

Rule 4.3A



Business Performance Systems driving B2B and B2C engagement

Appendix 4E

Preliminary Final Report

BPS Technology Limited ABN 43 167 603 992	
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1.	Financial year ended ('reporting period')	30-Jun-17
	Financial year ended ('previous corresponding period')	30-Jun-16

2. Results for announcement to the market

	\$A'000	\$A'000	\$A'000
	2017	2016	Change
Movements from previous corresponding period			
2.1 Revenues from ordinary activities (<i>item 3.1</i>)	110,464	50,172	120.2%
2.2 Profit from ordinary activities after tax (<i>item 3.6</i>)	10,288	7,345	40.1%
2.3 Net profit for the period attributable to owners of the parent entity (<i>item 3.13</i>)	10,288	7,345	40.1%

Dividends paid and proposed

	Amount per Security	Franked Amount per Security at 30% of Tax
Ordinary Shares		
2016 final - paid 20 October 2016	2.00c	100%
2017 interim - paid 12 April 2017	2.25c	100%
2017 final - declared	2.25c	100%

There was no conduit foreign income

2.5 Record date for determining entitlements to the final dividend

Ordinary Shares 06-November-2017

2.6 Explanation of items 2.1 to 2.4 above:

Revenues for the group were up 120% from the previous year after a contribution of a record \$65.8 million from Entertainment Publications which was acquired effective 1 July 2016. Bartercard Franchise sales and International licence sales declined by \$4.6 million from the previous year due to lower country sales revenue. The Company did budget for most of this decline and aims to become less reliant on these sales.

Based on the increased revenues the Company recorded a 40% increase in Profits after Tax for the year to \$10.3 million. This was achieved from an EBITDA of \$13.7 million, up 45% from the prior period. Entertainment contributed \$5.6 million to the profits before tax of the group. The Company has made satisfactory progress with the integration of the Entertainment business into the BPS group and is expecting to achieve further revenue and profit growth from the acquisition in FY18.

The Company declared a final fully franked dividend of 2.25 cents per share taking the full year dividend to 4.5 cent fully franked.

3. Statement of Profit or Loss and Other Comprehensive Income

	Reporting period - \$A'000	Previous corresponding period- \$A'000
3.1 Revenues from ordinary activities (<i>see items 3.14 - 3.15</i>)	110,464	50,172
3.2 Expenses from ordinary activities (<i>see item 3.16</i>)	(98,349)	(41,504)
3.3 Finance costs	(766)	(534)
3.4 Profit from ordinary activities before tax	11,349	8,134
3.5 Income tax expense on ordinary activities	(1,061)	(789)
3.6 Profit from ordinary activities after tax	10,288	7,345
3.7 Other comprehensive income		
3.8 Net gain on revaluation of assets	-	-
3.9 Exchange differences on translating foreign controlled entities	-	-
3.10 Income tax on other comprehensive income	-	-
3.11 Total comprehensive income	10,288	7,345
3.12 Profit attributable to non-controlling interest	-	-
3.13 Profit attributable to members of the parent entity	10,288	7,345

Notes to the Statement of Profit or Loss and Other Comprehensive Income

Revenue and expenses from ordinary activities

3.14	Revenue from sales and services		
-	Services	110,419	50,158
3.15	Other revenue		
-	Interest	45	14
3.16	Details of expenses	98,349	41,504
-	Depreciation and amortisation	1,586	802
-	Costs of services	41,191	11,571
-	Employee benefits expense	38,476	20,918
-	Insurance	348	191
-	Lease rental expense – operating leases	4,660	2,540
-	Legal expenses	415	214
-	Non-executive directors fees	198	245
-	Other	11,475	5,023
4	Statement of Financial Position	Reporting period - \$A'000	Previous corresponding period- \$A'000
	Current assets		
4.1	Cash	15,330	906
4.2	Receivables	12,380	10,409
4.3	Inventories	5,269	5,793
	Prepayments & Other	9,800	696
4.4	Total current assets	42,779	17,804
	Non-current assets		
4.5	Receivables	-	1,906
4.6	Plant and equipment	3,295	958
4.7	Deferred tax assets	8,014	742
4.8	Intangibles	77,975	32,206
4.9	Investments	1,500	1,500
4.10	Total non-current assets	90,784	37,312
4.11	Total assets	133,563	55,116
	Current liabilities		
4.12	Payables	9,572	4,794
4.13	Current tax payable	1,037	814
	Deferred revenue	22,916	-
4.14	Short-term borrowings	7,238	3,613
4.15	Short-term provisions	1,920	1,603
4.16	Total current liabilities	42,683	10,824
	Non-current liabilities		
4.17	Deferred tax liability	4,953	-
4.18	Other payables	822	2,278
4.19	Long-term borrowings	13,000	5,000
4.20	Long-term provisions	961	289
4.21	Total non-current liabilities	19,736	7,567
4.22	Total liabilities	62,419	18,391
4.23	Net assets	71,144	36,725
	Equity		
4.24	Share capital	54,554	26,227
4.25	Retained profits	17,258	10,847
4.26	Foreign currency translation reserve	(668)	(349)
4.27	Total equity	71,144	36,725

