COMPANY ANNOUNCEMENT

24 August 2017

Reverse Corp Limited (ASX: REF) - Market Update

Reverse Corp Limited reports revenues of $6,024,898 with EBITDA (earnings before interest, tax, depreciation & amortisation) of $1,090,464 and NPAT (net profit after tax) of $300,373.

The NPAT result includes a goodwill impairment charge of $975,000 against the reverse charge calling business which reflects the continuing structural declines in this market due to technological change and voice commoditisation. Excluding the impairment, NPAT was $1,275,373 which included a one-off gain of $691,157 from the sale of our stake in OnTheHouse holdings limited in November 2016.

The result meets company guidance and reflects:

- 1800 Reverse EBITDA, as anticipated, decreasing 43% on the previous year to $1,638,850 with the product at the end phase of its life cycle
- Our online contact lenses business growing total revenue by 53% to $2,345,537 driven by $922,910 in new revenue from the acquisition of NetOptical.com.au in August 2016. The combined businesses recorded an EBITDA loss of $100,226. Delivery of key IT projects has taken longer than anticipated which has delayed marketing initiatives to drive base growth. The major projects will complete in the first half of the 2018 financial year

Despite slower progress in our online contact lenses business, we remain positive that the delivery of key platform and proposition initiatives in the year ahead will enable customer base growth across our multiple online brands.

The Board have declared a fully franked dividend of $0.01 payable on 14 September 2017, and has net cash pre-dividend of $6,557,502.

By Order of the Board

Dion Soich
Company Secretary

Reverse Corp Limited
ABN 16 085 949 855
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Milton QLD 4064
P. 07 3295 0300
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REVERSE CORP LIMITED

ABN 16 085 949 855

Appendix 4E

Preliminary Final Report

for the year ended 30 June 2017
(compared to the year ended 30 June 2016)

Results for announcement to the market:

	Percentage Change	Amount $
Revenue from ordinary activities	Down 5%	to $6,760,034
Profit from ordinary activities after tax attributable to members	Down 81%	to $300,373
Net profit for the period attributable to members	Down 81%	to $300,373

Brief explanation of any figures reported above necessary to enable the figures to be understood:

Refer to the accompanying Directors' report, financial statements and notes.

Dividend:

The Board has declared a 1c fully franked dividend to be paid on 14 September 2017 with a record date of 31 August 2017.

	30 June 2017	30 June 2016
Net tangible assets per security:	$0.086	$0.094

Commentary on the Results for the Period:

Refer to the accompanying Directors' report, financial statements and notes.

Audit/Review Status:

This report is based on accounts to which one of the following applies:
(Tick one)

The accounts have been audited	X	The accounts have been subject to review	
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	

Reverse Corp Limited ABN 16 085 949 855
and Controlled Entities

Financial Report for the Financial Year Ended 30 June 2017

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2017.

Directors

The names of directors in office at any time during or since the end of the year are:

Mr Peter D Ritchie – Chairman

Mr Stephen C Jermyn

Mr Richard L Bell

Mr Gary B Hillberg

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activity of the consolidated entity during the financial year was the provision of reverse charge calling services. There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

Operating Results

Net profit after tax (NPAT) for the year to 30 June 2017 amounted to $1,275,373, before a goodwill impairment charge of $975,000 with the final result $300,373. The NPAT result pre-impairment was down 18% from $1,559,089 in the previous year. NPAT for the year included a one-off gain of $691,157 from the sale of our stake in OntheHouse Holdings Limited in November 2016.

Group revenue for the year was $6,024,898 which was down 13% from $6,939,083 last year, while earnings before interest, tax, depreciation & amortisation declined 55% to $1,090,464.

Group earnings continue to be underpinned by the Australia Reverse Charge business (1800-Reverse) where revenue decreased 33% on the previous year to $3,679,332 and EBITDA decreased 43% to $1,638,850. These declines were expected given the product's maturity.

A goodwill impairment charge of $975,000 was recorded against the Reverse Charge Calling business that reflects the ongoing volume and margin declines due to the product operating in the mature premium voice telecommunications market.

Our combined online contact lenses business which will delivery our future growth achieved total revenue for the year of $2,345,537 which was up 53% on last year. The result included $922,910 in revenue from the Net Optical business which was acquired in August 2016. This division recorded an EBITDA loss of $100,226 for the year.

Review of Operations

Reverse Charge Calling. 1800-Reverse experienced continuing declines as expected with the product approaching the end phase of its life cycle. Total calls were down 27% on the previous year with revenue decreasing 33% to $3,644,332. The anticipated faster decline in the number of higher margin Calls-to-Fixed lines (down 38%) resulted in EBITDA declining to $1,638,850, down 43% on the previous year. The decline in demand for the service continues to be driven by a combination of factors which include:

1. Mobile operator price erosion from increasing inclusive value in prepaid and pay monthly SIM only plans reducing the need and frequency of out-of-credit prepaid calling;
2. The continuing substitution of messaging services for voice usage particularly among younger consumers;
3. The growing use of over-the-top (OTT) voice and messaging services on smart phones which can be accessed via increasingly available free public Wi-Fi providing an out-of-credit calling option.

DIRECTORS' REPORT

Management continues to deploy operational improvements to maximise profitability although less levers exist given the product's maturity. During the year price increases were implemented on both Calls-to-Mobiles and Calls-to-Fixed lines. Savings were achieved through the negotiation of new carriage agreements with Telstra, and the reduction in marketing activity to $12,140 from $101,479 in the prior year. New mobile carrier identification software was also deployed to improve mobile billing collection rates. A long-term maintenance project also commenced to simplify our legacy IT infrastructure and improve robustness of the platform to ensure the product can continue to operate to final runout. In the year ahead the business will focus on operational efficiency and cost reductions where possible.

Online Contact Lenses. Total contact lens business revenue increased by 53% to $2,345,537 driven by $922,910 in new revenue from our acquisition of the NetOptical.com.au business in August 2016. Revenue in our OzContacts.com.au business decreased by 7% for the year to $1,413,576 reflecting the delayed launch of our new website and supporting marketing activity. Phase 1 of the new site launched in late February 2017 with increased marketing activity and positive early results saw revenue up for the second half on last year.

Our combined brands reported an EBITDA loss of $100,226 reflecting declines in OzContacts revenue in the first half of the year in addition to higher full year employment costs and office overheads including additional software licences for our new inventory management system. Margins also decreased due to an increased investment in marketing and our customer proposition including reducing our delivery charges and tactically absorbing some supplier price increases. The investment in the customer proposition combined with the new website launch aims to rebuild momentum in customer acquisition for our OzContacts brand.

The focus across the year has been the delivery of new operational and e-commerce capabilities enabling us to support increased future scale with a great customer experience across multiple brands. Delivery of these projects has taken longer than anticipated with completion due in the first half of the 2018 financial year.

Our Net Optical business achieved lower EBITDA than anticipated which was due to a combination of early issues which included the inherited legacy infrastructure and the delay in migrating to a new e-commerce platform. This has resulted in orders being below expectation but an improved result is expected in the year ahead with the launch of the new website in the first half of the 2018 financial year together with refreshed customer communications and proposition.

Financial Position

The company generated operating cash flows of $502,287 down 67% compared to the previous year of $1,508,725. The balance sheet remains conservatively geared with net cash at year-end of $7,285,778.

Significant Changes in State of Affairs

In the opinion of the directors there were no other significant changes in the state of affairs of the consolidated entity during the financial year not otherwise disclosed in this report or the consolidated financial statements.

Events arising since the end of the Reporting Period

The acquisition of the Webcontacts and Yourcontacts online contact lenses business was completed on 23 August 2017. The business was acquired for a total consideration of $710,000.

No other matters or circumstances, other than the acquisition of Webcontacts and YourContacts businesses and the declared dividend have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' REPORT

Likely Developments, Prospects and Business Strategies

1800-Reverse call volumes will continue to decline in the year ahead as demand is impacted by technological change and voice commoditisation. Management will continue to take all possible steps to maximise profitability and ensure the product remains viable for as long as possible. Outside any staff redundancy costs where resources cannot be transferred into the online contact lenses business, close down costs are forecast to be minimal.

In the year ahead the focus of our online contact lenses business will shift from the delivery of new capability and system integration to trading and customer base growth. Whilst this shift has taken longer than anticipated, the platform improvements mean the business is now in a good position to support scale and grow the customer base through marketing activity and the acquisition and integration of competitor businesses already identified. The Board acknowledges that competitor acquisitions are critical to building the necessary scale for the business to make a significant long-term earnings contribution to the group. Over the medium term (18 to 24 months) the business will be in a revenue growth phase investing in growing the customer base.

