BPS Technology

BPS TECHNOLOGY LTD

ABN 43 167 603 992

FINANCIAL REPORT 2017

For the year ended 30 June 2017

Contents

Chairman and CEO's Report

MURRAY d'ALMEIDA
CHAIRMAN

TREVOR DIETZ
CHIEF EXECUTIVE OFFICER

Dear Shareholder,

Three years after listing we are pleased to present our Annual Report for the year ended 30 June 2017. The Company is pleased to report the following financial results:

	FY17 $'000	FY16 $'000
TOTAL REVENUE	110,464	50,172
EBITDA	13,701	9,470
NET PROFIT AFTER TAX	10,288	7,345
NET OPERATING CASH FLOW	12,752	5,132
EARNINGS PER SHARE	12.10	12.57
DIVIDEND PER SHARE	4.50	4.0
GEARING RATIO (NET DEBT/EQUITY)	7%	21%
CASH AT BANK	15,330	906

Your Board of Directors are satisfied with these financial results as well as the momentum achieved within the business.

The acquisition of Entertainment Publications has been successful with actual performance ahead of the acquisition forecast.

Particularly pleasing is the overall increase in operating cash flows from $5.1m to $12.8m, an achievement supported by investment the company is making in development of technology assets and deployment of the Group's platforms into new markets.

Revenue and EPS for the Group exceeded guidance and EBITDA was within the upper end of latest guidance range.

Your Board has used the surplus cash within the Group to manage the gearing levels of the company reducing the gearing ratio from 21% to a conservative 7%.

Entertainment Publications has been successfully integrated into the BPS Group. Your Board is excited about the growth potential and synergistic benefits of our two strong brands working in strategic unison.

OPERATIONAL HIGHLIGHTS

The business of BPS has been transformed during the financial year more than doubling in revenues. Significant achievements were::

- The Group entered into an agreement with Australian partners of Alibaba.com, which enables BPS merchants (Bartercard) to generate cash revenues on Alibaba's digital platforms from which BPS will earn new revenues
- Bartercard USA has doubled its footprint from 10 franchises to 20 franchises
- Bartercard Europe has expanded with the sale of a licence in France to a large business network company
- TESS has completed the sale of a licence to the ZAP Group (Yellow Pages) in Israel
- BPS signed a marketing cooperation agreement with Alipay, the world's largest third-party mobile and online payment platform. BPS will deploy Alipay as a payment method throughout its network of merchants via Entertainment Book, Frequent Values and Bartercard earning BPS new revenue
- There has been strong intervention in the Bartercard division to pivot the business towards a digital cash & trade transactional platform.

Your Board has declared a final dividend of 2.25 cents per share fully franked. This equates to a full year dividend of 4.50 cents per share, an increase of 12% from the previous year.

The Board would like to thank its customers, members and Not for Profit organisations for their loyal support, as well as our staff for their efforts during the year.

We remain excited about the prospects of the company in the coming financial year. BPS will continue its drive to grow all of its platforms and continue its global expansion into new markets.

We thank investors for their continued confidence in the company and we look forward to rewarding that confidence in the new financial year.

Yours sincerely

Murray d'Almeida
Chairman

Trevor Dietz
Chief Executive Officer

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Operating & Financial Review

01

PRINCIPAL ACTIVITIES

The principal activities of the consolidated group during the financial year were to provide and deploy marketing and payments platforms that deliver customers to merchants via our sales channels. The group earns fees from the consumers and merchants that buy a membership of or transact on these platforms.

A large majority of our operations are conducted in Australia, New Zealand the United Kingdom and United States of America.

SIGNIFICANT CHANGES TO ACTIVITIES

BPS acquired Entertainment Publications Australia and New Zealand for $25m via a successful $30m placement to institutions and the vendor.

OUR BUSINESS MODEL AND OBJECTIVES

The BPS Technology Limited "BPS" business model is to provide payment, loyalty and reward platforms which enable merchants to attract customers to them.

BPS charges a yearly subscription fee for consumers using the Entertainment Book, a material yearly fee to large corporations for the white labeling of a Frequent Values offer, and a combination of transactional and monthly fees to merchants for the use of the Bartercard and bucqi platforms.

