible asset, largely comprising costs associated with capitalised web development. As a result of the strategic transformation within the business during the financial year, the Group has determined that the period over which the written down value will be consumed will be shorter than previously estimated. Amortisation has been accelerated to reflect this, resulting in the asset being fully written down by 31 December 2020.

The Group has adopted AASB 16, thereby recognising a right-of-use asset on the balance sheet using the modified retrospective approach from 1 July 2019 and has not restated comparatives for the prior reporting period. See note 1(i).

BUILDING OCCUPANCY EXPENSE

Due to the adoption of AASB 16, rent payments are included in the measurement of the lease liabilities and variable lease payments not included in the measurement of the lease liabilities. See note 1(i).

FINANCE COSTS ON BORROWINGS

The increase in finance costs on borrowings is predominately due to the accrual of interest on the additional borrowings from Suzerain. See note 16. The adoption of AASB 16 also resulted in the recognition of interest expense on lease liabilities. See note 1(i).

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.

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.

In the current circumstances, the Group's projections of future taxable profits may be affected by:

- Changes in forecasted cash flows – e.g. decrease in memberships, the costs of incentives to stimulate membership sales and decreases in costs due to savings initiatives. Cash flows may also be negatively affected by the dynamic and evolving nature of Covid-19 and the impact it has on the macro economic climate;
- Changes as a result of the Group's operational strategies; and,
- Government support measures in response to Covid-19.

TAX CONSOLIDATION GROUP

IncentiaPay (the head entity) and its wholly owned Australian subsidiaries implemented the tax consolidation legislation.

On adoption of the tax consolidation legislation, the entities in the tax consolidated Group entered into a tax sharing and funding agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned subsidiaries in the case of a default by the head entity.

This agreement provides that the wholly-owned subsidiaries will continue to fully compensate IncentiaPay for any current tax payable assumed and be compensated by IncentiaPay for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to IncentiaPay under the tax consolidation legislation.

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
a) The components of income tax expense comprise		
Current tax	-	-
Deferred tax	3,717	786
Income tax expense	**3,717**	**786**
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(20,945)	(27,367)
Loss from discontinuing operation before income tax expense	-	(9,881)
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to income tax as follows		
Prima facie tax payable (benefit) on profit from ordinary activities before income tax at domestic statutory rate of 30% (2019: 30%)	(6,284)	(11,174)
Add/(less) tax effect of		
Permanent differences	641	9,288
Temporary differences	(410)	-
Unrecognised tax losses	6,053	2,672
Derecognised deferred tax assets	3,717	-
Income tax expense	**3,717**	**786**

No income tax benefit was recognised. This income tax benefit 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.

	CONSOLIDATED GROUP				
c) Deferred tax	OPENING BALANCE $'000	CHARGED TO INCOME $'000	DIVESTMENT $'000	DERECOGNISED DEFERRED TAX ASSETS $'000	TOTAL $'000
Deferred tax assets					
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**
Provisions	742	-	-	(742)	-
Employee benefits	666	-	-	(666)	-
Intangibles	(1,846)	-	-	1,846	-
Other	4,155	-	-	(4,155)	-
Balance as at 30 June 2020	**3,717**	**-**	**-**	**(3,717)**	**-**

The Group has estimated unutilised tax losses of $40.3 million. These losses, along with other deductible temporary differences, have resulted in potential deferred tax assets for the Group of approximately $2.3 million, calculated using the prevailing rate of Australian corporation tax of 30 per cent for the Group.

After considering the above, the Group has determined that these deferred tax assets will no longer be recognised as it is uncertain whether future taxable profits in the short term will be sufficient to utilise the losses. The Group is part way through its transformation plan which will provide a platform to deliver growth and stability when restrictions are lifted post Covid-19. Current projections indicate a gradual return to profitability, however, given the levels of uncertainty it may not be sufficient for the purposes of reporting.

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
d) Current tax		
Income tax payable	**186**	**186**

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

NOTE 5 | DIVIDENDS, EARNINGS PER SHARE AND FRANKING CREDIT

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Franking account		
Balance of franking account at year end adjusted for franking credits arising from:	6,493	6,493
Payments of income tax	-	-
Franking credits available for subsequent financial year	**6,493**	**6,493**

The Directors have advised that they do not intend to declare dividends for the 2020 financial year. The ability to utilise the franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation, IncentiaPay Ltd as the head entity in the tax consolidated Group has also assumed the benefit of $6.4 million (2019: $6.4 million) franking credits.

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
a) Reconciliation of earnings to profit or loss		
Loss for the period from continuing operations	(24,662)	(28,153)
Loss for the period from discontinued operations	-	(9,751)
Earnings used to calculate basic EPS	**(24,662)**	**(37,904)**
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	302,134,914	233,011,438
Weighted average of dilutive convertible notes and equity instruments outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	**302,134,914**	**233,011,438**

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	
	FY2020 $'000	FY2019 $'000
Cash at bank and on hand	5,304	3,457
Short-term bank deposits	3	3
Total cash and cash equivalents	**5,307**	**3,460**
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	5,307	3,460
Total cash and cash equivalents	**5,307**	**3,460**

NOTE 7 | CASH FLOW INFORMATION

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Reconciliation of loss after income tax to net cash flow from operations		
Loss after income tax	(24,662)	(37,904)
Non-cash flows in loss		
Amortisation	3,299	1,690
Loss on disposal of discontinued operations	-	7,326
Loss on disposal of leasehold improvements	690	-
Depreciation - property, plant and equipment	521	325
Depreciation - right-of-use	1,646	-
Impairment of intangibles in continuing operations	4,990	14,553
Sale of unlisted equity investment	-	(600)
Share based payment unwound	(730)	(70)
Net interest paid including investing	1,295	(346)
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries		
Decrease in trade receivables	4,867	8,081
Decrease in prepayments	5,502	4,329
(Increase)/decrease in inventories	(38)	254
Decrease in deferred taxes receivable	3,717	1,059
Increase/(decrease) in trade payables and accruals	1,044	(6,860)
Decrease in deferred income	(14,825)	(606)
Increase in income taxes payable	-	18
Decrease in provisions	(1,104)	(4,725)
Cash flow used in operating activities	**(13,788)**	**(13,338)**

RECONCILIATION OF LIABILITIES ARISING FROM CASH FLOWS FROM FINANCING ACTIVITIES

	INTEREST BEARING LOAN $'000	ADDITIONAL GROWTH OPERATIONAL FACILITY $'000	LEASE LIABILITIES $'000	LEASE INCENTIVE LOAN $'000
Balance as at 1 July 2019	**4,029**	**-**	**-**	**606**
Initial recognition of lease liabilities[1]	-	-	5,711	-
Drawn down	15,000	2,585	-	-
Rent concessions or deferred rents	-	-	(212)	-
Repayment or amortised	-	-	(1,610)	-
Interest paid	-	-	(249)	-
Interest expenses	788	71	249	-
Line fees	-	35	-	-
Loan converted to equity	(19,300)	-	-	-
AASB 16 adjustment[2]	-	-	-	(606)
Balance as at 30 June 2020	**517**	**2,691**	**3,889**	**-**

1. The draw down of lease liabilities relate to the initial application of AASB 16, it is a non-cash entry and there is no cash flow impact. See note 1(i).
2. As part of the initial application of AASB 16, the lease incentive loan was offset against the right-of-use assets at the date of initial application. These transactions are non-cash. See note 1(i).