5 Statement of Cash Flows		Reporting period - \$A'000	Previous corresponding period - \$A'000
Cash flows from operating activities			
5.1	Receipts from customers	128,711	49,886
5.2	Payments to suppliers and employees	(115,576)	(44,713)
5.3	Income taxes paid	(383)	(55)
5.4	Net operating cash flows	12,752	5,118
Cash flows from investing activities			
5.5	Proceeds from sale of plant and equipment	-	182
5.6	Purchases of plant and equipment	(421)	(277)
5.7	Purchase of intangibles	(4,190)	(6,563)
5.8	Purchase of investments	-	(1,500)
5.9	Investment in developing new territories	(1,115)	(1,375)
5.10	Acquisition of subsidiaries net of cash	(23,509)	-
5.11	Net investing cash flows	(29,235)	(9,533)
Cash flows from financing activities			
5.12	Dividends paid	(3,877)	(3,071)
5.13	Net repayment of loans	(2,608)	(1,972)
5.14	Interest paid	(766)	(520)
5.15	Net proceeds from new borrowings	12,426	3,543
5.16	Proceeds from convertible notes	5,000	4,598
5.17	Repayment of convertible notes	(5,000)	-
5.18	Proceeds from share issue net of costs	25,732	-
	Net financing cash flows	30,907	2,578
5.19	Net increase/(decrease) in cash held	14,424	(1,837)
5.20	Net cash at beginning of period	906	2,743
5.21	Net cash at end of period	15,330	906

5.22 **Non-cash financing and investing activities**

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows:

During the year the Group invested \$1.483 million in tangible and intangible assets which did not involve cash flows. On 15 September 2016, BPS Technology Limited issued \$2.5 million fully paid ordinary shares in partial settlement of the acquisition of the Entertainment Publication entities.

5.23 **Reconciliation of cash**

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Reporting period - \$A'000	Previous corresponding period- \$A'000
5.24 Cash on hand and at bank (item 5.21)	15,330	906

6 **Statement of retained earnings**

	Reporting period - \$A'000	Previous corresponding period- \$A'000
6.1 Retained profits (accumulated losses) at the beginning of the financial period	10,847	6,573
6.2 Net profit attributable to members (item 3.13)	10,288	7,345
6.3 Dividend paid	(3,877)	(3,071)
6.4 Asset revaluation reserve	-	-
6.5 Retained profits (accumulated losses) at end of financial period	17,258	10,847

7 **Dividends**

Ordinary Share Capital

Final dividend paid
Interim dividend paid

	2017 \$A'000	2016 \$A'000
Final dividend paid	1,822	1,901
Interim dividend paid	2,055	1,170

A final ordinary dividend was declared of 2.25c per share. The dividend is payable on 17 November 2017.

8 **Dividend reinvestment plans**

No dividend reinvestment plans were in operation during the reporting period or the previous corresponding period.

9. **Net tangible Assets**

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary share (cents)	-0.01	6.40

^a Based on 91,327,771 shares at 30 June 2017

^b Based on 58,559,615 shares at 30 June 2016

The reduction in the net tangible assets per share is due to the acquisition of Entertainment Publications which has a high component of intangible assets.

10. Gain or loss of control over entities

- 10.1 On the 15th of September 2016, the company acquired the issued capital of Entertainment Publications of Australia Pty Ltd and Entertainment Publications Limited in New Zealand (jointly known as EPANZ) for a net consideration of \$25 million before adjustments. EPANZ contributed \$5.6 million profit to the Group's consolidated profit before tax from ordinary activities during the period.