The company's three strategic priorities for the 2018 financial year are:

1. Drive customer base growth across all our online contact lens brands through efficient marketing activity following the completion of key enabling IT and operational projects in the first half of the 2018 financial year
2. Increase scale in the online contact lenses business by completing and successfully integrating additional acquisitions of competitor businesses
3. Continue to maximise the profitability of the 1800-Reverse business

DIRECTORS' REPORT

Information on Directors

Mr Peter D Ritchie	— Chairman (Non-executive)
Qualifications	— B.Com, FCPA
Experience	— Company Chairman since inception in 1999. Previously founding Director, Chief Executive and Chairman of McDonald's Australia Limited. Other previous directorships include Westpac Bank Limited, Seven Group Holdings Limited and Solution Six Holdings Limited.
Interest in Shares and Options	— 4,722,234 Ordinary Shares in Reverse Corp Limited.
Special Responsibilities	— Mr Ritchie is a member of the Audit and Risk Committee and Chairman of the Remuneration and Nomination Committee.

Mr Gary B Hillberg	— Non-executive Director
Qualifications	— B.Bus (Marketing)
Experience	— Mr Hillberg has been a Board member since October 2005. He has over 30 years' experience in the Australian telecommunications industry and has held the roles of Chief Operating Officer and Group Managing Director with the company.
Interest in Shares and Options	— 250,356 Ordinary Shares in Reverse Corp Limited.

Mr Stephen C Jermyn	— Non-executive Director
Qualifications	— FCPA
Experience	— Mr Jermyn joined the Board of Directors of McDonald's Australia in 1986 and was appointed Executive Vice President in 1993. In June 1999, he was appointed Deputy Managing Director. In August 2005 Mr Jermyn stepped down from executive duties at McDonald's. Mr Jermyn was appointed to the Board of Reverse Corp Limited in October 2005.
Interest in Shares and Options	— 2,901,544 Ordinary Shares in Reverse Corp Limited.
Special Responsibilities	— Mr Jermyn is the Chairman of the Audit and Risk Committee, and a member of the Remuneration and Nomination Committee.
Directorships held in other listed entities	— Mr Jermyn is a current director of Mortgage Choice Limited and a former director of Regional Express Holdings Limited (resigned June 2008).

Mr Richard L Bell	— Non-executive Director
Qualifications	— LLB
Experience	— Mr Bell is Reverse Corp's founder and former Chief Executive and Board member since inception in 1999.
Interest in Shares and Options	— 20,370,588 Ordinary Shares in Reverse Corp Limited.
Special Responsibilities	— Mr Bell is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

DIRECTORS' REPORT

Company Secretary

Dion Soich is a Certified Practising Accountant and the Chief Financial Officer. Dion has held senior positions with a number of leading companies and has a Bachelor of Commerce and is a Member of the Australian Institute of Company Directors.

Dividends

During the financial year, a fully franked dividend of $934,415 (1c per share) was paid on 9 September 2016 (2016: $914,415).

Since the end of the financial year, the Board have declared a fully franked dividend of $934,415 (1c per share) to be paid on 14 September 2017.

Meetings of Directors

The number of meetings of the company's Board of directors and Board committees held during the year and the number of meetings attended by each director and committee member were:

			COMMITTEE MEETINGS			
	DIRECTORS' MEETINGS		Audit and Risk		Remuneration and Nomination	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Peter D Ritchie	7	6	2	1	2	1
Mr Stephen C Jermyn	7	6	2	2	2	2
Mr Richard L Bell	7	7	2	2	2	2
Mr Gary B Hillberg	7	7				

Environmental Issues

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

Indemnities given and insurance premiums paid to Auditors and Officers

During the year, Reverse Corp Limited paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified of agreed to indemnify any current of former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

DIRECTORS' REPORT

Unissued shares under option

At the date of this report, there are no unissued ordinary shares of Reverse Corp Limited under option.

During the year ended 30 June 2017, no shares were issued on the exercise of options. No further shares have been issued since the end of the year.

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

For details of options issued to directors and executives as remuneration refer to the Remuneration Report and to Note 28 Share-based Payments.

Proceedings on Behalf of the Company

No person has applied for leave of Court under section 237 of the Corporations Act 2001 to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Non-audit Services

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

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

The following fees for non-audit services were paid during the year ended 30 June 2017, or are payable, to the external auditors:

	Consolidated entity
	$
Taxation and other services	$15,000

Auditor's Independence Declaration

The lead auditor's independence declaration as per section 307C of the Corporations Act 2001 for the year ended 30 June 2017, which forms part of this report, has been received and can be found on page 14.

DIRECTORS' REPORT

Remuneration Report – Audited

The Directors of Reverse Corp Limited present the Remuneration Report for Non-Executive Directors and Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporate Regulations 2001*.

(a) **Principles used to determine the nature and amount of remuneration**

Remuneration policy

The remuneration policy of Reverse Corp Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term incentives based on key performance areas affecting the consolidated entity's financial results. The Board of Reverse Corp Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated entity, as well as create goal congruence between key management personnel and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated entity is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Remuneration and Nomination Committee and approved by the Board.
- Key management personnel may receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options, employee share schemes and performance incentives.
- The Remuneration and Nomination Committee reviews key management personnel packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of key management personnel is measured against criteria agreed annually with each individual and is based predominantly on the forecast growth of the consolidated entity's profits and shareholders' value. All bonuses and incentives are linked to predetermined performance criteria. The

Board may, however, exercise its discretion in relation to approving incentives, bonuses, shares and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of key management personnel and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

Key management personnel employed in Australia receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Options and shares are valued using a binomial methodology.

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Remuneration and Nomination Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

The company has adopted a policy in respect of directors and executives trading in the company's securities. No formal policy has been adopted regarding directors and executives hedging exposure to holdings of the company's securities and no director or executive has hedged their exposure.

DIRECTORS' REPORT

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods are applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of shares under an employee share scheme to key management personnel to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth.

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. In determining whether or not a KPI has been achieved, Reverse Corp Limited bases the assessment on audited figures.

Voting and comments made at the Company's last Annual General Meeting

Reverse Corp received more than 88% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2016. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

The following table shows the gross revenue, profits and dividends for the last 5 years for the listed entity, as well as the share prices at the end of the respective financial years. The Board is of the opinion that the previously described remuneration policy will result in increased shareholder wealth.

	2013	2014	2015	2016	2017
	$	$	$	$	$
Revenue	8,523,302	9,736,666	8,810,844	6,939,083	6,024,898
Net Profit	365,025	1,497,714	2,062,073	1,559,089	300,373
Dividends paid (cents)	-	-	-	1.00	1.00
EPS (cents)	0.40	1.60	2.20	1.70	0.30
Share price at year-end	$0.04	$0.15	$0.14	$0.13	$0.07

To grow the share price the company is pursuing long term earnings through its growth pipeline, including by acquisition, product development and diversification.

(b) **Details of remuneration for year ended 30 June 2017**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. Details of the nature and amount of each element of the remuneration of each Key management personnel of Reverse Corp Limited are shown in the table below:

Director and other Key Management Personnel remuneration									
		Short term employee benefits			Post-employment benefits	Termination benefits	Share-based payments		Performance based
Employee	Year	Cash salary and fees	Cash Bonus	Non-monetary benefits	Superannuation	Termination Payments	Shares	Total	percentage of remuneration
Non-Executive Directors									
Peter Ritchie	2017	86,957	-	-	8,261	-	-	95,218	0.0%
Independent Chairman	2016	86,957	-	-	8,261	-	-	95,218	0.0%
Stephen Jermyn	2017	45,767	-	-	4,348	-	-	50,115	0.0%
Independent Director	2016	45,767	-	-	4,348	-	-	50,115	0.0%
Richard Bell	2017	-	-	-	-	-	-	-	0.0%
Independent Director	2016	-	-	-	-	-	-	-	0.0%
Gary Hillberg	2017	45,767	-	-	4,348	-	-	50,115	0.0%
Independent Director	2016	45,767	-	-	4,348	-	-	50,115	0.0%
Key Management Personnel									
Charles Slaughter	2017	221,510	47,738	-	19,973	-	-	289,221	16.5%
Chief Executive Officer	2016	211,442	35,949	-	19,697	-	-	267,088	13.5%
Dion Soich	2017	188,302	10,661	-	18,730	-	-	217,693	4.9%
Chief Financial Officer	2016	183,103	14,625	-	18,746	-	-	216,474	6.8%
Luke Krasnoff	2017	125,981	7,173	-	12,650	-	-	145,804	4.9%
Head of IT	2016	122,917	9,843	-	12,612	-	-	145,372	6.8%
Michael Aarts	2017	121,466	34,875	-	14,590	-	-	170,931	20.4%
Managing Director - OzContacts	2016	95,129	7,539	-	9,753	-	-	112,421	6.7%
2017 Total	**2017**	**835,750**	**100,447**	**-**	**82,900**	**-**	**-**	**1,019,097**	
2016 Total	**2016**	**791,082**	**67,956**	**-**	**77,765**	**-**	**-**	**936,803**	

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration	At risk – STI
Key Management Personnel		
Charles Slaughter	91%	9%
Dion Soich	91%	9%
Luke Krasnoff	91%	9%
Michael Aarts	91%	9%

DIRECTORS' REPORT

(c) Employment contracts of key management personnel

The employment conditions of key management personnel are formalised in contracts of employment. All management personnel are permanent employees of 1800 Reverse Operations Pty Ltd or Oz Contacts Pty Ltd.

