incentiapay

2021 ANNUAL REPORT

For the year ended 30 June 2021

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 27-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 over 7,000 business partners in dining, travel, activities, and retail across over 15,000 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. With up to 20 per cent of Membership sales going directly to fundraisers, Entertainment have helped more than 13,000 charities, large and small, local primary and high schools, sports clubs and community groups reach their fundraising 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, takeaway, travel, and wellbeing to help retain existing customers, reduce lapsed customers, and acquire new ones. Over 30 corporate clients including household names such as Zurich, Red Energy, HSBC and Budget Direct provide this offering to their clients.

There are over 65 Entertainment employees working across Australia and New Zealand with headquarters in Sydney.

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CHAIRMAN’S INTRODUCTION

CHAIRMAN'S INTRODUCTION

Dear Shareholders,

On behalf of the Board of Directors of IncentiaPay, I am pleased to present the 2021 Annual Report.

The past financial year has seen IncentiaPay continue to progress its business transformation plans whilst addressing the immediate challenges on our business from COVID-19 as it impacted the entertainment, hospitality, travel and leisure sector. We are operating under the assumption that our trading environment will remain challenging until we, as a community, find a solution to living with COVID-19 and its variants. At the time of writing this report, the NSW government has extended the Greater Sydney lockdown to mid-October 2021, extending its length to at least 16 weeks to limit the spread of the Delta variant.

The impact of COVID-19 on IncentiaPay is evident in our FY2021 revenues of $19.4m; being a 54% reduction from the prior year. The fall is predominantly due to Entertainment Membership subscription revenues falling from $24.8m in FY2020 to $8.2m in FY2021, as the traditional fundraising activities of our community and not-for-profit sales channel were restricted and existing Entertainment Members elected not to renew their annual subscription in the current environment.

Management have responded to these challenges. We have changed the way the Company operates and manages its physical presence. Since the lockdowns began to ease, the Company has managed a hybrid workplace with most employees working at least two days per week from home. In addition, and to offset the impact of COVID-19, many staff, Executives and the Board took pay reductions of up to 40%, which were re-instated from January 2021. IncentiaPay received $2.3m in JobKeeper payments in FY2021 ($0.9m in FY2020) from the Federal Government. This enabled employee expenses to be reduced by around 45% in FY2021 vs FY2020. We note, the Federal Government ceased the JobKeeper payments program in March 2021.

We moved our head office into smaller and more cost-effective premises in Spring Street, Sydney in the final quarter of FY2021.

Notwithstanding the impact of COVID-19, we continue to progress the transformation of our business foundations, including enhanced customer service, customer experience and technology platforms. The rate of change has been slowed as we managed our financial resources in the current environment. Our strategic intent is to realise the potential we possess through our market position, business assets and relationships. We have a clear strategy and focus to drive value in the following areas:

- Merchants
- B2C (Book to digital transition, enhanced customer experience, additional distribution channels to consumers, brand and marketing investment)
- B2B (significantly grow the number of consumers via Enterprise clients using our white label loyalty and rewards programs, reduced cost to service, growing revenues on adopting a transactional pricing model)

IncentiaPay has been strongly supported by its majority shareholder, Suzerain Investment Holdings Limited/SkyBound Capital through the year. Suzerain has a 74% ownership interest in IncentiaPay and two representatives on our Board. Over the past 24 months they have injected $26m in new equity capital into IncentiaPay to fund our transformation and strategic intent.

Notwithstanding the impact of COVID-19, we continue to progress the transformation of our business foundations, including enhanced customer service, customer experience and technology platforms.

On 3 June 2021, New Gold Coasts Holdings Limited, an associate of Suzerain, provided a further $5 million loan facility for the Company to pursue additional growth and contingent working capital. The Company will ask shareholders to approve the granting of security at its upcoming AGM.

The Board would also like to acknowledge and thank its CEO, Executive leadership team and all employees, Members and partners for their support and hard work through the past year.

On behalf of the Board, I would like to thank our shareholders for their continued support.

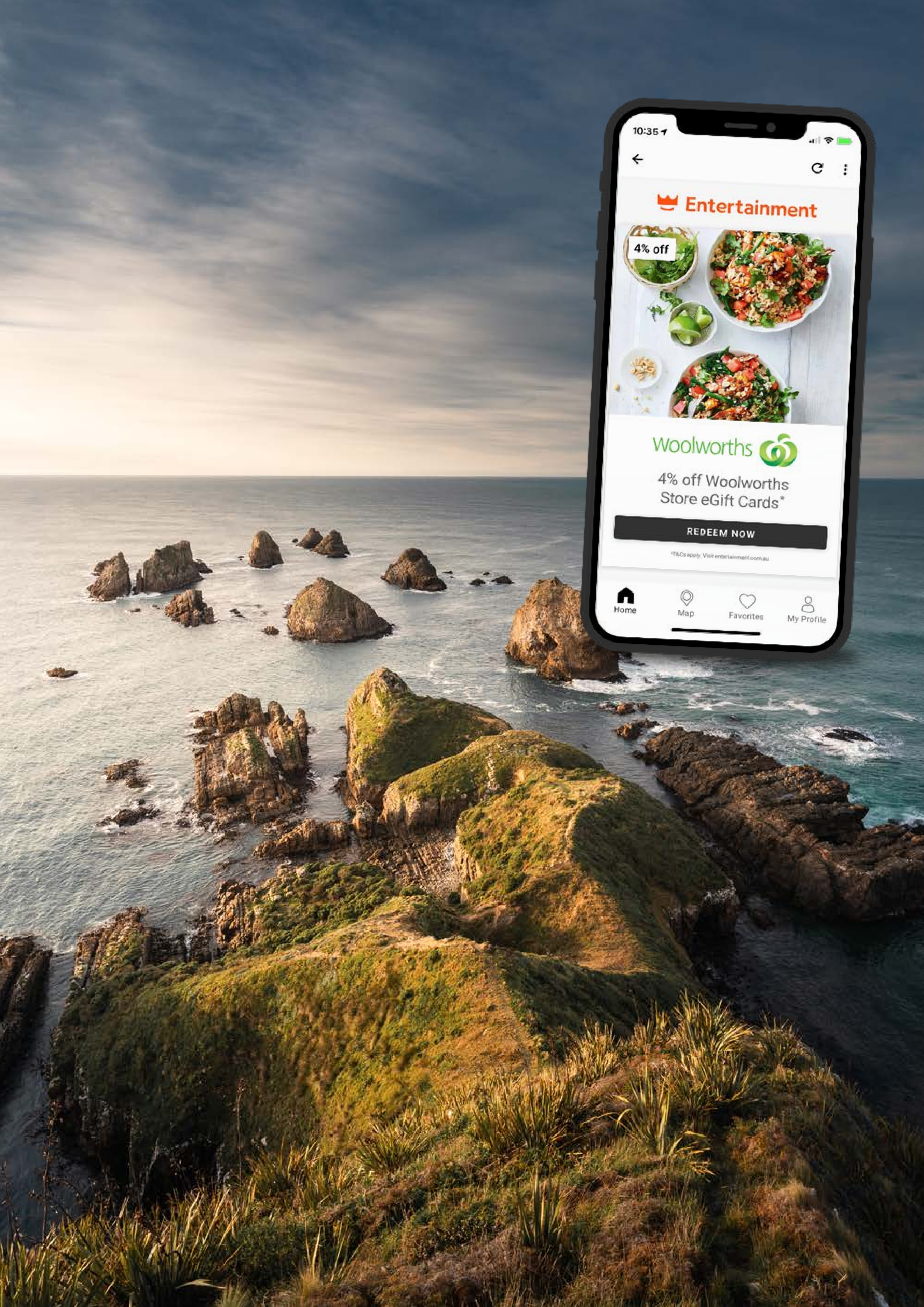
Finally, I would like to thank my colleagues on the Board for their contributions and guidance.

Stephen Harrison
Chairman

7,000+
BUSINESS PARTNERS

15,000+
LOCATIONS

440,000+
MEMBER BASE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Entertainment
4% off
Woolworths
4% off Woolworths Store eGift Cards*
REDEEM NOW
*T&Cs apply. Visit entertainment.com.au
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My Profile

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CEO'S REVIEW

CEO'S REVIEW

Dear Shareholders,

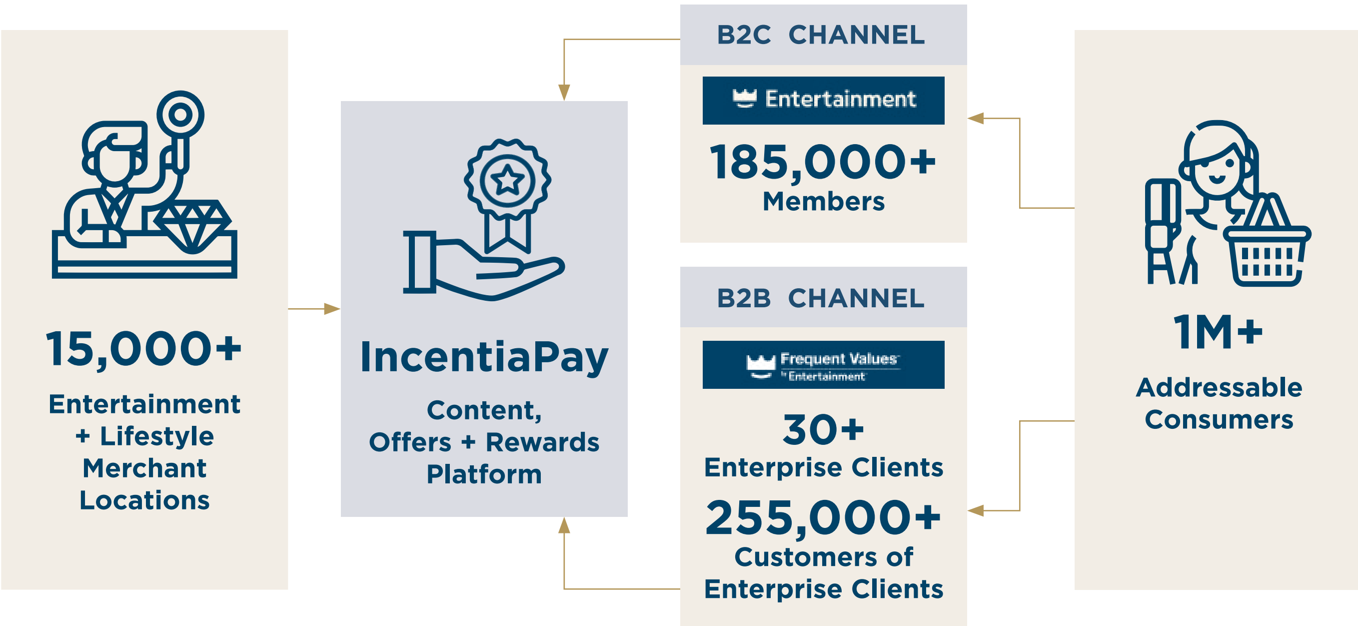
FY2021 was a successful year for IncentiaPay against the backdrop of a challenging operating environment due to COVID-19 and its impact on consumer spending across our key sectors of dining, entertainment, travel and leisure activities.

Our Company made significant progress with the ongoing transformation of our business which we first outlined to shareholders in 2019. The aims of our transformation are simple: We want to better serve our customers with enhanced value propositions and acquisition capabilities. These will position IncentiaPay for growth and further establish our market position as Australasia's premier entertainment, lifestyle and rewards platform.

Our business strategy is to provide a marketplace, connecting Merchants that want growth with consumers looking for great offers and experiences. Our strategy has the following channels to market:

1. Our strong Merchant relationships that provide the offers and rewards for our B2C and B2B channels;
2. Our B2C channel, Entertainment, that gives our Members exclusive offers on dining, travel, activities, shopping and more; and
3. Our emerging B2B channel, Frequent Values by Entertainment, where our Enterprise customers can access best in market entertainment and lifestyle content via multiple different tools and payment mechanisms.

The progress we have made on our strategy in FY2021 has delivered a solid foundation for growth and I look forward to updating the market over the course of FY2022 on our progress.



OPERATIONS COMMENTARY

1. Merchants

The scale and depth of the Merchant relationships we have developed over the past 27 years is a significant competitive strength of IncentiaPay.

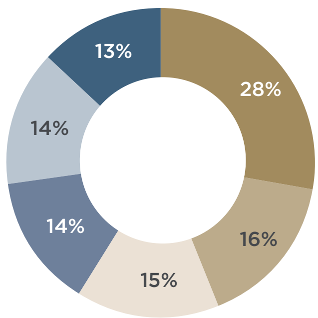
We have contracts with over 7,000 Merchants operating from over 15,000 locations across Australia, New Zealand and Bali with more than 10,000 offers.

Members redeemed over 1.5 million Merchant offers in FY2021 (compared to 2 million redemptions in FY2020).

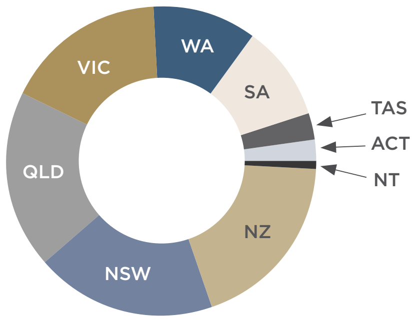
Our Merchants experienced an extremely challenging year, with many based in areas facing extensive COVID-19 restrictions. IncentiaPay worked hard to assist our Merchants to continue to attract customers and generate incremental revenue through this period.

For example, we converted thousands of Merchants to accept Entertainment offers on takeaway and sent monthly promotions to our entire Member base, highlighting new and popular businesses and offers. We also provided more lockdown-accessible options to our Members by signing new gift card and retail Merchants, and adding offers from the rapidly expanding Carl's Jr. franchise across Australia.

