InPayTech

Integrated Payment Technologies Limited

ACN. 611 202 414

ASX IP1

Annual Report for the year ended 30 June 2018

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Dear Shareholder,

On behalf of the Directors of Integrated Payment Technologies Limited (the Company or IP1 one) we are pleased to announce the results for the Company for the year ended 30 June 2018.

The NPBT for the year ended 30 June 2018 was a loss of $ 3,087,152 (2017 loss $2,900,944).

The EBITD after including the non-cash share option costs was a loss of $756,924 (2017 loss $946,004).

Patents

We have patents in China, Japan, Singapore, Hong Kong, South Africa and New Zealand; and patents pending in USA, Canada and Australia where we have patent protection up to the time they are allowed/disallowed.

Business Model

Our business uses the patented process of linking data to payments; with all of our services, ClickSuper, Payment Adviser and PayVu sharing and re-using software components to deliver services to their respective markets.

PayVu

PayVu provides accountants, bookkeepers, offshore support services and other professional advisory providers with a service that aims to reduce the time they spend on administration, increase services to their clients and boost their profit margins.

Bookkeepers generally charge a fixed or hourly fee so time is money to them. Our low cost per client should be easily recouped when they are charging between $40 and $100 per hour. We estimate that PayVu should save at least 2 hours of bookkeeper's time per month plus allow them to provide other services like payroll.

The PayVu Early Adopter program commences on 30th August and will be offered to more than 150 accountants and bookkeepers that have expressed interest in PayVu during conferences and exhibitions.

A Partner Program has been introduced to reward accountants, bookkeepers and other professional advisory partners for actively promoting PayVu to existing and potential clients.

Integration with Xero is complete, MYOB AccountRight is on track to be released in November with QuickBooks to follow thereafter.

There has been enormous growth in one of our target markets; bookkeeper services. Aggregating the responses of the Xero bookkeepers we have contacted to date delivers an estimate of over 9,000 ABNs.

PayVu in Australia is the first to be commercialised. We are reviewing the overseas markets and Singapore is likely to be our next market.

Single Touch Payroll (STP)

Single Touch Payroll ('STP') is a Federal Government initiative introduced in July 2017 to simplify the employer's tax and superannuation reporting requirements to the ATO.

STP requires employers to report staff salaries and wages, PAYG and Superannuation to the ATO at the same time as they pay their employees. SME's with less than 20 staff are not required to participate in STP however they can elect to do so.

Payroll systems that output STP files are known as Digital Service Providers ('DSP's'). As a Sending Service Provider ('SSP') ClickSuper transfer STP files from the DSP to the ATO. DSP's and SSP's must pass an intense testing and screening process by the ATO to gain approval to communicate STP files.

We encourage you to read the Business Overview that follows this letter.

On behalf of Directors we wish to take this opportunity to thank our clients, business partners, staff and shareholders for their continued support of the Company, and to management and staff of the Company for their ongoing dedication and service.

Don Sharp Executive Chairman	Robin Beauchamp Chief Executive Officer

29 August 2018

ASX Listing

Integrated Payment Technologies Limited (InPayTech) was established in March 2016 for the purpose of acquiring the business and assets of the Payment Adviser Group (PAG). The acquisition of PAG was completed in July 2016 and InPayTech was quoted on the ASX on 19 December 2016.

Background to the Payment Adviser Group

In 2006 the PAG founders invented a process that allows an unlimited amount of data to be linked to a payment and communicated to the receiver using the security of the receiver's bank account. The data is accessed by a short form URL (no www. or .com) displayed in the reference field on the receiver's bank statement (**Process**). The **Process**, and variations of it, are utilised in each of the services provided by InPayTech (ClickSuper, Payment Adviser and its new service PayVu).

Patents for the **Process** have been granted in Japan, China, Hong Kong, Singapore, New Zealand and South Africa; with patents pending in the USA, Canada and Australia.

Capital expenditure by PAG was largely focused on:

- Development of our technology solution;
- Development of the operating processes to support PAG; and
- Applications for international patents.

Process and Intellectual Property

In summary, the **Process** invented by PAG provides for the transmission of data by the sender and allows a unique 16 character URL to be sent with the payment via a reference field shown on the receiver's bank statement. The receiver can then view and/or download the remittance data via the internet into their accounting system.

The Australian banking Direct Entry system uses an 18 character reference field to store information regarding a payment, and the New Payment Platform uses 280 characters. The Payment Adviser Service uses this field to record a 16 character URL in relation to transmitted data. The receiver of a payment is able to place this reference in a browser and after answering security questions such as the BSB, bank account number, date received and amount received the Payment Adviser system will locate the data and information about the payment.

The Company understands the majority of the world's banking systems accept a minimum of 16 characters and consequently the directors believe that the **Process** is compatible with the majority of the world's banking systems.

Business Model

The foundation of the business is the **Process** and the business chose superannuation as the first vertical market to demonstrate the efficacy of the **Process**.

ClickSuper integrates with the software of 25 of the top 30 payroll providers in Australia. Employee and superannuation contribution information is uploaded to ClickSuper which also supports the payment of salaries, tax and other payroll deductions.

All payments methods are supported with the most popular being direct debit.

In 2009 the Federal Government commissioned Jeremy Cooper to review the superannuation industry and he spent a number of days in the PAG offices studying ClickSuper. In 2010 he recommended the introduction of a new system called SuperStream using the ClickSuper approach but removed the PAG patent from the SuperStream process by linking the data to payments via a non-URL based unique reference. ClickSuper was however allowed to continue using the patented short form URL reference.

The second implementation of the patented **process** was the Payment Adviser service which is used for non-payroll related payments e.g. invoice payments.

The PayVu service brings together the functionality of ClickSuper and Payment Adviser and combines them with an interface to the API's of cloud based accounting/payroll software products to provide an 'all of business' payments platform.

The PayVu service removes the delay incurred when using direct debit by directly interfacing to the customer's internet banking portal which provides same day payment.

Paying superannuation via PayVu, the funds are invested on average 4.2 days earlier (when counting weekends and public holidays) than when paid via a superannuation clearing house, which could increase the superannuation member's retirement savings.

PayVu uses ClickSuper to process superannuation messages and the **Process** for invoice payment linking.

Future Growth Opportunities

PayVu

PayVu provides accountants, bookkeepers and other professional advisory providers with a service aimed at reducing the time they spend on administration, increasing services to their clients and boosting their profit margins.

PayVu features:

- Complete display of all due payments from the client accounting system
- Payment recommendations communicated by smart phone to business owners to approve or reject
- Payments made via Internet Banking
- Full accounting system synchronisation and automated supplier payment notifications
- Multi-factor authentication for security
- Full payroll and SuperStream compliance

PayVu interfaces to cloud based accounting systems, displaying outstanding items for the bookkeeper/accountant to recommend for payment. Recommendations are sent to the business owner's mobile phone for review, authorisation or rejection. Authorised recommendations are uploaded to internet banking for payment the same day and Rejections are reset to available for payment in the accounting system.

Suppliers are notified of payment via email and are able to download the remittance advice using the **Process**. Superannuation is processed using a contribution model called "Employer Direct" which meets all the compliance and messaging requirements of SuperStream via the Australian Taxation Office's ('ATOs') mandated Gateway network while making payments direct to the fund so employee's accounts are credited the same day. The Employer Direct contribution model re-establishes the relationship between the employer and the super fund by removing the Clearing House as an intermediary.

PayVu has three price plans. The Small plan costs $20 per month and includes 30 payments, the Medium plan costs $30 and includes 130 payments while the Large plan costs $40 for an unlimited number of payments. A 30 day free trial is available and entry to a Partner program is offered to Bookkeepers or Accountants with 5 or more PayVu customers.

Potential PayVu Bookkeeper Market

There has been enormous growth in the number of bookkeeper services. Aggregating the responses of the Xero bookkeepers we have contacted to date delivers an estimate of over 9,000 ABNs.

Bookkeepers generally charge a fixed or hourly fee so time is money to them. Our low cost per client can be easily recouped when they are charging between $40 and $100 per hour. We estimate that PayVu will save at least 2 hours of bookkeeper's time per month plus allow them to provide other services like payroll.