BPS have acquired, developed or launched five platforms. These platforms cover Business to Business (B2B) through Bartercard, Business to Consumer (B2C) through the Entertainment Book, Frequent Values and bucqi, and Exchange to Exchange (X2X) through TESS (Trade Exchange Software Services).

BPS attracts new merchants to its merchant network via a direct sales force but lately also via online and phone sales. BPS has 36,000 active fee paying merchants, 20,000 Not For Profit Organisations and 1.5 million consumers transacting in excess of $1 Billion per year and operates in nine countries.

BPS owns the operations of Entertainment Publications in Australia and New Zealand and has the global rights to the brands associated with that business with the exception of the USA and Canada.

It owns and operates Bartercard in Australia, New Zealand, the United Kingdom and the United States. There are Bartercard licensed operations in France, Thailand, UAE, Cypress and South Africa.

A TESS license was sold late in the year to an Israeli public company that owns the equivalent of the digital Yellow Pages in that country. This company aims to apply our technology to the business data base it controls and offer transactional barter services.

BPS receives an upfront licence fee and monthly service fees based on the revenues generated by licensees.

BPS is not dependent on any single merchant, customer or licensee.

The objective of BPS is to substantially grow its consumer, merchant base and geographical footprint. This will lead to growth in transactions and consequently growth in revenues, profits and dividends to Shareholders.

About Entertainment

A B2C platform for restaurants, shops, theme parks, car rental companies, airlines and hotels to offer ongoing unique lifestyle discount incentives to subscribers, staff, members and clients. Offered also as Frequent Values platform to 50+ large Corporates in Australia and New Zealand.

About Bartercard

A B2B platform that acts as a sales channel for deals between businesses utilizing cash plus or an alternate digital currency (trade Dollars) for payment. Effectively Bartercard monetizes spare capacity. Bartercard operates the world's largest trade exchange transacting $600m across its platform in 9 countries with 50,000 card holders. Bartercard transactions can be conducted on-line, via its mobile app or across more than 7,000 bank EFTPOS terminals.

About bucqi

bucqi is a mobile payment and rewards platform offering consumers instant dollar for dollar rewards (bucqs) at any business and redemptions across participating merchants. The platform has been extensively redeveloped over the past twelve months and now features a Visa Debit card (which can be white labeled) linked to the app allowing users to earn reward points via the accepted "tap and go" methodology at every business which only vest for value when redeemed at a participating redemption merchant.

About TESS

TESS (Transactional Exchange Software Services) is a software platform which was developed to support all trade exchanges globally. It is the only software recognised and recommended as preferred software by the International Reciprocal Trade Association ('IRTA') - the largest professional body representing the industry globally. IRTA uses our TESS software to operate its Universal Currency Interchange platform (UC) used by all members of IRTA to transact with other Exchanges across the world. IRTA had record levels of transactions conducted using our technology platform in the last 12 months.

OPERATING RESULTS

The profit of the Consolidated Group amounted to $10.29 million (2016 $7.34m), after providing for income tax.

REVIEW OF OPERATIONS

BPS exceeded its published updated guidance for the year. This was achieved as a result of a strong performance by the Entertainment Division, strong focus on cost reduction and an increasing conversion from analog systems to digital well ahead of forecasts. The Bartercard platform underperformed. Management have been heavily focused on introducing cost cutting, additional cash generating revenue streams for its 24,000 merchants from which the business will derive new fee revenue and aggressively moving back office functions to a digital/paperless format. Traditional mainstream revenues fell by just 2% with the bulk of the underperformance caused through a reduction in income from country license sales.

Entertainment and Frequent Values

The performance of this Division improved substantially in FY 2017 increasing its EBITDA from $4.5m to $6.0m. Considerable work was undertaken in the back end operations of the business particularly in Information Technology, systems and hardware.

A new Strategic Plan was developed and implemented focused on increasing top line revenues and reducing costs through an increasing focus in digitization. The goal for digital apps versus physical books as set at 35% but the business achieved a 42% penetration rate. This means that 50,000 less books were printed than the year before with a further 50,000 reduction planned for FY 2018.

The Division is also heavily focused on cost reductions at every level and those synergies identified at the time of acquisition are being realized.

