



STARGROUP LIMITED

**ABN 87 061 041 281
And Controlled Entities**

APPENDIX 4D

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

STARGROUP LIMITED
(and consolidated entities)
ABN 87 061 041 281

APPENDIX 4D

ASX HALF-YEAR INFORMATION – 31 DECEMBER 2016

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The half-year financial report covers Stargroup Limited as a consolidated entity consisting of Stargroup Limited and the entities it controlled.

The half-year financial report is presented in Australian dollars, which is Stargroup Limited's functional and presentation currency.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Stargroup Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

STARGROUP LIMITED
(and consolidated entities)
ABN 87 061 041 281

HALF-YEAR ENDED 31 DECEMBER 2016
RESULTS FOR ANNOUNCEMENT TO THE MARKET

COMPANY DETAILS

Name of entity: Stargroup Limited
Reporting period: For the half-year ended 31 December 2016
Previous period: For the half-year ended 31 December 2015

Revenue from ordinary activities	Up	228%	to	\$4,017,195 (2015 : \$1,225,156)
Earnings (loss) before income tax, depreciation and amortisation	Down	63%	to	(\$327,451) (2015 : (\$879,919))
Loss from ordinary activities after tax attributable to members	Up	40%	to	(\$1,497,883) (2015 : (\$1,071,067))
Comprehensive income (loss) for the period attributable to members	Down	342%	to	(\$1,497,883) (2015 : \$618,179)

RESULTS FOR THE HALF YEAR

For detailed commentary on the results of the half year, refer to the review of operations in the directors' report, which is part of the attached interim report – 31 December 2016.

SUPPLEMENTARY APPENDIX 4D INFORMATION

NTA Backing (in cents)

Description	December 2016	June 2016
Net tangible asset backing per ordinary share	0.008	0.009
Net asset backing per ordinary share	0.022	0.024

Details of individual and total dividends and dividend payments

No dividends were paid or declared since the start of financial year and no recommendation for the payments of dividend have been made.

Details of dividend reinvestment plans in operation

The company does not have a dividend/distribution reinvestment plan.

Details of associates and joint ventures

The Group has no investments in associates or joint ventures at balance date.

Segment information

The company and its controlled subsidiaries operate in one segment being the provision of ATM and cash-handling equipment in Australia.

Foreign Accounting Standards

Not applicable.

Audit Alert

Not applicable

DIRECTORS' REPORT

The Directors of Stargroup Limited submit their report for the half-year ended 31 December 2016.

Directors

The directors of the Company at any time during or since the end of the half-year are as below. Directors were in office for this entire period unless otherwise stated.

Name	Position	Appointed	Resigned
Todd Zani	Executive Director and Executive Chairman	1 July 2015	
Jong Ho Kim	Non-executive Director	21 August 2013	
Evan McGregor	Non-executive Director	25 August 2016	
Shaun Sutton	Executive Director	7 August 2015	25 August 2016

Company Secretary

Name	Position	Appointed	Resigned
Sung Ki Lee	Company Secretary	22 August 2013	

Principal Activities

The Group is a vertically integrated banking technology business and the principal activities for the Group during the half year were specialising in the sale, deployment and operation of Automatic Teller Machines (ATMs), cash handling and other banking equipment.

State of Affairs

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

Dividends Paid or Recommended

The Directors recommend that no dividend be paid by the Company. No dividends have been declared or paid by the Company since the end of the previous financial year.

Review and Results of Operations

For the half-year to 31 December 2016, revenue was \$4,017,195 (2015: \$1,225,156), an increase of 228% when compared to the previous corresponding period.

The revenue increase was due largely in part to the Group now having 365 active ATMs performing more than 3 million annualised transactions as compared to only 230 active ATMs being active at the end of the corresponding period last year. This resulted in network revenues increasing significantly being \$3,165,725 (2015: \$1,036,716), an increase of 205% when compared to the previous corresponding period.