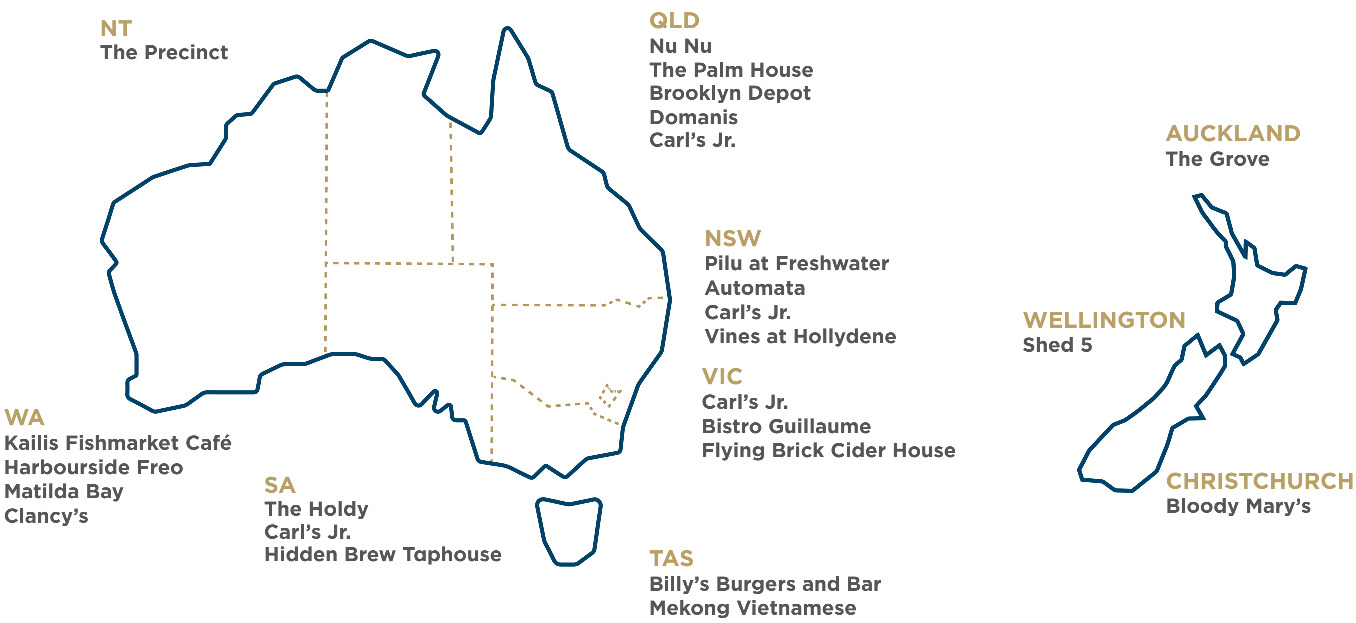
Number of Offers by Category



Number of Locations by State



SOME OF OUR MOST POPULAR MERCHANTS



2. B2C (Entertainment)

Our B2C channel generates revenues via annual and bi-annual Membership subscriptions. During FY2021, Membership renewals fell as COVID-19 continued to impact consumer confidence. This was further exacerbated by restrictions on traditional fundraising activities by community groups and not-for-profits (NFPs) and our first year operating exclusively under a digital app-based model, as well as the Membership program offers being heavily skewed toward COVID-19 affected categories. Despite this, we sold over 100,000 Memberships during the financial year.

We saw a strong start to renewal, with March to June surpassing Membership revenue expectations despite the challenging environment. Implementation of the first lifecycle program to drive renewal conversion was successful, with the month of June's lifecycle Membership renewal activity delivering conversion rates of up to 50%. We are continually testing digital acquisition activity, and the solid onboarding, activation, and redemption programs in place for many of our Enterprise clients have seen strong increases in activation and redemption results. We onboarded M&C Saatchi and delivered a brand refresh in collaboration with FutureBrand. The new look reflects our revised identity as a more responsive, rich and personal digital experience and builds a stronger emotional connection with our stakeholders.

LOGO TRANSFORMATION

entertainment

Entertainment

A new app and website were also delivered in late 2020. While the desired functionality was not implemented as quickly as we anticipated and we saw a natural resistance to change from some Members, we have been engaged in ongoing enhancements to improve the way customers search, browse, and navigate. We also supported our Members through Gift with Purchase and upgrade campaigns, targeted Membership extensions during lockdown periods, and app updates directly related to their feedback.

Fundraising Groups

The Australian and New Zealand NFP sector was hit hard by COVID-19 during early FY2021. We responded by increasing our focus on product improvement and secured more than 500 new

COMMUNITY + NFP FUNDRAISERS

MEMBER SALES CHANNEL

13,000+

COMMUNITY/NFP GROUPS

Fundraisers retain up to 20% of the subscription revenues raised by Memberships sold to their networks

APPROACHING

$100M

FUNDS RAISED!

for schools, sporting associations, NFPs and community groups

high-quality offers before the end of December 2020, so our NFP partners could continue to provide a quality Membership to their donors and supporters.

In February, we launched our Fundraising Kick Off (FKO), a series of virtual events attracting over 3,000 NFPs. We also introduced our 13,000+ NFPs to our new fundraiser asset portal, improving their ability to build communication assets and kick off their fundraising faster and easier. We also provided them with a link to bespoke assets customised to their cause, a service that IncentiaPay has not offered before.

Our fundraising team was also redesigned to streamline and improve our services offering. Key Account Management personnel now focus on the larger NFPs, with a tailored solution designed for our school sector. We improved and expanded our customer service, self-serve, and digital assistance approach, including launching a closed Fundraiser Facebook group, to continue to improve the fundraising abilities of our NFPs.

3. B2B (Frequent Values by Entertainment)

Our Enterprise B2B channel has maintained a 90% retention rate throughout COVID-19, which has also accelerated the shift to digital coupons and integrated payment options.

The third key pillar of our business strategy involves leveraging the growing need of corporates and loyalty programs for card-linked content to drive customer retention, engagement and acquisition. As a result, we are transforming our existing capabilities into a B2B marketplace, where our Enterprise clients can access market-leading entertainment and lifestyle content via multiple different tools and payment mechanisms. This will allow us to significantly grow our Member base with a reduced cost to service and a higher gross margin, as we move to a transaction-based revenue model.

SOME OF AUSTRALIA'S MOST RESPECTED CORPORATES

ZURICH

NRMA

auto general

Budget Direct

HSBC

sda NSW & ACT

30+
LARGE ENTERPRISE CLIENTS

POTENTIAL TO REACH MILLIONS
OF CUSTOMERS

90%+
CLIENT RETENTION

FINANCIAL PERFORMANCE

FY2021 revenues totalled $19.4m, down 54% on the previous corresponding period. This was primarily due to a fall in Membership revenues, due to the impact of COVID-19 on Australia's hospitality, entertainment, travel and leisure industries from continued lockdowns, restrictions, and border closures. Our Membership revenues continue to be impacted by COVID-19, but we anticipate a rebound as Australia commences opening up again and starts to overcome COVID-19's impact.

In response to COVID-19 we took decisive action in FY2021 to reduce our operating costs. These actions resulted in our underlying EBITDA (after including Jobkeeper payments of $2.3m in FY2021 and $0.9m in FY2020) being restricted to a loss of $2.4m compared to a loss of $3.4m in the prior year.

CASH POSITION

As at 30 June 2021, cash reserves totalled $3.2m. Over FY2021, IncentiaPay reduced its cash payments at a faster rate than the fall in its customer cash receipts. This resulted in a reduction of the deficit in operating cash flow from -$13.8m in FY2020 to -$5.3m in FY2021 (including $2.6m Government Assistance payments). Net cash used in investment activities in FY2021 totalled $2.9m, an increase of $2.85m over the previous corresponding period as we invested in our digital capabilities and technology and customer experience platforms in support of our strategic objectives.

Results	Direction	%		FY2021		FY2020
Revenue ($'000's)*	↓	54%	to	19,425	from	42,185
Underlying EBITDA ($'000's)**	↑	29%	to	(2,406)	from	(3,391)
Operating Cashflow	↑	61%	to	(5,335)	from	(13,788)
Net loss after tax ($'000's)	↑	66%	to	(8,402)	from	(24,662)
Basic loss per share (NPAT) (cents)	↑	87%	to	(1.1)	from	(8.2)
Net tangible assets per share (cents)	↑	63%	to	(1.0)	from	(2.7)

* Revenue excludes interest income.
** Non - AIFRS items. See section 3 of Appendix 4E.

PEOPLE & CULTURE

IncentiaPay's purpose is to empower people, businesses, and fundraisers to live life to the fullest and make a positive impact on the world. Our values of Community, Challenge, Courage and Together were critical as we responded to the challenges presented by COVID-19 during the past financial year. In the face of these challenging times, I am immensely proud of our people and their resilience as we have continued the transformation of our corporate culture.

OUTLOOK

IncentiaPay ended FY2021 in a strong position to advance its business strategy despite the ongoing challenges of the COVID-19 pandemic. Our business has strong foundations, a significant opportunity to deliver better value to customers and shareholders and plans to execute on our strategy to deliver scale across our business. We plan to deliver scale via two channels:

1. B2C: transforming our business foundations to enable a simpler operating environment with key platform investments including customer service, customer experience and technology; and
2. B2B: introducing a new B2B focussed growth strategy with a transactional revenue model on both sides of the marketplace (merchant and consumer).

I would like to take this opportunity to thank our Members, fundraisers, Merchant partners and Enterprise clients for their loyalty and for being our most vocal champions. Thanks also goes to my fellow Board members, Executive team and all IncentiaPay employees for their hard work and dedication throughout a challenging period for our business. Finally, thank you to our Shareholders for your faith in the longer-term potential of IncentiaPay.

Henry Jones
Chief Executive Officer

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FINANCIAL REVIEW

FINANCIAL REVIEW

Gross revenue for FY2021 was $19.4 million, underlying EBITDA for FY2021 was a loss of $2.4 million, and negative operating cash flow was $5.3 million. Net loss after tax (NLAT) from ordinary activities was $8.4 million. Australian revenue accounted for $17.5 million, or 90.0 per cent (FY2020: $37.6 million, 89.0 per cent), while New Zealand revenue accounted for $1.9 million, or 10.0 per cent (FY2020: $4.6 million, 11 per cent).

GROSS REVENUE

Overall gross revenue for FY2021 was $19.4 million compared to $42.2 million in FY2020. This included $0.7 million, or 3.6 per cent from fee income, travel booking and paid advertising (FY2020: $2.5 million), $8.2 million, or 42.3 per cent from Membership sales (FY2020: $24.8 million), $3.0 million, or 15.5 per cent from Enterprise client sales (FY2020: $4.1 million) and $7.3 million, or 37.6 per cent from gift card sales (FY2020: $10.7 million). Government assistance provided during the financial year was $2.4 million (2020: $1.05 million) and consisted of a cash boost of $0.1 million and JobKeeper payments of $2.3 million.

The decrease in revenue was predominantly attributed to a $16.6 million or a 66.9 per cent decline in Entertainment Membership sales from $24.8 million down to $8.2 million; a $3.4 million or 31.8 per cent decline in gift cards sales from $10.7 million to $7.3 million; a $1.4 million or 66.7 per cent decline in paid advertising and travel from $2.1 million down to $0.7 million; and a $1.1 million decrease in Enterprise client revenue from $4.1 million to $3.0 million or a 26.8 per cent decrease.

All categories of revenue have continued to be significantly affected by the impacts of COVID-19 on Australia and New Zealand's hospitality, entertainment, travel and leisure industries from continued statewide lockdowns and border restrictions.

Financial year 2021 is the first full year affected by lower sales and extensions to Memberships. Prior year was only partially impacted as a significant amount of revenue related to book sales, with earnings accounted for up to 31 May 2020.

To counter the economic downturn and changed consumer sentiment, the Company invested in customer experience and marketing capabilities to drive Membership renewals and conversions. The success of these changes saw an uplift in sales in the last quarter of FY2021.

Additionally, the launch of cloud-based tools to streamline access to collateral and content has assisted in the re-engagement of fundraisers.

Gift cards, although reduced from FY2021, was the second strongest performing revenue line when compared to the prior year due to tangible value in discounts and the ability to use gift cards online. This financial year also experienced a full year impact of restrictions on cinemas which traditionally has been a high performing gift card category.

Paid advertising has continued the downward trend from FY2020 principally because of restrictions on travel and commercial activity linked to travel insurance, car rentals and both domestic and international airlines.

NET LOSS AFTER TAX AND IMPAIRMENTS

Reported net loss after tax (NLAT) from ordinary activities in FY2021 was $8.4 million compared to a net loss after tax from ordinary activities in FY2020 of $24.7 million. The net loss was predominantly attributed to:

- A 54.0 per cent or $22.8 million reduction in underlying revenue,
- Investment expenditure into the capability and effectiveness of customer experience and marketing teams,
- Restructure costs incurred as part of the next phase of the digital and business transformation program.

"To counter the economic downturn and changed consumer sentiment, the Company invested in customer experience and marketing capabilities to drive Membership renewals and conversions. The success of these changes saw an uplift in sales in the last quarter of FY2021."

With the challenging revenue raising environment, the company continued to focus on strategies to reduce fixed costs and invest in growth opportunities, these include:

- Organisational restructure to reduce employee costs,
- Reduced salaries to employees in the first half of the financial year,
- Closure of branches prior to the end of leases,
- Early termination of infrastructure and communication contracts,
- Cautious approach to and the close monitoring of technology costs.

Despite a reduction in gross revenue, the NLAT has reduced from the prior year due to the reduction of fixed costs and the elimination of print and book production related costs, and the full year effect of digital versus print. Furthermore, property costs have continued to decline with the closure of branches. The Company has also continued to take active steps to receive all available support from both state and federal governments.

TRANSACTION, INTEGRATION AND RESTRUCTURING COSTS

The Company continued with the next phases of the restructure and transformation program with the view to remove ongoing fixed costs and actively streamline the agility of the business. In line with that, the Company incurred restructure costs associated with employee terminations and redundancies. Furthermore, the Company continued to review leased office space and vacated multiple locations early to eliminate unnecessary operational costs.

DISCONTINUED OPERATIONS

During the financial year the Group did not divest or discontinue any operations.

DEBT MANAGEMENT AND BANKING COVENANTS

During FY2021, IncentiaPay continued to review, assess and manage its funding and capital requirements, given the impacts of COVID-19 on the hospitality and leisure industries and the focus to invest in growth initiatives.

As announced on 29 September 2020, the Company and Suzerain Investment Holdings Limited (Suzerain) entered into a convertible loan deed which provided for the previous unsecured loan of $9.8 million to be secured over the Companies present and future assets, and the option for Suzerain to convert the loan into ordinary shares, subject to shareholder approval. A conversion request was received on 29 January 2021 to convert $6.4 million of operational funding into ordinary shares.

Additionally, on 20 September 2021, Suzerain converted the remaining amount of $3.4 million of the convertible loan into ordinary shares.

As announced on 15 October 2020, the Company raised $0.5 million of capital through a share purchase plan, with the proceeds to be used for working capital and investment in the Company's technology transformation.

The Company announced, on 3 June 2021, an additional unsecured loan of $5 million to be used for contingent working capital due to seasonality of revenue, and to expedite the development of the Company's technology and Customer Experience platforms.

DIVIDENDS

No dividend has been declared in relation to the FY2021 results. The Board of Directors of IncentiaPay do not expect to declare any dividends in FY2022.