PayVu Pilot Program

In late May a select group of bookkeepers were invited to join the PayVu Pilot program and to provide feedback on their experience. The program ran to the end of June when the responses were analysed and the results used to further optimise the product and increase the number of business banking products supported.

The PayVu Early Adopter Programme and Pricing

The PayVu Early Adopter program commences on 30th August and will be offered to 150 accountants and bookkeepers that have expressed interest in PayVu during conferences and exhibitions.

In recognition of the support we receive, a Partner Program has been introduced to reward accountants, bookkeepers and other professional advisory partners for actively promoting PayVu to existing and potential clients.

Integration with Xero is complete, MYOB AccountRight is due for release in November with QuickBooks to follow thereafter.

PayVu Marketing

- Broader marketing campaign including:
  - Paid search
  - Online advertising
  - SME focussed content platforms and industry events
  - Partnering with existing distribution Channels
  - Affiliate Marketing with Professional Associations and other Aggregators
  - PR – industry specific press and technology reviews

PayVu Empowers SMEs

- All creditors notified of payment details with option to update their accounting System
- Superannuation
- Employer Direct (ATO preferred) model
- Contributions transferred by employer directly to super fund
- Unreconciled contributions returned directly to employer
- SME owners and employees may achieve higher retirement savings as funds invested on average 4.2 days earlier than using clearing house

PayVu – Viral Distribution

Web application and mobile device support for:

- Accountants
- Bookkeepers
- Business Owners (Payers and Receivers)

Payee (Biller) benefits

- Inserts and reconciles aggregated payments in accounting software (Xero now, MYOB soon)
- Displays payment receipt information in internet banking with one click

Single Touch Payroll (STP)

The introduction of STP requires the ATO to be notified of Pay As You Go (PAYG) tax deductions, superannuation, pay details and employee personal details for every employee via encrypted messages sent to their application programming interface (API).

ClickSuper has met the stringent ATO security requirements and been approved as a Sending Service Provider. Employers are now able to submit STP data to the ATO using ClickSuper's easy-to-use file upload process.

Payroll providers needing more time to be ready for STP have applied to the ATO for a deferral of obligation, so that their users will not be penalised. The impact on the uptake of our STP services by our existing clients is unknown at this point in time.

Regulatory update

ClickSuper Superannuation Service

Competitors
The majority of employers elect to use a free service offered by their default super fund to contribute to their employee's choice super funds. The default super funds generally outsource the choice super fund processing to a Clearing House. The Clearing House manages the transmission of data via their Gateway and the payment of money to the choice super funds.

What Is Single Touch Payroll?
Single Touch Payroll ('STP') is a Federal Government initiative introduced in July 2017 to simplify the employer's tax and superannuation reporting requirements to the ATO.

STP enables employers to report staff salaries and wages, PAYG and Superannuation to the ATO at the same time as they pay their employees.

SME's with less than 20 staff are not required to participate in STP however they can elect to do so.

New Payment Platform
The Reserve Bank of Australia's New Payment Platform ('NPP') allows instant payment of cleared funds 24 hours a day 7 days a week. The NPP transfers 280 characters of remittance data with the payment and more data can be accommodated for an additional fee.

PayVu delivers same day payments with remittance data and also provides:

- Automatic update of the sender's accounting system and bank account reconciliation of aggregated payments;
- Optional update of the receiver's accounting system and bank account reconciliation of aggregated payments; and
- Salary and wage payments including superannuation and other deductions and bank account reconciliation of aggregated payments.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Integrated Payment Technologies Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors
The following persons were directors of Integrated Payment Technologies Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Don Sharp - Executive Chairman
Robin Beauchamp - Chief Executive Officer
Jonathon Wynne

Principal activities
During the financial year the principal activities of the Group consisted of operating the following businesses:

- ClickSuper which provides clearing house services for large employers with 20 or more employees and for SMEs with less than 20 employees.

- Payment Adviser which facilitates payments and communication of data concerning the payment between the payer/provider and payee/recipient using the Patents pending or granted to Jagwood.

- PayVu incorporates Clicksuper and Payment Adviser functionality which is integrated with accounting cloud based software to give a seamless way to make payments and record the transactions in accounting system.

- Jagwood which has patents granted in Asia (i.e. Japan, Hong Kong, Singapore and China) and the Western World (South Africa and New Zealand) in addition to patents pending in the USA, Canada and Australia.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The loss for the Group after providing for income tax amounted to $2,554,325 (30 June 2017: $2,029,378).

Refer to 'Business Overview' for details on the operations throughout the year.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
Refer to the Chairman and Chief Executive Officer's letter as well as the Business Overview sections for details.

Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Donald ('Don') Sharp
Title:	Executive Chairman
Qualifications:	B.Bus, CPA, FAICD
Experience and expertise:	Don is a qualified accountant and a highly experienced, innovative and respected business builder and leader in the financial services sector. He co-founded Bridges Financial Services Pty Ltd an industry leader in financial services well known for establishing one of the first platform solutions for portfolio management in Australia, The Portfolio Service. Don is former Chairman of Investors Mutual, Global Value Investors, and Premium Investors Limited (ASX: PRV) and a former Director of Countplus Limited (ASX: CUP) and Treasury Group Ltd (ASX: TRG).
Other current directorships:	Executive Chairman of Managed Accounts Holdings Limited (ASX: MGP).
Former directorships (last 3 years):	None
Special responsibilities:	Member of Nomination and Remuneration Committee and Audit, Risk and Compliance Committee
Interests in shares:	44,212,437 ordinary shares indirectly held
Interests in options:	None

Name:	Robin Beauchamp
Title:	Chief Executive Officer
Experience and expertise:	Robin is a financial technology specialist with over 30 years' experience in the Australian financial services industry. Robin held the role of banking software development manager for Misys Australia and consulted to banks in Australia and the United Kingdom. In 1993 Robin founded the financial software company Investsoft that developed and marketed unitised portfolio management and financial planner commission management software. In 2007 as Director of Technology – Development Robin co-founded Payment Adviser Group and in 2012 was appointed to the role of Chief Executive Officer. In 2013 Robin led the acquisition of ClickSuper along with the integration into Payment Adviser and a new banking platform.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit, Risk and Compliance Committee
Interests in shares:	2,070,645 shares indirectly held
Interests in options:	5,000,000 options over ordinary shares

Name:	Jonathon ('Jake') Wynne
Title:	Non-Executive Director
Experience and expertise:	Jake has over 30 years' IT experience in building and creating a profitable company focusing on managed services, professional services, consulting and software development. Jake has also worked at an executive level to develop technology strategies and programs in customer-facing, operations and strategy leadership roles. Jake has served on numerous industry panels and advisory boards and presented at many events in the Asia Pacific region. Jake founded Oriel Technologies in 1995 and grew the company to a nationwide business supplying and developing software products, consulting and cloud services. In 2014 Jake facilitated the successful sale of Oriel. He joined the board of the Company in 2016.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of Nomination and Remuneration Committee and Audit, Risk and Compliance Committee
Interests in shares:	833,340 shares indirectly held
Interests in options:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities and their subsidiaries and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Jillian McGregor (BCom, LLB, Grad Dip GIA) serves as Company Secretary of the Company. Jillian has worked as a corporate lawyer for over 20 years and has a deep knowledge and understanding of the Corporations Act 2001 and the ASX listing rules.

Meetings of directors
The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit, Risk and Compliance Committee	
	Attended	Held	Attended	Held	Attended	Held
Donald Sharp	11	12	2	2	9	10
Robin Beauchamp	12	12	-	-	10	10
Jonathan Wynne	12	12	2	2	10	10

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

The annual non-executive directors' fees are currently $60,000 plus superannuation guarantee contribution for each non-executive director. A chair of a Board Committee also receives an additional $15,000 per annum for each Committee. However, other members of Board Committees are not entitled to receive any additional remuneration for their role as Committee member.

Under the Constitution, the Board may decide the remuneration of each director is entitled to for his services in any capacity. However, the total amount paid to all non-executive directors must not exceed in aggregate in any financial year, the amount fixed by the Company in a general meeting. In accordance with the Prospectus issued on 23 September 2016, the amount has been fixed at $180,000 per annum.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has three components:
- base pay and non-monetary benefits;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

There are no short-term incentives ('STI') such as bonuses currently in place.