Further, the sale of ATMs and ATM parts and software sales during the period increased significantly with this revenue being \$851,470 (2015: \$188,440), an increase of 352% when compared to the previous corresponding period.

The earnings (loss) before income tax, depreciation and amortisation attributable to members was (\$327, 451) (2015: (\$879,919), an improvement of 63% when compared to the previous corresponding period.

Stargroup Limited recorded a total comprehensive income (loss) attributable to members of (\$1,497,883) (2015: \$618,179), a decrease of 342% when compared to the previous corresponding period.

The significant increase in the comprehensive loss was largely due to the fact that in the corresponding period there were two abnormal amounts totalling \$1,689,246, representing a revaluation increment of the NeoICP investment and a discount on the acquisition of iCash Payment Systems Limited by Stargroup Limited. When the previous corresponding period results are adjusted for the above two abnormal amounts, the underlying comprehensive loss was a decrease of 43% when compared with the prior corresponding period. There were also

a number of non-operating expenses in the last six months which were directly associated with the Cash MyATM acquisition and capital raising which was completed in July 2016.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19.

Signed in accordance with a resolution of the directors:

A handwritten signature in blue ink, appearing to read 'Todd Zani', is written over a faint, circular stamp or watermark.

Todd Zani
Executive Director

Perth

Dated: 27 February 2017

STARGROUP LIMITED
(and consolidated entities)
ABN 87 061 041 281

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

		Consolidated	
	Note	December 2016	December 2015
		\$	\$
CONTINUING OPERATIONS			
Revenue	3i	4,017,195	1,225,156
Cost of sales	3ii	(2,619,809)	(845,403)
Other expenses	3iii	(2,883,993)	(1,456,486)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX AND FINANCE COSTS		(1,486,607)	(1,076,733)
Finance income/(costs)	3iv	(11,276)	5,666
LOSS BEFORE INCOME TAX		(1,497,883)	(1,071,067)
Income tax expense		-	-
NET LOSS FOR THE PERIOD		(1,497,883)	(1,071,067)
OTHER COMPREHENSIVE INCOME			
Discount on acquisition		-	879,966
Revaluation increment		-	809,280
Other comprehensive income for the period (net of tax)		-	1,689,246
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		(1,497,883)	618,179
INCOME / (LOSS) ATTRIBUTABLE TO:			
Members of the parent entity		(1,497,883)	618,179
Non-controlling interest		-	-
		(1,497,883)	618,179
TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO:			
Members of the parent entity		(1,497,883)	618,179
Non-controlling interest		-	-
		(1,497,883)	618,179
EARNINGS PER SHARE			
Basic/Diluted (in cents)	16	(0.25)	(0.45)
Basic/Diluted - continuing operations (in cents)	16	(0.25)	(0.45)

The accompanying notes form part of these financial statements.

STARGROUP LIMITED
(and consolidated entities)
ABN 87 061 041 281

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Consolidated	
	Note	December 2016	June 2016
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	4	1,506,038	2,656,515
Trade and other receivables	6	475,946	1,103,418
Inventory	7	1,038,559	495,546
Other assets	8	500,716	586,416
TOTAL CURRENT ASSETS		3,521,259	4,841,895
NON-CURRENT ASSETS			
Other financial assets	9	2,139,503	2,139,503
Property, plant and equipment	10	2,583,142	2,135,220
Intangibles	5	8,397,733	9,319,023
TOTAL NON-CURRENT ASSETS		13,120,378	13,593,746
TOTAL ASSETS		16,641,637	18,435,641
CURRENT LIABILITIES			
Borrowings	11	510,766	49,162
Trade and other payables	12	2,389,386	3,625,460
Provisions	13	102,058	82,084
TOTAL CURRENT LIABILITIES		3,002,210	3,756,706
NON-CURRENT LIABILITIES			
Borrowings	11	558,601	162,333
TOTAL NON-CURRENT LIABILITIES		558,601	162,333
TOTAL LIABILITIES		3,560,811	3,919,039
NET ASSETS		13,080,826	14,516,602
EQUITY			
Share capital	14	17,625,654	17,502,178
Reserves		516,113	577,482
Accumulated losses		(5,060,941)	(3,563,058)
TOTAL EQUITY		13,080,826	14,516,602

The accompanying notes form part of these financial statements.