10:35
Entertainment
2 for 1
Rolld
One complimentary House Special*
(Cup of Pho, two soldiers & a regular drink)
REDEEM NOW
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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 Harrison has over 35 years of experience in the financial services, funds management, private equity, and accounting fields.

He has held director positions with Investec Funds Management and the Australian subsidiary of US based fund manager Sanford C. Bernstein. He has been a founder and held Directorships in a number of listed companies both in Australia and overseas.

He is currently Chairman of NobleOak Life Limited.

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 and investment professional. He was previously in the London office of the global strategy consultancy McKinsey & Company and a co-founder of their Innovation & Growth Strategy practice.

As a PE professional, Charles has held senior roles including as a COO and General Operating Partner in a Venture and Growth Equity fund. He has 15+ years track record and held Board positions in 5 countries.

Charles is also an accomplished management-academic with expertise in Business-Model Innovation, Growth Strategy and Business Transformation; he has published and presented at international conferences; and designed, developed and delivered Masters' level degree programmes and Executive Education.

DEAN PALMER NON-EXECUTIVE DIRECTOR

Dean Palmer is a chartered accountant with more than 20 years of experience.

He is the founder and CEO of Skybound Fidelis Investment Limited - a specialist structured finance, commercial credit, and property fund manager. He has held numerous senior executive roles both in Australia and the UK.

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

EXECUTIVE 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 held senior positions at IBM across Australia, New Zealand, and North America. He is considered an entrepreneur, having been involved in a number of small disruptive ventures.

His role as CEO is key to leading and accelerating the Company's turnaround and building on our existing and solid foundation.

Henry has an MBA from Harvard Business School, and an LLB (Law) and 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 spans equities, capital markets, M&A's, and people management.

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

Ben has a Master of Business Administration (MBA) focused in Finance and Financial Management Services from MGSM.

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.

Her role as CCXO 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 Commerce (Marketing) from the University of Wollongong.

STACEY HAMPTON GENERAL MANAGER 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 and 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 of Human Resources and Industrial Relations.

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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 wide-ranging impacts of the global pandemic particularly in the dining and entertainment verticals. Recent lockdowns in a number of Australian and New Zealand states and territories have had a short term impact on our Membership sales. **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 insourced a number of core technology functions from Paywith Worldwide. This gives greater flexibility to control our technology delivery roadmap.
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 maintaining 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 & superior 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 sees the unique value of its intellectual property, in the content of its Entertainment and Frequent Values platforms, as a mitigant to this risk.

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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 2021. The information in the Financial Review forms part of this Directors' report and should be read in conjunction with this section of the Annual Report.

GENERAL INFORMATION

DIRECTORS

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

- Stephen Harrison (appointed 15 February 2019)
- Dean Palmer (appointed 15 August 2019)
- Charles Romito (appointed 28 June 2019)
- Jeremy Thorpe (appointed 16 May 2019)

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

DIVIDENDS PAID OR DECLARED

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

INDEMNIFYING DIRECTORS AND OFFICERS

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 2021:

	$
Taxation services	12,420
Other services	2,018
Total	14,438

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 44 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 be 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 2021. There were no ordinary shares of the Group issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Any reference to options in the annual financial statements or remuneration report is related to the way the fair value for the Loan Funded Shares issued to key management personnel, was calculated.

LOAN FUNDED SHARE PLAN

As at 30 June 2021, there were 38,771,227 shares issued to key management personnel as part of Loan Funded Share (LFS) arrangements approved by shareholders at the AGM in December 2020.

The terms of the current LFS arrangements can be summarised as follows:

1. IncentiaPay provides its key executives, ('the executive') with a loan to purchase an agreed number of IncentiaPay shares at an issue price based on the 5-day Volume Weighted Average Price (VWAP) immediately before issue date;
2. If there is an outstanding amount owing under the Loan, all dividends declared and paid with respect to the shares (after deduction for tax payable in relation to those dividends) shall be applied to repaying the Loan, therefore the executives shall have no right to receive those dividends;
3. The loan provided is interest free and limited recourse, such that the executive has the option to either repay the loan or return the shares at the loan repayment date, being 30 business days after the last vesting date;
4. Vesting conditions apply to each executive's shares, being related to time, meeting budgeted targets, share price hurdles, and the conversion of existing loans into shares, and are outlined in table below;
5. Vesting of each tranche is subject to the continued employment of the executive up to the relevant date on which the vesting conditions are tested.
6. The Board will retain a broad discretion to determine or vary any vesting conditions if they consider that the commercial performance and circumstances of the Company justify that variation or waiver.
7. Any unvested loan funded shares that do not meet their vesting conditions (after rollover, if applicable) will cease to become eligible to become vested loan funded shares and will be cancelled, bought-back or transferred to a third party nominated by the Board on terms determined by the Board in its sole discretion.
8. Prior to the shares becoming unencumbered, the executive is required to repay the loan.

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 647,817,141 shares. Jeremy Thorpe's family trust is a unit holder in Australian 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 Renumeration 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 647,817,141 shares. Dean Palmer's family trust is a unit holder in Australian 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 Renumeration 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 the Institute 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	2	2
Jeremy Thorpe	15	15	2	2	2	2
Charles Romito	15	15	2	2	2	2
Dean Palmer	15	15	2	2	2	2

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

Stephen Harrison
Chairman

30 September 2021

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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 2021

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	Full Financial Year

EXECUTIVES AS AT 30 JUNE 2021

NAME	POSITION	DATES
Henry Jones	CEO	Full Financial Year
Ben Newling	COO	Full Financial Year

2. REMUNERATION POLICY

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

The Board approved an Employee Gift Plan, which saw the Company issue $1,000 worth of shares to eligible staff under section 83A-35 of the Income Tax Assessment Act 1997. The Board issued these shares from its placement capacity and were subsequently ratified by shareholders at the AGM on 16 December 2020. Key Management Personnel did not participate in the Employee Gift Plan despite being eligible.

Due to the impacts of COVID-19, the KMP temporarily reduced their remuneration by between 30 per cent and 40 per cent for the period up to 31 December 2020. Further, the Board approved a Loan Funded Share Scheme (LFS) for Henry Jones and Ben Newling on 23 July 2020, and an Employee Share Scheme (ESS) for other senior executives.

The Board and shareholder approved LFS Scheme is a three-year long-term incentive plan for the CEO and COO, which will vest over a three-year period. Vesting conditions relate to achieving the 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. Shareholder approval was granted at the AGM held on 16 December 2020.

The Board and shareholder approved ESS for senior management and executive directors, will result in shares being issued into a trust controlled by the Company. Maximum number of performance rights to be issued under the plan is 7,500,000. These shares will be issued in 4 tranches and will be subject to the same vesting hurdles as those applicable to tranches 2 – 5 under the LFS scheme and detailed under section

10 of this report. No shares were issued under this scheme during the financial year. 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 Committee is chaired by Dr Charles Romito.

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 29 September 2020, the Board implemented 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 worked reduced hours or were on reduced salaries. Commensurate with this, the Shareholders approved the scheme at the AGM on 16 December 2020, and all eligible employees received $1,000 worth of shares which were issued from the Company's placement capacity. No KMP participated in the gift plan, and the maximum number of shares available could not exceed $100,000, additionally there are no vesting conditions applicable. Additional information is included in note 19 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 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 and goals. 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 arrangements in which executives are incentivised with KPI's and targets as set out in their contracts, are board approved and do not constitute a formal scheme. Targets and KPI's can change each year depending on business priorities and are determined to increase business performance. Final payment amounts are subject to individual, divisional and group measurement metrics, and are reviewed and approved by the Board. Given the impact of COVID-19 on business performance, the Board has determined that no STI's will be paid for the financial year ending 30 June 2021 (2020: nil).

LONG-TERM INCENTIVES (LTI)

LTI's are linked to the achievement of operational targets, and share price performance, and are provided to certain KMP as part of their remuneration package, at the discretion of the Board. Shareholders, at the AGM in December 2020, approved an Employee Incentive Share Scheme and a Loan Funded Share Plan, both of which include vesting arrangements on the achievement of the Board approved 2021 budget and share price hurdles and conversion of current loans into shares.

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' objectives.

During the financial year no shares were issued under the Employee Incentive Share Scheme and Ben Newling and Henry Jones were beneficiaries of the Loan Funded Share Plan, details of which are included under section 10 of this report. The number of rights issued to each participant were 100% discretionary and based on commercial arrangements and negotiations.

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 2021:

	FY2021	FY2020	FY2019	FY2018	FY2017
Revenue ($'000)	19,435	42,205	64,572[1]	75,809[1]	110,464
Revenue ex Gift Cards ($'000)	12,110	31,513	37,265	41,158	88,575
Profit/(loss) for the period before tax ($'000)	(8,588)	(20,945)	(27,367)[1]	(23,197)[1]	11,349
Dividends paid ($'000)	-	-	-	2,666	3,877
Share price as at 30 June	$0.024	$0.026	$0.045	$0.245	$0.740
Change in share price	($0.002)	($0.019)	($0.200)	($0.495)	($0.212)

1. Amounts exclude discontinued operations.

7. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

MOVEMENT IN SHARES

	HELD AT 1 JULY 2020	OTHER CHANGES[2]	HELD AT 30 JUNE 2021
DIRECTORS			
Jeremy Thorpe[1]	36,732,674	16,591,240	53,323,914
Dean Palmer[1]	36,732,674	16,591,240	53,323,914
EXECUTIVES			
Henry Jones	2,528,631	1,153,846	3,682,477

1. Ordinary shares are held by Australian Fintech Pty Ltd as trustee for the Australian Fintech Trust. Jeremy Thorpe and Dean Palmer are Directors of Australian Fintech Pty Ltd and beneficiaries of the Australian Fintech Trust.
2. Other changes represent shares that were purchased or sold during the year.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Certain key management personnel (KMP), or their related parties, hold positions in other entities that result in them having control, or joint control, over the financial or operating policies of those entities. Some of these entities transacted with the Group during the year. The terms and conditions of the transactions with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. Details of transactions with related entities are detailed in the tables below:

	2021 $'000	2020 $'000
Sales of goods and services		
Membership subscriptions[1]	44	-
Enterprise sales[2]	92	-
Purchases of services		
Rent[3]	13	-
Technology consultancy[4]	-	96
Customer service[5]	324	339

1. Sale of Entertainment Memberships to Fair Go Finance, a controlled entity of Skybound.
2. Enterprise sales to NobleOak Life Insurance, an entity related to Stephen Harrison, the Chairman of the Group.
3. Gold Coast office space provided by Leisurecom Group Pty Ltd, a controlled entity of Suzerain.
4. Technology consultancy services with Fintech Services (AUST) Pty Ltd, a related party due to common directors Dean Palmer and Jeremy Thorpe.
5. Customer service provided by Leisurecom Group Pty Ltd, a controlled entity of Suzerain.

Outstanding balances arising from sales/purchases of goods and services:

	2021 $'000	2020 $'000
Current payables		
Leisurecom Group[1]	29	-

1. Customer service provided by a related entity controlled by Suzerain.

Outstanding balances arising from loan agreements:

	2021 $'000	2020 $'000
Borrowings		
Interest bearing loan	571	517
Additional growth operational facility	2,800	2,691
Transformational capital facility	1,208	-

Loans provided by Suzerain, Skybound and New Gold Coast Holdings, related parties to Jeremy Thorpe (Director) and Dean Palmer (Director), have provided a total of $16.5m loan facilities to the Group. During the period, the Group drew down $7.3m of the line of credit facility. See note 16 in the Financial Statements for additional detail.

8. DETAILS OF REMUNERATION (KMP)

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

2021	SHORT-TERM BENEFITS				POST EMPLOYMENT BENEFITS		LONG-TERM BENEFITS		SHARE BASED PAYMENTS				
	CASH SALARY AND FEES	NON-MONETARY BENEFITS	BONUS	OTHER	SUPERAN-NUATION	OTHER	LONG SERVICE LEAVE	TERMINATION BENEFITS	RIGHTS AND OPTIONS	CASH SETTLED	OTHER E.G HYBRIDS	TOTAL	% OF REMUNER-ATION LINKED TO PERFORMANCE
DIRECTORS[6]													
Stephen Harrison[1]	93,075	-	-	-	-	-	-	-	-	-	-	93,075	0%
Jeremy Thorpe[2]	67,707	-	-	-	-	-	-	-	-	-	-	67,707	0%
Charles Romito[3]	125,910	-	-	-	-	-	-	-	-	-	-	125,910	0%
Dean Palmer[2]	61,320	-	-	-	-	-	-	-	-	-	-	61,320	0%
EXECUTIVES													
Henry Jones[5]	257,800	-	-	-	20,110	-	-	-	254,039	-	-	531,949	36%
Ben Newling[4]	219,800	-	-	-	19,492	-	-	-	108,255	-	-	347,547	23%

1. Remuneration was paid to an associated entity.
2. Directors' fees were paid to an associated entity of Jeremy Thorpe and Dean Palmer and a related party of IncentiaPay Ltd.
3. Directors' fees were paid to an associated entity of Charles Romito and a related party of IncentiaPay Ltd. Directors fees include payments for both fees as a director and a one-off consulting review engagement.
4. 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 section 9 of the remuneration report.
5. 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 section 9 of the remuneration report.
6. 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.
7. Group issued 38,771,277 shares at $0.03 under its loan funded share plan approved by shareholders during the Annual General Meeting "AGM" in December 2020. These shares have been issued to Ben Newling and Henry Jones who are key management personnel of the Group. The loan funded shares are issued through a series of 5 tranches for each respective person which include market and non-market conditions, see section 10 of this report for additional detail. The fair value of the loan funded shares has been determined using a Monte Carlo simulation model. For the inputs to the model see Note 20 to financial statements.

2020	SHORT-TERM BENEFITS				POST EMPLOYMENT BENEFITS		LONG-TERM BENEFITS		SHARE BASED PAYMENTS				
	CASH SALARY AND FEES	NON-MONETARY BENEFITS	BONUS	OTHER	SUPERANNUATION	OTHER	LONG SERVICE LEAVE	TERMINATION BENEFITS	RIGHTS AND OPTIONS	CASH SETTLED	OTHER E.G HYBRIDS	TOTAL	% OF REMUNERATION LINKED TO PERFORMANCE
DIRECTORS[9]													
Stephen Harrison[1]	145,156	-	-	-	292	-	-	-	-	-	-	145,448	0%
Jeremy Thorpe[6]	74,542	-	-	-	-	-	-	-	-	-	-	74,542	0%
Charles Romito[7]	83,220	-	-	-	-	-	-	-	-	-	-	83,220	0%
Dean Palmer[2,6]	65,270	-	-	-	-	-	-	-	-	-	-	65,270	0%
EXECUTIVES													
Henry Jones[3]	189,750	-	-	-	15,752	-	-	-	-	-	-	205,502	0%
Ben Newling[8]	201,831	-	-	-	15,498	-	-	-	-	-	-	217,329	0%
Darius Coveney[4]	94,717	3,590	-	-	(68)	-	-	22,256	-	-	-	120,495	0%
Heidi Halson[5]	46,835	-	-	-	10,105	-	126,426	189,319	-	-	-	372,685	0%

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 section 9 of the remuneration report.
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 and a related party if IncentiaPay Ltd.
8. Remuneration disclosed is for period as KMP, commencing from 30/08/2019. 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 section 9 of the remuneration report.
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.