The employment contracts stipulate a range of one to four month resignation periods. The company may terminate an employment contract without cause by providing written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

(d) Share-based remuneration

The Board implemented an Employee Loan Funded Share Plan during the 2015 financial year to provide key management personnel an incentive in a tax effective manner to better align the interests of the participants with the interests of Shareholders. No share based remuneration was paid during the financial year.

The terms of the Loan Funded Share Plan are such that participants receive an upfront entitlement to a certain number of shares with a corresponding limited recourse loan. The loan is interest free and is provided for a maximum term of 3 years. The shares are subject to a holding lock until the loan is repaid. There are no vesting conditions on these shares.

The following table details shares that have been provided to key management personnel through the Share Loan Funded Share Plan:

Name	Issue Date	Number of Loan Funded Shares Allocated	Number of Loan Funded Shares Vested	Issue Price	Fair Value	Total Amount of Loan	Expiry Date
Key Management Personnel							
Charles Slaughter	2 Sept 2014	706,215	706,215	$0.1416	$0.067	$100,000	1 Sep 2017
Dion Soich	2 Sept 2014	353,107	353,107	$0.1416	$0.067	$50,000	1 Sep 2017
Total		**1,059,322**	**1,059,322**			**$150,000**	

(e) Bonuses included in remuneration

The details of the short-term incentive cash bonuses awarded as remuneration to each key management personnel, the percentage of the available bonus that was paid in the financial year, and the percentage that was forfeited because the person did not meet the performance criteria is set out below. The performance criteria included revenue and EBITDA business targets as well as completion of key IT enabling projects.

	Included in remuneration ($)	Percentage vested during the year	Percentage forfeited during the year
Key Management Personnel			
Charles Slaughter 1	12,738	58%	42%
Dion Soich	10,661	58%	42%
Luke Krasnoff	7,173	58%	42%
Michael Aarts 1	6,564	58%	42%

1. Charles Slaughter and Michael Aarts were paid additional discretionary bonus' of $35,000 and $28,311 respectively.

DIRECTORS' REPORT

(f) **Other information**

Options held by Key Management Personnel

There are no options held by key management personnel at year end.

Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2017 reporting period held by each of the key management personnel, including their related parties, is set out below:

	Balance 1.7.16	Granted as Remuneration	Options Exercised	Other (1)	Balance 30.6.17
Peter Ritchie	4,722,234	-	-	-	4,722,234
Gary Hillberg	250,356	-	-	-	250,356
Steve Jermyn	2,901,544	-	-	-	2,901,544
Richard Bell	20,370,588	-	-	-	20,370,588
Charles Slaughter (2)	706,215	-	-	-	706,215
Dion Soich (2)	353,107	-	-	-	353,107
Total	29,304,044	-	-	-	29,304,044

(1) Other refers to net shares purchased or sold during the financial year

(2) Subject to a holding lock until limited recourse loan is repaid

None of the shares included in the table above are held nominally by Key Management Personnel.

Loans to Key Management Personnel

The Company provides key management personnel with a limited recourse loan to purchase shares in the Company. Further details are outlined in Note 28 – Share-based payments.

The number of key management personnel included in the Company aggregate at year end is two (2).

There are no individuals with loans above $100,000 during the financial year.

End of Remuneration Report

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Mr. Peter D. Ritchie
Chairman

Dated this 24th day of August 2017

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Auditor's Independence Declaration to the Directors of Reverse Corp Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Reverse Corp Limited for the year ended 30 June 2017, 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 S Bell
Partner - Audit & Assurance

Brisbane, 24 August 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Entity	
		2017 $	2016 $
Revenue	2	6,024,898	6,939,083
Other income	2	735,136	158,218
Direct costs associated with revenue	3	(2,863,827)	(2,622,957)
Employee benefits expense		(1,511,722)	(1,350,353)
Depreciation and amortisation expense		(225,604)	(183,803)
Impairment of intangibles	16	(975,023)	(73,838)
Exchange differences reclassified to the profit and loss		-	(5,219)
Other expenses		(593,578)	(579,844)
Finance costs	3	(12)	(1)
Profit before income tax		590,291	2,281,286
Income tax expense	4	(289,918)	(722,197)
Profit for the year		**300,373**	**1,559,089**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		-	(3,737)
- Reclassification to the profit and loss		-	5,219
Available-for-sale financial assets:			
- Current year gains	13	(251,136)	251,136
Income tax on other comprehensive income	4	-	-
Other comprehensive income for the year, net of income tax		(251,136)	252,618
Total comprehensive income for the year		49,237	1,811,707
Profit/(loss) for the year attributable to:			
Non-controlling interest		(7,400)	(4,473)
Owners of the parent		307,773	1,563,562
		300,373	1,559,089
Other comprehensive income for the year attributable to:			
Non-controlling interest		-	-
Owners of the parent		(251,136)	252,618
		(251,136)	252,618

The accompanying notes form part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Entity 2017 $	2016 $
Earnings per share	8		
Basic earnings per share		0.003	0.017
Diluted earnings per share		0.003	0.017

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	Consolidated Entity 2017 $	2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**9**	7,285,778	6,039,277
Trade and other receivables	**10**	459,003	474,622
Inventories	**11**	258,146	164,954
Available for sale financial Assets	**13**	-	2,231,530
Other current assets	**17**	57,027	116,002
TOTAL CURRENT ASSETS		8,059,954	9,026,385
NON-CURRENT ASSETS			
Property, plant and equipment	**15**	63,962	60,288
Deferred tax assets	**20**	469,310	353,738
Goodwill	**16**	841,062	1,671,024
Other intangible assets	**16**	823,393	164,807
TOTAL NON-CURRENT ASSETS		2,197,727	2,249,857
TOTAL ASSETS		10,257,681	11,276,242
CURRENT LIABILITIES			
Trade and other payables	**18**	343,926	405,559
Current tax liabilities	**20**	20,525	114,924
Short-term employee benefits	**21**	126,878	101,938
TOTAL CURRENT LIABILITIES		491,329	622,421
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**20**	8,896	6,210
Long-term employee benefits	**21**	17,185	22,162
TOTAL NON-CURRENT LIABILITIES		26,081	28,372
TOTAL LIABILITIES		517,410	650,793
NET ASSETS		9,740,271	10,625,449
EQUITY			
Issued capital	**22**	3,553,224	3,553,224
Other components of equity	**23**	443,715	694,851
Retained earnings		5,786,754	6,413,396
		9,783,693	10,661,471
Non- controlling interest		(43,422)	(36,022)
TOTAL EQUITY		9,740,271	10,625,449

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

Consolidated Entity

	Note	Issued capital	Retained earnings	Non-controlling interest	Other components of equity	Total
		$	$	$	$	$
Balance at 1 July 2015		3,553,224	5,759,025	(6,325)	442,233	9,748,157
Profit for the year		-	1,563,562	(4,473)	-	1,559,089
Other comprehensive income		-	-	-	252,618	252,618
Subtotal		3,553,224	7,322,587	(10,798)	694,851	11,559,864
Transactions with owners						
Dividends paid	7	-	(934,415)	-	-	(934,415)
Acquisition of non-controlling interest in Oz Contacts Pty Ltd		-	25,224	(25,224)	-	-
Balance at 30 June 2016		3,553,224	6,413,396	(36,022)	694,851	10,625,449
Balance at 1 July 2016		3,553,224	6,413,396	(36,022)	694,851	10,625,449
Profit for the year		-	307,773	(7,400)	-	300,373
Total comprehensive income		-	-	-	(251,136)	(251,136)
Subtotal		3,553,224	6,721,169	(43,422)	443,715	10,674,686
Transactions with owners						
Dividends paid	7	-	(934,415)	-	-	(934,415)
Balance at 30 June 2017		3,553,224	5,786,754	(43,422)	443,715	9,740,271

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
FOR YEAR ENDED 30 JUNE 2017