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	
	FY2020 $'000	FY2019 $'000
Current		
Trade receivables	870	2,495
Provision for loss allowance	(241)	(580)
Net trade receivables	**629**	**1,915**
Other receivables	363	813
Total current trade and other receivables	**992**	**2,728**

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

	OPENING BALANCE 1 JULY 19 $'000	RECLASSIFIED AS HELD FOR SALE FOR YEAR $'000	LOSS ALLOWANCE ADJUSTMENT FOR YEAR $'000	AMOUNTS WRITTEN OFF $'000	CLOSING BALANCE 30 JUNE 20 $'000
Current trade receivables	(580)	-	215	124	(241)
Total	**(580)**	**-**	**215**	**124**	**(241)**

	OPENING BALANCE 1 JULY 18 $'000	RECLASSIFIED AS HELD FOR SALE FOR YEAR $'000	LOSS ALLOWANCE ADJUSTMENT FOR 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)**

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 amounts that are recoverable, which are not written off or provided against. The remainder of receivables, after credit losses, are 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 of 30 June. Due to the severe economic impacts of the Covid-19 outbreak, the Group reviewed the expected credit loss allowance and determined that the adjusted loss rate for trade debtors past due over 60 days should be 100 per cent.

On that basis, the expected credit loss allowance as at 30 June 2020 was determined as follows for trade receivables:

REPORT CATEGORY	DAYS	ADJUSTED LOSS RATE %	RECEIVABLES BALANCE AS AT 30 JUNE 2020 $'000	LOSS ALLOWANCE AS AT 30 JUNE 2020 $'000
Current	0-30	16	641	101
Past due 1-30	31-60	31	101	31
Past due 31-60	61-90	14	22	3
Past due 61-90	91-120	100	9	9
Past due over 90	121-150	100	7	7
Greater than over 90 days overdue	Greater than 150	100	90	90
		Total	**870**	**241**

The expected credit loss allowance as at 30 June 2019 was determined as follows for trade receivables:

REPORT CATEGORY	DAYS	ADJUSTED LOSS RATE %	RECEIVABLES BALANCE AS AT 30 JUNE 2019 $'000	LOSS ALLOWANCE AS 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 over 90	121-150	49	103	51
Greater than over 90 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. The class of assets described as “trade and other receivables” are 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. Securities in the form of personal guarantees from Directors, or registered mortgages are regularly taken to support customer trading activities.

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Gross amount	870	2,495
Impaired (past due)	(241)	(580)
Total	**629**	**1,915**
Within initial trade terms	540	1,231
Past due not impaired - 30 days	70	254
60 days	19	221
90 days	-	20
90 days +	-	189
Total	**629**	**1,915**

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 is as follows:

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Australia	565	1,856
New Zealand	64	59
Total	**629**	**1,915**

NOTE 9 | INVENTORIES

ACCOUNTING POLICY

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

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Gift cards held for sale	134	96
Total inventories	**134**	**96**

NOTE 10 | OTHER ASSETS

ACCOUNTING POLICY

Other assets relate to prepaid fundraiser commission incurred as a result of 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	
	FY2020 $'000	FY2019 $'000
Current		
Short-term investments	1,018	391
Prepayments	337	198
Production prepayments	996	7,264
Total other assets	**2,351**	**7,853**

	PRODUCTION PREPAYMENT $'000
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**
Year ended 30 June 2020	
Balance as at 1 July 2019	7,264
Prepayments	3,091
Amortisation	(9,359)
Balance as at 30 June 2020	**996**

NOTE 11 | RIGHT-OF-USE ASSETS

ACCOUNTING POLICY

Right-of-use assets relate to leased property that do not meet the definition of investment property and are presented as property, plant and equipment.

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability (see note 1(i) and note 15);
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial costs; and,
- Restoration costs.

Right-of-use assets are subsequently measured at cost less any accumulated depreciation and adjustments for remeasurement of the lease liability.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group has determined that it will not be exercising the options to renew, as such, extension options are not included in the calculation.

DEPRECIATION OF RIGHT-OF-USE ASSETS

The right-of-use asset is depreciated over the shorter of the asset's life and the lease term on a straight-line basis.

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Land and buildings		
At cost	4,068	-
Accumulated depreciation	(1,510)	-
Total	**2,558**	**-**
Equipment		
At cost	359	-
Accumulated depreciation	(136)	-
Total	**223**	**-**
Total right-of-use assets	**2,781**	**-**

MOVEMENTS IN CARRYING AMOUNTS

Movements in the carrying amounts for each class of right-of-use assets between the beginning and the end of the current financial year are set out below.

	CONSOLIDATED GROUP		
	LAND AND BUILDINGS $'000	EQUIPMENT $'000	TOTAL $'000
Balance as at 1 July 2019	-	-	-
Initial recognition of right-of-use assets	**4,068**	**259**	**4,327**
Additions to right-of-use assets	-	100	100
Depreciation charge for the year	(1,510)	(136)	(1,646)
Balance as at 30 June 2020	**2,558**	**223**	**2,781**

NOTE 12 | 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 the 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 more than 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 OF PLANT AND EQUIPMENT

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.

Estimated useful life for each class of depreciable assets are:

CLASS OF FIXED ASSET	ESTIMATED USEFUL LIFE
Leasehold improvements	2-4 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.

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Plant and equipment		
At cost	821	806
Accumulated depreciation	(579)	(490)
Total	**242**	**316**
Leasehold improvements		
At cost	2,090	2,970
Accumulated depreciation	(1,005)	(903)
Total	**1,085**	**2,067**
Total property, plant and equipment	**1,327**	**2,383**

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 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)
Depreciation expense	(123)	(202)	-	(325)
Balance as at 30 June 2019	**316**	**2,067**	**-**	**2,383**
Balance as at 1 July 2019	316	2,067	-	2,383
Additions	16	135	-	151
Disposals	-	(686)	-	(686)
Depreciation expense	(90)	(431)	-	(521)
Balance as at 30 June 2020	**242**	**1,085**	**-**	**1,327**

CONTRACTUAL COMMITMENTS

The parent entity did not enter into any contractual commitments for the acquisition of property, plant or equipment during FY2020 or FY2019.

NOTE 13 | 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 cash-generating units or groups of cash-generating units, ("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 2 to 3 years (FY2019: 4-5 years).

During the period, the Group re-assessed the expected economic useful life of its software intangible assets and revised their expected useful lives to between 2-3 years (previously between 4-5 years). The reassessment was a result of the strategic transformation within the business, detailed further in notation 3 in the table on page 78. These changes have been applied with effect from 1 July 2019 and have resulted in an increase in amortisation expense for the year ended 30 June 2020 of $1.4 million.

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 cash-generating unit.

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 cash-generating unit 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	
	FY2020 $'000	FY2019 $'000
Goodwill		
Cost	31,199	31,199
Accumulated impairment losses	(21,108)	(17,503)
Total	**10,091**	**13,696**
Technology and software		
Cost	9,296	9,127
Accumulated amortisation and impairment losses	(8,000)	(4,068)
Total	**1,296**	**5,059**
Purchased brand names and international rights		
Cost	3,000	3,000
Accumulated impairment losses	-	-
Total	**3,000**	**3,000**
Other intangibles		
Cost	752	752
Accumulated amortisation	(752)	-
Total	**-**	**752**
Total intangibles	**14,387**	**22,507**

	CONSOLIDATED GROUP				
	GOODWILL RESTATED $'000	TECHNOLOGY & SOFTWARE RESTATED $'000	BRAND NAME & INTERNATIONAL RIGHTS $'000	OTHER INTANGIBLES RESTATED $'000	TOTAL $'000
Balance as at 1 July 2018	**29,341**	**14,588**	**3,659**	**1,692**	**49,280**
Measurement period adjustment[1]	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]	(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**
Balance as at 1 July 2019	13,696	5,059	3,000	752	22,507
Additions	-	169	-	-	169
Disposals	-	-	-	-	-
Amortisation charge[3]	-	(3,299)	-	-	(3,299)
Impairment[4,5]	(3,605)	(633)	-	(752)	(4,990)
Balance as at 30 June 2020	**10,091**	**1,296**	**3,000**	**-**	**14,387**