The addition of Alipay to attract Chinese Tourists via a Mandarin version of a Frequent Values app will see additional new revenues generated in FY 2018

bucqi

The bucqi platform underwent a complete evolution following market testing of the original concept. The app was completely redeveloped and a bucqi debit Visa card option (which can be white labelled) was added allowing users to earn "virtual" bucqs at every merchant. These "virtual" bucqs vest only when redeemed at a bucqi merchant. This was a significant evolution of the product. Importantly it was our development of QR technology that first brought us to the attention of the Alibaba Group (including AliPay) with whom we have now formed a strong commercial alliance.

Bartercard

Bartercard, the B2B platform of the Group, expanded its geographical footprint into France. The platform now operates in 9 countries. A Major new development with Alibaba.com's Australia Channel in June 2017 through BPS's Gold Supplier Status with iSynergi Limited (Alibaba's Global Service Provider in Australia) will see Bartercard merchants able to list on Alibaba's e-commerce platform and earn cash sales from the millions of users of that platform globally. BPS will receive both transaction fees and the major share of the monthly listing fee from our merchants on that platform. . Operations have yet to commence in India due to that country's continuing changes and uncertainty with the newly introduced GST/VAT system. The operator of the license for China failed to meet performance guidelines and therefore the exclusivity for that country has been lost and reduced to only one Province. In the UK the Franchise Network was returned to Company ownership. Bartercard Europe continues to enjoy expanding opportunities with the sale of France for Euros 400k cash. Several country Licenses are currently in various stages of negotiation. Bartercard in Australia now controls 82% of the membership base and our past activities in buying back franchises has now allowed us to pivot the business towards more cash generating activities not previously possible. The full import of this will come into focus in the second half of 2018.

Trade Exchange Software Services (TESS)

The TESS platform has introduced updated mobile search and payments technology across all platforms. IRTA have been using the TESS software platform as its "interchange software" with great success. It allows different member exchanges to trade between themselves thus expanding the trading opportunities of all exchanges. The TESS Brand will be replaced by BPS Global over the coming year as our focus is now to market the entirety of our platform offerings to countries. Substantial work is being undertaken in Entertainment and Frequent Values mobile and web technology. It is expected that the Entertainment Platform will have an entirely new and simple to use web site in early 2018 that will allow SMEs, NFPs and consumers a vastly improved experience and ease of use. In addition all apps will become transactional and personalized giving the user a high touch, user friendly interface for the first time ever. Its introduction allows us to earn additional transactional revenues which will add growing revenues as users convert from paper books to digital apps.

Investment Activities

BPS invested cash resources into the growth areas of the Group. The main cash investments during the year were as follows:

- $4.2million cash was invested in software technology and acquiring Bartercard franchises in Australia, the United Kingdom and the United States,
- $1.1 million was invested for the development of new territories in Europe and the USA,
- $23.5m net cash was invested for the acquisition of the Entertainment Group in Australia and New Zealand.
- $421k was invested in Plant and Equipment across the group.

FINANCIAL POSITION

The net assets of the Consolidated Group have increased by $34.4 million in the year ended 30 June 2017. This increase was largely due to the following factors:

- Generation of a profit after tax for the year of $10.29 million; and
- The acquisition of Entertainment Publications of Australia and New Zealand.

The Consolidated Group had cash holdings of $15.3 million and total borrowings as at 30 June 2017 of $20.2 million. Net debt of $4.9 million had reduced 36% from $7.7 million in the previous year leading to a gearing ratio of only 7% (reduced from 21% in the previous year). Further bank facilities of $5 million have been secured. The Group shows a surplus of current assets over current liabilities.

During the financial year the Group has invested in the acquisition of several businesses following the successful capital raising. Since those acquisitions, the Group has continued to invest in the development of new technology and improvements to existing technologies.

The Directors believe the Group's financial position is sound and will allow the Group to expand and grow in accordance with its strategic plan.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the period BPS acquired Entertainment Publications of Australia Pty Ltd and Entertainment Publications Limited in New Zealand. (Entertainment). The acquisition was effective on 1 July 2017. BPS paid a net cash amount of $23.5 plus $2.5 million in BPS shares at 94 cents per share. Entertainment is a leading B2C deals platform that has been operating for 21 years with a network of 12,000 merchants, 20,000 Not for Profit distributors to 590,000 paying household members.

EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since the end of the financial year, other than the following:

- redemption of the $5,000,000 convertible note in August 2017
- the options expired on 8 September 2017
- the Barter Futures loan Note 28 was repaid

which does or may significantly affect:

i. the entity's operations in future financial years; or
ii. the results of those operations in future financial years; or
iii. the entity's state of affairs in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

During the 2017 financial year the Board of Directors have identified the following core strategies for the Group:

- Organically grow new SME's into the BPS network;
- Add further Consumers to Entertainment (currently sold into 590,000 homes)
- Further expand the BPS global footprint;
- Market the Frequent Values Platform more widely to increase consumer reach – currently at 890,000 persons; and
- Commercialisation of newly redeveloped bucqi platform throughout Australia, New Zealand and USA.

BUSINESS RISKS

The Company operates within a unique market place which has a number of identified risks. The Company has an appropriate risk mitigation procedure in place. The following risks have been identified:

- **Changes in Law and Government Policy**
  With the rise in digital currencies like bitcoin, there is increasing risk of changes to laws and regulations in relation to digital currencies. While this may work in BPS' favour (as the Tess Platform is a long-standing, well-established software platform of a Trade Exchange for digital currencies), there is a risk such changes could impact on BPS' ability to offer its platforms or result in penalties and other liabilities in the event that BPS fails to take account of such laws and regulations.

  BPS has developed a strategy to ensure it places its concerns in front of any Government body seeking to implement changes which may adversely affect the Company's operations.

  BPS could also be negatively impacted by any failure to gain approval from the regulatory authorities in foreign countries to allow the Bucqi mobile payment system to operate in the relevant country.

- **Competition – BPS is a Technology Business**
  New technologies are constantly emerging in each of the areas in which BPS operates and the cost of developing, launching and bringing to market these competing technologies continues to fall. The payments space is particularly competitive with many well-funded international competitors. Failure to compete successfully in other countries against current or future competitors would limit new sales of the Tess Platform and/or the Bucqi Platform and integration of AliPay may materially impact BPS' business.

  An inability to adapt to technological advancement may negatively impact the ability to attract retail customers and have a material adverse effect on the business of BPS.

- **Exchange Rate Risk**
  BPS is forecast to derive substantial income from operations in other countries and this may increase as the Company expands its operations. Movements in the value of the Australian dollar may have a material negative impact on the Company's earnings.

- **Personnel**
  BPS' success, in part, depends upon the continued performance, efforts, abilities and expertise of its key management personnel, (particularly its Chief Executive Officer, Bartercard CEO, Chief Technology Officer and General Manager of Mobile Payment Systems) as well as other management and technical personnel that are employed by or contracted to BPS. The loss of the services of certain of these personnel without replacement could have an adverse impact on the successful operation, management and promotion of the BPS platforms.

  Further, a substantial increase in labour costs for employees or contractors may have an adverse impact on the financial performance and/or financial position of BPS.

- **Intellectual Property Risk**
  Whilst every effort has been made to secure the technology supporting BPS' various Platforms with the exception of the bucqi software, BPS does not intend to apply to register patents for all the intellectual property associated with the Entertainment, Frequent Values, Bartercard and Tess platforms. Other parties may claim infringement of patents or alternatively other parties may develop and patent other very similar, potentially substitutable products, processes or technologies.

- **Third Party Failure**
  BPS is reliant on a number of third party contractors. These third parties provide essential services on an outsourced basis including software and/or product development activities. Accordingly, BPS is reliant on contractors properly performing their contractual obligations. Performance failures may have an adverse effect on BPS.

  BPS is also an extensive user of third party provided IT hardware and software platforms, systems and infrastructure. BPS is reliant on these suppliers properly performing their contractual obligations. Performance failures and unreasonable price increases may have a material adverse effect on BPS.

  A failure by any of these suppliers to provide those services or a failure of their systems, may adversely affect the Company's ability to provide services to its customers.

- **Service Delivery Failure**
  BPS relies on its intellectual property to provide its customers with its service. There may be a failure to deliver the service as a result of numerous factors including human error, power loss, improper building maintenance by landlords in leased or licensed premises, earthquake, flood and other natural disasters, industrial disruption, sabotage, vandalism and other factors. Any material failure in service delivery will have a material adverse effect on the business of BPS.