	Note	Consolidated Entity 2017 $	2016 $
OPERATING ACTIVITIES			
Receipts from customers		6,243,635	7,514,478
Payments to suppliers and employees		(5,244,143)	(5,187,102)
Taxes paid		(497,205)	(818,651)
Net cash provided by (used in) operating activities	**27**	502,287	1,508,725
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	795
Payments for property, plant and equipment		(37,999)	(66,284)
Proceeds from the sale of financial assets		2,671,550	-
Payments for financial assets		-	(1,980,393)
Payments for acquisitions		(751,000)	-
Interest received		43,979	123,682
Payments for intangible assets		(247,889)	(57,859)
Investment in subsidiaries		(20)	(32,239)
Net cash provided by (used in) investing activities		1,678,621	(2,012,298)
FINANCING ACTIVITIES			
Interest paid		(12)	(1)
Proceeds from the issue of shares		20	-
Dividends paid		(934,415)	(934,415)
Net cash used in financing activities		(934,407)	(934,416)
Net increase in cash and cash equivalents		1,246,501	(1,437,989)
Cash and cash equivalents at beginning of financial year		6,039,277	7,478,033
Effect of exchange rates on cash holdings in foreign currencies		-	(767)
Cash and cash equivalents at end of financial year	**9**	7,285,778	6,039,277

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated entity of Reverse Corp Limited and controlled entities ("consolidated group" or "group"). Reverse Corp Limited is a listed public company, incorporated and domiciled in Australia. Reverse Corp Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report of Reverse Corp Limited and controlled entities comply with all Australian Accounting Standards, which ensures that the financial report comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

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

Accounting Policies

(a) **Basis of Consolidation**

The Group financial statements consolidate those of the parent entity and all of its subsidiaries as of 30 June 2017. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from the involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

All subsidiaries have a reporting date of 30 June.

All balances and transactions between Group companies in the consolidated entity have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(b) **Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the statement of financial position date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility proposed by law.

Reverse Corp Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Reverse Corp Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group notified the Australian Taxation Office on 9 December 2004 that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered into a tax sharing agreement and a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Oz Contacts Pty Limited, a 95% owned subsidiary of Reverse Corp Limited, has formed an income tax consolidated group under the tax consolidation regime. Oz Contacts Pty Limited is responsible for recognising the current and deferred tax assets and liabilities for the Oz Contacts tax consolidated group. The Oz Contacts group notified the Australian Taxation Office on 19 October 2016 that it had formed an income tax consolidated group to apply from 1 July 2016. The Oz Contacts tax consolidated group will enter into a tax sharing agreement and a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the Oz Contacts tax consolidated group.

(c) **Inventories**

Inventories are measured at the lower of cost and net realisable value. Included in inventories are contact lenses and associated accessories including drops and solutions sold online by Oz Contacts Pty Ltd and Net Optical (Aust.) Pty Ltd.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment, motor vehicles and the calling platform are measured on the cost basis.

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

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

Depreciation

The depreciable amount of all fixed assets, excluding the calling platform, are depreciated on a diminishing value basis over their useful lives to the consolidated entity commencing from the time the assets are held ready for use. The calling platform is depreciated on a straight -line basis over its useful life.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	11.25% to 40%
Calling Platform	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

(e) Leases

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

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

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(f) **Financial Instruments**

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost less impairment losses.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any other categories of financial assets. The Group's AFS financial assets include listed securities.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) **Impairment of Non-financial Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(h) **Intangibles**

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 10 to 20 years.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development Costs, Contractual Rights and Customer Databases

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. Useful lives are generally 5 years.

Intellectual Property

All other intangible assets are recorded at cost less impairment and have indefinite life.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(i) **Foreign Currency Transactions and Balances**

Functional and presentation currency

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

Transaction and balances

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

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

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

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

— assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

— income and expenses are translated at average exchange rates for the period where this approximates the rate at the date of the transaction; and

— retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(j) **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on high quality corporate bonds that have maturity dates that match the expected timing of cash flows.

Share-based payment transactions

The group provides benefits to employees (including directors) in the form of share-based payments, whereby employees render services in exchange for rights over shares or options. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’). The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares or options granted.

(k) **Provisions**

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(l) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(m) **Revenue**

Revenue from calls is recognised on the day on which the call is completed.

Revenue from the sale of contact lenses is recognised when the significant risks and rewards of ownership of the goods have passed to the customer. Risk and rewards are considered passed to the customer when the contact lenses have been despatched.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

(n) **Borrowing Costs**

Borrowing costs are expensed in the period in which they are incurred.

(o) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Reverse Corp Limited and its wholly-owned Australian subsidiaries have formed a GST group effective 1 April 2003. Oz Contacts Pty Limited and its wholly-owned Australian subsidiaries have formed a GST group effective 1 July 2016. The impact of forming a GST group is GST is not charged on taxable supplies between members of the group.

(p) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(q) **Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. For additional details relating to the testing of goodwill impairment refer to Note 16: Goodwill and other Intangible Assets.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised.

Business Combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Entity 2017 $	2016 $
Note 2: Revenue			
Sales revenue			
— Sale of products		2,345,537	1,533,252
— Rendering of services		3,679,361	5,405,831
Sales revenue		6,024,898	6,939,083
Other income			
— Interest received from other corporations		43,979	123,682
— Gain on sale on available for sale financial assets		691,157	-
— Other income		-	34,536
Other income		735,136	158,218

	Note	2017 $	2016 $
Note 3: Expenses			
Direct costs associated with revenue		2,863,827	2,622,957
Realised foreign exchange loss/(gain)		864	(2,224)
Cost of inventories expensed (included in direct costs above)		1,686,836	1,077,963
Inventory write-off expensed		5,623	4,848
Rental expenses on operating leases:			
— minimum lease payments		107,595	131,872
Finance costs:			
— External		12	1

	Note	Consolidated Entity 2017 $	2016 $
Note 4: Income Tax Expense			
(a) The components of tax expense/(benefit) comprise:			
Current tax		402,727	730,888
Deferred tax	**20**	(112,887)	(30,567)
Under/(over) provision in respect of prior years		78	21,876
Income tax expense		289,918	722,197
Deferred tax expense recognised in other comprehensive income	**20**	-	-
(b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit before income tax at 30% (2016: 30%)		177,087	684,386
Add:			
Tax effect of:			
— Other non-allowable/(deductible) items		320,100	15,935
— Capital items non-deductible (Onthehouse gain)		(207,347)	-
— Under/ (over) provision in respect of prior years		78	21,876
		289,918	722,197
Less:			
Tax effect of:			
— Loans forgiven to and from subsidiaries which have been wound up / foreign tax differential		-	-
Income tax expense		**289,918**	**722,197**
The applicable weighted average effective tax rates are as follows:		49%	32%

Note 5: Key Management Personnel Remuneration

(a) Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2017. Names and positions held by key management personnel in office at any time during the financial year are:

Directors

Peter Ritchie	Non-executive Chairman
Gary Hillberg	Non-executive Director
Stephen Jermyn	Non-executive Director
Richard Bell	Non-executive Director

Management Personnel

Charles Slaughter	Chief Executive Officer
Dion Soich	Chief Financial Officer
Michael Aarts	Managing Director – Oz Contacts Ltd
Luke Krasnoff	Head of IT

		Consolidated Entity	
		2017 $	2016 $
(b)	**Remuneration for Key Management Personnel**		
	Short term employee benefits	936,197	859,038
	Post-employment benefits	82,900	77,765
	Share-based payments	-	-
	Termination benefits	-	-
		1,019,097	936,803

(c) **Remuneration Options**

There were no options issued during the year as part of any executive's remuneration.

Further details on share-based payments can be found at Note 28: Share-based Payments.

(d) **Employee Loan Funded Share Plan**

There were no shares issued during the year as part of any executive's remuneration.

Further details on share-based payments can be found at Note 28: Share-based Payments.

Note 5: Key Management Personnel Remuneration (cont)

(e) **Shares issued on Exercise of Remuneration Options**

There were no shares issued during the year as a result of options exercised.

(f) **Shareholdings**

Number of Shares held by Key Management Personnel during the year

	Balance 1.7.16	Granted as Remuneration	Options Exercised	Other (1)	Balance 30.6.17
Peter Ritchie	4,722,234	-	-	-	4,722,234
Gary Hillberg	250,356	-	-	-	250,356
Steve Jermyn	2,901,544	-	-	-	2,901,544
Richard Bell	20,370,588	-	-	-	20,370,588
Charles Slaughter (2)	706,215	-	-	-	706,215
Dion Soich (2)	353,107	-	-	-	353,107
Total	29,304,044	-	-	-	29,304,044

Number of Shares held by Key Management Personnel for the year ended 30 June 2016

	Balance 1.7.15	Granted as Remuneration	Options Exercised	Other (1)	Balance 30.6.16
Peter Ritchie	4,722,234	-	-	-	4,722,234
Gary Hillberg	250,356	-	-	-	250,356
Steve Jermyn	2,901,544	-	-	-	2,901,544
Richard Bell	20,370,588	-	-	-	20,370,588
Charles Slaughter (2)	706,215	-	-	-	706,215
Dion Soich (2)	353,107	-	-	-	353,107
Total	29,304,044	-	-	-	29,304,044

(1) Other refers to net shares purchased or sold during the financial year.