9. 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** • 27,186,234 loan funded shares.

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** • 11,585,043 loan funded shares.

10. SHARE BASED COMPENSATION

As at 30 June 2021, there were 38,771,277 shares issued to key management personnel as part of Loan Funded Share (LFS) arrangements approved by shareholders at the AGM in December 2020.
The terms of the current LFS arrangements can be summarised as follows:

1. IncentiaPay provides its key executives, ('the executive') with a loan to purchase an agreed number of IncentiaPay shares at an issue price based on the 5-day Volume Weighted Average Price (VWAP) immediately before issue date;

2. If there is an outstanding amount owing under the Loan, all dividends declared and paid with respect to the shares (after deduction for tax payable in relation to those dividends) shall be applied to repaying the Loan, therefore the executives shall have no right to receive those dividends;

3. The loan provided is interest free and limited recourse, such that the executive has the option to either repay the loan or return the shares at the loan repayment date, being 30 business days after the last vesting date;

4. Vesting conditions apply to each executive's shares, being related to time, meeting budgeted targets, share price hurdles, and the conversion of existing loans into shares, and are outlined in the table below;

5. Vesting of each tranche is subject to the continued employment of the executive up to the relevant date on which the vesting conditions are tested;

6. The Board will retain a broad discretion to determine or vary any vesting conditions if they consider that the commercial performance and circumstances of the Company justify that variation or waiver;

7. Any unvested loan funded shares that do not meet their vesting conditions (after rollover, if applicable) will cease to become eligible to become vested loan funded shares and will be cancelled, bought-back or transferred to a third party nominated by the Board on terms determined by the Board in its sole discretion; and

8. Prior to the shares becoming unencumbered, the executive is required to repay the loan.

MOVEMENT IN LOAN FUNDED SHARES

	HELD AT 1 JULY	GRANTED	EXPIRED	HELD AT 30 JUNE 2021	VESTED AND EXERCISABLE AT 30 JUNE 2021
Henry Jones	-	27,186,234	-	27,186,234	3,573,220
Ben Newling	-	11,585,043	-	11,585,043	1,522,679

Details of loan funded shares issued on 9 October 2020 to key management personnel as part of compensation during the year and their terms as at 30 June 2021 are set out below:

	TRANCHE	NO. OF OPTIONS	ISSUED VALUE $	VESTED AND EXERCISABLE AT 30 JUNE 2021	FAIR VALUE OPTIONS $	VESTING CONDITION	VESTING DATE[4]
Henry Jones	1	2,640,000	52,531	2,640,000[5]	52,531	Grant date	9 Oct 2020
	2	4,986,667	-	-[1]	-	Budget FY 2021	30 Jun 2021
	3	4,986,667	149,626	-[2]	53,874	Share price hurdle of $0.10	30 Sep 2021
	4	4,986,667	96,615	-[3]	25,731	Share price hurdle of $0.15	30 Sep 2023
	5	9,586,234	162,733	933,220	121,903	Proportion of the Suzerain convertible loan converted into shares and proportion of shares vested in tranches 1 to 4.	31 Oct 2023
		27,186,234	**461,505**	**3,573,220**	**254,039**		
Ben Newling	1	1,125,000	22,386	1,125,000[5]	22,386	Grant date	9 Oct 2020
	2	2,125,000	-	-[1]	-	Budget FY 2021	30 Jun 2021
	3	2,125,000	63,761	-[2]	22,957	Share price hurdle of $0.10	30 Sep 2021
	4	2,125,000	41,171	-[3]	10,965	Share price hurdle of $0.15	30 Sep 2023
	5	4,085,043	69,346	397,679	51,947	Proportion of the Suzerain convertible loan converted into shares and proportion of shares vested in tranches 1 to 4.	31 Oct 2023
		11,585,043	**196,664**	**1,522,679**	**108,255**		
Total Shares		**38,771,277**	**658,169**	**5,095,899**	**362,294**		

1. Shares will be carried over to tranche 3 as vesting condition not satisfied.
2. Where the vesting price hurdle condition is not satisfied, tranche 2 shares will expire and only tranche 3 shares will roll-over to tranche 4.
3. Where the vesting price hurdle condition is not satisfied, tranche 3 and 4 shares will expire and will not be eligible for vesting.
4. Expiry date for these options is the last vesting date for tranche 5, being 31 October 2023.
5. Tranche 1 is not linked to performance conditions as it reflects retrospective outcomes already achieved during the set up and establishment.

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AUDITOR'S INDEPENDENCE DECLARATION

AUDITORS' 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 2021 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

30 September 2021

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FINANCIAL STATEMENTS

INCENTIAPAY LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	CONSOLIDATED GROUP	
		FY2021 $'000	FY2020 $'000
Revenue and other income	2	19,435	42,205
Direct expenses of providing services	3	(8,931)	(23,937)
Impairments	3	-	(4,990)
Employee expenses	3	(9,450)	(16,980)
Depreciation and amortisation expense	3	(3,344)	(5,466)
Building occupancy expense	3	(132)	(279)
Finance costs	3	(794)	(1,295)
Legal and professional costs		(1,078)	(674)
Marketing expenses		(1,071)	(779)
Website and communication		(1,628)	(2,017)
Bad debts reversals/(expense)	3	101	(2,810)
Other expenses		(1,696)	(3,923)
Loss before income tax		**(8,588)**	**(20,945)**
Tax benefit/(expense)	4(a)	186	(3,717)
Loss for the period		**(8,402)**	**(24,662)**
Net profit attributable to:			
- Members of the parent entity		**(8,402)**	**(24,662)**
Other comprehensive income			
Loss rising from translating foreign controlled entities from continuing operations	20	(6)	(29)
Total comprehensive loss for the period		**(8,408)**	**(24,691)**
Loss per share			
Basic loss per share (cents)	5(a)	(1.1)	(8.2)
Total		**(1.1)**	**(8.2)**
Diluted loss per share (cents)	5(a)	(1.1)	(8.2)
Total		**(1.1)**	**(8.2)**

The accompanying notes form part of these financial statements.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

		CONSOLIDATED GROUP	
		FY2021 $'000	FY2020 $'000
Current assets	**NOTE**		
Cash and cash equivalents	6	3,228	5,307
Trade and other receivables	8	1,000	992
Inventories	9	155	134
Other assets	10	1,968	2,351
Total current assets		**6,351**	**8,784**
Non-current assets			
Trade and other receivables	8	523	-
Right-of-use assets	11	158	2,781
Property plant and equipment	12	811	1,327
Intangible assets	13	15,813	14,387
Total non-current assets		**17,305**	**18,495**
Total assets		**23,656**	**27,279**
Current liabilities			
Trade and other payables	14	5,981	6,235
Lease liabilities	15	1,055	1,731
Borrowings	16	4,579	517
Tax Liabilities	4(d)	-	186
Deferred revenue	17	4,526	6,219
Provisions	18	1,042	764
Total current liabilities		**17,183**	**15,652**
Non-current liabilities			
Lease liabilities	15	1,123	2,158
Borrowings	16	28	2,691
Deferred revenue	17	32	350
Provisions	18	132	182
Total non-current liabilities		**1,315**	**5,381**
Total liabilities		**18,498**	**21,033**
Net assets		**5,158**	**6,246**
Equity			
Issued capital	19	122,984	116,026
Reserves	20	733	377
Accumulated losses		(118,559)	(110,157)
Total equity		**5,158**	**6,246**

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 2021

	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)
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**

	NOTE	ORDINARY SHARE CAPITAL $'000	ACCUMULATED LOSSES $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	SHARE BASED PAYMENTS RESERVE $'000	TOTAL $'000
Balance at 1 July 2020		**116,026**	**(110,157)**	**377**	**-**	**6,246**
Comprehensive income						
Loss for the period		-	(8,402)	-	-	(8,402)
Other comprehensive income						
Exchange differences on translation of foreign operations		-	-	(6)	-	(6)
Total comprehensive loss for period		**-**	**(8,402)**	**(6)**	**-**	**(8,408)**
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the period	19	7,000	-	-	-	7,000
Transaction costs	19	(42)	-	-	-	(42)
Movement during the period	20	-	-	-	362	362
Total transactions with owners and other transfers		**6,958**	**-**	**-**	**362**	**7,320**
Balance at 30 June 2021		**122,984**	**(118,559)**	**371**	**362**	**5,158**

INCENTIAPAY LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	CONSOLIDATED GROUP FY2021 $'000	CONSOLIDATED GROUP FY2020 $'000
Cashflows from operating activities			
Receipts from customers		19,503	33,126
Payments to suppliers and employees		(27,544)	(47,616)
Government assistance received		2,696	677
Interest received		10	25
Net cash used in continuing operations	7	**(5,335)**	**(13,788)**
Cashflows from investing activities			
Purchase of property, plant and equipment		(53)	(40)
Purchase of intangibles		(2,854)	(169)
Proceeds from sale of business		-	155
Net cash used in from investing activities		**(2,907)**	**(54)**
Cashflows from financing activities			
Proceeds from issue of shares	19	531	-
Proceeds from borrowings		7,326	17,585
Payment of lease liabilities		(1,661)	(1,610)
Interest paid		(214)	(249)
Net cash from financing activities		**5,982**	**15,726**
Net increase/(decrease) in cash held		(2,260)	1,884
Cash and cash equivalents at beginning of financial period		5,307	3,460
Effects of movements in exchange rates on cash and cash equivalents held		181	(37)
Cash and cash equivalents at the end of the financial period in continuing operations	6	**3,228**	**5,307**

The accompanying notes form part of these financial statements.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 1 | Summary of Significant Accounting Policies

Basis of preparation

These general-purpose financial statements for the year ended 30 June 2021 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 Limited 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 30 September 2021.

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 continued with its transformation journey with efforts focused on the redesign and replacement of the Entertainment and Frequent Value apps and websites. Additionally, the Customer Experience team has worked to address useability feedback to ensure improved app store ratings and facilitate renewals through targeted app messaging and notifications. To supplement the new technology platforms, the Group invested in enhanced direct marketing capabilities and data analytics to facilitate targeted marketing campaigns, focused on both renewals and new Membership acquisitions. Due to extensions added to Memberships during the financial year, the first quarter of financial year 2022 is expected to see a number of renewals, which have been considered in preparing the cash flow projections. Additionally, timing and quantum of Membership renewals have been adjusted to accommodate restrictions imposed because of recent lockdowns.

At 30 June 2021 the Group had cash on hand of $3.2 million, net assets of $5.2 million and a net current asset deficiency of $10.8 million. During the year ended 30 June 2021, the Group incurred a net loss before tax from continuing operations of $8.6 million, and incurred net cash outflows from operating activities of $5.3 million.

The Directors have prepared cash flow forecasts for the period from 1 July 2021 to 30 September 2022 that support the ability of the Group to continue as a going concern. Most notable aspects of the cash flow forecasts include:

- Continued technology transformation centred around enhancement of new Entertainment and Frequent Value apps and updated websites built on a technology platform which will serve as a foundation for new revenue opportunities, such as credit card linking.
- Improved trading conditions on a progressive basis to support Merchant accessibility for Members in the short to medium term especially in the 2nd half of the 2022 financial year in a post vaccination Australia;
- Continued cost cutting through streamlining of operations and processes with the introduction of efficiency tools;

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

- Partnering with key strategic service providers to reduce fixed costs;
- Continued support from the Group's major shareholder, Suzerain, through the availability of additional financing facilities, accommodative repayment terms and the conversion of the remaining "Additional Growth Operational Facility" balance on 20 September 2021. Additionally, there is an expectation that the Group will defer the repayment of $1.8 million in respect of the loans provided by Suzerain and its related entities, due to be settled in the next 12 months;
- Share rights issue in financial year 2022.

The funding of ongoing operations of the Group is dependent upon the Group continuing to access the Suzerain and related parties' facilities and/or the successful share rights issue and/or the Group reducing expenditure in-line with current cash and funding resources. As of 30 June 2021, the Group had undrawn financing facilities from Suzerain and related parties' totalling $5.8 million. See note 16 for further information. This undrawn amount has reduced to $4.5m 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 forecasts, 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 and the successful rights issue, there is a material uncertainty as to whether the Group will be able to continue as a going concern.

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

In the event the Group 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) Key statements of financial position items and related disclosures that have been impacted by COVID-19 were as follows:

The COVID-19 pandemic and the various mutated strains, in particular the Delta variant, together with low vaccination rates, have continued to force Australian state authorities to take strict measures to manage and stop outbreaks. These measures, in addition to continued elevated cases across the world, have significantly impacted the Australian economy, and have increased the level of uncertainty in the preparation of these financial statements. The Group has considered the impact of COVID-19 in preparing its financial statements.

Given the dynamic nature of COVID-19, the Group has considered the potential impacts on carrying values of assets and liabilities and potential liabilities. 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.

<u>Processes applied</u>

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 in the going concern assumption;
- Updated its economic outlook – principally for the input into the impairment analysis of financial and non-financial asset classes and disclosures.
- 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.
- 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:

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 these intangible assets. The assessment incorporated a consideration for COVID-19. See note 13.

Property, plant and equipment and Right-of-use asset
Given the impact of COVID-19, the Property, plant and equipment and Right-of-use assets were subject to impairment testing as part of the cash generating unit review for intangible assets.

Trade and other receivables
The Group has reassessed expected credit losses in light of current COVID-19 pandemic impacts on customers as at 30 June 2021 with an adjustment to the loss rate where applicable. See note 8.

(b) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent IncentiaPay Limited 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.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 30 June 2021 reporting period and have not been early adopted 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.

(h) Critical acccounting 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 or hold over period 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. Refer to note 8.

Deferred tax assets "DTA"

Availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised. Refer to note 4.

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 in respect of goodwill or other intangibles for the year ended 30 June 2021 can be found in note 13.

Costs relating to Technology Transformation Projects "TTPs" were capitalised during the year, and "ready to use" TTPs were allocated to web development when they were in a condition for use as per the expectations of management. These costs included estimates covering the amount of time resources and corresponding values that were allocated to key project components. They were amortised in accordance with the company accounting policies. See note 13.