The long-term incentives ('LTI') include long service leave and share-based payments. Senior executives participate in the Employee Share Option Plan ('ESOP').

Employee Share Option Plan
The Board approved the Integrated Payment Technologies Limited Employee Share Option Plan ('ESOP' or 'Plan') on 18 August 2016. The Plan is governed by the Plan rules ('Plan Rules'), a summary of which is set out below.

Persons eligible to participate in the Plan are full-time or part-time employees (including executive directors), non-executive directors and contractors and casual employees of the Group who satisfy various conditions set out in the Plan ('Eligible Persons').

The Plan was established to enable the Group to retain and attract skilled and experienced employees, contractors and directors and provide them with the motivation to make the Group more successful. The Plan is designed to support interdependence between the Company and Eligible Persons for their long-term mutual benefit.

Under the Plan, unless otherwise determined by the Board, no payment is required for the grant of options under the Plan. An offer by the Board shall specify the terms and conditions of the grant at its discretion. An Eligible Person may renounce an offer under the Plan in favour of a permitted nominee. Options granted under the Plan may not otherwise be transferred or encumbered by a Participant, unless the Board determines otherwise.

The Board at its sole discretion may invite any Eligible Person selected by it ('Participant') to complete an application relating to a specified number of options allocated to that Eligible Person by the Board.

An offer by the Board shall specify the date of grant, the total number of options granted, exercise price and exercise period for the options and any other matters the Board determines, including exercise conditions attaching to the options. Subject to the discretion of the Board, an Eligible Person may renounce an offer under the Plan in favour of a permitted nominee.

Options granted under the Plan are not capable of being transferred or encumbered by a Participant, unless the Board determines otherwise.

Options do not carry any voting or dividend rights. Shares issued or transferred to Participants on exercise of an option carry the same rights and entitlements as other issued shares, including dividend and voting rights.

The Company has no obligation to apply for quotation of the options on the ASX.

In general terms, options granted under the Plan may only be exercised if the exercise conditions have been met or are waived by the Board, the exercise price has been paid to the Company and the options are exercised within the exercise period relating to the option. An option granted under the Plan may not be exercised once it has lapsed.

An option may be exercised, whether or not any or all applicable exercise conditions have been met, on the occurrence of a predominant control event, being, in general terms, where a person owns at least 90% of the issued ordinary share capital of the Company following an offer by the person for the whole of the issued share capital of the Company.

The Company will apply to ASX for official quotation of shares issued upon exercise of options granted under the Plan so long as the shares are quoted on the Official List of ASX at that time.

The Company may financially assist a person to pay any exercise price for an option, subject to compliance with the provisions of the Corporations Act and the Listing Rules relating to financial assistance.

If a Participant ceases to be a director, an employee or a contractor of any member of the Group due to his or her resignation, dismissal for cause or poor performance or in any other circumstances determined by the Board, vested options held by the Participant will automatically lapse on the date of cessation, unless the Board determines otherwise. All unvested options will lapse at the date of cessation.

If, in the opinion of the Board, a Participant has acted fraudulently or dishonestly, the Board may determine that any option granted to that Participant should lapse, and the option will lapse accordingly.

If the Company or any member of the Group has an obligation in relation to a tax liability associated with the grant or vesting of any option ('Tax Liability'), then the Company may sell a sufficient number of shares, post vesting or exercise of the option, to cover the Tax Liability. A Participant may enter into alternative arrangements, if acceptable to the Board, to settle any Tax Liability.

In the event of any reconstruction of the share capital of the Company, pro rate issue, or bonus issue of shares, the number of options to which each Participant is entitled and/or the exercise price of those options will be adjusted accordingly pursuant to the Plan.

The Board may terminate or suspend the operation of the Plan at any time. In passing a resolution to terminate or suspend the operation of the Plan or to supplement or amend these rules, the Board must consider and endeavour to ensure that there is fair and equitable treatment of all Participants. On termination of the Plan, no compensation under any contract of employment, consultancy or directorship between an Eligible Person and a member of the Group will arise as a result.

Consolidated entity performance and link to remuneration
Remuneration for certain individuals is directly linked to the performance of the Group via the Employee Share Scheme where the shares vest when certain share prices are reached (see note on Employee Share Scheme). There are no short term bonuses paid but there are annual remuneration reviews at the discretion of the Nomination and Remuneration Committee.

Use of remuneration consultants
During the financial year ended 30 June 2018, the Group did not engage any remuneration consultants to review its remuneration policies.

Voting and comments made at the Company's 2017 Annual General Meeting ('AGM')
At the 8 September 2017 AGM, 99.8% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration
The key management personnel of the Group consisted of the directors of Integrated Payment Technologies Limited and the following person:
- Nathan Thomas - Chief Operating Officer

Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in the following tables:

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2018	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Leave benefits $	Equity-settled $	Total $
Non-Executive Directors:							
Jonathon Wynne	60,000	-	-	5,700	-	-	65,700
Executive Directors:							
Donald Sharp	75,000	-	-	7,125	-	-	82,125
Robin Beauchamp	296,897	-	-	25,830	9,132	264,744	596,603
Other Key Management Personnel:							
Nathan Thomas	200,000	-	-	19,999	-	132,372	352,371
	631,897	-	-	58,654	9,132	397,116	1,096,799

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2017	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Jonathon Wynne	55,000	-	-	5,225	-	-	60,225
Executive Directors:							
Donald Sharp	68,750	-	-	6,531	-	-	75,281
Robin Beauchamp	273,972	-	-	26,028	-	144,009	444,009
Other Key Management Personnel:							
Nathan Thomas	200,000	-	-	19,000	-	72,004	291,004
	597,722	-	-	56,784	-	216,013	870,519

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2018	2017	2018	2017	2018	2017
Non-Executive Directors:						
Jonathon Wynne	100%	100%	-	-	-	-
Executive Directors:						
Donald Sharp	100%	100%	-	-	-	-
Robin Beauchamp	56%	68%	-	-	44%	32%
Other Key Management Personnel:						
Nathan Thomas	62%	75%	-	-	38%	25%

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:	Donald Sharp
Title:	Executive Chairman
Agreement commenced:	9 March 2016
Details:	$75,000 per annum plus $7,125 superannuation.

Name:	Robin Beauchamp
Title:	Executive Director and Chief Executive Officer
Agreement commenced:	5 July 2016
Details:	$273,973 per annum plus $26,027 superannuation. Employment notice of 3 months.

Name:	Jonathon Wynne
Title:	Non-Executive Director
Agreement commenced:	9 March 2016
Details:	$60,000 per annum plus $5,700 superannuation.

Name:	Nathan Thomas
Title:	Chief Operating Officer
Agreement commenced:	30 May 2016
Details:	$200,000 per annum plus $19,000 superannuation. Employment notice of 3 months.

Notice and termination provisions of up to three months are required where key management personnel leave, or in the event of serious misconduct of key management personnel, the Group may sever the agreement without notice. Leave entitlements are as per the applicable employment standards and legislation. No bonus arrangements are in place for key management personnel at present. Senior management may participate in the Employee Share Option Plan.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
14 Dec 2016	30 Jun 2019	14 Dec 2020	$0.200	$0.135

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Robin Beauchamp	5,000,000	14 Dec 2016	30 Jun 2019	14 Dec 2020	$0.200	$0.135
Nathan Thomas	2,500,000	14 Dec 2016	30 Jun 2019	14 Dec 2020	$0.200	$0.135

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested in directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Number of options granted during the year 2018	Number of options granted during the year 2017	Number of options vested during the year 2018	Number of options vested during the year 2017
Robin Beauchamp	-	5,000,000	-	-
Nathan Thomas	-	2,500,000	-	-

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Donald Sharp	31,527,397	-	1,732,040	-	33,259,437
Robin Beauchamp	2,042,600	-	28,045	-	2,070,645
Jonathon Wynne	833,340	-	-	-	833,340
Nathan Thomas	2,500,000	-	68,685	-	2,568,685
	36,903,337	-	1,828,770	-	38,732,107

Donald Sharp also has an interest in 10,953,000 ordinary shares in the Company held by Starmay Superannuation Pty Ltd as trustee for the Starmay Super Fund A/C Colin Scully. Donald Sharp has voting power in Starmay Superannuation Pty Ltd in excess of 20% (relevant interest by virtue of section 608(3) of the Corporations Act 2001 (cth)).