- **Internet/Hosting**
  BPS is reliant on continued access to the internet and on the parties that host BPS' cloud based platforms. Should internet or hosting services be disrupted for prolonged periods, then the service that BPS provides to its customers will be compromised. This in turn could impact BPS.

- **Security and Unauthorised Use**
  Security risks are a factor in all internet-based systems. Any breach of security could result in

the non-performance of the platforms, the loss of confidential information or damage to the reputation of BPS platforms.

BPS has invested significantly in acquiring the Bartercard brand name, the Tess Platform and the Bucqi Platform. The laws relating to trade secrets, copyright and trade marks assist to protect its proprietary rights. Despite these measures there can be no guarantee that unauthorised use or copying of technology owned or developed by BPS will not occur.

Any such claims could impact BPS' ability to license its platforms in their current forms or require BPS to pay damages and / or licence fees to the party claiming infringement.

ENVIRONMENTAL ISSUES

The Consolidated Group's operations are not subject to significant environmental regulations under the laws of the Commonwealth or state.

2.0 Corporate Governance Statement

BPS TECHNOLOGY LTD - CORPORATE GOVERNANCE ARRANGEMENTS

The Board of BPS is committed to the highest standards of corporate governance and enhancing Shareholders value. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, with a view to building sustainable value for the Shareholders and in the interest of employees and other stakeholders.

The Board's broad function is to:

- chart strategy and set financial targets for the Company;
- monitor the implementation and execution of strategy and performance against financial and non-financial targets; and
- appoint and oversee the performance of Executive Management and generally to take and fulfil an effective leadership role.

COMPOSITION OF BOARD

The Board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

- the Board should comprise at least three Directors with a maximum of nine Directors;
- where circumstances allow, to have a majority of independent Directors and an independent Chairman; and
- Directors will be elected for a three year term.

The Board comprises five Directors, two of whom are Non-Executive and independent. The Chairman is a Non-Executive Director . At the date of this report, the Board comprised of the following:

	ROLE
Murray d'Almeida	- Non-Executive Director - Independent - Chairman
Garth Barrett	- Non-Executive Director - Independent
Trevor Dietz	- Chief Executive Officer - Executive Director
Antonie Wiese	- Chief Financial Officer - Executive Director - Company Secretary
Brian Hall	- Executive Director

COMPLIANCE WITH ASX CORPORATE GOVERNANCE GUIDELINES AND RECOMMENDATIONS

The Directors of BPS are responsible for the overall corporate governance practices of the Company and are committed to the implementation of the highest standards of ethical behaviour and accountability in its decision making and the Company's operations. In determining these standards the Board refers to and applies, to the greatest extent possible, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition ("the Principles").

BPS' corporate governance practices are consistent with the ASX Principles. These practices are detailed in the following internal documents, copies of which are available on the Company's website at **www.bpstechnology.com**:

- Board Charter;
- Audit and Risk Committee Charter;
- Remuneration and Nomination Committee Charter;
- Code of Conduct;
- Securities Trading Policy;
- External Communication Policy;
- Risk Management Policy;
- Privacy Policy;
- Whistle-blowers Policy.

Where BPS has not applied a principle or recommendation, the explanation for non-compliance is detailed below. The corporate governance statement is current at the date of this report and has been approved by the Board.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is responsible for overall oversight of the management of BPS. In doing so, they are responsible for guiding and monitoring the activities of BPS on behalf of Shareholders, determining the strategic direction and objectives of the Company and overseeing management's achievements against these.

BOARD CHARTER

Consistent with the functions outlined above, power and authority in certain areas is specifically reserved to the Board. These are listed in the Board Charter which will be kept under review and amended from time to time as the Board may consider appropriate. The purpose of this document is to give formal recognition to the scope, responsibility and composition of the Board. The Charter sets out various other matters that are important for effective corporate governance including the following:

- a detailed definition of "independence" for purposes of appointment of Directors;
- a framework for annual performance review and evaluation;
- criteria for monitoring and evaluating the performance of senior Executives;
- monitoring capital management and major capital expenditure;
- frequency of Board meetings;
- ethical standards and values – ensuring compliance with the Company's governing documents and code of conduct;
- risk management – identifying risks, reviewing and ratifying the Company's systems of internal compliance and control;
- establishment of Board committees;
- including the Audit and Risk Committee and the Remuneration and Nominations Committee;
- framework for the selection of candidates for appointment to the Board;
- transparency of the role and responsibilities of Directors, the Chairman and CEO;
- the implementation of a formal and detailed code for securities transactions designed to ensure fair and transparent trading by Directors, management, employees and others (the Board has implemented a separate securities trading policy); and
- communications with Shareholders and the market.