(i) Changes in significant accounting policies

The Group has adopted all of the new amended Accounting Standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. These standards did not have a material impact on the financial statements.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 applicable period of the Memberships. During the height of COVID in the first half of 2021 financial year, the company sold Memberships with extended periods to accommodate limited access to Merchants and rewards. The extended periods have been considered in calculating revenue under AASB15. The Membership year for the 19/20 edition of the 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 Membership.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of services	Nature and timing of satisfaction of performance obligations and revenue recognition policies
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 at point in time 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 receivable for bookings are recognised at point in time 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 through 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 at point in time 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 when revenue is recognised over time. 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. Gift with purchase promotion is treated as a reduction in revenue over the life of the subscription.
Enterprise 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 over the period of time 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 to Members is recognised at a point in time when the gift card is provided to the customer, and it is paid for. The Group is a principal in these transactions as it purchased the gift cards and obtains full control of them before selling them to Members.

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

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Revenue from government grants

Revenue from government grants is 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 employee expense.

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

	CONSOLIDATED GROUP	
	FY2021 $'000	FY2020 $'000
Fee income - Paid advertising	600	1,887
Fee income - Travel booking	66	221
Fee income - Consulting and media	-	347
Membership subscriptions	8,216	24,767
Enterprise sales	3,039	4,121
Gift card sales	7,325	10,692
Revenue from contracts with customers	**19,246**	**42,035**
Profit on sale of assets[1]	67	-
Government assistance	112	150
Interest received	10	20
Total revenue and other income	**19,435**	**42,205**

1. Sales of certain office equipment in Entertainment Publication New Zealand and the digital platform for Entertainment Digital.

		CONSOLIDATED GROUP	
	NOTE	FY2021 $'000	FY2020 $'000
Trade receivables (included in 'Trade and other receivables')	8	640	870
Contract liabilities	17	4,558	6,569

The contract liabilities primarily relate to the advance consideration received from Members for subscriptions and Enterprise customers, for which revenue is recognised over time. See note 17 for details.

Note 3 | Expenses

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

	NOTE	CONSOLIDATED GROUP FY2021 $'000	CONSOLIDATED GROUP FY2020 $'000
Direct expenses of providing services			
Variable expenses relating to book printing and production		-	2,503
Amortisation of deferred commission	10	1,455	9,359
Enterprise book printing		169	584
Gift cards		7,069	10,508
Other		238	983
Total		**8,931**	**23,937**
Bad debts written off			
Deferred consideration		-	2,966
Other debtors		-	59
Movement in expected credit losses	8	(101)	(215)
Total		**(101)**	**2,810**
Employee expenses			
Employee related expenses		11,753	17,889
JobKeeper payments earned		(2,303)	(909)
Total		**9,450**	**16,980**
Building occupancy expense			
Variable lease expense		132	279
Total		**132**	**279**
Finance costs			
Finance costs on borrowings	16	518	894
Interest expense on lease liabilities	15	166	249
Other finance costs		110	152
Total		**794**	**1,295**
Depreciation and amortisation expense			
Plant & equipment	12	569	521
Intangibles	13	1,428	3,299
Right-of-use assets	11	1,347	1,646
Total		**3,344**	**5,466**
Impairments			
Goodwill		-	3,605
Intangible assets		-	1,385
Total		**-**	**4,990**

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Direct expenses of providing services

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.

Gift cards expenses represents the cost of gift cards sold to Members. Some gift cards are held as inventory first, prior to being sold, and others are acquired from third parties at the time of the transaction. Unsold gift cards at 30 June 2021 are classified as inventory and carried on the balance sheet.

Bad debts written off

Movement in expected credit losses relates to the loss allowance adjustment to update the expected credit loss allowance at year end. See note 8 for details.

Bad debts written off during the prior year 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.

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.

The contributions to defined contribution plans were $0.8m and equity settled share-based expenses were $0.4m in the reporting period.

Impairment of intangible assets

See note 13.

Depreciation and amortisation expense

Depreciation of Plant & equipment relates to leasehold improvements and office equipment. Amortisation of intangibles relates to software assets. Amortisation of right-of-use assets relates to offices and office equipment assets recognised in accordance with AASB 16.

During the first half of the financial year, the Group re-assessed the useful life of the software intangible asset, largely comprising costs associated with “legacy” capitalised web development. As a result of the strategic digital transformation during the financial year, the Group determined that the period over which the written down value should be consumed was shorter than previously estimated. Amortisation was accelerated to reflect this, resulting in the legacy assets being fully written down by 31 December 2020.

During the second half of the year, costs relating to Technology Transformation Projects “TTPs” were capitalised and “ready to use” TTPs were allocated to web development when they were in a condition for use as per the expectations of management. They are amortised in accordance with the company accounting policies. See note 13 for details.

Building occupancy expense

Building and occupancy expenses represent variable lease payments related to leases that have not been incorporated into the measurement of lease liabilities.

Finance costs on borrowings

The decrease in finance costs on borrowings is predominately due to conversion of the $6.3 million convertible loan into 187,544,529 ordinary shares at $0.034 per share during the year and conversion of the $19.3 million convertible loan into 410,643,766 ordinary shares at $0.047 per share in the second half of last financial year. See note 16.

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 do not believe that sufficient taxable profit will be available in the short term to utilise the carry forward tax losses.

The Group has considered the following factors:

- There is a history of tax losses being incurred over the past few years.
- Management is forecasting further large taxable losses again for FY2022.
- Whilst assessable income is forecast from FY2023 onwards, it is not sufficiently large enough to generate taxable income that will fully utilise the carry forward tax losses (Per 30 June 2020 Income Tax Return, $42,147,068) in the near term.
- The accounting standard requirement is for there to be convincing evidence to support the recognition of deferred tax assets where the entity incurs losses.

Accordingly, the Group has not recognised a deferred tax asset at 30 June 2021.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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	
	FY2021 $'000	FY2020 $'000
a) The components of income tax (expense)/income comprise:		
Current tax	186	-
Deferred tax	-	(3,717)
Income tax benefit/(expense)	**186**	**(3,717)**
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(8,588)	(20,945)
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% (2020: 30%)	(2,577)	(6,284)
Add/(less) tax effect of:		
Permanent differences	2,502	642
Temporary differences	(3,467)	(410)
Unrecognised tax losses	3,542	6,053
Derecognised deferred tax assets	-	3,717
Unders/(overs) from prior periods	(186)	-
Income tax (benefit)/expense	**(186)**	**3,717**

No tax losses were recognised for the financial year. 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.

c) Deferred tax	OPENING BALANCE	CHARGED TO INCOME	CHARGED DIRECTLY TO EQUITY	DISPOSAL DURING DIVESTMENT	DERECOGNISED DEFERRED TAX ASSETS	TOTAL
Deferred tax assets						
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)**	**-**
BALANCE AS AT 30 JUNE 2021	**-**	**-**	**-**	**-**	**-**	**-**

The Group has estimated unutilised tax losses of $51.7m. Additionally, there are other deductible temporary differences resulting in a net potential deferred tax assets position for the Group of approximately $2.2m, calculated using the prevailing rate of Australia corporation tax of 30% for the Group.

After considering the above, the Group determined in the prior year that these deferred tax assets will no longer be recognised as it is uncertain whether future taxable profits in the foreseeable future will be sufficient to utilise the losses. The Group completed phase 1 of the transformation plan which is comprised of a mobile application, website, and Membership widget, and is currently at the feasibility stage of phase 2. The outcome of phase 2 is focused on Merchants and corporate partnerships to deliver growth and stability. Current projections indicate a return to profitability however given the levels of uncertainty with respect to economic recovery, it is not sufficiently convincing for the purposes of recognition of these tax losses.

d) Current tax	CONSOLIDATED GROUP FY2021 $'000	CONSOLIDATED GROUP FY2020 $'000
Income tax payable	**-**	**186**

The income tax payable in 2020 related to provisional estimates in relation to estimated New Zealand tax. This income tax payable was derecognised during the year as no income tax was ultimately payable.

Note 5 | Dividends, earnings per share and franking credit

Franking account	CONSOLIDATED GROUP FY2021 $'000	CONSOLIDATED GROUP FY2020 $'000
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 2021 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 Limited as the head entity in the tax consolidated group has also assumed the benefit of $6.5m (2020: $6.5m) franking credits.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	CONSOLIDATED GROUP	
	FY2021 $'000	FY2020 $'000
a) Reconciliation of earnings to profit or loss		
Loss for the period from continuing operations	(8,402)	(24,662)
Loss for the period from discontinued operations	-	-
EARNINGS USED TO CALCULATE BASIC EPS	**(8,402)**	**(24,662)**
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS[1]	**746,647,173**	**302,134,914**
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	**746,647,173**	**302,134,914**

1. The 38,771,277 ordinary shares issued on 9 October at a price of $0.029 each under the loan funded shares plan are not included in the weighted average number of ordinary shares as they are treated as in substance options for accounting purposes and would be considered anti-dilutive in nature.

Note 6 | Cash and cash equivalents

Accounting policy

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

	CONSOLIDATED GROUP	
	FY2021 $'000	FY2020 $'000
Cash at bank and on hand	3,228	5,304
Short-term bank deposits	-	3
TOTAL CASH AND CASH EQUIVALENTS	**3,228**	**5,307**
RECONCILIATION OF CASH		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows		
Cash and cash equivalents	3,228	5,307
TOTAL CASH AND CASH EQUIVALENTS	**3,228**	**5,307**

Note 7 | Cash flow information

	CONSOLIDATED GROUP	
	FY2021 $'000	FY2020 $'000
RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATIONS		
Loss after income tax	(8,402)	(24,662)
Non-cash flows in loss		
Amortisation-intangibles	1,428	3,299
Loss on disposal of leasehold improvements	-	690
Depreciation-property plant and equipment	569	521
Depreciation-right-of-use	1,347	1,646
Impairment of intangibles in continuing operations	-	4,990
Share based payment expense	454	(730)
Net interest included within investing	794	1,295
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade receivables	417	4,867
(Increase)/decrease in prepayments	333	5,502
(Increase)/decrease in inventories	(21)	(38)
(Increase)/decrease in deferred taxes receivable	-	3,717
Increase/(decrease) in trade payables and accruals	(285)	1,044
Increase/(decrease) in deferred income	(2,011)	(14,825)
Increase/(decrease) in income taxes payable	(186)	-
Increase/(decrease) in provisions	228	(1,104)
CASH FLOW FROM OPERATING ACTIVITIES	**(5,335)**	**(13,788)**

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Reconciliation of liabilities arising from cash flows from financing activities

	INTEREST BEARING LOAN	ADDITIONAL GROWTH OPERATIONAL FACILITY	LEASE LIABILITIES	TRANSFORM-ATIONAL CAPITAL FACILITY	NZ BUSINESS CASH FLOW LOAN	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AS AT 30 JUNE 2020	**517**	**2,691**	**3,889**	**-**	**-**	**7,097**
Drawn down	-	6,099	-	1,199	28	7,326
Rent concessions or deferred rents	-	-	(50)	-	-	(50)
Repayment or amortised	-	-	(1,661)	-	-	(1,661)
Interest paid	-	-	(166)	(48)	-	(214)
Interest expenses	54	267	166	55	-	542
Line fees paid	-	-	-	(20)	-	(20)
Line fees	-	120	-	22	-	142
Loan converted to equity	-	(6,377)	-	-	-	(6,377)
BALANCE AS AT 30 JUNE 2021	**571**	**2,800**	**2,178**	**1,208**	**28**	**6,785**

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	
	FY2021 $'000	FY2020 $'000
Current		
Trade receivables	640	870
Provision for loss allowance	(140)	(241)
Net trade receivables	**500**	**629**
Sublease rent receivable[1]	427	-
Other receivables	73	363
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	**1,000**	**992**
Non-current		
Sublease rent receivable[1]	523	-
TOTAL NON-CURRENT TRADE AND OTHER RECEIVABLES	**523**	**-**

1. Sublease Sydney office rent receivable. See note 11 for details.

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

	Opening balance 1/07/2020 $'000	Loss allowance adjustment for year $'000	Amounts written off $'000	Closing balance 30/06/2021 $'000
Current trade receivables	(241)	101	-	(140)
TOTAL	**(241)**	**101**	**-**	**(140)**
	Opening balance 1/07/2019 $'000	**Loss allowance adjustment for year $'000**	**Amounts written off $'000**	**Closing balance 30/06/2020 $'000**
Current trade receivables	(580)	215	124	(241)
TOTAL	**(580)**	**215**	**124**	**(241)**

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 lifetime expected credit losses is recognised. Minimal risk is expected in respect of 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 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 90 days should be 100%.

On that basis, the expected credit loss allowance as at 30 June 2021 was determined as follows for trade receivables:

REPORT CATEGORY	DAYS	ADJUSTED LOSS RATE %	RECEIVABLES BALANCE AS AT 30 JUNE 2021 $'000	LOSS ALLOWANCE AS AT 30 JUNE 2021 $'000
Current	0-30	7	393	27
Past due 1-30	31-60	24	148	35
Past due 31-60	61-90	51	43	22
Past due 61-90	91-120	100	-	-
Past due over 90	121-150	100	-	-
Greater than over 90 days overdue	Greater than 150	100	56	56
		Total	**640**	**140**

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**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Credit risk

The Group has a sublease rent receivable of $0.9 million for the Sydney office. The sub lessee has provided a bank guarantee of $0.2 million as a security. Apart from the sublease rent receivable, 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	
	2021 $'000	2020 $'000
Gross amount	640	870
Impaired (past due)	(140)	(241)
Total	**500**	**629**
Within initial trade terms	366	540
Past due not impaired - 30 days	113	70
60 days	21	19
90 days	-	-
90 days +	-	-
Total	**500**	**629**

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	
	2021 $'000	2020 $'000
Australia	473	565
New Zealand	27	64
Total	**500**	**629**

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 9 | Inventories

Accounting policy

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

	CONSOLIDATED GROUP	
	2021 $'000	2020 $'000
Gift cards held for sale	155	134
TOTAL INVENTORIES	**155**	**134**

Note 10 | Other assets

Accounting policy

Other assets relate to prepaid fundraiser commission incurred as a result of the sale of Memberships and short-term investments that relate to security deposits for leased premises. Prepayments are the right to receive future goods or services within the next 12 months.

	CONSOLIDATED GROUP	
	2021 $'000	2020 $'000
CURRENT		
Short-term investments	855	1,018
Prepayments	220	337
Deferred commission[1]	893	996
TOTAL OTHER ASSETS	**1,968**	**2,351**

1. 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.