1. Adjustments to purchase price allocation in FY2019. Refer to Annual Report 2019 note 22(c) for details.
2. See note 24.
3. The Group have re-assessed the useful life of the software intangible asset, largely comprising costs associated with capitalised web development. As a result of the strategic transformation within the business, the Group has entered into an agreement to move to a new platform that will result in new products and higher value propositions for customers. The Group has determined that the period over which the written down value of the existing platform will be shorter than previously estimated. Amortisation has been accelerated to reflect this, resulting in the asset being fully written down by 31 December 2020.
4. As a result of the Group's decision to seek expressions of interest with respect to Entertainment Digital business assets, it has been assessed that the assets will not produce any future economic benefits to the Group, as such, the assets have been impaired to reflect an estimate of their fair value less costs of disposal. This has resulted in impairment of $633,000 during the financial year.
5. As at 30 June 2020 the estimated recoverable amounts determined using the method outlined below were found to be less than the carrying value of the net assets of the cash-generating unit and accordingly, an impairment adjustment on goodwill was required.

Current market conditions brought on by Covid-19, in addition to uncertainty associated with the change in the Group's business model, has triggered an assessment whether the carrying value of the Groups' goodwill and other non-current assets may be impaired.

The recoverable amount of the cash-generating unit is 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 cash-generating units 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 2020

2021 - 2025	GROWTH RATES 2021 - 2025	GROWTH RATES 2025 ONWARD	DISCOUNT RATE/WEIGHTED AVERAGE COST OF CAPITAL
Entertainment Publications	2.5% - 5%	2%	11%

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%

Cash flows used in the value-in-use calculations are based on forecasts produced by management. The growth rates are based on a proposed strategic repositioning of the core operations of the business focusing on long-term sustainability. Forecasts for 2021 consider the increased level of market volatility and uncertainty caused by Covid-19 and the business transformation currently in progress. The Directors consider these forecasts to reflect the best estimates of revenue based on facts and circumstances available as at 30 June 2020. Given the nature of the uncertainty associated with the underlying assumptions, any changes over the coming months not factored in the cash flow forecasts may result in material changes to the assumptions.

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

- Forecast revenue and expenditure taking into account the impacts of Covid-19 for the first half of the forecast year, and based on the continued progress of the technology transformation which is anticipated to be completed in the first half of the financial year; and,
- The discount rate of 11 per cent (post tax).

As at 30 June 2020 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 cash-generating unit and accordingly, an impairment adjustment was required.

Following the impairment loss recognised in the Group's cash-generating unit, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

NOTE 14 | 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 payables are amounts not expected to be settled within the next 12 months.

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Current		
Unsecured liabilities		
Trade payables	2,359	2,172
Other payables and accruals	3,553	3,769
Litigation claim payables[1]	323	-
Total current unsecured liabilities	**6,235**	**5,941**

1. Litigation claim payables relate to various settlement fees incurred during the business restructure process.

NOTE 15 | LEASES

ACCOUNTING POLICY

Lease liabilities are measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payment, less any lease incentives receivable;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and,
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate of 5.54 per cent, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial costs; and,
- Restoration costs.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Current		
Lease liabilities	1,731	-
Total current lease liabilities	**1,731**	**-**
Non-current		
Lease liabilities	2,158	-
Total non-current lease liabilities	**2,158**	-
Total lease liabilities	**3,889**	**-**

The Group has adopted AASB 16 using the modified retrospective approach from 1 July 2019 and has not restated comparatives for the prior reporting period. See note 1(i).

	CONSOLIDATED GROUP
	LEASE LIABILITIES $'000
Balance as at 1 July 2019	**-**
Initial recognition of lease liabilities	5,711
Interest charges	249
Repayments (including interest)	(1,859)
Rent concessions or deferred rents	(212)
Balance as at 30 June 2020	**3,889**

NOTE 16 | 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	
	FY2020 $'000	FY2019 $'000
Current		
Lease incentive loan	-	140
Interest bearing loan	517	4,029
Total current borrowings	**517**	**4,169**
Non-current		
Lease incentive loan	-	466
Additional growth capital facility	2,691	-
Total non-current borrowings	**2,691**	**466**
Total borrowings	**3,208**	**4,635**

	INTEREST BEARING LOAN $'000	ADDITIONAL GROWTH OPERATIONAL FACILITY $'000	TRANSFORMATIONAL CAPITAL FACILITY $'000
Facility limit	500	9,825	1,200
Unused facility	-	7,134	1,200
Interest rate (fixed)	10% per annum	10% per annum	12.5% per annum
Line fees	N/A	$9,708 per month	$2,000 per month
Maturity date	30/09/2020	31/12/2021	18 months from the date of the first draw down
Security	Security over all the Group's present and future property	Subject to shareholders' approval	Subject to shareholders' approval
Drawn down as at 1 July 2019	**4,029**	**-**	**-**
Drawn down	15,000	2,585	-
Interest expenses	788	71	-
Line fees	-	35	-
Loan converted to equity	(19,300)	-	-
Drawn down as at 30 June 2020	**517**	**2,691**	**-**

INTEREST BEARING LOAN

On 9 August 2019 the Group entered into a loan deed with Suzerain for total funding of $19.0 million to support working capital requirements and to restructure the business.

The loan was to be repaid on 30 September 2020 with interest capitalised at 10 per cent per annum. During the AGM, resolutions were passed to enter into a General Security Deed over the assets of the Group in the form attached to the Convertible Loan Deed and 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.

Accordingly, $19.3 million including accrued interest of the convertible loan was converted to equity with the issuance of 410,643,766 ordinary shares (4.7 cents per share) in the Company. This will leave $500,000 of the convertible loan in which Suzerain had the option to convert up until 30 June 2020. The option lapsed as the loan was not converted at 30 June 2020 and will remain as a secured interest-bearing loan repayable by 30 September 2020.

ADDITIONAL GROWTH OPERATIONAL FACILITY

The Group entered into a new Loan Deed with Suzerain on 27 February 2020 for the provision of a $5.83 million facility (including associated borrowing costs). Subsequently, Suzerain has agreed to increase the facility limit of the original loan by $4.0 million to $9.825 million. This facility is unsecured with the view to obtaining shareholder approval for security over the assets of the Group at the Company's next Annual General Meeting, anticipated to be held in November 2020.

TRANSFORMATIONAL CAPITAL FACILITY

Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund (Skybound) (a related entity of Suzerain) agreed to provide the Group with a $1.2 million facility for the transformational capital expenditures to be agreed between the Group and Skybound. As at 30 June 2020 this loan facility had not been drawn down.

LEASE INCENTIVE LOAN

As part of the initial application of AASB 16, the lease incentive loan was offset against the right-of-use assets at the date of initial application. See note 1(i).

NOTE 17 | 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	
	FY2020 $'000	FY2019 $'000
Deferred revenue	6,219	21,394
Total current deferred revenue	**6,219**	**21,394**
Deferred revenue	350	-
Total non-current deferred revenue	**350**	**-**
Total deferred revenue	**6,569**	**21,394**

	DEFERRED REVENUE $'000
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**
Year ended 30 June 2020	
Balance as at 1 July 2019	21,394
Revenue deferred	14,768
Revenue recognised	(29,593)
Balance as at 30 June 2020	**6,569**

The contract liabilities primarily relate to cash receipts from membership sales, for which revenue is recognised over time. The reduction in contract liabilities is predominantly due to the impact of the Covid-19 pandemic, which resulted in the planned launch events for the new digital product to be postponed from numerous physical events in February 2020 to virtual events in June 2020. The launch events were earmarked as a key strategic tool to engage fundraisers and use as a launchpad for the new digital membership. The change in membership also changed the timing of when cash was collected as books could be sold ahead of when the membership period commenced, whereas rolling digital memberships were only purchased when books expired, being 31 May 2020.