A copy of the Board Charter is available on the Company's website (**www.bpstechnology.com**).

BOARD SUB-COMMITTEES

The Board delegates specific responsibilities to various Board sub-committees. The Board has established:

- an Audit and Risk Committee which is responsible for overseeing the external and internal audit functions of the Company and advising and assisting the Board in assessing risk factors associated with the operation of the Company; and
- a combined Remuneration and Nominations Committee which is responsible for making recommendations to the Board on remuneration packages and nominations after consideration of all relevant information.

Through regular and frequent communication between the Board and Management and by monitoring management's activities, reports and performance, the Board ensures that management is aware of and responsive to the risks, opportunities and priorities recognised by the Board.

DIRECTOR/EXECUTIVE SERVICE AGREEMENTS

In addition to the Board Charter, BPS has entered into service agreements with the three Executive Directors which detail the terms and conditions of their service, including matters relating to confidentiality, restraint on competition, the retention of intellectual property and termination. These agreements continue until terminated which may occur with the giving of six months notice.

BPS has also issued letters of appointment for Non-Executive Directors which set out the key terms, conditions and responsibilities of their position.

ACCOUNTABILITY OF COMPANY SECRETARY

The Company Secretary has an important role within the organisation and is responsible for providing guidance to the Board and its Committees on governance matters, and monitoring that Board and Committee policy and procedures are followed.

The Company Secretary attends all Board and Committee meetings and circulates the minutes of meetings to Board members. The Board Charter prescribes that all Directors have access to the Company Secretary, who is accountable to the Board on governance matters, through the Chairman.

DIVERSITY POLICY

BPS has a diversity and inclusion policy. The Board, recognises the benefits of diversity representation across the organisation and in leadership positions, being reflective of the populations in which the Company does business.

BPS has established appropriate ethical standards and is committed to recruiting individuals with the appropriate skills and qualifications required for the role. This process is pursued giving consideration to the Code of Conduct and the Remuneration and Nominations Committee Charter which specifically includes policies against discrimination.

In May 2017 BPS fulfilled an obligation under the Workplace Gender Equality Act 2012 by filing its report by the due date of 31 May 2017. The report is available for public viewing at **www.wgea.gov.au/report/public-reports**.

EVALUATION OF BOARD AND SENIOR EXECUTIVE PERFORMANCE

The Board has adopted a process to review its performance on an annual basis or more frequently should the Chair consider it to be appropriate. This review is to be undertaken by the Remuneration and Nominations Committee which consists of Non-Executive Directors, the majority of whom are independent.

This review evaluates the performance of the Board as a whole, as well as each Director and includes an assessment of whether individual Directors have devoted sufficient time to their duties.

Although the criteria for the review of performance of Senior Executives is set by the Board, the Remuneration and Nomination Committee has responsibility for the review of Senior Executives and Executive Directors. This review is to be performed at least annually.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

BOARD ATTRIBUTES AND SKILLS

The Board is comprised of individuals with a range of knowledge, skills and experience that are appropriate to the Company's activities and objectives. The Board believes the Company as a whole benefits from the experience of its Directors, who bring quality and independent judgement to all relevant issues falling within the scope of the role.

The collective skills of the Board include:

- Finance
    - risk management
    - transactions (M&A)
    - financial accounting
    - capital markets
    - banking
    - taxation
    - disclosure
- Strategy
- Human Resources
- Health and Safety
- International business
- Executive leadership
- Public board experience
- Industry knowledge
    - digital currencies
    - payment systems
    - loyalty systems
    - retail
    - inbound and digital marketing
    - information technology
    - direct sales and sales management
    - big data management
    - transportation
    - not-for-profit

DIRECTOR INDEPENDENCE

The Board considers that fundamentally, the independence of Directors is based on their capacity to put the best interests of BPS and its Shareholders ahead of all other interests, so that the Directors are capable of exercising objective independent judgement. Given the growth of the Company this year, the opportunity exists to further strengthen the skills and independence of the Board and a new Independent Director will be appointed in FY18.