	Deferred commission $'000
30 JUNE 2020	
Balance as at 1 July 2019	7,264
Commission deferred	3,091
Amortisation	(9,359)
BALANCE AS AT 30 JUNE 2020	**996**
30 JUNE 2021	
Balance as at 1 July 2020	996
Commission deferred	1,352
Amortisation	(1,455)
BALANCE AS AT 30 JUNE 2021	**893**

Note 11 | Right-of-use assets

Accounting policy

The Group leases offices and equipment. The majority of the leases will expire in financial year 2022 except for Sydney Harrington office lease which is currently subleased for the reminder of the lease term, which ends in financial year 2023.

Right-of-use assets relate to leased property that do not meet the definition of investment property and are classified 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 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. The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value and short-term leases, including certain land and building leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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	
	2021 $'000	2020 $'000
Land and buildings		
At cost	1,805	4,068
Accumulated depreciation	(1,720)	(1,510)
Total	**85**	**2,558**
Equipment		
At cost	270	359
Accumulated depreciation	(197)	(136)
Total	**73**	**223**
TOTAL RIGHT-OF-USE ASSETS	**158**	**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**
Balance as at 1 July 2020	2,558	223	2,781
Exchange difference	(68)	38	(30)
Additions to right-of-use assets	-	-	-
Depreciation charge for the year	(1,216)	(131)	(1,347)
Derecognition[1 2]	(1,189)	(57)	(1,246)
BALANCE AS AT 30 JUNE 2021	**85**	**73**	**158**

1. Derecognition of the right-of-use asset is as a result of entering into a finance sub-lease for 100% of the floor space in Harrington Street office.
2. Termination of phone leases relating to Harrington Street office.

Amounts recognised in profit and loss

	CONSOLIDATED GROUP	
	2021 $'000	2020 $'000
Variable lease expense	132	279
Interest on lease liabilities	166	249
Loss from sub-leasing Harrington Street office[1]	167	-
Loss from terminating phone leases relating to Harrington Street office[1]	18	-

1. Losses are included in other expenses in the statement of profit and loss.

Amounts recognised in statement of cash flows

	CONSOLIDATED GROUP	
	2021 $'000	2020 $'000
Interest on lease liabilities	166	249
Principal element of lease payments	1,661	1,610
Total cash flow for leases	**1,827**	**1,859**

Leases as lessor

During the year, the Group subleased the office space for Harrington Street for the remaining term of the lease. There were no other factors suggesting that Incentiapay Limited has retained significant risks and rewards associated with the term of the office space for the remaining 2 years 5 months. As a result, the Group has derecognised the whole of the right-of-use asset relating to the remaining period, recognised the present value of the lease payments as lease receivable under the sub-lease (See note 8) and the difference was recognised in the profit and loss. The Group received $334 interest income relating to subleasing during the reporting period.

As the Group is still responsible for all of the lease payments relating to the head lease, the lease liability is still recognised in lease liabilities in note 15.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	CONSOLIDATED GROUP	
	2021 $'000	2020 $'000
Not later than 1 year	443	-
Between 2 and 3 years	461	-
Later than 3 years	120	-
Total undiscounted lease receivable	**1,024**	**-**
Unearned finance income	(74)	-
Net investment in the lease	**950**	**-**

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 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. 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.

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, 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

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.

	CONSOLIDATED GROUP	
Plant and equipment	**2021 $'000**	**2020 $'000**
At cost	874	821
Accumulated depreciation	(669)	(579)
Total	**205**	**242**
Leasehold improvements		
At cost	2,090	2,090
Accumulated depreciation	(1,484)	(1,005)
Total	**606**	**1,085**
TOTAL PROPERTY, PLANT AND EQUIPMENT	**811**	**1,327**

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	Total $'000
Balance as at 1 July 2019	316	2,067	2,383
Additions	16	135	151
Reclassified as held for sale	-	(686)	(686)
Depreciation expense	(90)	(431)	(521)
BALANCE AS AT 30 JUNE 2020	**242**	**1,085**	**1,327**
Balance as at 1 July 2020	242	1,085	1,327
Additions	53	-	53
Depreciation expense	(90)	(479)	(569)
BALANCE AS AT 30 JUNE 2021	**205**	**606**	**811**

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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, web development 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.

Amounts capitalised as part of internally-developed intellectual property include the total cost of any external services and labour costs directly attributable to development. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved. Research costs are expensed as incurred.

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 3 years. The total cost of the "ready for use" asset is based on the costs capitalised monthly. Any additional costs capitalised to the "ready for use" asset, are only those that will extend future economic benefits, and as such, will attract immediate amortisation.

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 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. IncentiaPay Limited manages the Group as one cash-generating unit, being the Entertainment Publications business, and all intangibles are associated to this cash-generating unit.

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

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	CONSOLIDATED GROUP	
	2021 $'000	2020 $'000
Goodwill		
Cost	31,199	31,199
Accumulated impairment losses	(21,108)	(21,108)
Total	**10,091**	**10,091**
Technology and software		
Cost	10,200	9,196
Accumulated amortisation and impairment losses	(8,386)	(8,000)
Total	**1,814**	**1,196**
Software under development		
Cost	908	100
Accumulated amortisation and impairment losses	-	-
Total	**908**	**100**
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)	(752)
Total	**-**	**-**
TOTAL INTANGIBLES	**15,813**	**14,387**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	GOODWILL	TECHNOLOGY & SOFTWARE	SOFTWARE UNDER DEVELOPMENT	BRAND NAME & INTERNATIONAL RIGHTS	OTHER INTANGIBLES	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2019	**13,696**	**5,059**	**-**	**3,000**	**752**	**22,507**
Additions-internally developed	-	69	100	-	-	169
Amortisation charge[1]	-	(3,299)	-	-	-	(3,299)
Impairment[2,3]	(3,605)	(633)	-	-	(752)	(4,990)
BALANCE AS AT 30 JUNE 2020	**10,091**	**1,196**	**100**	**3,000**	**-**	**14,387**
Balance as at 1 July 2020	**10,091**	**1,196**	**100**	**3,000**	**-**	**14,387**
Additions-internally developed	-	-	2,854	-	-	2,854
Transfers[4]	-	2,046	(2,046)	-	-	-
Amortisation charge	-	(1,428)	-	-	-	(1,428)
Impairment	-	-	-	-	-	-
BALANCE AS AT 30 JUNE 2021	**10,091**	**1,814**	**908**	**3,000**	**-**	**15,813**

1. During the prior year, The Group re-assessed the useful life of the software intangible asset, largely comprising costs associated with capitalised web development, as a result, the Group has written down the value of the existing platform as it determined the effective life was shorter than previously estimated. Amortisation has been accelerated to reflect this, resulting in the asset being fully written down by 31 December 2020. During the year, the Group moved to a new platform supporting a new application and website.
2. During the prior year, as a result of the Group's decision to seek expressions of interest with respect to Entertainment Digital business assets, it was assessed that the assets would not produce any future economic benefits to the Group, as such, the assets were impaired to reflect an estimate of their fair value less costs of disposal. During the year, Entertainment Digital business assets were sold, as the assets was fully amortised and impaired, the net impact of the disposal is zero.
3. 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.
4. TTPs were allocated to Technology and software when they were in a condition for use as per the expectations of management. These costs included estimates covering the amount of time resources were allocated to key project components. They were amortised in accordance with the company accounting policies.

Current market conditions brought on by COVID-19, 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 perpetuity 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 and changes to the discount rate.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

Year ended 30 June 2021

2022-2026	GROWTH RATES 2022-2026	GROWTH RATES 2026 ONWARD[1]	DISCOUNT RATE/ WEIGHTED AVERAGE COST OF CAPITAL[2]
Entertainment Publications	3-10%[3]	2%	13%

1. Based on long-term forecasts
2. Post-tax discount rate
3. Growth rates relate to existing revenue streams. From 2023 financial year, the discounted cash flows assumed new revenue streams associated with the next phase of the business transformation, called Seamless Rewards. The growth attributed to this revenue item reflects confidence in the planned product and market development strategies.

Year ended 30 June 2020

2021-2025	GROWTH RATES 2021-2025	GROWTH RATES 2025 ONWARD[1]	DISCOUNT RATE/ WEIGHTED AVERAGE COST OF CAPITAL[2]
Entertainment Publications	2.5-5%	2%	11%

1. Post-tax Growth rate
2. Post-tax Discount rate

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 2022 consider the increased level of market volatility and uncertainty caused by COVID-19, the technology transformation, opening up of the economy, new revenue opportunities, a strategic technology partnership, efficiency savings, and enhanced marketing capabilities. The Directors consider these forecasts to reflect the best estimates of revenue based on facts and circumstances available as at 30 June 2021. 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 Membership revenue and expenditure taking into account the continued impacts of COVID-19 and the opening up of the economy from the vaccination program, the cost savings from efficiencies, strategic outsourcing;
- The Company is taking the view that the hospitality and leisure industries will open up in the new year with much of Australia returning to what could be considered reasonably normal, with some restrictions still in place. This would also see domestic travel returning to regular and consistent operating levels. Given this and the information available as at 30 June 2021, it is expected that from February 2022 volumes will start recovering with a return to normal sales volumes by June 2022 and will form the basis for expected growth of existing revenue lines from 2023 onwards. Timing may be uncertain, and the model is highly sensitive to the COVID-19 recovery pathway.
- The addition of a new revenue stream from 2023 onwards relates to Phase 2 of the transformation of the business, called Seamless Rewards. The growth attributed to this revenue item reflects confidence in the planned product and market development strategies, and relies on a successful launch; and
- The discount rate of 13% (post tax) and 13% (pre tax).

The Group has performed sensitivity analysis of the reasonably possible changes in the assumptions used in the discounted cash flow model, which are detailed in the table below. Based on the sensitivity analysis, changes in when the recovery from COVID-19 commences, an increase in the discount rate and a reduction and dela in revenue from the new revenue stream will result in the recoverable amount equalling the carrying amount.

Assumption	From	To
COVID-19 recovery	Commencing February 2022	Commencing July 2022
Growth rates from 2023 - 2026	10%	8%
Discount rate	13%	14%
New revenue stream	Commences 2023	Commences 2024 and is reduced revenue by 25%

As at 30 June 2021 the estimated recoverable amounts determined using the method outlined above were found to be more than the carrying value of the net assets of the cash-generating unit and accordingly, no impairment adjustment was required.

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	
	2021 $'000	2020 $'000
CURRENT		
Unsecured liabilities		
Trade payables	2,903	2,359
Other payables and accruals	3,078	3,553
Litigation claim payables[1]	-	323
TOTAL CURRENT UNSECURED LIABILITIES	**5,981**	**6,235**

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

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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%, 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.

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	
	2021 $'000	2020 $'000
CURRENT		
Lease liabilities	1,055	1,731
TOTAL CURRENT LEASE LIABILITIES	**1,055**	**1,731**
NON-CURRENT		
Lease liabilities	1,123	2,158
TOTAL NON-CURRENT LEASE LIABILITIES	**1,123**	**2,158**
TOTAL LEASE LIABILITIES	**2,178**	**3,889**

	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**
Interest charges	166
Repayments (Including interest)	(1,827)
Rent concessions or deferred rents	(50)
BALANCE AS AT 30 JUNE 2021	**2,178**

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 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 expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments (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 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	
	2021 $'000	2020 $'000
CURRENT		
Transformational capital facility	1,208	-
Additional growth capital facility	2,800	-
Interest bearing loan	571	517
TOTAL CURRENT BORROWINGS	**4,579**	**517**
NON-CURRENT		
Additional growth capital facility	-	2,691
NZ Business cashflow loan	28	-
TOTAL NON-CURRENT BORROWINGS	**28**	**2,691**
TOTAL BORROWINGS	**4,607**	**3,208**

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Interest bearing loan $'000	Additional growth operational facility $'000	Transformational capital facility $'000	New Gold Coast Holdings Loan facility $'000	NZ Business Cashflow Loan $'000
Facility limit	500	9,825	1,200	5,000	28
Unused facility	-	803	-	5,000	-
Interest rate	10% per annum	10% per annum	12.5% per annum	12.5% per annum	3% per annum[1]
Line fees	N/A	$9,708 per month	$2,000 per month	A fee of 2% per annum accrues daily from the date of the initial drawdown, calculated in respect of the undrawn capital	N/A
Maturity date	30/09/2020	31/12/2021	11/02/2022	31/12/2022	16/07/2025
Security	Security over all the Group's present and future property	Security over all the Group's present and future property	Second ranking security over all the Group's present and future property	Security over all the Group's present and future property, the security is subject to shareholders' approval	Unsecured
Drawn down as at 1 July 2020	**517**	**2,691**	**-**	**-**	**-**
Drawn down	-	6,099	1,199	-	28
Interest expenses	54	267	55	-	-
Line fees	-	120	22	-	-
Interest repaid	-	-	(48)	-	-
Line fees repaid	-	-	(20)	-	-
Loan converted to equity	-	(6,377)	-	-	-
Drawn down as at 30 JUNE 2021	**571**	**2,800**	**1,208**	**-**	**28**

1. 3% per annum, no interest charge on the loan if full repayment is made on or before 16 July 2022.

Interest bearing loan

On 9 August 2019 the Group entered into a loan deed with Suzerain for total funding of $19 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 annum. During the 2020 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Accordingly, $19.3 million including accrued interest of the convertible loan was converted to equity with the issuance of 410,643,766 ordinary shares (4.7cent per share) in the Company. $0.5m of the convertible loan was left in the 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. The balance remaining on this loan is $0.571m (Including interest) and will remain as a secured interest-bearing loan until repaid. The Interest-bearing loan matured on 30 September 2020 and the updated repayment terms are yet to be agreed.

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 agreed to increase the facility limit of the original loan by $4 million to $9.825 million. During the AGM in December 2020, the resolutions were passed to enter into a first ranking security deed and for the loan to be convertible to ordinary shares at the higher of $0.0275 per share or the volume weighted average price of shares traded on ASX during the period 30 trading days and concluding on the trading day before the issue date of the relevant shares, plus an additional 20%.

On 19 January 2021, Suzerain opted to convert $6,376,514 of their convertible loan into 187,544,529 ordinary shares at $0.034 per share. Suzerain may also give more than one notice to convert.

As disclosed as a subsequent event in note 30; Suzerain opted to convert the remaining amount of $3.4m of their convertible loan into 104,939,367 ordinary shares at 3.29c per share, on 20 September 2021, in accordance with the convertible loan agreement approved by shareholders at the AGM held in December 2020.

Transformational capital facility

Skybound Fidelis Investment limited as trustee for the Skybound Fidelis Credit Fund (Skybound) (a related entity of Suzerain) provided the Group with a $1.2 million facility for the transformational capital expenditures. During the AGM in December 2020, the resolutions were passed to enter into a second ranking security deed (ranking behind Suzerain). As at 30 June 2021 this loan facility has been fully drawn down.