STARGROUP LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Reserves	Accumulated Profit/(Losses)	Total Equity
AS AT 31 DECEMBER 2016	\$	\$	\$	\$
At 1 July 2016	17,502,178	577,482	(3,563,058)	14,516,602
Loss for the period	-		(1,497,883)	(1,497,883)
Total comprehensive income for the year	-	-	(1,497,883)	(1,497,883)
Transactions with owners of the Company				
<i>Contributions by and distributions to owners of the company</i>				
Issue of share capital	180,000	-	-	180,000
Capital raising costs	(56,524)	-	-	(56,524)
Share Performance Reserve	-	(61,369)	-	(61,369)
At 31 December 2016	17,625,654	516,113	(5,060,941)	13,080,826

	Issued Capital \$	Accumulated Losses \$	Parent Entity Interests \$	Total Equity \$
At 1 July 2015	51,725,739	(49,840,746)	1,884,993	1,884,993
Loss for the period	-	(1,071,067)	(1,071,067)	(1,071,067)
Other comprehensive income		1,689,246	1,689,246	1,689,246
Total comprehensive income for the year	-	618,179	618,179	618,179

Transactions with owners of the Company				
<i>Contributions by and distributions to owners of the company</i>				
Reverse acquisition transaction - reversal of net identifiable assets (Note 11)	(52,000,883)	49,747,216	(2,253,667)	(2,253,667)
Reverse acquisition transaction - effective consideration and share capital (Note 9)	5,906,716	-	5,906,716	5,906,716
Reverse acquisition transaction - retained earnings of Stargroup at acquisition	-	(2,396,849)	(2,396,849)	(2,396,849)
Issue of share capital	7,024,731	-	7,024,731	7,024,731
Share buyback	(224,856)	-	(224,856)	(224,856)
Capital raising costs	(486,292)	-	(486,292)	(486,292)
At 31 December 2015	11,945,155	(1,872,200)	10,072,955	10,072,955

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Consolidated	
	December 2016	December 2015
Note	\$	\$
Cash flows from operating activities		
Receipts from customers	5,304,801	1,075,236
Payments to suppliers and employees	(3,918,420)	(2,665,572)
Interest paid	(72,090)	(1,053)
Interest received	247	6,719
Dividend received	51,177	-
Net cash flow from operating activities	1,365,715	(1,584,670)
Cash flows from investing activities		
Purchase of plant and equipment	(744,993)	(1,970)
Payments to acquire business assets	(2,348,813)	(3,157,245)
Cash acquired in business combination	-	1,636,500
Payments of establishment costs	(203,907)	-
Net cash flow from investing activities	(3,297,713)	(1,522,715)
Cash flows from financing activities		
Repayment of borrowings	(151,305)	(50,000)
Proceeds from share issues	989,350	3,867,486
Share buy-back settled in cash	-	(1,804)
Payment of capital raising costs	(56,524)	(486,292)
Net cash flow from financing activities	781,521	3,329,390
Net increase/(decrease) in cash and cash equivalents held	(1,150,477)	222,005
Cash and cash equivalents at the beginning of the financial period	2,656,515	288,935
Cash and cash equivalents at the end of the financial period	1,506,038	510,940

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The accompanying notes form part of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

1 REPORTING ENTITY

Stargroup Limited (the "Company") is a company domiciled in Australia. The consolidated half-year financial report of the Company as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the "Group").

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(i) Statement of Compliance

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Stargroup Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the 30 June 2016 financial report.

The half-year consolidated report does not include full disclosures of the type normally included in an annual financial report.

This half-year consolidated financial report was approved by the Board of Directors on 27 February 2017.