NOTE 18 | 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 government 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 benefits

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 decisions made by the Board to streamline the operations of the business in 2019, certain leases became surplus to requirements. For those locations, the Group vacated the premises and attempted to sublease the space. Those leases were determined to be onerous at the time the Group vacated the premises, and the provision was calculated based on the present value of contracted obligations net of expected rental income.

As part of the initial application of AASB 16, the onerous lease provision was offset against the right-of-use assets at the date of initial application. See note 1(i).

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 2017, a provision was raised for $4.5 million, being for employee entitlements and occupancy costs. The Company spent $1.9 million of this provision during the six-month period ended 30 June 2018 and the remaining balance of $2.6 million was spent during the second half of financial year 2019.

MAKE GOOD PROVISION

The Group is required to restore the leased premises of its offices to their satisfactory condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required for the restoration. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

	CONSOLIDATED GROUP				
	EMPLOYEE BENEFITS $'000	RESTRUCTURING PROVISION $'000	ONEROUS LEASES PROVISION $'000	MAKE GOOD PROVISION $'000	TOTAL $'000
Year ended 30 June 2019					
Balance as at 1 July 2018	4,174	2,600	-	-	6,774
Released	-	(2,600)	-	-	(2,600)
(Released)/additional provisions	(1,506)	-	635	-	(871)
Reclassified as held for sale	(1,253)	-	-	-	(1,253)
Balance as at 30 June 2019	**1,415**	**-**	**635**	**-**	**2,050**
Year ended 30 June 2020					
Balance as at 1 July 2019	1,415	-	635	-	2,050
(Utilised)[1]/(transferred)[2]/ additional provisions[3]	(597)	-	(635)	128	(1,104)
Balance as at 30 June 2020	**818**	**-**	**-**	**128**	**946**

1. The release of employee benefits on departure of employees leaving the Group and the net movement of accruing and utilising employee benefits.
2. The Group has applied the AASB 16 transition exemption to adjust the right-of-use asset by the amount previously recognised as an onerous lease provision. See note 1(i).
3. Make good provision for occupied premises was raised in the current period. The amount includes interest of $18,000.

ANALYSIS OF TOTAL PROVISIONS

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Current		
Employee benefits	764	1,198
Onerous leases provision	-	635
Total current provisions	**764**	**1,833**
Non-current		
Make good provision	128	-
Employee benefits	54	217
Total non-current provisions	**182**	**217**
Total provisions	**946**	**2,050**

NOTE 19 | ISSUED CAPITAL

	CONSOLIDATED GROUP			
	FY2020 SHARES	FY2019 SHARES	FY2020 $'000	FY2019 $'000
Ordinary shares - fully paid on issue	**655,940,612**	**242,618,274**	**116,026**	**96,006**
INP 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		228,193,274		94,892
Issues during the year	28 February 2019	14,425,000	0.08	1,155
	Less, costs of issues	-	-	(41)
Balance as at 30 June 2019		**242,618,274**		**96,006**
Ordinary shares at beginning of the year		242,618,274		96,006
Issues during the year	1 November 2019[1]	2,678,572	0.28	750
	28 February 2020[2]	410,643,766	0.05	19,300
	Less, costs of issues	-	-	(30)
Balance as at 30 June 2020		**655,940,612**		**116,026**

1. Issued as final consideration for the acquisition of businesses of the Gruden group.

2. See note 16.

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

	NUMBER OF PERFORMANCE RIGHTS	ISSUED PRICE $	$'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 at beginning of the year	2,072,000		1,813,000
EP PREP wind up	(2,072,000)	0.875	(1,813,000)
Balance as at 30 June 2020	**-**		**-**

Performance rights were issued to management and employees of Entertainment Publications entities in May 2017. 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's roll out commenced in August 2020.

NOTE 20 | 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 rights are 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 2019			
Balance as at 1 July 2018	660	215	875
Amortised during the period	452	-	452
Unvested during the period[1]	(382)	-	(382)
Movement during the period	-	191	191
Balance as at 30 June 2019	**730**	**406**	**1,136**
Year ended 30 June 2020			
Balance as at 1 July 2019	**730**	**406**	**1,136**
Unvested during the period[2]	(730)	-	(730)
Movement during the period	-	(29)	(29)
Balance as at 30 June 2020	**-**	**377**	**377**

1. 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.
2. Performance rights were issued to management and employees of Entertainment Publications entities in May 2017. The Board, on 22 July 2019, 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's roll out commenced in August 2020. The share based payment reserve relating to these Performance rights has been reversed to reflect this.

NOTE 21 | KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the Remuneration 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 2020.

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

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Short-term employee benefits	904	1,835
Post-employment benefits	42	164
Long-term benefits	338	300
Share based payments	-	20
Total KMP compensation	**1,284**	**2,319**

NOTE 22 | AUDITOR'S REMUNERATION

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Auditing or reviewing the financial statements	294	306
Taxation services - compliance	81	57
Other services	1	17
Total	**376**	**380**

NOTE 23 | 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 HELD BY THE GROUP	
Name of entity	Principal place of business	FY2020 %	FY2019 %
a) Information about principal subsidiaries			
Entertainment Publications of Australia Pty Ltd	Australia	100	100
Entertainment Publications Ltd	New Zealand	100	100
Entertainment Digital Pty Ltd (previously MobileDEN Pty Ltd)	Australia	100	100
Entertainment Trus Co Pty Ltd[1]	Australia	100	-

1. The Employee Share Plan trust ("ESP") was established on 24 April 2020 to provide benefits to current employees, Directors and contractors ("the Beneficiaries"). No shares are currently held by the ESP.

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.

NOTE 24 | DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

2020 FINANCIAL YEAR

There were no discontinued operations during the 2020 financial year. During the financial year, the Group received $0.15 million from the sale of the performance marketing business still owing at 30 June 2019 and presented in deferred consideration.

2019 FINANCIAL YEAR

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 previous period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out overleaf.

The financial performance and cash flow information presented are for the period 1 July 2018 to 19 November 2018.

FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

	FY2020 $'000	FY2019 $'000
Revenue	-	8,887
Expenses	-	(8,271)
Profit before income tax	**-**	**616**
Income tax	-	-
Profit after income tax of discontinued operation	**-**	**616**
Loss on sale of the subsidiary after income tax	-	(6,196)
Loss from discontinued operation	**-**	**(5,580)**
Exchange differences on translation of discontinued operations	-	(208)
Other comprehensive income from discontinued operations	**-**	**(208)**
Net cash inflow from operating activities	-	953
Net cash outflow from investing activities	-	(1,100)
Net cash inflow from financing activities	-	273
Net increase in cash generated by the division	**-**	**126**

DETAILS OF THE SALE OF THE SUBSIDIARY

	FY2020 $'000	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 was 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 DIVISION (GRUDEN PTY LTD)

On 19 November 2018, the Group announced its intention to exit the Government division. The business was sold on 13 December 2018 and is reported in the previous 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.

FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

	FY2020 $'000	FY2019 $'000
Revenue	-	2,773
Expenses	-	(3,550)
Loss before income tax	**-**	**(777)**
Income tax	-	-
Loss after income tax of discontinued operation	**-**	**(777)**
Loss on sale of the subsidiary after income tax	-	(1,270)
Loss from discontinued operation	**-**	**(2,047)**
Net cash outflow from operating activities	-	(489)
Net cash outflow from investing activities	-	(5)
Net decrease in cash generated by the division	**-**	**(494)**

DETAILS OF THE SALE OF THE SUBSIDIARY

	FY2020 $'000	FY2019 $'000
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 previous 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.