New Gold Coast Holdings Loan Facility

New Gold Coast Holdings (NGC)'s, a related party of Suzerain, $5 million Loan facility was approved on 3 June 2021 and is available for use at balance date. The funds will predominantly be used to expedite the development of the company's technology and customer experience platforms and to provide contingent working capital due to seasonal cash inflows. 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 2021.

NZ Business Cashflow Loan

The Group applied for and was granted a one-off loan provided by New Zealand government in July 2020 to support New Zealand business during the Pandemic.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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	
	2021 $'000	2020 $'000
CURRENT		
Deferred revenue	4,526	6,219
TOTAL CURRENT DEFERRED REVENUE	**4,526**	**6,219**
Deferred revenue	32	350
TOTAL NON-CURRENT DEFERRED REVENUE	**32**	**350**
TOTAL DEFERRED REVENUE	**4,558**	**6,569**

	Deferred Revenue $'000
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**
YEAR ENDED 30 JUNE 2021	
Balance as at 1 July 2020	6,569
Revenue deferred	9,248
Revenue recognised	(11,259)
BALANCE AS AT 30 JUNE 2021	**4,558**

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.

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 component of current trade and other payables 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 of high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

Retirement 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.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

	Make good provision $'000
BALANCE AS AT 30 JUNE 2020	**128**
Balance as at 1 July 2020	128
Additional provisions[1]	8
BALANCE AS AT 30 JUNE 2021	**136**

1. Make good provision for occupied premises. The amount was adjusted to the net present value.

	CONSOLIDATED GROUP	
ANALYSIS OF TOTAL PROVISIONS	**2021**	**2020**
Current	**$'000**	**$'000**
Make good provision	63	-
Employee benefits	979	764
Total current provisions	**1,042**	**764**
Non-current		
Make good provision	73	128
Employee benefits	59	54
Total non-current provisions	**132**	**182**
TOTAL PROVISIONS	**1,174**	**946**

Note 19 | Issued Capital

	CONSOLIDATED GROUP			
	2021 shares	2020 shares	2021 $'000	2020 $'000
Ordinary shares - fully paid on issue	**867,002,904**	**655,940,612**	**122,984**	**116,026**
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		242,618,274		96,006
Issues during the year:	1 November 2019	2,678,572	0.28	750
	28 February 2020	410,643,766	0.05	19,300
	Less, costs of issues	-	-	(30)
BALANCE AS AT 30 JUNE 2020		**655,940,612**		**116,026**
Ordinary shares at beginning of the year		655,940,612		116,026
Issues during the year:	9 October 2020[1]	3,066,667	0.03	92
	19 October 2020[2]	20,451,096	0.03	531
	2 February 2021[3]	187,544,529	0.03	6,377
	Less, costs of issues	-	-	(42)
BALANCE AS AT 30 JUNE 2021		**867,002,904**		**122,984**

1. The Group issued 3,066,667 shares at $0.03 under the employee gift plan on Friday, 9 October 2020.
2. The Group issued 20,451,096 shares at $0.026 under the share placement plan on Friday, 16 October 2020.
3. On 19 January 2021, Suzerain opted to convert $6,376,514 of their convertible loan into 187,544,529 ordinary shares at $0.034 per share.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Performance rights

Movements in performance rights	Number of performance rights	Issued price $	$
Performance rights at 1 July 2019	**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 at 1 July 2020	-		-
EP PREP wind up	-		-
BALANCE AS AT 30 JUNE 2021	**-**		**-**

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.

On 29 September 2020, the Board implemented 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 worked reduced hours or were on reduced salaries. Commensurate with this, the Board approved the scheme, and all eligible employees received $1,000 of ordinary shares which were issued from the Company's placement capacity.

The Board also implemented a Loan Funded Share Scheme being a three-year long-term incentive plan for the CEO and COO, which will vest over a three-year period. Vesting conditions relate to achieving the 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. Shareholder approval was granted at the AGM held on 16 December 2020. Refer to note 20 for further details.

Additionally, the Board implemented an Employee Share Scheme for senior management and executive directors, will result in shares being issued into a trust controlled by the Company. Maximum number of performance rights to be issued under the plan is 7,500,000. These shares will be issued in 4 tranches and will be subject to the same vesting hurdles as those applicable to tranches 2 – 5 under the LFS scheme and detailed in note 20. No shares were issued under this scheme during the financial year.

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 equity-based incentives are transferred to share capital.

Shares issued under the loan funded share scheme is accounted for as a substance option and share based payments were measured using a Monte Carlo simulation model.

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
Balance as at 1 July 2019	730	406	1,136
Amortised during the period	-	-	-
Unvested during the period[1]	(730)	-	(730)
Movement during the period	-	(29)	(29)
BALANCE AS AT 30 JUNE 2020	**-**	**377**	**377**
Balance as at 1 July 2020	-	377	377
Amortised during the period[2]	362	-	362
Unvested during the period	-	-	-
Movement during the period	-	(6)	(6)
BALANCE AS AT 30 JUNE 2021	**362**	**371**	**733**

1. 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 replaced it with a new broad-based employee share equity plan. The share based payment reserve relating to these Performance rights was reversed to reflect the wind up in the prior year.
2. During the period, the Group issued 38,771,277 shares at $0.03 under its loan funded share plan approved by shareholders during the Annual General Meeting "AGM" in December 2020. These shares have been issued to Ben Newling and Henry Jones who are key management personnel of the Group. The loan funded shares are issued through a series of 5 tranches for each respective person which include market and non-market conditions.

Share based payments - Loan funded shares

As at 30 June 2021, there were 38,771,277 shares issued to key management personnel as part of Loan Funded Share (LFS) arrangements approved by shareholders at the AGM in December 2020.
The terms of the current LFS arrangements can be summarised as follows:

1. IncentiaPay provides its key executives, ('the executive') with a loan to purchase an agreed number of IncentiaPay shares at an issue price based on the 5-day Volume Weighted Average Price (VWAP) immediately before issue date;
2. If there is an outstanding amount owing under the Loan, all dividends declared and paid with respect to the shares (after deduction for tax payable in relation to those dividends) shall be applied to repaying the Loan, therefore the executives shall have no right to receive those dividends;
3. The loan provided is interest free and limited recourse, such that the executive has the option to either repay the loan or return the shares at the loan repayment date, being 30 business days after the last vesting date;
4. Vesting conditions apply to each executive's shares, being related to time, meeting budgeted targets, and share price hurdles, and are outlined in table below;
5. Vesting of each tranche is subject to the continued employment of the Executive up to the relevant date on which the vesting conditions are tested;

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

6. The Board will retain a broad discretion to determine or vary any vesting conditions if they consider that the commercial performance and circumstances of the Company justify that variation or waiver;
7. Any unvested loan funded shares that do not meet their vesting conditions (after rollover, if applicable) will cease to become eligible to become vested loan funded shares and will be cancelled, bought-back or transferred to a third party nominated by the Board on terms determined by the Board in its sole discretion; and
8. Prior to the shares becoming unencumbered, the executive is required to repay the loan.

The 38,771,227 restricted fully paid ordinary shares were issued under the LFS on 9 October 2020 as follows:

Under the applicable accounting standards, the LFS shares are accounted for as options, which give rise to share based payments.

KMP	Held at 1 July 2020	Granted	Expired	Held at 30 June 2021	Vested and exercisable at 30 June 2021
Henry Jones	-	27,186,234	-	27,186,234	3,573,220
Ben Newling	-	11,585,043	-	11,585,043	1,522,679
Total	**-**	**38,771,277**	**-**	**38,771,277**	**5,095,899**

Details of options issued to key management personnel as part of compensation during the year and their terms as at 30 June 2021 are set out below:

	Tranche	No. of options	Issued Value $	No. Vested and Exercisable 30 June 2021	Fair Value of Options $
Henry Jones	1	2,640,000	52,531	2,640,000	52,531
	2	4,986,667	-[1]	-[1]	-
	3	4,986,667	149,626	-[2]	53,874
	4	4,986,667	96,615	-[3]	25,731
	5	9,586,234	162,733	933,220	121,903
		27,186,234	**461,505**	**3,573,220**	**254,903**
Ben Newling	1	1,125,000	22,386	1,125,000	22,386
	2	2,125,000	-[1]	-[1]	-
	3	2,125,000	63,761	-[2]	22,957
	4	2,125,000	41,171	-[3]	10,965
	5	4,085,043	69,346	397,679	51,947
		11,585,043	**196,664**	**1,522,679**	**108,255**
Total Shares		**38,771,277**	**658,169**	**5,095,899**	**362,294**

1. Shares will be carried over to Tranche 3 as vesting condition not satisfied.
2. Where the vesting price hurdle condition is not satisfied, tranche 2 shares will expire and only tranche 3 shares will roll-over to tranche 4.
3. Where the vesting price hurdle condition is not satisfied, tranche 3 and 4 shares will expire and will not be eligible for vesting.
4. Expiry date for these options is the last vesting date for tranche 5, being 31 October 2023.
5. Tranche 1 is not linked to performance conditions as it reflects retrospective outcomes already achieved during the set up and establishment of the scheme.

The fair value of the loan funded shares has been determined using a Monte Carlo simulation model which includes the following inputs:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Grant date	9-Oct-20	9-Oct-20	9-Oct-20	9-Oct-20	9-Oct-20
Vesting date	9-Oct-20	30-Jun-21	30-Sep-21	30-Sep-23	31-Oct-23
Maturity date	31-Oct-23	31-Oct-23	31-Oct-23	31-Oct-23	31-Oct-23
Share price at grant date	0.029	0.029	0.029	0.029	0.029
Dividend yield	0%	0%	0%	0%	0%
Volatility[1]	114%	114%	114%	114%	114%
Risk free rate/G Bond rate	0.138	0.138	0.138	0.138	0.138
Vesting condition	Grant date	Budget FY 2021	Share price hurdle of $0.10	Share price hurdle of $0.15	Proportion of the Suzerain convertible loan converted into shares vested in tranches 1 to 4.

1. Volatility is based on 3 years historical data adjusted from 6 December 2018 to 11 February 2019 due to specific events relating to the sale of business assets.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 21 | Key Management Personnel compensation

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

	CONSOLIDATED GROUP	
	2021 $'000	2020 $'000
Short-term employee benefits	826	904
Post-employment benefits	40	42
Long-term benefits	-	338
Share based payments[1]	362	-
TOTAL KMP COMPENSATION	**1,228**	**1,284**

1. Refer to note 20 for details.

Note 22 | Auditor's remuneration

	CONSOLIDATED GROUP	
	2021 $'000	2020 $'000
Auditing or reviewing the financial statements	257	294
Taxation services - compliance	12	81
Other services	2	1
TOTAL	**271**	**376**

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	2021 %	2020 %
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	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"). Under the employee shares scheme, the trustee, Entertainment Trus Co Pty Ltd will purchases the Company's shares currently held under the previous directors. The shares will be held until the vesting day for the benefit of the Beneficiaries, in such numbers or proportions that the trustee deem reasonable.

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.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 24 | Parent company information

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

	2021 $'000	2020 $'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total loss	(6,726)	(15,508)
TOTAL COMPREHENSIVE INCOME	**(6,726)**	**(15,508)**
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	1,562	1,724
Non-current assets	21,779	23,253
TOTAL ASSETS	**23,341**	**24,977**
Liabilities		
Current liabilities	8,522	2,648
Non-current liabilities	1,255	9,341
TOTAL LIABILITIES	**9,777**	**11,989**
Equity		
Issued capital	122,983	116,026
Reserves	345	-
Accumulated losses	(109,764)	(103,038)
TOTAL EQUITY	**13,564**	**12,988**

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

Deed of cross guarantee

IncentiaPay Limited, 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 2021

Set out below is a consolidated balance sheet as of 30 June 2021 of the parties to the Deed of Cross Guarantee.

	2021 $'000	2020 $'000
ASSETS		
Current assets		
Cash and cash equivalents	2,420	4,394
Trade and other receivables	940	924
Inventories	120	100
Other assets	1,761	1,961
Total current assets	**5,241**	**7,379**
Non-current assets		
Trade and other receivables	523	-
Property, plant and equipment	792	1,252
Right-of-use asset	134	2,564
Intangible assets	15,813	14,387
Total non-current assets	**17,262**	**18,203**
TOTAL ASSETS	**22,503**	**25,582**
LIABILITIES		
Current liabilities		
Trade and other payables	5,373	5,727
Lease liabilities	1,081	1,542
Borrowings	4,552	517
Deferred revenue	3,716	5,174
Provisions	1,103	728
Total current liabilities	**15,825**	**13,688**
Non-current liabilities		
Trade and other payables	1,352	1,725
Lease liabilities	1,072	2,124
Borrowings	28	2,691
Deferred revenue	32	350
Provisions	59	52
Total non-current liabilities	**2,543**	**6,942**
TOTAL LIABILITIES	**18,368**	**20,630**
NET ASSETS	**4,135**	**4,952**
EQUITY		
Issued capital	122,983	116,026
Reserves	687	322
Retained earnings	(119,535)	(111,396)
TOTAL EQUITY	**4,135**	**4,952**

See note 25 for the Consolidated Statement of Profit or Loss for the year ended 30 June 2021 of the parties to the Deed of Cross Guarantee. All entities incorporated in Australia are the parties to the Deed of Cross Guarantee.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 25 | Segment information

Accounting policy

Reportable segments are identified on the basis of internal reports on the business units of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and assess its performance. IncentiaPay Limited manages the Group as one segment, being the Entertainment Publications business. The geographic information presented in the table below is included to facilitate a better understanding of Entertainment's geographic footprint, however, is not regularly monitored or reviewed by management as separate segments.

Geographical location

The profit and loss, 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 2021	AUSTRALIA $'000	NEW ZEALAND $'000	TOTAL $'000
Revenue			
Revenue from Contracts with customers	17,321	1,925	19,246
Profit on sale of assets	52	15	67
Government assistance	112	-	112
Interest	10	-	10
Total Revenue	**17,495**	**1,940**	**19,435**
Expenses			
Direct expenses of providing services	(8,484)	(447)	(8,931)
Employee expenses	(8,643)	(807)	(9,450)
Depreciation and amortisation	(3,096)	(248)	(3,344)
Impairments	-	-	-
Interest	(758)	(36)	(794)
Other expenses	(4,650)	(854)	(5,504)
Total expenses	**(25,631)**	**(2,392)**	**(28,025)**
Segment profit before tax	**(8,136)**	**(452)**	**(8,588)**
Segment total assets	**22,501**	**1,155**	**23,656**
Segment total non-current assets	**17,261**	**44**	**17,305**
Segment total liabilities	**17,017**	**1,481**	**18,498**

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 profit before tax	**(21,869)**	**924**	**(20,945)**
Segment total assets	**25,583**	**1,696**	**27,279**
Segment total non-current assets	**18,167**	**292**	**18,495**
Segment total liabilities	**19,037**	**1,996**	**21,033**

Major customers

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

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 26 | Capital commitments

Capital Commitments

No capital commitments as at 30 June 2021.