(ii) Basis of preparation

The half-year consolidated report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and where applicable, financial assets and financial liabilities for which the fair value basis of accounting have been applied.

(iii) Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business and the realisation of assets and the settlement of liabilities in the ordinary course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

The Group recorded a total comprehensive loss of \$1,497,883 and net cash flows from operating activities of \$1,365,715 for the six month period ending 31 December 2016 and a working capital balance of \$519,049 (2016:\$1,085,189). In addition the Group has a working capital facility of \$1,000,000 with an undrawn amount of just under \$750,000 at the half year ended 31 December 2016.

Based on a cash flow forecast prepared by Management and the above facts, the Directors consider the going concern basis of preparation to be appropriate.

Taking into account the above factors and their impact on the forecasts and cash flows, the Board of Directors of Stargroup believes that the Group will have sufficient cash resources to continue to pay all debts and obligations as and when they arise.

3 REVENUE AND EXPENSES

Profit before income tax includes the following revenue and expenses:

		Consolidated	
		December 2016	December 2015
		\$	\$
(i) Revenue			
Product sales		851,470	188,440
Contract income		3,165,725	1,036,716
		<u>4,017,195</u>	<u>1,225,156</u>
(ii) Cost of Sales			
Cost of sales - product		1,281,189	199,859
Cost of sales - contract income		1,338,620	645,544
		<u>2,619,809</u>	<u>845,403</u>
(iii) Expenses			
Administration and general fees		650,287	289,234
Depreciation and amortisation		1,170,432	191,148
Travel expenses		136,001	84,036
Legal expenses		54,799	228,205
Rent expenses		92,361	75,060
Consulting fees		6,500	48,662
Wages & Salaries		731,140	499,096
Director fees		42,473	41,096
Unrealised foreign exchange (gain)/loss		-	(51)
		<u>2,883,993</u>	<u>1,456,486</u>
(iv) Finance costs			
Interest income		247	6,719
Interest expense		(72,090)	(1,053)
Dividend received		60,567	-
		<u>(11,276)</u>	<u>5,666</u>

STARGROUP LIMITED
(and consolidated entities)
ABN 87 061 041 281

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Consolidated	
	December 2016	June 2016
	\$	\$
4 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	<u>1,506,038</u>	<u>2,656,515</u>
RECONCILIATION TO STATEMENT OF CASHFLOWS		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	<u>1,506,038</u>	<u>2,656,515</u>
5 INTANGIBLES		
Non-Current		
Site Contracts Cash Plus – at cost	6,053,738	6,053,738
Site Contracts Cash My ATM – at cost	3,913,027	3,913,027
Software Expenses	113,715	133,827
	<u>10,080,480</u>	<u>10,100,592</u>
Less: Accumulated Amortisation	<u>(1,682,747)</u>	<u>(781,569)</u>
	<u><u>8,397,733</u></u>	<u><u>9,319,023</u></u>
6 TRADE AND OTHER RECEIVABLES		
Current		
Trade & Other receivables	475,946	294,068
Share placement receivable	-	809,350
	<u>475,946</u>	<u>1,103,418</u>
7 INVENTORY		
Current		
Inventories	1,038,559	495,546
Less: Provision for obsolescence	-	-
	<u>1,038,559</u>	<u>495,546</u>
8 OTHER ASSETS		
Current		
Deposits paid on inventory	-	340,431
Prepayments	147,436	25,069
Bartercard	207,122	221,127
Other	146,158	(211)
	<u>500,716</u>	<u>586,416</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

9 OTHER FINANCIAL ASSETS

Fair value through profit or loss

The group had an 11.28% (2015: 11.28%) equity interest in NeolCP Korea, Inc at 31 December 2016.