(2) Subject to a holding lock until limited recourse loan is paid

	Consolidated Entity	
	2017 $	2016 $
Note 6: Auditors' Remuneration		
Remuneration of the auditor of the parent entity for:		
auditing or reviewing the financial report	52,911	50,879
taxation services provided by related practice of auditor	15,000	17,036

	Consolidated Entity	
	2017	2016
	$	$
Note 7: Dividends		
Dividends Paid	934,415	934,415
Fully franked dividend (1c per share)	934,415	934,415
Balance of franking account at year end:	6,389,253	6,292,510
— Adjustment for franking credits arising from payment of provision for income tax	6,158	34,477
Balance of franking account after post balance date adjustments	6,395,411	6,326,987

The tax rate at which dividends have been franked is 30%.

	Consolidated Entity	
	2017	2016
	$	$
Note 8: Earnings per Share		
(a) Reconciliation of Earnings to Profit		
Profit	307,773	1,563,562
Earnings used to calculate basic EPS	307,773	1,563,562
Earnings used in the calculation of dilutive EPS	307,773	1,563,562
	No	No
(b) Weighted average number of ordinary shares during the year used in calculating basic EPS	93,441,497	93,441,497
	93,441,497	93,441,497
Weighted average number of options outstanding (i)	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	93,441,497	93,441,497

(i) Only those options which were “in-the-money” during the year were included in the weighted average number of outstanding options. At year end there were no options which were capable of being exercised.

	Consolidated Entity	
	2017 $	2016 $
Note 9: Cash and Cash Equivalents		
Cash at bank and on hand	70,773	59,781
Short-term deposits	7,215,005	5,979,496
	7,285,778	6,039,277

For the purposes of the Cash Flow Statement, cash and cash equivalents are comprised as above.

The effective interest rate on cash at bank and short-term bank deposits was 0.6% (2016: 1.7%).

	Note	Consolidated Entity	
		2017 $	2016 $
Note 10: Trade and Other Receivables			
CURRENT			
Trade receivables	**10a**	339,357	386,952
Sundry receivables		119,646	87,670
		459,003	474,622

(a) Current trade receivables are on 30 day terms. No receivables are either past due or impaired. Refer to Note 31 for further information regarding credit risk.

	Consolidated Entity	
	2017 $	2016 $
Note 11: Inventories		
Inventory at cost	258,146	164,954

Note 12: Controlled Entities

(a) **Unlisted investments, at cost:**	**Principal activities**	**Country of Incorporation**	**Ownership Interest**	
			2017	**2016**
			%	**%**
1800 Reverse Pty Ltd	Reverse Charge Calling Services	Australia	100	100
0800 Reverse Pty Ltd	Dormant Entity	Australia	100	100
Oz Contacts Pty Ltd	Online Contact Lenses	Australia	95	95
Net Optical (Aust.) Pty Ltd (i)	Online Contact Lenses	Australia	100	N/A
Online Contact Lenses (Aust.) Pty Ltd (i)	Online Contact Lenses	Australia	100	N/A
1800 Reverse Operations Pty Ltd (ii)	Service Entity	Australia	100	100
15-15 Pty Ltd	Dormant Entity	Australia	100	100

(i) Subsidiary of Oz Contacts Pty Ltd

(ii) Subsidiary of 1800 Reverse Pty Ltd

Note 13: Available-for-sale financial assets

During the financial year ended 30 June 2017, Reverse Corp Limited sold 3,143,000 shares, representing it's entire shareholding in Onthehouse Holdings Limited (OTH), an ASX listed real estate software and consumer website provider, for a total consideration of $2,671,550 on 3 November 2016. This resulted in a capital gain of $691,157 which was recorded in the statement of profit or loss and other comprehensive income. The shares were acquired by a Macquarie lead consortium when it completed a full takeover of OTH via a Scheme of Arrangement which the OTH's shareholders approved at an EGM held on 12 October 2016.

The group reversed the AFS reserve previously recognised gain of $251,136 which was recorded in the statement of profit or loss and other comprehensive income.

Note 14: Parent Entity Information

Reverse Corp Limited	2017 $	2016 $
Assets		
Current assets	7,193,308	8,193,752
Non-current assets	-	-
Total Assets	7,193,308	8,193,752
Liabilities		
Current liabilities	47,476	155,331
Non-current liabilities	2,563,330	4,043,253
Total Liabilities	2,610,806	4,198,584
Equity		
Issued capital	3,553,224	3,553,224
Retained earnings	584,564	(2,770)
Other components of equity		
Share option reserve	444,714	444,714
Total Equity	4,582,502	3,995,168
Financial Performance		
Profit/(loss) for the year	587,334	(335,518)
Other comprehensive income	-	-
Total Comprehensive Income	587,334	(335,518)

Guarantees in relation to the debts of subsidiaries:

Reverse Corp Limited has signed a debt and interest interlocking guarantee in favour of National Australia Bank Limited in relation to financing provided to its subsidiaries, 1800 Reverse Pty Ltd and 1800 Reverse Operations Pty Ltd. At the date of this report no funds were owed to National Australia Bank under this facility.

	Consolidated Entity	
	2017	2016
	$	$
Note 15: Property, Plant and Equipment		
Plant and Equipment:		
At cost	220,005	214,506
Accumulated depreciation	(197,837)	(186,412)
	22,168	28,094
Calling Platform:		
At cost	1,095,671	1,063,171
Accumulated depreciation	(1,062,794)	(1,047,296)
	32,877	15,875
Leasehold Improvements:		
At cost	22,430	22,430
Accumulated depreciation	(13,513)	(6,111)
	8,917	16,319
Total Property, Plant and Equipment	63,962	60,288

Movements in Carrying Amounts

	Consolidated Entity			
	Plant and Equipment	Calling Platform	Lease Hold Improvements	Total
Year ended 30 June 2016	$	$	$	$
Balance at the beginning of year	17,568	18,440	-	36,008
Additions	30,608	13,245	22,430	66,283
Disposals	(8,711)	-	-	(8,711)
Depreciation expense	(11,371)	(15,810)	(6,111)	(33,292)
Carrying amount at the end of year	28,094	15,875	16,319	60,288
Year ended 30 June 2017				
Balance at the beginning of year	28,094	15,875	16,319	60,288
Additions	5,499	32,500	-	37,999
Disposals	-	-	-	-
Depreciation expense	(11,425)	(15,498)	(7,402)	(34,325)
Carrying amount at the end of year	22,168	32,877	8,917	63,962

	Note	Consolidated Entity 2017 $	2016 $
Note 16: Goodwill and Other Intangible Assets			
Goodwill			
Cost		1,671,024	1,671,024
Acquired through business combination	**32**	149,000	-
Adjustments		(3,962)	-
Impairment loss recognised		(975,000)	-
Accumulated impairment losses		-	-
Net carrying value		841,062	1,671,024
Trademarks, Licences and General Intellectual Property			
Cost		644,256	395,068
Impairment		(23)	(73,838)
Accumulated amortisation		(317,481)	(209,090)
Net carrying value		326,752	112,140
Customer Databases			
Cost		600,000	-
Accumulated amortisation		(106,192)	-
Net carrying value		493,808	-
Contractual Rights			
Cost		570,000	570,000
Accumulated amortisation		(567,167)	(517,333)
Net carrying value		2,833	52,667
Total other intangibles		823,393	164,807
Total intangible assets		1,664,455	1,835,831

Trademarks, licences, customer databases and development costs have finite useful lives. The current amortisation charges in respect of these intangible assets are included under depreciation and amortisation expense. Intellectual property and goodwill do not have finite useful lives.

Note 16: Goodwill and Other Intangible Assets (cont)

Movements in Carrying Amounts

	Consolidated Entity				
	Goodwill	**Trademarks, Licences & IP**	**Customer Databases**	**Contractual Rights**	**Total**
Year ended 30 June 2016	**$**	**$**	**$**	**$**	**$**
Balance at the beginning of year	1,671,024	162,996	-	166,666	2,002,322
Additions	-	57,859	-	-	57,859
Disposals	-	-	-	-	-
Impairment	-	(73,838)	-	-	(73,838)
Amortisation expense	-	(34,877)	-	(113,999)	(150,512)
Carrying amount at the end of year	1,671,024	112,140	-	52,667	1,835,831
Year ended 30 June 2017					
Balance at the beginning of year	1,671,024	112,140	-	52,667	1,835,831
Additions	149,000	249,889	600,000	-	998,889
Adjustments	(3,962)	-	-	-	(3,962)
Disposals	-	-	-	-	-
Impairment	(975,000)	(23)	-	-	(975,023)
Amortisation expense	-	(35,254)	(106,192)	(49,834)	(191,280)
Carrying amount at the end of year	841,062	326,752	493,808	2,833	1,664,455

Impairment Disclosures

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units:

	2017	**2016**
	$	**$**
Reverse Charge Calling	696,024	1,671,024
Online Contact Lenses	145,038	-
Goodwill allocation at 30 June	841,062	1,671,024

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations, covering detailed 2-4 year forecasts, followed by an extrapolation of expected cash flows for the units' remaining useful lives using growth rates determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate.