	FY2020 $'000	FY2019 $'000
Revenue	-	2,732
Expenses	-	(3,942)
Loss before income tax	**-**	**(1,210)**
Income tax	-	130
Loss after income tax of discontinued operation	**-**	**(1,080)**
Loss on sale of the subsidiary after income tax	-	(1,044)
Loss from discontinued operation	**-**	**(2,124)**
Net cash outflow from operating activities	-	(336)
Net cash inflow from investing activities	-	371
Net increase in cash generated by the division	**-**	**35**

	22 APR 2019 $'000
Cash	100
Deferred consideration	200
Total disposal consideration	**300**
Carrying amount of net liabilities sold	(1,344)
Loss on sale before income tax	**(1,044)**
Income tax expense on gain	-
Loss 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 APR 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 its financial statements as follows:

	FY2020 $'000	FY2019 $'000
Deferred consideration		
Current	-	1,101
Interest unlocked	-	5
Paid during the year	-	(411)
Total current deferred consideration	**-**	**695**
Non-current	-	2,388
Interest unlocked	-	26
Total non-current deferred consideration	**-**	**2,414**
Total deferred consideration	**-**	**3,109**

	FY2020 $'000	FY2019 $'000
Loss for the period from discontinued operations		
Bartercard business	-	(5,580)
Government business	-	(2,047)
Performance marketing business	-	(2,124)
Total loss for the period from discontinued operations	**-**	**(9,751)**

	FY2020 $'000	FY2019 $'000
Year to date cash receipts from the sales of business		
Bartercard business	-	2,000
Government business	-	1,563
Performance marketing business	155	100
Total cash receipts from the sales of business	**155**	**3,663**

	19 NOV 2018 BARTERCARD BUSINESS $'000	13 DEC 2018 GOVERNMENT BUSINESS $'000	22 APR 2019 PERFORMANCE MARKETING $'000	TOTAL $'000
Cash held in discontinued operations	**1,413**	**132**	**60**	**1,605**

NOTE 25 | PARENT COMPANY INFORMATION

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

	FY2020 $'000	FY2019 $'000
Statement of profit or loss and other comprehensive income		
Total loss	(15,508)	(39,638)
Total comprehensive income	**(15,508)**	**(39,638)**
Statement of financial position		
Assets		
Current assets	1,724	1,029
Non-current assets	23,253	28,824
Total assets	**24,977**	**29,853**
Liabilities		
Current liabilities	2,648	7,970
Non-current liabilities	9,341	12,069
Total liabilities	**11,989**	**20,039**
Equity		
Issued capital	116,026	96,006
Reserves	-	1,339
Accumulated losses	(103,038)	(87,531)
Total equity	**12,988**	**9,814**

Details of the contingent assets and liabilities of the Group are contained in note 28. Details of the contractual commitments are contained in note 27.

IncentiaPay Ltd, Entertainment Publications of Australia Pty Ltd and Entertainment Digital 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Set out below is a consolidated balance sheet as of 30 June 2020 of the parties to the Deed of Cross Guarantee.

	FY2020 $'000	FY2019 $'000
Assets		
Current assets		
Cash and cash equivalents	4,394	2,532
Deferred consideration	-	695
Trade and other receivables	924	2,549
Inventories	100	23
Other assets	1,961	6,605
Total current assets	**7,379**	**12,404**
Non-current assets		
Deferred consideration	-	2,414
Property, plant and equipment	1,252	2,261
Right-of-use asset	2,564	-
Deferred tax assets	-	2,790
Intangible assets	14,387	22,505
Total non-current assets	**18,203**	**29,970**
Total assets	**25,582**	**42,374**
Liabilities		
Current liabilities		
Trade and other payables	5,727	5,521
Lease liabilities	1,542	-
Borrowings	517	4,635
Deferred revenue	5,174	18,189
Provisions	728	1,779
Total current liabilities	**13,688**	**30,124**
Non-current liabilities		
Trade and other payables	1,725	1,863
Lease liabilities	2,124	-
Borrowings	2,691	-
Deferred revenue	350	-
Provisions	52	216
Total non-current liabilities	**6,942**	**2,079**
Total liabilities	**20,630**	**32,203**
Net assets	**4,952**	**10,171**
Equity		
Issued capital	116,026	96,006
Reserves	322	1,051
Retained earnings	(111,396)	(86,886)
Total equity	**4,952**	**10,171**

See note 26 for the Consolidated Statement of Profit or Loss for the year ended 30 June 2020 of the parties to the Deed of Cross Guarantee. All entities incorporated in Australia are the parties of Deed of Cross Guarantee.

NOTE 26 | 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. This decision was based on the fact that the Group did not separately review the results of this division since the decision to dispose of it.

The results of the discontinued operations are disclosed in note 24. There were no discontinued operations during the 2020 financial year.

REVENUE BY GEOGRAPHICAL LOCATION

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 2020	AUSTRALIA $'000	NEW ZEALAND $'000	TOTAL $'000
Revenue			
Revenue from contracts with customers	37,464	4,591	42,055
Government assistance	150	-	150
Total revenue	**37,614**	**4,591**	**42,205**
Expenses			
Direct expenses of providing services	(21,765)	(2,172)	(23,937)
Employee expenses	(16,020)	(960)	(16,980)
Depreciation and amortisation	(5,155)	(311)	(5,466)
Impairments	(4,990)	-	(4,990)
Interest	(1,277)	(18)	(1,295)
Other expenses	(10,276)	(206)	(10,482)
Total expenses	**(59,483)**	**(3,667)**	**(63,150)**
Segment loss before tax	**(21,869)**	**924**	**(20,945)**
Total assets			
Segment total assets	**25,583**	**1,696**	**27,279**
Total liabilities			
Segment total liabilities	**19,037**	**1,996**	**21,033**

Year ended 30 June 2019	AUSTRALIA $'000	NEW ZEALAND $'000	TOTAL $'000
Revenue			
Revenue from contracts with 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 loss before tax	**(27,737)**	**(230)**	**(27,967)**
Total assets			
Segment total assets	**42,374**	**3,479**	**45,853**
Total liabilities			
Segment total liabilities	**32,203**	**2,003**	**34,206**

MAJOR CUSTOMERS

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

NOTE 27 | CAPITAL AND LEASING COMMITMENTS

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Operating lease commitments		
Non- cancellable operating leases contracted for but not recognised in the financial statements		
Not later than 1 year	-	2,080
Between 2 and 5 years	-	3,961
Later than 5 years	-	311
Total	**-**	**6,352**

From 1 July 2019, the Group has recognised lease liabilities for these leases. See note 1(i).

CAPITAL COMMITMENTS

On 31 July 2020, the Group entered into a master services agreement (MSA) with Paywith Australia Pty Ltd to develop the IncentiaPay products.

This MSA follows on from a term sheet which was entered into in May 2020 which established the key commercial terms of the agreement. An amount of $615,000 was committed under the provisions of the term sheet for the development of the IncentiaPay products of which $50,000 was paid in June and a further $50,000 was accrued for under trade payables. The remaining $515,000 is anticipated to be paid in the first of half of the 2021 financial year.

NOTE 28 | CONTINGENT LIABILITIES AND CONTINGENT ASSETS

SECURITY DEPOSIT

The parent entity had given the following guarantees as at 30 June 2020:

- Lease of the Sydney office space, $0.7 million.
- Guarantee for credit cards facility, $0.1 million.
- Lease of the Auckland office space, $0.082 million.
- Letter of credit for payroll payment facility, $0.1 million.