	December 2016 \$	June 2016 \$
Fair value of investment		
Fair value of investment 11.28% (2015: 11.28%)	2,000,000	2,000,000
Other financial assets	111,121	111,121
Guarantee in respect of leased office premises	28,382	28,382
	<u>2,139,503</u>	<u>2,139,503</u>

10 PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

At Cost	1,021,856	640,377
Less: Accumulated depreciation and impairment	(252,714)	(169,797)
Carrying Value	<u>769,142</u>	<u>470,580</u>

ATMs

At Cost	2,345,397	2,043,554
Less: Accumulated depreciation and impairment	(531,397)	(378,914)
Carrying Value	<u>1,814,000</u>	<u>1,664,640</u>

Total

At Cost	3,367,253	2,683,931
Less: Accumulated depreciation and impairment	(784,111)	(548,711)
Carrying Value	<u>2,583,142</u>	<u>2,135,220</u>

11 BORROWINGS

Current

Other Current Borrowings	246,943	-
Hire Purchase Liabilities	356,287	61,063
Less: Unexpired Interest	(92,464)	(11,901)
	<u>510,766</u>	<u>49,162</u>

Non-Current

Hire Purchase Liabilities	729,742	190,000
Less: Unexpired Interest	(171,141)	(27,667)
	<u>558,601</u>	<u>162,333</u>

STARGROUP LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

12	TRADE AND OTHER PAYABLES	December 2016 \$	June 2016 \$		
	Current				
	<i>Unsecured Liabilities</i>				
	Trade creditors - external	666,386	423,295		
	Cash My ATM acquisition payable	-	2,348,812		
	Prepaid revenue	1,314,149	548,876		
	Sundry creditors and accrued expenses	408,851	304,377		
		<u>2,389,386</u>	<u>3,625,460</u>		
13	PROVISIONS				
	Current				
	Provision for annual leave	102,058	82,084		
		<u>102,058</u>	<u>82,084</u>		
14	SHARE CAPITAL				
		December 2016 Shares	June 2016 Shares	December 2016 \$	June 2016 \$
	Ordinary shares				
	Share capital	<u>594,393,066</u>	<u>586,893,066</u>	<u>17,625,654</u>	<u>17,502,178</u>
	Movements during the year				
	Balance at beginning of the period	586,893,066	76,784,631	17,502,178	51,725,739
	<i>Pre-acquisition transactions:</i>				
	Shares issued	-	14,285,714	-	500,000
	Shares bought-back	-	(7,678,457)	-	(224,856)
	Pre-acquisition share capital	<u>-</u>	<u>83,391,888</u>	<u>-</u>	<u>52,000,883</u>
	<i>Reverse acquisition transactions:</i>				
	Less: pre-acquisition share capital	-	-	-	(52,000,883)
	Add: effective consideration	-	157,142,857	-	1,373,700
	Add: Stargroup Limited share capital	-	-	-	4,549,016
	Post reverse acquisition transactions	<u>-</u>	<u>240,534,475</u>	<u>-</u>	<u>5,922,716</u>
	<i>Shares issued in the period post acquisition:</i>				
	Cash Plus Acquisition				
	Rights issue	-	96,213,898	-	3,367,486
	Less: 2018 Options issue	-	-	-	(332,006)
	Shares issued to vendor	-	78,931,125	-	3,157,245
	Less: capital raising costs	-	-	-	(486,292)
	Post-acquisition share capital	<u>-</u>	<u>415,679,768</u>	<u>-</u>	<u>11,629,149</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

14 SHARE CAPITAL (continued)

Shares issued in the period post acquisition:

Cash My ATM Acquisition

Shares issued to vendor	-	8,908,060	-	445,403
Private placement share issue	-	83,333,333	-	3,000,000
Rights Issue	-	78,971,905	-	2,867,810
Less: capital raising cost	-	-	(51,974)	(440,184)
Post-acquisition share capital	-	586,893,066	17,450,204	17,502,178

Private placement share issue	5,000,000	-	180,000	-
Less: capital raising costs	-	-	(4,550)	-
Post-private placement share capital	591,893,066	-	17,625,654	-

Shares issued under Performance Rights Scheme (Refer note b)	2,500,000	-	-	-
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Balance at the end of the period	594,393,066	586,893,066	17,625,654	17,502,178
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a Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its issued shares.

b Performance shares

10,000,000 Performance rights were issued to key management personnel and approved by the Company's shareholders on 29 July 2015.