11. Associates and joint venture entities

- 11.1 There were no associates or joint venture entities

12. Other significant information

During the year the Company:

- 12.1 redeemed its existing \$5 million Convertible Note and issued a new Convertible Note on more favourable terms.
12.2 raised net proceeds of \$25.732 million through the issue of shares to fund the acquisitions
12.3 obtained a \$10m term loan facility from the CBA to assist with the repayment of existing loans and acquisition working capital

13. Foreign entities

- 13.1 The group carried on operations in New Zealand, United Kingdom and United States of America

14. Commentary on results

14.1 Earnings per security (EPS)

	Reporting period	Previous corresponding period
Basic EPS (cents)	12.1	12.6
Diluted EPS (cents)	11.8	11.7

14.2 Significant features of operating performance.

The BPS Technology Group results included the acquisition of Entertainment Publications of Australia and New Zealand for a full 12 months for the first time. Record revenues of \$110.5 million, exceeding the prior year by 120% and forecast by 1.2%, and Profits after Tax of \$10.3 million, up 40% on the prior year but down 3.2% on forecast, was achieved. The Entertainment business exceeded expectations in revenues and profits whilst the Bartercard EBITDA declined by 8.4%, predominantly due to lower country license sales. During the year the Company reduced its net debt level from \$7.7 million to \$4.9 million. Cash holdings at year-end increased from \$906,000 at the beginning of the year to \$15.3 million. Management is focused on the Digital transformation and cost reductions across the enlarged group. An agreement was signed with iSynergy, Alibaba.com's Australian Service Partner, enabling the BPS merchant base to be registered on the Alibaba platforms as a cash generator. Bartercard USA expanded from 10 to 20 franchises during the year. Two international Bartercard licenses were sold to France and Israel. A further two key metro Bartercard franchises in Australia were acquired resulting in BPS now controlling 82% of members. The Finance Plus merchant finance product in partnership with Get Capital was launched to service the SME market. Frequent Values, a division of Entertainment, signed multiple new large corporations during the second half of the year growing their users to 900,000. Entertainment's migration to digital membership has reached 42% by year end. Five key levers that management will continue to action in FY18 is to add more SME's, Consumers and Not for Profit's to the BPS platform, faster adoption of digital practices by consumers, merchants and staff, and redirect more people into frontline income generating activities

14.3 Returns to shareholders

A final dividend of 2.25 cents per share has been declared. The full dividend for the year is 4.5 cents per share.

14.4 Results of segments.

The Group had one industry segment in the prior period. The results of the industry segments in 2017 are as follows:

2017	BARTERCARD \$'000	EPANZ \$'000	CORPORATE \$'000	TOTAL \$'000
Revenue	44,613	65,806	45	110,464
Direct expenses	(9,004)	(32,187)	-	(41,191)
SEGMENT GROSS PROFIT	35,610	33,618	45	69,273
Expenses	(21,437)	(27,605)	(6,530)	(55,572)
EBITDA	14,173	6,013	(6,485)	13,701
Depreciation	(933)	(416)	(238)	(1,586)
SEGMENT PROFIT BEFORE TAX	13,240	5,598	(6,723)	12,115
Operating Margin	30%	9%	n/a	11%
Interest			(766)	(766)
NET PROFIT BEFORE TAX	13,240	5,598	(7,488)	11,349

The results of the geographical segments are as follows:

2017	Australia \$A'000	New Zealand \$A'000	UK \$A'000	USA \$A'000	Total \$A'000
Revenue					
Sales	93,251	18,569	4,195	1,396	117,412
Intersegment sales					(6,993)
Interest earned					45
					110,464
Non Current Assets	81,130	2,985	3,438	3,231	90,784
2016	Australia \$A'000	New Zealand \$A'000	UK \$A'000	USA \$A'000	Total \$A'000
Revenue					
Sales	35,021	11,826	6,150	1,251	54,248
Intersegment sales					(4,076)
					50,172
Non Current Assets	31,519	1,058	1,875	2,860	37,312

14.5 Ratios

Profit before tax / revenue

Consolidated profit from ordinary activities before tax
(*item 3.4*) as a percentage of revenue (*item 3.1*)

Profit after tax / equity interests

Consolidated net profit from ordinary activities after tax
attributable to members (*item 3.13*) as a percentage of
equity at the end of the period (*item 4.26*)

	Reporting period	Previous corresponding period
Profit before tax / revenue	10.27%	16.21%
Profit after tax / equity interests	14.46%	20.00%

The ratios have declined predominantly to the acquisition and lower margins of Entertainment Publications

15. This report is based on accounts which have been audited.

16. These accounts are not likely to be subject to dispute or qualification.

17. **Significant post year-end events**

During July 2017 the Company received a further seasonal finance facility of \$5 million from the CBA to complement the timing of cash flows for the FY18 Entertainment sales season.

On 8 August 2017 the Company redeemed the Convertible Note of \$5 million.

Signed:



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Date: 29 August 2017