NOTE 29 | 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 139: Financial Instruments: Recognition and Measurement as detailed in the accounting policies to these financial statements, are as follows:

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Financial assets		
Cash and cash equivalents	5,307	3,460
Deferred consideration	-	3,109
Trade and other receivables	992	2,728
Total financial assets	**6,299**	**9,297**
Financial liabilities		
Trade and other payables	6,235	5,941
Lease liabilities	3,889	-
Borrowings	3,208	4,635
Total financial liabilities	**13,332**	**10,576**

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.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual liabilities interest payments and exclude the impact of netting agreements.

CONTRACTUAL CASH FLOWS

			WITHIN 1 YEAR		1 - 5 YEARS		> 5 YEARS		TOTAL	
Maturity analysis	FY2020 CARRYING VALUE $'000	FY2019 CARRYING VALUE $'000	FY2020 $'000	FY2019 $'000	FY2020 $'000	FY2019 $'000	FY2020 $'000	FY2019 $'000	FY2020 $'000	FY2019 $'000
Financial assets										
Cash	5,307	3,460	5,307	3,460	-	-	-	-	5,307	3,460
Deferred consideration	-	3,109	-	695	-	2,414	-	-	-	3,109
Trade debtors	992	1,915	992	1,915	-	-	-	-	992	1,915
Other receivables	-	813	-	813	-	-	-	-	-	813
Financial liabilities										
Trade and other payables	6,235	5,940	6,235	5,940	-	-	-	-	6,235	5,940
Lease liabilities	3,889	-	1,888	-	2,317	-	-	-	4,205	-
Borrowings	3,208	4,635	517	4,169	2,691	466	-	-	3,208	4,635

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.

			FAIR VALUE			
Year ended 30 June 2020	CARRYING VALUE RECEIVABLES $'000	CARRYING VALUE OTHER FINANCIAL LIABILITIES $'000	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets not measured at fair value						
Cash	5,307	-	-	-	-	5,307
Deferred consideration	-	-	-	-	-	-
Trade debtors	629	-	-	-	-	629
Other receivables	363	-	-	-	-	363
Financial liabilities not measured at fair value						
Trade and other payables	-	6,235	-	-	-	6,235
Lease liabilities	-	3,889	-	-	-	3,889
Borrowings	-	3,208	-	-	-	3,208

			FAIR VALUE			
Year ended 30 June 2019	CARRYING VALUE RECEIVABLES - $'000	CARRYING VALUE OTHER FINANCIAL LIABILITIES $'000	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 assets not measured at fair value						
Trade and other payables	-	5,941	-	-	-	5,941
Borrowings	-	4,635	-	-	-	4,635

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

Specific valuation techniques used to value financial instruments include:

- Deferred consideration - based on the present value of the future cash flows, discounted using a 3-year government bond rate.
- Lease liabilities - based on the present value of the future cash flows, discounted using an incremental borrowing 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 of our interest exposure and the low number of cross border transactions. Refer to the Market risk section 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. $35 million of the revenue in note 2 are memberships and gift cards sales, they are cash on delivery, therefore, the Group has no significant credit risk.

Covid-19 impacts have increased the possibility of non-performance by customers, in particular, customers operating within the travel and leisure sector. The Group started engaging with its customers since the start of the pandemic, providing discounts to the existing debts or assisting customers with new sales proportions. As the revenue from travel and leisure was $1.7 million which was only 4.0 per cent of the total revenue for the financial year, there is 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.

The major customers of trade and other receivables were not affected by Covid-19, as this group of customers are mainly in the energy, banking and insurance industry.

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.

B. LIQUIDITY RISK

Included in the $3.2 million disclosed in the 2020 borrowings time band is $0.5 million which is 'within 1 year', and the loan is required to be repaid by 30 September 2020. See note 16. 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

The Group entered into a new Loan Deed with Suzerain on 27 February 2020 for the provision of a $5.83 million facility (including associated borrowing costs). Subsequently, Suzerain has agreed to increase the facility limit of the original loan by $4.0 million to $9.825 million. This facility will initially be unsecured with the view to obtaining shareholder approval for security at the Company's next Annual General Meeting, anticipated to be held in November 2020. See note 16.

II. MATURITIES OF FINANCIAL LIABILITIES

Interest bearing loan

As at 30 June 2020, the interest bearing loan with Suzerain will mature on 30 September 2020. See note 16.

Additional growth operational facility

As at 30 June 2020, the additional growth operational facility with Suzerain will mature on 31 December 2021. See note 16.

Transformational capital facility

As at 30 June 2020, the transformational capital facility with Suzerain will mature 18 months from the date of the first draw down. There was no draw down as at 30 June 2020. See note 16.

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 has not hedged foreign currency transactions as at 30 June 2020 as $4.6 million of total revenue is in NZD and the foreign currency fluctuation between AUD and NZD is historically insignificant at 0.5 per cent during the year. Foreign exchange risk was therefore, considered insignificant. Senior management continue to evaluate this risk on an ongoing basis.

The exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	FY2020 NZD $'000	FY2019 NZD $'000
Trade debtors	73	218
Trade payables	(91)	(69)

At the end of the financial year, the effect on profit and equity as a result of changes in the foreign exchange rate with all other variables remaining constant would be as follows:

	PROFIT $'000	EQUITY $'000
Year ended 30 June 2020		
+/- 0.5% in foreign exchange rates	46	117
Year ended 30 June 2019		
+/- 0.5% in foreign exchange rates	7	74

D. INTEREST RATE RISK

See note 16 for details related to interest rates and repayment terms for borrowings.

NOTE 30 | 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.

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 21 for the value of the related party transactions above.

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 21 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.

The following transactions occurred with related parties controlled by key management personnel:

	CONSOLIDATED GROUP	
	FY2020 $'000	FY2019 $'000
Purchases of services from entities controlled by key management personnel	339	-

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

Suzerain and Skybound, related parties to Jeremy Thorpe (Non-Executive Director) and Dean Palmer (Non-Executive Director), have provided a total of $11.5 million loan facilities to the Group. During the period, the Group drew down $3.2 million of the line of credit facility. See note 16 for additional detail.

NOTE 31 | EVENTS AFTER THE REPORTING PERIOD

EMPLOYEE GIFT PLAN

The Directors approved the establishment of an Employee Gift Plan effective on 28 July 2020, through an employee trust, being Entertainment Trus Co Pty Ltd, whereby each employee will be gifted $1,000 of shares for no payment. The number of shares will be determined based on the share price at the date they are issued and will be subject to the terms of the plan rules which include:

- A recipient must be an employee of the Group on 28 August 2020.
- The shares cannot be sold, assigned, transferred, or used as security before the earlier of:
  - The end of three years after the acquisition of the shares;
  - The employee is no longer employed by the Group; or,
  - There is a change of control event that occurs after the shares are issued to employees.