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised as remuneration	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Robin Beauchamp	5,000,000	-	-	-	5,000,000
Nathan Thomas	2,500,000	-	-	-	2,500,000
	7,500,000	-	-	-	7,500,000

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Integrated Payment Technologies Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
14 December 2016	14 December 2020	$0.200	7,500,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Integrated Payment Technologies Limited issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the 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 to 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 part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former partners of Grant Thornton Audit Pty Ltd

There are no officers of the Company who are former partners of Grant Thornton Audit Pty Ltd.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

____
Don Sharp
Executive Chairman

29 August 2018
Sydney

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Auditor's Independence Declaration

To the Directors of Integrated Payment Technologies Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Integrated Payment Technologies Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M R Leivesley
Partner – Audit & Assurance

Sydney, 29 August 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue			
Service fees		1,693,456	2,117,111
Other income		81,280	-
		1,774,736	2,117,111
Less transaction costs		(456,011)	(592,150)
Gross margin		1,318,725	1,524,961
Interest income		53,642	75,573
Expenses			
Employee benefits expense		(1,173,810)	(1,226,323)
Consulting fees		(153,333)	(107,256)
Depreciation and amortisation expense	5	(1,933,112)	(1,738,927)
Conference and marketing		(275,942)	(90,821)
Premises expense		(97,527)	(102,265)
Patents		(3,631)	(3,900)
Research and development costs		(92,904)	(87,287)
Share option costs		(397,116)	(216,013)
Initial Public Offering and ASX Listing costs		(31,195)	(641,734)
Other expenses		(300,398)	(282,470)
Finance costs	5	(551)	(4,482)
Loss before income tax benefit		(3,087,152)	(2,900,944)
Income tax benefit	6	532,827	871,566
Loss after income tax benefit for the year attributable to the owners of Integrated Payment Technologies Limited		(2,554,325)	(2,029,378)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Integrated Payment Technologies Limited		(2,554,325)	(2,029,378)
		Cents	Cents
Basic earnings per share	28	(1.654)	(1.422)
Diluted earnings per share	28	(1.654)	(1.422)

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

Integrated Payment Technologies Limited
Statement of financial position
As at 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Assets			
Current assets			
Cash and cash equivalents	7	1,956,210	3,953,470
Trade and other receivables	8	543,632	236,606
Total current assets		2,499,842	4,190,076
Non-current assets			
Property, plant and equipment	9	27,297	31,918
Intangibles	10	14,072,817	14,844,721
Deferred tax asset	11	892,568	641,539
Total non-current assets		14,992,682	15,518,178
Total assets		17,492,524	19,708,254
Liabilities			
Current liabilities			
Trade and other payables	12	429,564	195,301
Borrowings	13	-	50,000
Employee benefits		168,555	129,541
Total current liabilities		598,119	374,842
Non-current liabilities			
Deferred tax liability	14	845,394	1,127,192
Total non-current liabilities		845,394	1,127,192
Total liabilities		1,443,513	1,502,034
Net assets		16,049,011	18,206,220
Equity			
Issued capital	15	20,056,507	20,056,507
Share option reserve		613,129	216,013
Accumulated losses		(4,620,625)	(2,066,300)
Total equity		16,049,011	18,206,220

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

Consolidated	Issued capital $	Share option reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2016	11,523,115	-	(36,922)	11,486,193
Loss after income tax benefit for the year	-	-	(2,029,378)	(2,029,378)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,029,378)	(2,029,378)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 15)	8,533,392	-	-	8,533,392
Share option reserve	-	216,013	-	216,013
Balance at 30 June 2017	20,056,507	216,013	(2,066,300)	18,206,220

Consolidated	Issued capital $	Share option reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2017	20,056,507	216,013	(2,066,300)	18,206,220
Loss after income tax benefit for the year	-	-	(2,554,325)	(2,554,325)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,554,325)	(2,554,325)
Transactions with owners in their capacity as owners:				
Share option reserve	-	397,116	-	397,116
Balance at 30 June 2018	20,056,507	613,129	(4,620,625)	16,049,011

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

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,761,676	1,945,377
Payments to suppliers and employees (inclusive of GST)		(2,631,538)	(2,259,441)
		(869,862)	(314,064)
Interest received		53,642	75,573
Interest and other finance costs paid		(551)	(581)
IPO cost		-	(480,146)
Net cash used in operating activities	27	(816,771)	(719,218)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	25	-	(14,114,278)
Payments for property, plant and equipment	9	(4,200)	(42,916)
Payments for intangibles	10	(1,126,289)	(897,696)
Net cash used in investing activities		(1,130,489)	(15,054,890)
Cash flows from financing activities			
Proceeds from issue of shares	15	-	8,665,576
Share issue transaction costs		-	(311,945)
Proceeds from borrowings		-	50,054
Repayment of borrowings		(50,000)	-
Net cash from/(used in) financing activities		(50,000)	8,403,685
Net decrease in cash and cash equivalents		(1,997,260)	(7,370,423)
Cash and cash equivalents at the beginning of the financial year		3,953,470	11,323,893
Cash and cash equivalents at the end of the financial year	7	1,956,210	3,953,470

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

Note 1. General information

The financial statements cover Integrated Payment Technologies Limited as a Group consisting of Integrated Payment Technologies Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the year (together are referred to in these financial statements as the 'Group'). The financial statements are presented in Australian dollars, which is Integrated Payment Technologies Limited's functional and presentation currency.

Integrated Payment Technologies Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 1, Level 5
28 Margaret Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 24.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Integrated Payment Technologies Limited as at 30 June 2018 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Note 2. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the consolidated group and specific criteria for each of the activities.

Revenue is recognised for the major business activities as follows:

Facility fees and transaction fees
Fees for the provision of services are recognised as revenue as the services are rendered.

Float interest
Float interest income comprises interest income on funds held over the standard processing period. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably. Costs included in research and development are external direct costs and direct payroll and related costs based on employee's time spent on the project.

Other revenue
Other revenue is measured at the value of the consideration received or receivable.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 2. Significant accounting policies (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Integrated Payment Technologies Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Note 2. Significant accounting policies (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	Over the lease term
Plant and equipment	60%
Office equipment	20% - 60%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 2. Significant accounting policies (continued)

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Patents
Significant costs associated with patents are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of the underlying patent.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of five years.

Client relationships
Significant costs associated with client relationships are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of five years.

Research costs and assets under development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably. Amortisation commences when the asset is available for use, that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and assets under development are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Note 2. Significant accounting policies (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Note 2. Significant accounting policies (continued)

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Integrated Payment Technologies Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

Note 2. Significant accounting policies (continued)

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 but it is not expected to significantly impact the financial statements on the basis that the main financial assets recognised represent cash and cash equivalent and trade receivables that do not carry a significant financing component and involve a single cash flow representing the repayment of principal, which in the case of trade receivables is the transaction price. Both asset classes will continue to be measured at face value. Other financial asset classes are not material to the Group. Financial liabilities of the Group are not impacted as the Group does not carry them at fair value.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the standard to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018 and assesses there will be no material impacts to the Group.

Note 2. Significant accounting policies (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019. Based on the leases at the reporting date, the Group does not believe this change in standard will materially affect the Group given that the leases are short-term in nature.

IASB revised Conceptual Framework for Financial Reporting
The revised Conceptual Framework has been issued by the International Accounting Standards Board ('IASB'), but the Australian equivalent has yet to be published. The revised framework is applicable for annual reporting periods beginning on or after 1 January 2020 and the application of the new definition and recognition criteria may result in future amendments to several accounting standards. Furthermore, entities who rely on the conceptual framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards may need to revisit such policies. The Group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 3. The recoverable amount of the cash-generating unit have been determined based on calculations to determine fair value less cost of disposal. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Capitalised software development costs
Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Note 4. Operating segments

The Group is organised into one operating segment relating to the commercialisation of the process underlying the patents granted and applied for to link data with payments services. It operates in the one geographical segment of Australia.