The performance rights will result in shares being issued to the key management personnel in four, 2,500,000 equal tranches on the attainment of varying performance hurdles upon the achievement of the deployment of a fixed number of ATMs as well as EBITDA and NPAT targets in the relevant years.

The first hurdle was the attainment of 250 ATMs in Australia and the achievement of \$2,500,000 annualised revenue (measured over a rolling three month term) by 31 December 2016.

The milestone for the first tranche was achieved in June 2016, some six months prior to the deadline and 2,500,000 performance shares were issued to the key management personnel.

The next hurdle, namely the second tranche, has a milestone of 500 ATMs and annualised earnings of \$5,000,000 and as at 31 December 2016, the Group has 365 ATMs achieving greater than \$5,000,000 annualised revenue but given not all criteria of the second tranche have been achieved, no expense or issue of further performance shares has occurred at 31 December 2016.

15 SEGMENT REPORTING

The Company and its controlled subsidiaries operate in one segment being the provision of ATM and cash-handling equipment in Australia.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

16 EARNINGS PER SHARE

	December 2016	December 2015
Basic/Diluted loss per share (in cents)	(0.25)	(0.45)
Basic/Diluted (loss)/profit per share – continuing operations (in cents)	(0.25)	(0.45)
Profit (Loss) used in the calculation of basic and diluted EPS (in \$)	(1,497,883)	(1,071,067)
Profit (Loss) used in the calculation of basic and diluted EPS – continuing operations (in \$)	(1,497,883)	(1,071,067)
Weighted average number of ordinary shares outstanding during the period used in calculation of basic diluted EPS	<u>591,675,675</u>	<u>241,040,299</u>

17 COMMITMENTS

Lease Payments

Non-cancellable operating lease payments are payable as follows:

	December 2016 \$	December 2015 \$
Less than one year	45,057	120,039
Between one and five years	103,024	216,982
	<u>148,081</u>	<u>337,021</u>

Leases relate to office premises in Australia and motor vehicle leases.

Bank Guarantees

Commonwealth Bank of Australia held bank guarantees on behalf of the Group, as follows:

Guarantee in respect of leased office premises	<u>28,382</u>	<u>12,650</u>
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18 EVENTS SUBSEQUENT TO BALANCE DATE

The Group announced on 2 December 2016 that it had signed an asset sale agreement with Indue Limited to acquire its ATM processing, ATM switching, settlement, processing, telecommunications and ATM reseller business operated by Indue Limited. The consideration payable is \$6.5million in cash and the projected annualised revenue increase is \$4.1million and the projected annualised EBITDA increase is \$1.7 million and the Group has put in place a \$15million debt facility to fund this acquisition. This has not settled as at the date of this report but is proceeding on an unconditional basis and a deed of variation has been signed and completion is planned for 13 March 2017.

Stamp Duty for the acquisition of Indue has not been provided for at 31 December 2016 as the Company's financier had not made available the funding to complete the transaction as at the date of this report.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Todd Zani
Executive Director

Perth

Dated: 27 February 2017

Independent Auditor's Review Report to the members of Stargroup Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Stargroup Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended 31 December 2016, other selected explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled for the half year ended 31 December 2016 or from time to time during the half year ended 31 December 2016.

Directors' Responsibility for the Interim Financial Report

The directors of the Group are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the *Corporations Act 2001*. This responsibility includes: establishing and maintaining internal controls relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the interim ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stargroup Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Stargroup Limited, would be in the same terms if given to the directors as at the time of this report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Stargroup Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half year ended 31 December 2016; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani

Director

Perth 27 February 2017

Auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Stargroup Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the period ended 31 December 2016, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani

Director

Perth 27 February 2017