		Growth Rates	**Discount Rates**
Reverse Charge Calling	Years 1-2	(30%)	15%
Online Contact Lenses	Years 1-5	20%	12.5%

Note 16: Goodwill and Other Intangible Assets (cont)

Growth Rates

The growth rates reflect the average medium-term growth rates for the product lines and industries of the segments. The growth rate of Reverse Charge Calling reflects the current rates being experienced by mature telecommunication product lines.

Discount Rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each unit.

Cash Flow Assumptions

Reverse Charge Calling

The forecast was adjusted in 2017 for the decline in reverse charge calling services due to technological telecommunication product changes. The market continues to shift toward mobile oriented alternatives including facetime, Skype, increased WiFi access and other substitute products. These declines have been occurring for the past 3 years and increased slightly in 2017 and will continue into 2018 and 2019. As a result, management expects declining product margins for this product.

Impairment testing, taking into consideration these developments, resulted in a reduction of goodwill in 2017 to its recoverable amount. The related goodwill impairment loss of $975,000 was included within impairment of non-financial assets.

These budgets assume minimal price increases for the life of the model and conservative assumptions for call volumes trends and that all parties to the Heads of Agreement don't exercise their options to terminate during the remaining option periods.

Online Contact Lenses

Goodwill in this cash generating unit is from the acquisition of the Net Optical business of $149,000. An adjustment of $3,962 was made to reflect the non-payment of the deferred consideration due 12 February 2017 due to Vendor undisclosed items.

The budgets assume increased margins due to extra scale and efficiencies from the implementation of new systems and procedures as well as increased sales from new marketing activity.

	Consolidated Entity	
	2017	**2016**
	$	**$**
Note 17: Other Assets		
CURRENT		
Prepayments	56,977	40,952
Deposits	50	75,050
	57,027	116,002

	Consolidated Entity	
	2017	**2016**
	$	**$**
Note 18: Trade and Other Payables		
CURRENT		
Trade payables	203,586	164,929
Sundry payables and accrued expenses	140,340	240,630
	343,926	405,559

(a) Current trade payables are on 30day terms. No payables are either past due or impaired. Refer to Note 31 for further information regarding currency risk.

Note 19: Financial Liabilities

NAB credit facility

The Group has a $50,000 credit card limit and a bank guarantee limit of $56,162. The bank holds a fixed and floating charge over the assets of the group.

	Note	Consolidated Entity	
		2017	2016
Note 20: Tax		$	$
(a) **Current**			
Income tax payable		20,525	114,924

	Balance Sheet		Comprehensive Income		Income Statement	
	2017	2016	2017	2016	2017	2016
(b) **Non-Current**	$	$	$	$	$	$
Consolidated Entity						
Deferred tax liabilities:						
Prepaid expenses	-	(1,560)			(1,560)	(165)
Property, plant and equipment	-	-			-	(13,550)
Intangibles	(8,896)	(4,650)			4,246	34
Gross deferred income tax liability	(8,896)	(6,210)				
Deferred tax assets:						
Provisions	43,219	37,230			(5,989)	(8,896)
Carried forward tax losses	417,729	296,258			(121,472)	(33,525)
Intangibles	8,362	20,250			11,888	25,519
Other	-	-	-	-	-	16
Gross deferred income tax assets	469,310	353,738				
Deferred income tax charge			-	-	(112,887)	(30,567)

Due to the wind up of dormant foreign entities during 2011 the group realised capital tax losses. As a result a deferred tax of asset of $748,000 was generated. This asset, and the corresponding deferred tax benefit, have not been recognised but were available for the tax consolidated group to utilise should the group incur a capital tax gain in future years.

The capital gain on sale of financial assets from the sale of the Onthehouse shares will be utilised against the groups realised capital losses ($207,347). The remaining amount remains available for the tax consolidated group to utilise should the group incur a further capital tax gain in future years.

Note 21: Employee Benefits	**Consolidated Entity**
Employee Benefits	**$**
Opening balance at 1 July 2016	124,100
Movement in employee benefits	19,963
Balance at 30 June 2017	144,063

Analysis of Total Employee Benefits

	Consolidated Entity	
Employee Benefits	**2017**	**2016**
	$	**$**
Current	126,878	101,938
Non-current	17,185	22,162
	144,063	124,100

Employee Benefits

A provision has been recognised for employee entitlements relating to annual leave and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on an estimate of expected service periods. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

	Note	**Consolidated Entity**	
		2017	**2016**
Note 22: Issued Capital		**$**	**$**
93,441,497 (2015: 93,441,497) Fully paid Ordinary shares	**22(a)**	3,553,224	3,553,224
		3,553,224	3,553,224

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly, the consolidated entity does not have authorised capital or par value in respect of its issued capital.

(a) **Ordinary Shares**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	2017	**2016**
	No.	**No.**
At the beginning of reporting period	93,441,497	93,441,497
Shares issued during the year	-	-
At reporting date	93,441,497	93,441,497

Note 22: Issued Capital (cont.)

(b) **Options**

(i) For information relating to the Reverse Corp Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 28.

(ii) For information relating to share options issued to executives during the financial year, refer to Note 28.

(c) **Capital Management**

Management controls the capital of the group in order to maintain an appropriate debt to equity ratio, provide shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Management felt it was prudent to hold no group debt to provide maximum financial flexibility for future growth. The gearing ratios for the year ended 30 June 2017 and 30 June 2016 are as follows:

	Note	Consolidated Entity	
		2017 **$**	**2016** **$**
Total borrowings	**19**	-	-
Less cash and cash equivalents	**9**	(7,285,778)	(6,039,277)
Net debt		(7,285,778)	(6,039,277)
Total equity		9,740,271	10,625,449
Total capital		2,454,493	4,586,172
Gearing ratio		0.0%	0.0%

Note 23: Other components of equity

	Consolidated Entity			
	Available-for-sale Reserve	**Share Option Reserve**	**Foreign Currency Translation Reserve**	**Total**
	$	$	$	$
At 1 July 2015	-	443,715	(1,482)	442,233
Currency translation differences	-	-	(3,737)	(3,737)
- Reclassification to the profit and loss	-	-	5,219	5,219
Current year unrealised gains	251,136	-	-	251,136
Share-based payments	-	-	-	-
At 30 June 2016	251,136	443,715	-	694,851
Currency translation differences				
- Reclassification to the profit and loss	-	-	-	-
Reversal of prior year unrealised gains	(251,136)	-	-	(251,136)
Share-based payments	-	-	-	-
At 30 June 2017	-	443,715	-	443,715

Share Option Reserve

The share option reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of financial statements of foreign operations into AUD. All foreign operations have been either disposed of or discontinued in 2013 and 2015, and as such no group entities have a functional currency other than AUD.

Available-for-sale Reserve

The available-for-sale reserve is used to record the fair value unrealised gain or losses on revaluation of available-for-sale financial assets. These assets were disposed of in 2017.

Note 24: Leasing Commitments

	Note	Consolidated Entity 2017 $	2016 $
Operating Lease Commitments as Lessee			
Non-cancellable operating leases contracted for but not capitalised in the financial statements			
Minimum lease payments			
— not later than 12 months		119,300	104,703
— greater than 1 year but not greater than 5 years		9,974	117,994
		129,274	222,697

(a) The current operating lease for the office in Brisbane, Australia which commenced on 1 August 2015 for a 3-year term. This lease has an annual increase of a fixed 4%.

Note 25: Contingent Liabilities and Contingent Assets

Reverse Corp Limited has signed a debt and interest interlocking guarantee in favour of National Australia Bank Limited in relation to financing provided to its subsidiaries, 1800 Reverse Pty Ltd and 1800 Reverse Operations Pty Ltd to cover the 1800 Reverse Pty Ltd's credit card limit of $50,000 and bank guarantees of $56,162.

Note 26: Segment Reporting

The group has identified its operating segments based on the internal reports that are reviewed and used by management and the Board of Directors in assessing performance and determining the allocation of resources. The operating segments reflect the ongoing needs of the business.

The group is managed primarily on the basis of the operating markets as these markets have different pricing and operating structures. The operating segments are therefore determined on the same basis.