The information reported to the Board of Directors (being the Chief Operating Decision Makers ('CODM')) consists of the results as shown in the statement of profit or loss and other comprehensive income and statement of financial position in this Annual Report and has therefore not been replicated as segment disclosure.

The directors have determined that there are no operating segments identified for the year which are considered separately reportable.

Major customers
During the year ended 30 June 2018 there were no significant sales to one major customer (2017: $550,000 of the Group's external revenue was derived from sales to one customer).

Note 5. Expenses

	Consolidated 2018 $	2017 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	3,932	4,382
Plant and equipment	4,373	6,156
Office equipment	516	460
Total depreciation	8,821	10,998
Amortisation		
Patents	24,954	30,591
Software	666,341	666,340
Client relationships	1,024,720	1,024,720
PayVu	208,276	6,278
Total amortisation	1,924,291	1,727,929
Total depreciation and amortisation	1,933,112	1,738,927
Finance costs		
Interest and finance charges paid/payable	551	4,482
Rental expense relating to operating leases		
Minimum lease payments	97,527	102,265
Superannuation expense		
Defined contribution superannuation expense	157,629	157,654

Note 6. Income tax benefit

	Consolidated	
	2018	2017
	$	$
Income tax benefit		
Income tax paid during the year	-	100
Deferred tax - origination and reversal of temporary differences	(532,827)	(1,051,427)
Increased deferred tax asset from equity for capital raising costs	-	179,761
Aggregate income tax benefit	(532,827)	(871,566)
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets (note 11)	(251,029)	(641,539)
Decrease in deferred tax liabilities (note 14)	(281,798)	(409,888)
Deferred tax - origination and reversal of temporary differences	(532,827)	(1,051,427)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(3,087,152)	(2,900,944)
Tax at the statutory tax rate of 27.5%	(848,967)	(797,760)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	(22,352)	-
Permanent differences	221,273	4,934
Share-based payments	109,207	59,405
	(540,839)	(733,421)
Prior year tax losses not recognised now recouped	-	100
Adjustment to deferred tax balances as a result of change in statutory tax rate	-	(128,090)
Adjustment recognised for prior periods	8,012	(10,155)
Income tax benefit	(532,827)	(871,566)

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2018	2017
	$	$
Cash at bank	173,258	942,652
Cash on deposit	1,782,952	3,010,818
	1,956,210	3,953,470

Note 8. Current assets - trade and other receivables

	Consolidated 2018 $	Consolidated 2017 $
Trade receivables	122,380	192,438
Other receivables	1,759	780
Research and development receivables	352,793	-
Goods and services tax receivable	14,392	7,288
Prepayments	52,308	36,100
	543,632	236,606

Impairment of receivables
The Group has recognised a loss of $nil (2017: $nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2018.

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $30,416 as at 30 June 2018 ($19,763 as at 30 June 2017).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated 2018 $	Consolidated 2017 $
3 to 6 months overdue	23,784	17,143
Over 6 months overdue	6,632	2,620
	30,416	19,763

Note 9. Non-current assets - property, plant and equipment

	Consolidated 2018 $	Consolidated 2017 $
Leasehold improvements - at cost	25,081	25,081
Less: Accumulated depreciation	(8,314)	(4,382)
	16,767	20,699
Plant and equipment - at cost	18,862	14,662
Less: Accumulated depreciation	(10,529)	(6,156)
	8,333	8,506
Office equipment - at cost	3,173	3,173
Less: Accumulated depreciation	(976)	(460)
	2,197	2,713
	27,297	31,918

Note 9. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $	Plant and equipment $	Office equipment $	Total $
Balance at 1 July 2016	-	-	-	-
Additions	25,081	14,662	3,173	42,916
Depreciation expense	(4,382)	(6,156)	(460)	(10,998)
Balance at 30 June 2017	20,699	8,506	2,713	31,918
Additions	-	4,200	-	4,200
Depreciation expense	(3,932)	(4,373)	(516)	(8,821)
Balance at 30 June 2018	16,767	8,333	2,197	27,297

Note 10. Non-current assets - intangibles

	Consolidated 2018 $	Consolidated 2017 $
Goodwill - at cost	6,755,549	6,755,549
Patents and trademarks - at cost	682,362	584,061
Less: Accumulated amortisation	(55,545)	(30,591)
	626,817	553,470
Software - at cost	3,331,702	3,331,702
Less: Accumulated amortisation	(1,332,681)	(666,340)
	1,999,021	2,665,362
Client relationships - at cost	5,123,600	5,123,600
Less: Accumulated amortisation	(2,049,440)	(1,024,720)
	3,074,160	4,098,880
PayVu - at cost	1,723,337	716,032
Less: Accumulated amortisation	(214,554)	(6,278)
	1,508,783	709,754
Assets under development - at cost	108,487	61,706
	14,072,817	14,844,721

Note 10. Non-current assets - intangibles (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $	Patents and trademarks $	Software $	Client relation-ships $	PayVu $	Assets under develop-ment $	Total $
Balance at 1 July 2016	-	-	-	-	-	-	-
Additions	-	143,554	-	-	716,032	61,706	921,292
Additions through business combinations (note 25)	6,755,549	440,507	3,331,702	5,123,600	-	-	15,651,358
Amortisation expense	-	(30,591)	(666,340)	(1,024,720)	(6,278)	-	(1,727,929)
Balance at 30 June 2017	6,755,549	553,470	2,665,362	4,098,880	709,754	61,706	14,844,721
Additions	-	98,301	-	-	945,599	108,487	1,152,387
Transfers in/(out)	-	-	-	-	61,706	(61,706)	-
Amortisation expense	-	(24,954)	(666,341)	(1,024,720)	(208,276)	-	(1,924,291)
Balance at 30 June 2018	6,755,549	626,817	1,999,021	3,074,160	1,508,783	108,487	14,072,817

Assets under development
PayVu stage 4 commenced on the 1 June 2018 and is the only costs under development in the current year (2017: PayVu stage 2 commenced on 14 June 2017).

Impairment tests for goodwill
Goodwill acquired through business combinations have been allocated to and are tested at the level of their respective cash generating units (CGUs), for impairment testing.

For the purpose of impairment testing of goodwill, ClickSuper, Payment Adviser and PayVu are assessed as one CGU due to the fact that the businesses utilises the same software and operate in the same premise where various resources and costs are shared. Therefore, they do not operate independently and are considered as one CGU (the ‘Payments’ CGU). Therefore, goodwill has been wholly allocated to the Payments CGU. There are no other indefinite life intangible assets.

Key assumptions used in DCF calculations
The recoverable amount of the CGU is calculated as the higher of the CGU’s value in use and its fair value less cost of disposal. Management has calculated the fair cost less cost of disposal of the Payment CGU. The primary valuation methodology was a discounted cash flow (DCF) analysis.

The calculation of fair value less cost of disposal in use for the Payments CGU was most sensitive to the following assumptions:
- Revenue growth from new service PayVu;
- Revenue growth from existing clients; and
- Discount rates.

Revenue growth is based on the forecast for years ending 30 June 2019 and 2020 financial year as well as management assessment over the forecast period to June 2023.

PayVu bookkeeper’s service has forecast to have 11,000 users by June 2019 and 13,000 users by 2020.

For the years 2021 to 2023 the average annual revenue growth thereafter is assumed to average 15% p.a. with the exception of PayVu Bookkeepers which is budgeted to have 20,000 clients by 30 June 2023.

Note 10. Non-current assets - intangibles (continued)

	FY20 %	FY21 %	FY22 %	FY23 %	FY24 %
Existing Clients	2%	5%	5%	5%	-
PayVu Bookkeepers	237%	19%	18%	18%	-
Total Cost of Sales	-	5%	5%	5%	-
Total Operating Expenses	2%	3%	3%	3%	-

Revenue Assumptions

Existing Clients
The growth trend from of existing clients from 1 July 2016 to 30 June 2018 has been applied to 2019 and 2020 forecasts with a revenue growth of 5% for the remaining forecast period.

PayVu Bookkeepers
This is a new service that fully automates the payment process by using secure authorisation process.

It will be launched in October 2018 and it is forecast to have 11,000 users by June 2019 increasing to 13,000 by June 2020. For June 2023 it is forecast to increase to 20,000.