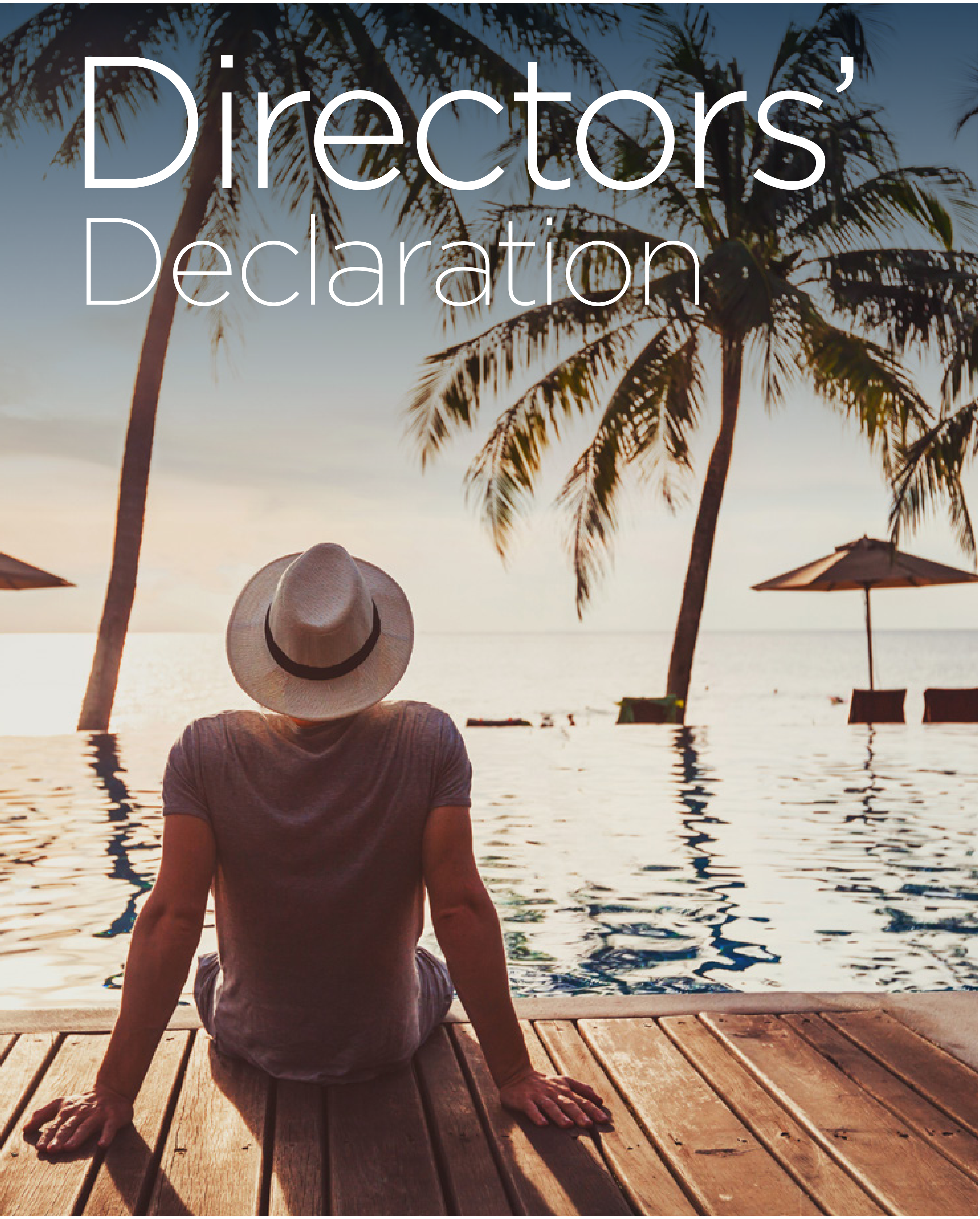
SALE OF MOBILEDEN

The Group entered into an agreement to dispose of the MobileDEN platform and associated assets on 1 July 2020 to Mobecom Limited. Consideration for the sale transaction will be determined using revenue over the period of 12 months after settlement. Settlement is dependent on Suzerain releasing its security interest over the assets, which occurred on 1 July 2020. Assets and liabilities associated with this sale have not been reclassified as available for sale in the financial report as they have either been fully recovered, or impaired, or have been fully settled as at 30 June 2020.

COVID-19

Conditions affecting the macro economic environment and the uncertainty brought on by the Covid-19 pandemic continues after 30 June 2020, and given the nature of the pandemic, the term of this impact is unknown. The Group will continue to monitor the impacts associated with the pandemic, with a view to take appropriate and timely action.

Directors' Declaration



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 43 to 110, 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 2020 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 Chief Executive Officer and Chief Operating Officer.

STEPHEN HARRISON
CHAIRMAN
18 September 2020

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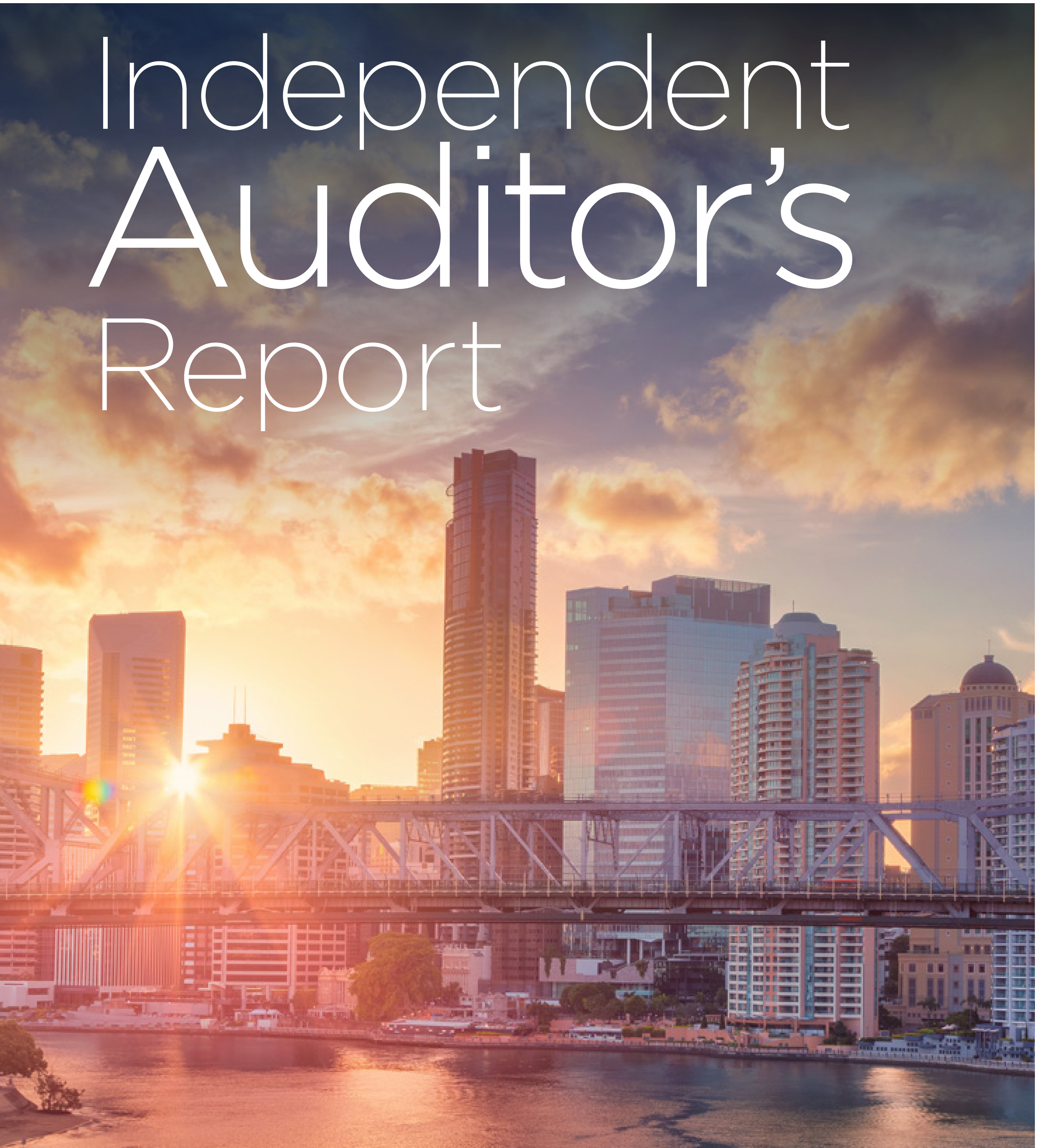
Independent Auditor's Report



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 2020 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 2020;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- 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 (including Independence Standards)* (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.