The following table presents the operating segments for the years ended 30 June 2017 and 2016.

	Reverse Charges	Online Contacts	Corporate	Inter Segment Eliminations	Group
Year ended 30 June 2017	**$**	**$**	**$**	**$**	**$**
REVENUE					
External revenue	3,679,332	2,345,537	29	-	6,024,898
Other revenue	50,739	-	691,157	(50,739)	691,157
Interest revenue	1,352	-	211,370	(168,743)	43,979
Total revenue	3,731,423	2,345,537	902,556	(219,482)	6,760,034
RESULT					
Segment result	573,773	(448,154)	464,672	-	590,291
OTHER SEGMENT INFORMATION					
Segment assets	22,302,054	1,794,646	20,200,356	(34,039,375)	10,257,681
Segment liabilities	14,319,265	2,841,360	15,617,854	(32,261,069)	517,410
Interest expense	3	168,743	9	(168,743)	12
Capital expenditure	33,575	1,003,313	-	-	1,036,888
Depreciation and amortisation	81,113	144,491	-	-	225,604
Impairment	975,023	-	-	-	975,023
Income tax expense/(benefit)	474,196	(123,578)	(60,700)	-	289,918

Note 26: Segment Reporting (cont)

Year ended 30 June 2016	Reverse Australia $	Online Contacts $	Corporate $	Inter Segment Eliminations $	Group $
REVENUE					
External revenue	5,405,831	1,533,252	-	-	6,939,083
Other revenue	34,536	-	-	-	34,536
Interest revenue	-	-	204,651	(80,969)	123,682
Total revenue	5,440,367	1,533,252	204,651	(80,969)	7,097,301
RESULT					
Segment result	2,678,988	(123,765)	(273,937)	-	2,281,286
OTHER SEGMENT INFORMATION					
Segment assets	20,647,879	644,093	19,090,553	(29,106,283)	11,276,242
Segment liabilities	12,764,668	1,366,253	13,847,869	(27,327,997)	650,793
Interest expense	1	80,969	-	(80,969)	1
Capital expenditure	62,328	61,814	-	-	124,142
Depreciation and amortisation	145,165	38,638	-	-	183,803
Impairment	73,838	-	-	-	73,838
Income tax expense/(benefit)	820,483	(34,082)	(64,204)	-	722,197

Basis of accounting for purposes of reporting by operating segments

All amounts reported to the Board of Directors are determined in accordance with accounting policies that are consistent with those adopted for the annual financial statements of the group.

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of accumulated depreciation, amortisation and impairment. Segment liabilities consist principally of payables, employee benefits, accrued expenses, and provisions. Segment assets and liabilities do not include deferred income taxes.

Parent entity costs are not allocated across each segment. Segment revenues, expenses and results include transfers between segments. All such transactions are eliminated on consolidation of the group’s financial statements. The prices charged on inter-segment transactions are at an arm’s length.

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Note 27: Cash Flow Information		
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	300,373	1,559,089
Items reclassified in cash flow statement (Interest received and interest paid)	(43,967)	(123,683)
Non-cash flows in profit		
Amortisation	191,281	150,512
Depreciation	34,323	33,291
Net (profit)/loss on disposal of property, plant and equipment	-	7,600
Net (profit)/loss on sale of AFS financial assets	(691,157)	-
FX reclassified to profit and loss	-	5,219
Stock adjustment	5,623	4,848
Share-based payments	-	-
Impairment of intangibles	975,023	73,838
Other non-cash outflows	3,962	(28,116)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	47,594	212,296
(Increase)/decrease in inventories	(98,815)	(95,404)
(Increase)/decrease in prepayments	(16,024)	10,575
(Increase)/decrease in other assets	(60,843)	(80,214)
Increase/(decrease) in trade payables and accruals	38,657	(129,705)
Increase/(decrease) in income taxes payable	(94,399)	(65,887)
Increase/(decrease) in deferred taxes payable	2,685	(13,681)
Increase/(decrease) in other payables	(111,994)	(47,608)
Increase/(decrease) in provisions	19,965	29,656
Foreign currency movement	-	6,099
Cash flow from operations	502,287	1,508,725

Note 28: Share-based Payments

Options

There are no options outstanding at 30 June 2017.

There were no options granted during the year.

Employee Loan Funded Share Plan

There were no shares issued under the Loan Funded Share Plan during the year.

The following table details shares that have been provided to key management personnel through the Share Loan Funded Share Plan:

Name	Issue Date	Number of Loan Funded Shares Allocated	Number of Loan Funded Shares Vested	Issue Price	Fair Value	Total Amount of Loan	Expiry Date
Key Management Personnel							
Charles Slaughter	2 Sept 2014	706,215	706,215	$0.1416	$0.067	$100,000	1 Sep 2017
Dion Soich	2 Sept 2014	353,107	353,107	$0.1416	$0.067	$50,000	1 Sep 2017
Total		**1,059,322**	**1,059,322**			**$150,000**	

The number of shares in the Loan Funded Share Plan issued to key management personnel and outstanding at the end of the year was 1,059,322.

Note 29: Events After the Balance Sheet Date

The acquisition of the Webcontacts and Yourcontacts online contact lenses businesses was completed on 23 August 2017. The businesses were acquired for a total consideration of $710,000.

No other matters or circumstances, other than the acquisition of Webcontacts and Yourcontacts and the declared dividend have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

The financial report was authorised for issue on 24 August 2017 by the Board of directors.

Note 30: Related Party Transactions

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

Transactions with related parties:

(a) **Subsidiary Companies**

At balance date intercompany receivable balances existed between Reverse Corp Limited and its wholly owned subsidiaries. The balance represents the provision of working capital in order to manage operating businesses. The intercompany receivable balance is interest bearing and repayable on demand. At 30 June 2017 the net amount owed by the company to its subsidiaries was $6,047,040. (2016: $6,291,596)

Note 31: Financial Instruments

(a) **Financial risk management objectives and policies**

The group's financial instruments consist mainly of cash and short-term deposits.

The main risks arising from the consolidated entity's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Audit and Risk Committee, in conjunction with management, oversees policies in relation to financial instrument risk management. Future expectations of funding requirements and potential exposures are considered regularly.

Interest rate risk

The group's exposure to market risk for changes in interest rates relates to the group's short-term cash deposits.

At balance date, the consolidated entity had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	Consolidated Entity	
	2017	**2016**
	$	**$**
Financial Assets		
Cash and cash equivalents	7,215,005	6,005,028
	7,215,005	6,005,028
Financial Liabilities		
Bank loans	-	-
Net Exposure	7,215,005	6,005,028

The other financial instruments of the consolidated entity that are not included in the above table are non-interest bearing and are therefore not subject to interest rate risk.

There are no other financial instruments held by foreign subsidiaries that are not already translated through the foreign currency translation reserve. On this basis, there is no further impact to the consolidated group to that already disclosed.

Note 31: Financial Instruments (cont)

(a) **Financial risk management objectives and policies (cont)**

The following sensitivity analysis is based on the interest rate risk exposures in existence at the statement of financial position date.

At 30 June 2017, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

Judgements of reasonable possible movements:	**Post Tax Profit Higher/(Lower)**	
	2017	**2016**
	$	**$**
Consolidated		
+1% (100 basis points)	72,150	60,050
-1% (100 basis points)	(72,150)	(60,050)

The movements in profit are due to higher/lower interest on cash balances.

Foreign currency risk

The group has an immaterial foreign currency exposure to the USD with approximately $17,000 held in USD denominated bank accounts at year end. No sensitivity analysis or disclosure has been prepared in relation to this exposure.

Note 31: Financial Instruments (cont)

(a) **Financial risk management objectives and policies (cont)**

Credit risk

The credit risk of financial assets of the consolidated entity which have been recognised in the Balance Sheet is generally the carrying amount.

With respect to receivables, the group manages its credit risk by maintaining strong relationships with a limited number of quality customers. The risk is mitigated with specific clauses within the contracts entered into with these quality customers.

The group has one major debtor in the 1800 Reverse business in which it operates and as such has concentrated credit risk. However, the credit quality of each counterparty is considered appropriate and accordingly the group's exposure to credit risk is considered to be low.

Liquidity risk

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, leases and available credit lines.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant, equipment and investments in working capital such as inventory and trade receivables. These assets are considered in the group's overall liquidity risk.

	Within 1 Year	**1 to 5 Years**	**Over 5 years**	**Total**
Year ended 30 June 2017	**$**	**$**	**$**	**$**
Consolidated financial assets:				
Cash	7,285,778	-	-	7,285,778
Receivables	459,003	-	-	459,003
Total Financial Assets	7,744,781	-	-	7,744,781
Consolidated financial liabilities:				
Trade and sundry payables	343,926	-	-	343,926
Total Financial Liabilities	343,926	-	-	343,926
Net Maturity	**7,400,855**	**-**	**-**	**7,400,855**

Note 32: Acquisitions

On 12 August 2016, the Group acquired 100% of all of the assets of Net Optical Australia, a Queensland based online contact lens retailer. The acquisition was made to increase the Group's market share of the online contact lens market. Net Optical Australia is a sizeable business in the Group's targeted market.