Cost of Sales
Due to the SuperStream change in returns from Superannuation funds it is forecast a significant reduction in banking fees.

Discount and long term growth rates
Discount rates represent the current market assessment of the risks specific to the Group, taking into account the time value of money and specific risk of the underlying assets that have not been incorporated into the cash flow estimates. The discount rate is calculated using the weighted average cost of capital (WACC) and reflect management's estimation of the time value of money and specific risk estimated for the Group. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. It incorporates a beta factor to reflect the specific risk associated with the industries in which the Group operates. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. A pre-tax discount rate of 17.66% p.a. was applied in the valuation model.

It is assumed for the purpose of the analysis that the long term growth rate (terminal rate) will equate to the long term average growth rate of the national economy. Management estimates this to be 2.5% p.a. The sensitivity analysis concluded that changing this rate to reflect possible lower growth projections would not materially impact the valuations.

Costs of disposal have been estimated by management at 5% in determining fair value less costs of disposal.

Fair value less costs of disposal is measured using some inputs that are not based on observable market data. Therefore they are deemed level three within the fair value hierarchy as per AASB 13 Fair Value Measurement.

Sensitivity to changes in assumptions
Management believes that any reasonable possible change in the key assumptions on which the CGU recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Forecast revenue needs to reduce by slightly more than 4% over the 5 year forecast period before the recoverable amount of the CGU would exceed the fair value less costs of disposal, and therefore be impaired.

Note 11. Non-current assets - deferred tax asset

	Consolidated 2018 $	Consolidated 2017 $
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	800,477	317,512
Property, plant and equipment	(169,892)	-
Employee benefits	46,353	35,624
Accrued expenses	17,036	16,606
Business establishment expenses	-	8,801
Costs of capital raising	89,061	125,013
Costs of Initial Public Offer	106,455	133,879
ASX listing and transaction costs	3,078	4,104
Deferred tax asset	892,568	641,539
Movements:		
Opening balance	641,539	-
Credited to profit or loss (note 6)	251,029	641,539
Closing balance	892,568	641,539

Note 12. Current liabilities - trade and other payables

	Consolidated 2018 $	Consolidated 2017 $
Trade payables	56,479	90,540
Accrued expenses	61,950	58,335
Deferred income - research and development	270,654	-
Other payables	40,481	46,426
	429,564	195,301

Refer to note 17 for further information on financial instruments.

Note 13. Current liabilities - borrowings

	Consolidated 2018 $	Consolidated 2017 $
Subordinated loan	-	50,000

Refer to note 17 for further information on financial instruments.

Note 14. Non-current liabilities - deferred tax liability

	Consolidated 2018 $	2017 $
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Client relationships	845,394	1,127,192
Deferred tax liability	845,394	1,127,192
Movements:		
Opening balance	1,127,192	-
Credited to profit or loss (note 6)	(281,798)	(409,888)
Additions through business combinations (note 25)	-	1,537,080
Closing balance	845,394	1,127,192

Note 15. Equity - issued capital

	Consolidated 2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares - fully paid	154,420,149	154,420,149	20,056,507	20,056,507

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2016	98,873,678		11,523,115
Issue of shares	5 July 2016	30,546,471	$0.120	3,665,576
Issue of shares	14 December 2016	25,000,000	$0.200	5,000,000
Less: share issue transaction costs				(132,184)
Balance	30 June 2017	154,420,149		20,056,507
Balance	30 June 2018	154,420,149		20,056,507

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Note 15. Equity - issued capital (continued)

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Management assesses the Group's capital requirements in order to maintain an efficient overall funding structure while avoiding excessive leverage. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 2017 Annual Report.

Note 16. Equity - dividends

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Franking credits
The Group has not paid income tax and there are no franking credits.

Note 17. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk. The Group does not use derivative financial instruments to manage risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk, price risk and interest rate risk
The Group is not exposed to any significant foreign exchange risk, price risk or interest rate risk.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group is not exposed to any significant credit risk.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 17. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	56,479	-	-	-	56,479
Other payables	-	40,481	-	-	-	40,481
Total non-derivatives		96,960	-	-	-	96,960

Consolidated - 2017	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	90,540	-	-	-	90,540
Other payables	-	46,426	-	-	-	46,426
Interest-bearing - fixed rate						
Subordinated loan	8.00%	50,000	-	-	-	50,000
Total non-derivatives		186,966	-	-	-	186,966

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 18. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 19. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated 2018 $	Consolidated 2017 $
Short-term employee benefits	631,897	597,722
Post-employment benefits	58,654	56,784
Long-term benefits	9,132	-
Share-based payments	397,116	216,013
	1,096,799	870,519

Note 20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company, and its network firms:

	Consolidated 2018 $	Consolidated 2017 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	81,595	93,000
Other services - network firms		
Due diligence - IPO	-	70,000
Taxation advice on options	-	2,950
	-	72,950

Note 21. Contingent liabilities

The Group had no material contingent liabilities at 30 June 2018 or 30 June 2017.

Note 22. Commitments

	Consolidated 2018 $	Consolidated 2017 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	24,525	25,293

Note 23. Related party transactions

Parent entity
Integrated Payment Technologies Limited is the parent entity.

Note 23. Related party transactions (continued)

Subsidiaries
Interests in subsidiaries are set out in note 26.

Key management personnel
Disclosures relating to key management personnel are set out in note 19 and the remuneration report included in the directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 24. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2018	2017
	$	$
Loss after income tax	(2,182,091)	(2,257,093)
Total comprehensive income	(2,182,091)	(2,257,093)

Statement of financial position

	Parent	
	2018	2017
	$	$
Total current assets	3,702,346	4,189,917
Total assets	17,462,806	19,249,471
Total current liabilities	423,881	143,773
Total liabilities	1,269,275	1,270,965
Equity		
Issued capital	20,056,507	20,056,507
Share option reserve	613,129	216,013
Accumulated losses	(4,476,105)	(2,294,014)
Total equity	16,193,531	17,978,506

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2018 and 30 June 2017.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Note 24. Parent entity information (continued)

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 25. Business combinations

2018
The Group had no business combinations in the year to 30 June 2018.

2017
On 5 July 2016, the Group acquired all the assets of the Payment Adviser Group and 100% of the shares in Payment Adviser Pty Ltd. Additionally on 7 July 2017, the Group acquired 100% of ClickSuper Pty Ltd and Jagwood Pty Ltd. There were no costs as they were paid by Payment Adviser Group.

The goodwill of $6,755,549 that arose on the combination is expected to be derived from the continued commercialisation of the Group's technology and patents. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

The amounts contributed to revenue and profit and loss from the business combination are equivalent to those reported in the statement of profit or loss and other comprehensive income as the Group did not trade prior to the business combination being effected.

Had the transaction occurred on 1 July 2016 the Group's revenue and net profit or loss for the year would not have been materially different to those amounts reported in the statement of profit or loss and other comprehensive income.

The fair values identified in relation to the acquisitions are final as at 30 June 2017.

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	21,544
Patents and trademarks	440,507
Software	3,331,702
Client relationships	5,123,600
Deferred tax liability	(1,537,080)
Net assets acquired	7,380,273
Goodwill	6,755,549
Acquisition-date fair value of the total consideration transferred	14,135,822
Representing:	
Cash paid or payable to vendor	14,135,822
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	14,135,822
Less: cash and cash equivalents	(21,544)
Net cash used	14,114,278

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
ClickSuper Pty Ltd	Australia	100.00%	100.00%
Jagwood Pty Ltd	Australia	100.00%	100.00%
Payment Adviser Pty Ltd	Australia	100.00%	100.00%

Note 27. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2018 $	Consolidated 2017 $
Loss after income tax benefit for the year	(2,554,325)	(2,029,378)
Adjustments for:		
Depreciation and amortisation	1,933,112	1,738,927
Share-based payments	397,116	216,013
Amortisation of IPO costs	-	179,761
Non-cash expenses	(26,098)	(27,551)
Non-cash interest	-	3,901
Change in operating assets and liabilities:		
Increase in trade and other receivables	(307,026)	(143,548)
Increase in deferred tax assets	(251,029)	(641,539)
Decrease in other operating assets	-	113,857
Increase in trade and other payables	234,263	150,686
Decrease in deferred tax liabilities	(281,798)	(409,888)
Increase in employee benefits	39,014	122,846
Increase in other provisions	-	6,695
Net cash used in operating activities	(816,771)	(719,218)

Note 28. Earnings per share

	Consolidated 2018 $	Consolidated 2017 $
Loss after income tax attributable to the owners of Integrated Payment Technologies Limited	(2,554,325)	(2,029,378)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	154,420,149	142,715,530
Weighted average number of ordinary shares used in calculating diluted earnings per share	154,420,149	142,715,530
	Cents	Cents
Basic earnings per share	(1.654)	(1.422)
Diluted earnings per share	(1.654)	(1.422)

Note 28. Earnings per share (continued)

7,500,000 share options deemed to be issued for no consideration in respect of share based payments have been excluded from the above calculation for diluted earnings per share at 30 June 2018 and 30 June 2017 as their inclusion would be anti-dilutive due to the loss for the year.