Note 27 | Contingent liabilities and contingent assets

Security deposit

The parent entity has given the following guarantees as at 30 June 2021:
- Lease of the Sydney office space, $0.7m.
- Guarantee for credit cards facility, $0.1m.
- Letter of credit for payroll payment facility, $0.1m.

Note 28 | Financial risk management

Accounting policy

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

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

	CONSOLIDATED GROUP	
	2021 $'000	2020 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	3,228	5,307
Trade and other receivables	1,523	992
Other current assets	855	1,018
TOTAL FINANCIAL ASSETS	**5,606**	**7,317**
FINANCIAL LIABILITIES		
Trade and other payables	5,981	6,235
Lease liabilities	2,178	3,889
Borrowings	4,607	3,208
TOTAL FINANCIAL LIABILITIES	**12,766**	**13,332**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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	2021 Carrying value $'000	2020 Carrying value $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
FINANCIAL ASSETS										
Cash	3,228	5,307	3,228	5,307	-	-	-	-	3,228	5,307
Trade debtors	1,523	992	1,035	992	488	-	-	-	1,523	992
Other current assets	855	1,018	-	-	855	1,018	-	-	855	1,018
FINANCIAL LIABILITIES										
Trade and other payables	(5,981)	(6,235)	(5,981)	(6,235)	-	-	-	-	(5,981)	(6,235)
Lease liabilities	(2,178)	(4,205)	(1,055)	(1,888)	(1,261)	(2,317)	-	-	(2,316)	(4,205)
Borrowings	(4,607)	(3,208)	(4,716)	(517)	(28)	(2,691)	-	-	(4,744)	(3,208)

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.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021	Assets and liabilities at carrying value	Assets and liabilities not at fair value	Assets and liabilities at fair value	Fair value			
				Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Cash	3,228	3,228	-	-	-	-	3,228
Trade debtors	500	500	-	-	-	-	500
Other receivables	1,023	1,023	-	-	-	-	1,023
Other current assets	855	855	-	-	-	-	855
Financial liabilities							
Trade and other payables	(5,981)	(5,981)	-	-	-	-	(5,981)
Lease liabilities	(2,178)	(2,178)	-	-	-	-	(2,178)
Borrowings	(4,607)	(4,607)	-	-	-	-	(4,607)

30 June 2020	Assets and liabilities at carrying value	Assets and liabilities not at fair value	Assets and liabilities at fair value	Fair value			
				Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Cash	5,307	5,307	-	-	-	-	5,307
Trade debtors	629	629	-	-	-	-	629
Other receivables	363	363	-	-	-	-	363
Other current assets	1,018	1,018	-	-	-	-	1,018
Financial liabilities							
Trade and other payables	(6,235)	(6,235)	-	-	-	-	(6,235)
Lease liabilities	(3,889)	(3,889)	-	-	-	-	(3,889)
Borrowings	(3,208)	(3,208)	-	-	-	-	(3,208)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

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).

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. $15m of the revenue in note 2 is from 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 particularly, customers operating within the travel and leisure sector. The Group started engaging with their customers since the start of the pandemic, providing discount to the existing debts or assisting customers with new sales opportunities. As the revenue from travel and leisure was $0.67m which was only 3% of the total revenue for the financial year, there is no significant credit risk.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 because the Group deals with reputable banks with high credit ratings.

The major customers of trade and other receivables have not been identified as having a higher impairment risk profile as management believe they have not been as impacted by COVID 19.

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 $4.7m disclosed in the 2021 borrowings time band is $4.7m which is 'within 1 year', the loan is required to be repaid by the maturity date. 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

New Gold Coast Holdings, an associate of Suzerain has provided the Group with an additional $5 million loan facility which has been approved during the financial year and is available at year end. The funds will be used to enhance the Group's technology capabilities and customer experience platforms and does not need shareholders' approval to access. The 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 2021. See note 16 for more details.

ii. Maturities of financial liabilities

Interest bearing loan

As at 30 June 2021, the interest bearing loan with Suzerain will mature on 30 September 2021. See note 16.

Additional growth operational facility

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

Transformational capital facility

As at 30 June 2021, the Transformational capital facility with Skybound will mature on 11 February 2022. See note 16.

New Gold Coast Holdings Loan facility

As at 30 June 2021, the loan facility with New Gold Coast Holdings will mature on 31 December 2022. There was no draw down as at 30 June 2021. 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 2021 as $1.9m of total revenue is in NZD and the foreign currency fluctuation between AUD and NZD is historically insignificant at 0.5% 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 dollar, was as follows:

	2021 NZD $'000	2020 NZD $'000
Trade debtors	31	73
Trade payables	(180)	(91)

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 2021		
+/- 0.5% in foreign exchange rates	13	51
Year ended 30 June 2020		
+/- 0.5% in foreign exchange rates	46	117

d. Interest rate risk

The interest rate relating to the borrowings with Suzerain is capitalised at a fixed rate of 10% per annum and repayable by 30 September 2020 and 31 December 2021.

Interest relating to the borrowings with Skybound is paid monthly at a fixed rate of 12.5%.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 29 | Related party transactions

Key Management Personnel

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

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 and remuneration report.

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	
	2021 $'000	2020 $'000
Sales of goods and services		
Membership subscriptions[1]	44	-
Enterprise sales[2]	92	-
Purchases of services		
Rent[3]	13	-
Customer service[4]	324	339
IT Services[5]	-	96

1. Sale of Entertainment Memberships to Fair Go Finance, a controlled entity of Skybound.
2. Enterprise sales to NobleOak Life Insurance, an entity related to Stephen Harrison, the Chairman of the Group.
3. Gold Coast office space provided by Leisurecom Group Pty Ltd, a controlled entity of Suzerain.
4. Customer service provided by Leisurecom Group Pty Ltd, a controlled entity of Suzerain.
5. Technology consultancy services with Fintech Services (AUST) Pty Ltd, a related party due to common directors Dean Palmer and Jeremy Thorpe.

Outstanding balances arising from sales/purchases of goods and services:

	CONSOLIDATED GROUP	
	2021 $'000	2020 $'000
Current payables		
Leisurecom Group Pty Ltd	29	-

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

Suzerain, Skybound and NGC, related parties to Jeremy Thorpe (Director) and Dean Palmer (Director), have provided a total of $16.5m loan facilities to the Group. During the period, the Group drew down $7.3m of the line of credit facility. See note 16 for additional detail.

Note 30 | Events after the reporting period

COVID-19

Conditions affecting the macro economic environment and the uncertainty brought on by the COVID-19 pandemic continues after 30 June 2021, 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.

Conversion of Convertible Loan

On 20 September 2021, Suzerain opted to convert the remaining amount of $3.4m of their convertible loan into 104,939,367 ordinary shares at 3.29c per share, in accordance with the convertible loan agreement approved by shareholders at the AGM held in December 2020.

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DIRECTORS' DECLARATION

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 46 to 109, 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 2021 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

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www.incentiapay.com

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INDEPENDENT AUDITOR'S REPORT

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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 2021 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 2021;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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 forecasts by:
  - Evaluating the underlying data used to generate the forecasts 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 (of whom are related parties) to assess the level of associated uncertainty with respect to the availability of new and existing facilities, and accommodative repayment terms including the extension of existing maturity dates and the conversion of outstanding facilities into equity; and
- 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 forecast 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

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

- Recoverable amount of Goodwill and other intangible assets
- Capitalised Development Costs

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

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

Recoverable amount of Goodwill and other intangible assets ($15.813 million)	
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 67% of total assets). We focused on the significant forward-looking assumptions the Group applied in their value-in-use model, including: • forecast cash flows – the Group incurred a loss during the year largely as a result of reductions in revenues (most notably in membership subscriptions this financial year). These conditions increase the possibility of goodwill and other intangible assets being impaired. The Group's forecast cash flows include further transformation program repositioning costs as well as anticipated impacts from Covid-19 on the volatility of cash flows over the forecast period; • forecast growth rates 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 a high risk of impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy; and • 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,	Working with our valuation specialists, our procedures included: • We reassessed the Group's determination of their CGUs in light of the impacts of capitalised development costs during the year against the requirements of the accounting standards; • 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 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 rates, 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; • We challenged the Group's significant forecast cash flow and growth assumptions in light of the recent downturn in

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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. The Group's model used to perform their annual testing of goodwill and other intangible assets for impairment uses adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. The Group has 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.	membership subscriptions in the short-term 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 and new income streams to the Board approved plan and strategy and obtained documentation underlying the validity of key changes in the operating model. We performed detail analytical procedures based on our knowledge of the business, industry and recent actual cash flows to test the accuracy of the forecasted cash flows. As part of these procedures, we applied increased scepticism to forecasts in the areas where previous forecasts were not achieved and considered the potential prolonged impacts that Covid-19 may have on cash inflows; • We compared forecast growth rate over the 5 year forecast period to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the industry/economic environment in which they operate. We also compared the 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 and current performance, business and customers, and industry experience to assist with this; • 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; and • We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

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Capitalised Development Costs ($2.854 million)	
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 capitalisation of the Group's development costs during the year, given the extent and nature of judgements and estimates involved in the identification and allocation of costs capitalised. These costs relate to the Group's technology transformation project which have been capitalised under technology and software during the financial year. We focused on the Group's process for calculating the amount of internally generated costs to be capitalised under this project given their application of judgement against the requirements of the accounting standards. These assessments include: • Estimating time which staff spend developing technology and software, and determining the value attributable to that time; • Allocating costs eligible for capitalisation, including staff and external providers, into relevant and appropriate Technology Transformation Projects; and • Determining when Technology Transformation Projects become available for use in a manner in which management intended, and therefore the appropriate method of depreciation that should be applied using the criteria in the accounting standards. These factors required significant audit effort and involvement of senior audit team members in assessing this key audit matter. Given the rapid changes in technology and market innovations, there remains a risk that impairment indicators exist for capitalized development costs. We therefore focused on those particular for the Group due to expected changes in the manner in which the Group's developments could be used.	Our procedures included: • Assessing the appropriateness of the Group's accounting policies for the recognition and measurement of Capitalised Development Costs against the requirements of the accounting standards and our understanding of the business and industry practice; • Assessing the nature of a sample of capitalised cost additions against the criteria of AASB 138 to be capitalised and meeting the definition of development assets; • Testing a sample of the staff costs capitalised. Using the monthly management reports containing their estimates of the value of time attributable to development tasks, we checked salaries and/or hourly rates against their underlying employment contracts for accuracy of rates, and interviewed a range of staff and developers to challenge the Group on their estimates of time allocated to development tasks as opposed to other operational tasks which would not meet the capitalisation criteria; and • Testing the allocation of capitalised costs into different Technology and Transformation Projects by challenging the assumptions applied by the Group to underlying work programs. We also used our knowledge of the Group, the overall technology transformation project plan, agreements and invoicing patterns from key suppliers, and our industry experience. For the Technology and Transformation Project's that became available for use during the year, we checked this against information evidencing the launch of these Projects, the substance of costs incurred on these Projects after launch, and their AASB 138 eligibility for ongoing capitalisation. For a sample of Projects expected to be available for use in future periods, we challenged the Group's assessment of

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	when they are expected to be available for use, against our analysis of the nature of costs incurred to date, costs to complete, launch patterns and our experience of software launch phases. Additionally, we assessed the factors considered by the Group regarding impairment of capitalised development costs and whether any indicators of impairment existed. This included having regard to: • Significant changes in the extent or manner in which the associated software is used; and • Potential or actual redundancy or disposal of developed software. We assessed the disclosures for capitalised development costs and related impairment considerations 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.

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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of IncentiaPay Limited for the year ended 30 June 2021, 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 35 to 43 of the Directors' report for the year ended 30 June 2021.

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

KPMG

John Wigglesworth

Partner

Sydney

30 September 2021

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ASX ADDITIONAL INFORMATION

ASX ADDITIONAL INFORMATION

AS AT 10 SEPTEMBER 2021

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	132	25,359	0.00
1,001 to 5,000	204	607,496	0.07
5,001 to 10,000	104	843,333	0.09
10,001 to 100,000	549	21,544,770	2.38
100,001 and over	210	882,753,223	97.46
TOTAL	**1,199**	**905,774,181**	**100**

*Including Loan Funded Shares in escrow.

Unmarketable parcels

The number of security investors holding less than a marketable parcel of 18,518 securities ($0.027 on 10/09/2021) is 568 and they hold 3,280,385 securities.

Substantial holders

RANK	NAME	CURRENT BALANCE	% ISSUED CAPITAL
1	Suzerain Investments Holdings Limited	553,871,863	61.15
2	Australian Fintech Pty Ltd	53,323,914	5.89

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	553,871,863	61.15
2	AUSTRALIAN FINTECH PTY LTD	53,323,914	5.89
3	MUIRSTONE CAPITAL LTD	40,621,364	4.48
4	CITICORP NOMINEES PTY LIMITED	38,654,866	4.27
5	HENRY JONES	30,868,711	3.00

6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,630,923	1.39
7	BEN NEWLING	11,585,043	1.28
8	BNP PARIBAS NOMINEES PTY LTD	7,743,386	0.85
9	MR DEVEN HARRISON	7,684,167	0.85
10	EVEREST MB PTY LTD	7,518,000	0.83
11	MR ZHEN DUO GUO	6,877,658	0.76
12	KOOTENAY INVESTMENTS PTY LTD	6,500,000	0.72
13	MR BILAL AHMAD	5,115,000	0.56
14	MS WENDY CARTER	4,649,854	0.51
15	SINETECH LIMITED	4,535,484	0.50
16	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,441,327	0.49
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,718,074	0.41
18	IAIN DUNSTAN	3,035,714	0.34
19	YARRAN PARK PTY LTD	2,170,034	0.24
20	BEN JOHNSON	2,139,574	0.24

Voting Rights

The Company has 905,774,181 fully paid ordinary shares on issue. Each ordinary share is entitled to 1 vote when a poll is called, otherwise each member present at a meeting, or by proxy, has 1 vote by a show of hands. There are no other classes of equity securities.

Voluntary escrow

The Company has 41,806,991 share in voluntary escrow.

On-market buy-back

There is currently no on-market share buy back.

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 6, Suite 7, 3 Spring Street Sydney NSW 2000 +61 2 8256 5300
Principal place of business	Level 6, Suite 7, 3 Spring Street Sydney 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 31, 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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