The details of the business combination are as follows:

Fair value of consideration transferred	**$**
Amount settled in cash	802,097
Deferred consideration	6,000
Total	**808,097**
Recognised amounts of identifiable net assets	
Intangible assets	601,000
Inventories	58,097
Total assets	**659,097**
Total liabilities	**-**
Identifiable net assets	659,097
Goodwill on acquisition	**149,000**
Consideration transferred settled in cash	808,097
Cash and cash equivalents acquired	-
Net cash outflow on acquisition	**808,097**
Acquisition costs charged to expenses	44,682
Net cash paid relating to the acquisition	**852,779**

Consideration transferred

The acquisition of Net Optical Australia was settled in cash for $808,097.

The purchase agreement included a deferred consideration amount of $6,000 payable after six months and was due on 12 February 2017. This payment was not made due to disclosure issues from the Vendor ($3,962) and stock purchased returned to the Vendor ($2,038). Goodwill has been adjusted by $3,962 with the stock returned adjusted against inventory.

Acquisition-related costs amounting to $44,682 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses.

Identifiable net assets

Inventories were valued at fair value which amounted to $58,097 and reflects net realisable value. The customer database and website has been fair value assessed at $600,000 and $1,000 respectively.

Goodwill

Goodwill of $149,000 is primarily related to expected future growth and profitability as well as expected cost synergies. An adjustment of $3,962 was made to reflect the non-payment of the deferred consideration due 12 February 2017.Goodwill has been allocated to cash-generating units at 30 June 2017. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

Note 32: Acquisitions (cont)

Net Optical Australia's contribution to the group results

Net Optical Australia generated a profit of $97,517 for the ten and half months from 12 August 2016 to the reporting date. If Net Optical Australia had been acquired on 1 July 2016, revenue and profit for Group would have been $6.1m and $0.3m respectively.

On 16 September 2016, The Group acquired 100% of the assets of Easy Contacts, a Queensland based online contact lens retailer for $1,000. The acquisition is minor and not considered material to the current online contact lens business.

The total cash consideration of $1,000 has been allocated to identifiable intangibles. This acquisition has minimal revenue or profitability with orders processed through the Net Optical Australia business.

Note 33: Company Details

The registered office and principal place of business of the company is:

Level 1, 30 Little Cribb Street

Milton QLD 4064

Note 34: New and revised standards that are effective for these financial statements

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been adopted early by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

Accounting Standards issued but not yet effective and not been adopted early by the Group	Effective date	Impact on Group
AASB 9 Financial Instruments (December 2014) *[Also refer to AASB 2016-6 below]*	*1 January 2018*	*When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on transactions and balances recognised in the financial statements.*
AASB 16 Leases	*1 January 2019*	*The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.*
AASB 15 Revenue from Contracts with Customers *[Also refer to AASB 2014-7, 2015-8 and 2016-3 below]*	*1 January 2018*	*When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on transactions and balances recognised in the financial statements.*
AASB 2014-10 – Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate of Joint Venture	*1 January 2018*	*When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements*
AASB 2016-1- Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	*1 January 2017*	*When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements*
AASB 2016-2 – Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	*1 January 2017*	*When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements*
AASB 2016-5 – Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	*1 January 2018*	*When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements*
AASB 2016-6 – Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	*1 January 2018*	*When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements*

Note 34: New and revised standards that are effective for these financial statements (cont)

Accounting Standards issued but not yet effective and not been adopted early by the Group	Effective date	Impact on Group
AASB 2017-2 – Amendments to Australian Accounting Standards – Further Annual 2014-2016 Cycle	*1 January 2017*	*When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements*
Interpretation 22 – Foreign Currency and Transactions and Advance Consideration	*1 January 2018*	*When this interpretation is adopted for the year ending 30 June 2019, there will be no material impact on the financial statements*
IFRIC 23 – Uncertainty Over Income Tax Treatments	*1 January 2019*	*When this interpretation is adopted for the year ending 30 June 2020, there will be no material impact on the financial statements*
AASB 2014-7 – Amendments to Australian Accounting Standards arising from AASB 9	*1 January 2018*	*Refer to impact under AASB 9 above*
AASB 2015-8 – Amendments to Australian Accounting Standards – Effective Date of AASB 15	*1 January 2017*	*Refer to impact under AASB 15 above*
AASB 2016-3 – Amendments to Australian Standards – Clarifications to AASB 15	*1 January 2018*	*Refer to impact under AASB 15 above*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the attached financial statements and notes are in accordance with the Corporations Act 2001 and:
    - (a) comply with Accounting Standards and the Corporations Regulations 2001;
    - (b) Include an explicit statement in the notes to the financial statements that the financial statements comply with International Financial Reporting Standards (IFRS); and
    - (c) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the company and consolidated entity;

2. the Chief Executive Officer and Chief Financial Officer have declared that:
    - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
    - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
    - (c) the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Mr. Peter D. Ritchie
Chairman

Dated this 24th day of August 2017

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Independent Auditor's Report
To the Members of Reverse Corp Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Reverse Corp Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 2017 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 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.

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
Acquisition of Net Optical Australia Assets **Note 32**	
The Group, through the subsidiary Oz Contacts Pty Ltd acquired assets from Net Optical Australia Pty Ltd on 11 August 2016. Accounting for this transaction is a complex and judgmental exercise, requiring management to determine the fair value and useful lives of acquired assets, in particular the allocation of purchase consideration to goodwill and separately identifiable intangible assets including customer databases. This area is a key audit matter due to the judgement required to identify the assets and the estimation processes involved in accounting for the acquisition.	Our procedures included, amongst others: • Reading the Asset Sale Agreement to understand the key terms and conditions; • Evaluating whether the acquisition meets the definition of a business combination in compliance with AASB 3: Business Combinations; • Evaluating management's assumptions and methodology used to determine the fair value of the customer database and the useful life of the customer database; • Checking amortisation calculations; and • Assessing the adequacy of the Group's disclosures in respect of the acquisition in the financial statements.
Impairment of Goodwill **Note 16**	
The Group has historically recognised goodwill of $1,671,024 in relation to the reverse charge calling cash generating unit (CGU). Call volumes and associated revenues are declining as the reverse charge calling product approaches the end of its useful life. Management have conducted an impairment assessment on the reverse charge calling CGU and determined that $975,000 of impairment should be recognised. The carrying value as 30 June 2017 is $696,024. The assessment of impairment of the goodwill associated with the reverse charge calling CGU incorporates a value in use model with significant judgements and estimates in respect to factors such as projected revenues, costs and discount rates. This area is a key audit matter due to the significant judgement and estimates required in relation to the selection of key external and internal inputs in the value in use model.	Our procedures included, amongst others: • Utilising our corporate finance and valuation specialists to evaluate management's impairment assessment. • Checking the mathematical accuracy of the value in use model, recalculating key inputs such as discount rates, and performing sensitivity analysis on these inputs; • Challenging management's assumptions and methodology used in management's impairment assessment including forecast revenues and costs and the decision to apply no terminal value at the end of the useful life; • Assessing the historical accuracy of forecasting of management; and • Assessing the adequacy of the Group's disclosures in respect of the goodwill impairment assessment.

Grant Thornton

Key audit matter	How our audit addressed the key audit matter
Revenue recognition **Note 1 (m) and Note 2**	
The Group's revenue balance of $6,024,898 is the largest item in the Statement of Comprehensive Income. Additionally ASA 240 The Auditors Responsibility in relation to Fraud in an Audit of A Financial Report requires us to consider the risk of material misstatement due to fraudulent financial reporting relating to revenue recognition. This area is a key audit matter due to the nature of revenue arrangements, the systems and processes used to transact sales and the importance of the revenue balance to stakeholders.	Our procedures included, amongst others: • Updating our understanding of the processes and controls used by the Group in recording revenue and receivables; • Testing a sample of contact lens sales by agreeing to invoice, and proof of delivery to determine whether revenue is recognised in accordance with Group policies; • Verifying material reverse charge calling revenue streams to monthly invoices and customer payment; • Performing an analysis of reverse charge calling revenue disaggregated by call type and by month; and • Assessing the adequacy of the Group's disclosures in respect of revenue.

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 2017, 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 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. 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 pages 8 to 12 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Reverse Corp Limited, for the year ended 30 June 2017, 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 S Bell
Partner - Audit & Assurance

Brisbane, 24 August 2017