Note 29. Share-based payments

Employee Share Option Plan

Option Plan Rules
The Board approved the Integrated Payment Technologies Limited Employee Share Option Plan ('ESOP' or 'Plan') on 18 August 2016. The Plan is governed by the Plan rules ('Plan Rules'), a summary of which is set out below.

Persons eligible to participate in the Plan are full-time or part-time employees (including executive directors), non-executive directors and contractors and casual employees of the Group who satisfy various conditions set out in the Plan ('Eligible Persons').

The Plan was established to enable the Group to retain and attract skilled and experienced employees, contractors and directors and provide them with the motivation to make the Group more successful. The Plan is designed to support interdependence between the Company and Eligible Persons for their long-term mutual benefit.

Under the Plan, unless otherwise determined by the Board, no payment is required for the grant of options under the Plan. An offer by the Board shall specify the terms and conditions of the grant at its discretion. An Eligible Person may renounce an offer under the Plan in favour of a permitted nominee. Options granted under the Plan may not otherwise be transferred or encumbered by a participant, unless the Board determines otherwise.

Options do not carry any voting or dividend rights. Shares issued or transferred to participants on exercise of an option carry the same rights and entitlements as other issued shares, including dividend and voting rights.

An option may be exercised, whether or not any or all applicable exercise conditions have been met, on the occurrence of a predominant control event, being, in general terms, where a person becomes owner of at least 90% of the issued ordinary share capital of the Company following an offer by the person for the whole of the issued share capital of the Company.

At its discretion, the Company will apply to ASX for official quotation of shares issued upon exercise of options granted under the Plan as long as the shares are quoted on the Official List of ASX at that time.

The Company may financially assist a person to pay any exercise price for an option, subject to compliance with the provisions of the Corporations Act 2001 and the ASX Listing Rules relating to financial assistance.

If a participant ceases to be a director, an employee or a contractor of any member of the Group due to his or her resignation, dismissal for cause or poor performance or in any other circumstances determined by the Board, vested options held by the participant will automatically lapse on the date of cessation, unless the Board determines otherwise. All unvested options will lapse at the date of cessation.

If a Participant ceases to be a director, an employee or a contractor of any member of the Group for any other reason or in any other circumstances determined by the Board, vested options may be exercised by that participant in the 6 month period following the date of cessation after which those vested options will immediately lapse. All unvested options will lapse at the date of cessation.

If, in the opinion of the Board, a participant has acted fraudulently or dishonestly, the Board may determine that any option granted to that participant should lapse, and the option will lapse accordingly.

If the Company or any member of the Group has an obligation in relation to a tax liability associated with the grant or vesting of any option ('Tax Liability'), then the Company may sell a sufficient number of shares, post vesting or exercise of the option, to cover the Tax Liability. A participant may enter into alternative arrangements, if acceptable to the Board, to settle any Tax Liability.

Note 29. Share-based payments (continued)

In the event of any reconstruction of the share capital of the Company, pro rata issue, or bonus issue of shares, the number of options to which each participant is entitled and/or the exercise price of those options (as relevant) will be adjusted accordingly pursuant to the Plan.

The Board may terminate or suspend the operation of the Plan at any time. In passing a resolution to terminate or suspend the operation of the Plan or to supplement or amend these rules, the Board must consider and endeavour to ensure that there is fair and equitable treatment of all participants. On termination of the Plan, no compensation under any contract of employment, consultancy or directorship between an Eligible Person and a member of the Group will arise as a result.

Set out below are summaries of options granted under the Plan:

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
14/12/2016	14/12/2020	$0.200	7,500,000	-	-	-	7,500,000
			7,500,000	-	-	-	7,500,000
Weighted average exercise price			$0.200	$0.000	$0.000	$0.000	$0.200

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
14/12/2016	14/12/2020	$0.200	-	7,500,000	-	-	7,500,000
			-	7,500,000	-	-	7,500,000
Weighted average exercise price			$0.000	$0.200	$0.000	$0.000	$0.200

The weighted average share price during the financial year was $0.13 (2017: $0.16).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.5 years (2017: 3.5 years).

Terms and conditions of option grants
The terms and conditions on which the options are granted to Robin Beauchamp and Nathan Thomas are set out below:

Grant Date:	14 December 2016 (the 'Grant Date').
Number of options:	(a) 5,000,000 options to Robin Beauchamp, the Chief Executive Officer, separated into three equal tranches; and (b) 2,500,000 options to Nathan Thomas, the Chief Operating Officer, separated into three equal tranches.
Exercise Price:	20 cents per option, as determined in accordance with the Plan Rules.
Vesting Dates:	As identified below for each respective tranche of options.
Exercise Period:	Begins on the relevant Vesting Date for each respective tranche of options (identified below) and ends four years after the Grant Date (as amended in accordance with the Plan Rules).
Exercise Conditions:	As set out below for each respective tranche of options.
Forfeiture Conditions:	As identified in the Plan Rules.

Note 29. Share-based payments (continued)

Tranche 1
Proportion of options - 33.3% of aggregate number of options
Vesting dates - The Tranche 1 options will vest on the date that the Exercise Conditions for the Tranche 1 options are satisfied or are waived by the Board.
Exercise conditions - The Exercise Conditions for the Tranche 1 options are satisfaction of both the following:
(a) commencement of official quotation of the Company's ordinary shares on ASX; and
(b) achievement of any one of the following:
(i) the Market Share Price (being the volume weighted average market price of Shares sold on ASX on the 10 trading days immediately before the determination date) ('Market Share Price') of an ordinary share in the Company is equal to or greater than A$0.30 calculated as at the determination date of 30 June 2017; or
(ii) the Market Share Price of an ordinary share in the Company is equal to or greater than A$0.40 calculated as at the determination date of 30 June 2018; or
(iii) the Market Share Price of an ordinary share in the Company is equal to or greater than A$0.50 calculated as at the determination date of 30 June 2019.

Tranche 2
Proportion of options - 33.3% of aggregate number of options
Vesting dates - The Tranche 2 options will vest on the date that the Exercise Conditions for the Tranche 2 options are satisfied or are waived by the Board.
Exercise conditions - The Exercise Conditions for the Tranche 2 options are satisfaction of both the following:
(a) commencement of official quotation of the Company's ordinary shares on ASX; and
(b) achievement of any one of the following:
(i) the Market Share Price of an ordinary share in the Company is equal to or greater than A$0.40 calculated as at the determination date of 30 June 2018; or
(ii) the Market Share Price of an ordinary share in the Company is equal to or greater than A$0.50 calculated as at the determination date of 30 June 2019.

Tranche 3
Proportion of options - 33.3% of aggregate number of options
Vesting dates - The Tranche 3 options will vest on the date that the Exercise Conditions for the Tranche 3 options are satisfied or are waived by the Board.
Exercise conditions - The Exercise Conditions for the Tranche 3 options are satisfaction of both the following:
(a) commencement of official quotation of the Company's ordinary shares on ASX; and
(b) the Market Share Price of an ordinary share in the Company is equal to or greater than A$0.50 calculated as at the determination date of 30 June 2019.

Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Don Sharp
Executive Chairman

29 August 2018
Sydney

Grant Thornton

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Independent Auditor's Report

To the Members of Integrated Payment Technologies Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Integrated Payment Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Grant Thornton

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Capitalisation of software development costs – refer to Note 10 Non-current assets - intangibles	
The Group has continued to capitalise development costs associated with the internally developed PayVu software. The Group's processes for calculating the value of internally developed software involves judgement as it includes estimating the time which staff spend developing software and determining the value attributable to that time. Due to the judgement involved in calculating whether costs can be capitalised under AASB 138 *Intangible Assets*, we have determined this as a Key Audit Matter.	Our procedures included, amongst others: • agreeing a sample of internal salary costs and external contractor invoices capitalised to supporting documentation and assessing those amounts against the recognition criteria of AASB 138; • assessing the Group's accounting policy for software development costs for adherence to AASB 138; • assessing the consistency of the capitalisation methodology applied by the Group in comparison to the prior reporting period; • considering the reasonableness of useful lives applied to amortise intangible assets; and • assessing the adequacy of disclosures included in the financial report for adherence to AASB 138.
Impairment testing of goodwill and intangible assets – refer to Note 10 Non-current assets - intangibles	
As part of the business combination undertaken to facilitate the Group's listing on the ASX in the prior financial year, various intangible assets were recognised on acquisition, including goodwill. All assets must be assessed at each reporting date for any indication of impairment. Goodwill must be tested annually for impairment regardless of whether any indication of impairment exists. The Group has utilised the fair value less cost of disposal method to calculate the recoverable amount of intangible assets. Due to the significant estimation involved in calculating the recoverable amount, we have determined this as a Key Audit Matter.	In conjunction with our internal corporate finance specialists, our procedures included, amongst others: • reviewing management's appointed expert valuation reports; • assessing the competence and objectivity of managements expert; • reviewing the impairment model for compliance with AASB 136 *Impairment of Assets*; • assessing management's determination of the Group's Cash Generating Units (CGU) based on our understanding of how management monitors the entity's operations and makes decisions about groups of assets that generate independent cash flows;

- verifying the mathematical accuracy of the underlying model calculations and assessing the appropriateness of the methodologies;
- evaluating the cash flow projections and the process by which they were developed;
- performing sensitivity over key assumptions in the model;
- evaluating for indicators of management bias throughout our evaluation of the key inputs and assumptions of the estimate; and
- assessing the adequacy of financial report disclosures on the application of judgement in estimating future cash flows and the key methods and assumptions used in the impairment assessment.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are 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 the Australian Auditing

Grant Thornton

Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this financial report.

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

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Integrated Payment Technologies Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M Leivesley

M R Leivesley
Partner – Audit & Assurance

Sydney, 29 August 2018

The shareholder information set out below was applicable as at 21 August 2018.

Distribution of shareholders

	Total number of securities	Number of security holders	%
1 to 1,000	2,822	8	-
1,001 to 5,000	33,479	9	0.02%
5,001 to 10,000	495,985	53	0.30%
10,001 to 100,000	6,260,003	167	3.87%
100,001 and over	155,127,860	115	95.81%
	161,920,149	352	100.00%
Holding less than a marketable parcel	-	-	-

Distribution of optionholders

	Total number of securities	Number of security holders	%
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	7,500,000	2	100.00%
	7,500,000	2	100.00%

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
VALEBARK PTY LTD (SCULLY INVESTMENT TRUST)	19,508,384	12.05
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,119,585	11.19
S & F FINANCIAL SERVICES PTY LTD	16,666,667	10.29
BNP PARIBAS NOMS PTY LTD (DRP)	11,606,194	7.17
STARMAY SUPERANNUATION PTY LTD (STARMAY SFUND COLIN SCULLY AC)	10,953,000	6.76
STARMAY SUPERANNUATION PTY LTD (STARMAY SFUND DON SHARP PENSION AC)	8,432,163	5.21
VALEBARK PTY LTD (THE SCULLY INVESTMENT TRUST)	5,658,334	3.49
TWD CO PL (BEAUCHAMP FAMILY TRUST)	5,000,000	3.09
GJB QLD PTY LTD	4,166,667	2.57
THE TONG FAMILY PTY LTD (TONG FAMILY SUPERFUND A/C)	3,601,786	2.22
DONALD FINANCIAL ENTERPRISES PTY LTD (THE ELYSUM TRUST)	2,571,427	1.59
MR NATHAN NICHOLAS THOMAS	2,500,000	1.54
NATIONAL NOMINEES LIMITED	2,251,907	1.39
TWD CO PTY LIMITED (R & R SUPERANNUATION FUND)	2,042,600	1.26
TORRES INDUSTRIES PTY LIMITED	2,000,000	1.24
VALEBARK PTY LTD (SCULLY INVESTMENT A/C)	1,434,124	0.89
KILLARNEY KNOLL PTY LTD (XAVIOUR THOMAS FAMILY A/C)	1,433,333	0.89
MR COLIN WEEKES	1,368,000	0.84
NORVEST PROJECTS PTY LTD	1,200,000	0.74
MR GRAHAM JOHN BAILEY + MRS ANNETTE MAREE BAILEY (BAILEY S/F A/C)	1,125,000	0.69
	121,639,171	75.11

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued under Employee Share Option plan exercisable at $0.20 and expiring on 14 December 2020 subject to the Plan rules	7,500,000	2

The following persons hold 20% or more of unquoted equity securities:

Name	Class	Number held
Robin Beauchamp	Options	5,000,000
Nathan Thomas	Options	2,500,000

Substantial holders
Set out below are the names of substantial holders in the Company and the number of equity securities in which each substantial holder and the substantial holder's associates have a relevant interest, as disclosed in substantial holding notices given to the Company:

	Ordinary shares	
	Number held	% of total shares issued
Donald Sharp, Donald Financial Enterprises Pty Ltd and S&F Financial Services Pty Ltd	44,212,437	27.31
Colin Scully and Valebark Pty Ltd	49,843,145	30.78
Starmay Superannuation Pty Ltd	23,242,303	14.35
Acorn Capital Ltd	13,078,534	8.08
Managed Accounts Holdings Limited	14,816,284	9.15

In addition, the Company is a substantial holder of itself. It has a relevant interest in 28,582,290 ordinary shares. The relevant interest has arisen as it is a party to a number of ASX mandatory restriction agreements with its shareholders under which the relevant shareholder is prohibited from disposing of its shares for a prescribed period of time.

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities with voting rights.

The unquoted options do not have voting rights.

Restricted securities

Class	Expiry date	Number of securities
Ordinary shares	19 December 2018	28,582,290
Unlisted options	19 December 2018	5,000,000
		33,582,290

Use of cash
The Company was admitted under ASX Listing Rule 1.3.2(b).

The Company, during the reporting period, used the cash and assets in a form readily convertible to cash that it had at admission to the official list of the ASX in a way consistent with its business objectives.

General
There is no current on-market buy-back for the Company's securities.

There have been no issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act 2001 (Cth) which have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

Directors	Donald ('Don') Sharp - Executive Chairman Robin Beauchamp - Executive Director and Chief Executive Officer Jonathon ('Jake') Wynne - Non-Executive Director
Company secretary	Jillian McGregor
Notice of annual general meeting	The details of the annual general meeting of Integrated Payment Technologies Limited are: Grant Thornton Level 17 383 Kent Street Sydney NSW 2000 11.00 am on Friday 23 November 2018
Registered office	Level 5 28 Margaret Street Sydney NSW 2000 Tel: +61 2 8090 1130
Share register	Registry Direct Level 6 2 Russell Street Melbourne VIC 3000 Tel: 1300 556 635 (within Australia) Tel: +61 3 9020 7934 (outside Australia)
Auditor	Grant Thornton Audit Pty Ltd Level 17 383 Kent Street Sydney NSW 2000
Solicitors	Coleman Greig Lawyers Level 11 100 George Street Parramatta NSW 2150
Stock exchange listing	Integrated Payment Technologies Limited shares are listed on the Australian Securities Exchange (ASX code: IP1)
Website	www.inpaytech.com.au
Business objectives	Integrated Payment Technologies Limited has used cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.
Corporate Governance Statement	The Corporate Governance Statement which is approved at the same time as the Annual Report can be found at: https://inpaytech.com.au/corporate-governance-statement/

InPayTech

Integrated Payment Technologies Limited

ACN. 611 202 414

ASX IP1

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