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 with consideration to Covid-19;
- 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 judgment, 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.

Valuation of Goodwill and other intangible assets ($14.387m)	
Refer to Note 13 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 53% 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 costs associated with the business transformation program 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 transformation program, including the strategic reposition of the core operations of the business focussing on long-term sustainability, as well as anticipated impacts from Covid-19 on the volatility of cash flows over the forecast period. This 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 downturn in membership subscriptions in the short-term and as a result of Covid-19, as well as the change in anticipated cash flow cycles following completion of the Group's 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 performance, business and customers, and 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

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 Group recorded an impairment charge of $3.6m against goodwill, resulting from the reduction in business due to Covid-19 along with changing cash flow cycles under the business transformation, 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.	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.

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 2020, 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 31 to 40 of the Directors' report for the year ended 30 June 2020.

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

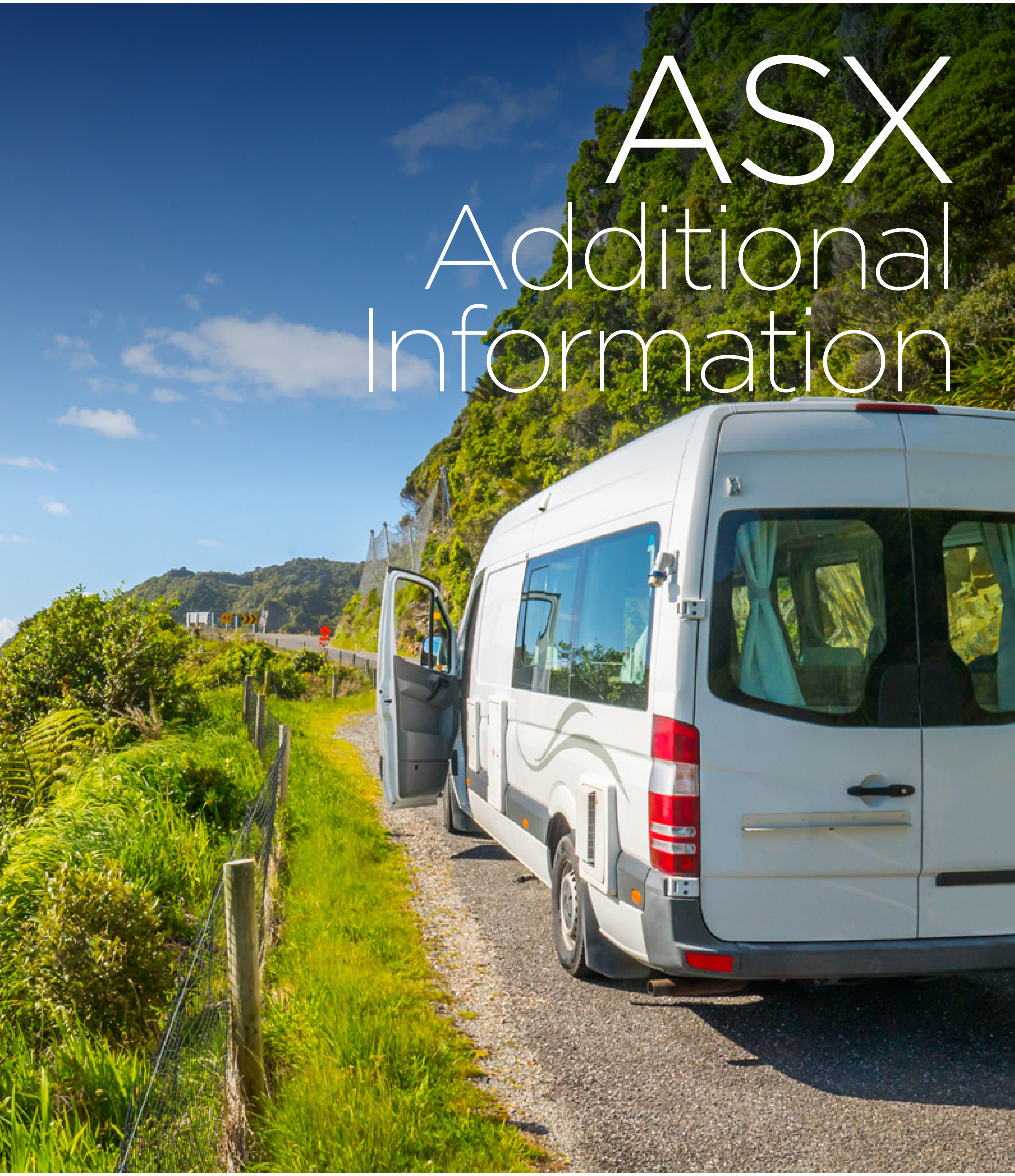
KPMG

KPMG

John Wigglesworth
Partner

Sydney
18 September 2020

ASX Additional Information



ASX ADDITIONAL INFORMATION

As at 21 August 2020

DISTRIBUTION OF EQUITABLE SECURITIES

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

RANGE	TOTAL HOLDERS	SECURITIES	% ISSUED CAPITAL
1 to 1,000	130	26,210	0.00
1,001 to 5,000	228	689,780	0.11
5,001 to 10,000	121	978,593	0.15
10,001 to 50,000	448	11,732,126	1.79
50,001 to 100,000	150	11,623,245	1.77
100,001 and over	209	630,890,658	96.18
TOTAL	**1,286**	**655,940,612**	**100.00**

UNMARKETABLE PARCELS

The number of security investors holding less than a marketable parcel of 15,152 securities ($0.033 on 21/08/2020) is 578 and they hold 2,981,788 securities.

SUBSTANTIAL HOLDERS

RANK	NAME	CURRENT BALANCE	% ISSUED CAPITAL
1	Suzerain Investments Holdings Ltd	393,524,705	59.99%
2	Australia Fintech Pty Ltd	36,732,674	5.60%

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	393,524,705	59.99%
2	Citicorp Nominees Pty Limited	38,855,503	5.92%
3	Australia Fintech Pty Ltd	36,732,674	5.60%
4	Muirstone Capital Ltd	28,861,387	4.40%
5	Sinetech Limited	16,178,574	2.47%
6	HSBC Custody Nominees	12,693,730	1.94%

7	Everest MB Pty Ltd	7,518,000	1.15%
8	Kootenay Investments Pty Ltd	6,500,000	0.99%
9	BNP Paribas Nominees Pty Ltd	4,995,492	0.76%
10	J.P. Morgan Nominees Australia Pty Limited	4,441,327	0.68%
11	PC & Wendo Nominees Pty Ltd	3,496,008	0.53%
12	Iain Dunstan	3,035,714	0.46%
13	Mr Henry Michael Hoy Jones	2,528,631	0.39%
14	Yarran Park Pty Ltd	2,170,034	0.33%
15	Ben Johnson	2,139,574	0.33%
16	Mr Lucas Rudolph and Jansen Van Vuuren	2,131,667	0.32%
17	HSBC Custody Nominees (Australia) Limited	2,006,408	0.31%
18	Virpaysol Pty Ltd	1,723,685	0.26%
19	Darius Coveney	1,718,571	0.26%
20	Ms Li Zhao	1,572,818	0.24%
TOTAL		**572,824,502**	**87.33%**

VOTING RIGHTS

The Company has 655,940,612 fully paid ordinary shares on issue. Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting, or by proxy, has one vote by a show of hands. There are no other classes of equity securities.

VOLUNTARY ESCROW

No shares are under voluntary escrow. No fully paid ordinary shares are subject to voluntary escrow.

ON-MARKET BUY-BACK

There is no current on-market share buy-back.

IncentiaPay Corporate Directory

Directors	Mr Stephen Harrison - Chairman 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	Sundaraj & Ker Level 36, Australia Square 264 George Street Sydney 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

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