The Board has implemented several policies and practices to enable it to make transparent and independent decisions. For example, Directors are not allowed to be present during discussions or decision making on matters in which they have or could be seen to potentially have a material conflict of interest. In addition, Directors are excluded from taking part in the appointment of third party service providers where the Director has an interest. Such policies provide further separation and safeguards to independence.

With the prior approval of the Chairman, which may not be unreasonably withheld, each Director has the right to seek independent professional advice at the cost of the Company, concerning any aspect of BPS' operations in order to fulfil their duties and responsibilities as Directors and to ensure independent decision making.

DIRECTOR INDUCTION AND TRAINING

The Company Secretary is responsible for arranging for any new Director to undertake an induction program to enable them to gain an understanding of:

- the Company's operations;
- the culture and values of the Company;
- the Company's financial, strategic, operational and risk management position;
- their rights, duties and responsibilities; and
- any other relevant information.

As part of this induction program, a new Director will meet with all incumbent Directors and senior management to gain an understanding of the duties and responsibilities of the Director within the Company.

REMUNERATION AND NOMINATIONS COMMITTEE

The purpose of this Committee is to assist the Board and make recommendations to it in relation to the appointment and remuneration of new Directors (both Executive and Non-Executive) and Senior Executives. At any time the composition of the Board permits, the Committee shall also consist only of Non-Executive Directors and a majority of Independent Directors, and will be chaired by an Independent Chairman appointed by the Board. Committee members are appointed for periods of no more than one year, with members being generally eligible for re-appointment so long as they remain Directors of the Board. At the date of this report the committee comprises the following members:

- Murray d'Almeida as Chairman
- Garth Barrett
- Antonie Wiese

The majority of the committee are considered independent.

Functions performed by the Committee include:

- providing advice in relation to remuneration packages of Senior Executives, Non-Executive Directors and Executive Directors, equity-based incentive plans and other employee benefit programmes;
- reviewing BPS' recruitment, retention and termination policies;
- reviewing BPS' superannuation arrangements;
- reviewing succession plans of Senior Executives and Executive Directors;
- recommending individuals for nomination as members of the Board and its committees;
- ensuring the performance of Senior Executives and members of the Board are reviewed at least annually;
- considering those aspects of BPS' remuneration policies and packages, including equity-based incentives, which should be subject to Shareholders approval; and
- monitoring the size and composition of the Board.

The Remuneration and Nominations Committee meets at least twice a year and more often as considered necessary. The Chairman may invite other persons such as internal specialists or external advisors to attend meetings if appropriate.

The Committee members' attendance at meetings as compared to total meetings held, are detailed in the Directors' Report.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

The Board acknowledges the need for the highest standards of corporate governance practice and ethical conduct by all Directors, employees, consultants and contractors of BPS.

CODE OF CONDUCT

The Board has adopted a Code of Conduct setting out the ethical standards expected of all personnel. Breeches of the Code may result in disciplinary action including dismissal in serious cases. The Code, which is to be reviewed annually, establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.

The Company's Code of Conduct is available on BPS' website (**www.bpstechnology.com**).

SHARE TRADING POLICY

Recognising that individuals connected with the Company will sometimes be in possession of market-sensitive information, BPS has a Securities Trading Policy. Compliant with ASX Listing Rule 12.9, this policy also restricts any transactions in BPS shares by Company Directors, officers, consultants, senior management and other employees and related persons who in the course of their interactions with the Company, are in possession of such market-sensitive information.

A copy of the Company's policy on the trading of Company securities by key management personnel is available on the website (**www.bpstechnology.com**).

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

AUDIT AND RISK COMMITTEE

The Company has established an Audit and Risk Committee to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and financial reporting process, internal control structure, risk management systems (financial and non-financial – such as operational, environmental, sustainability, compliance, reputation or brand, project, technological, product or service quality, human capital and market related risks).

The Committee's structure, roles and responsibilities are detailed in the Audit and Risk Committee Charter, a copy of which is available on the Company's website (**www.bpstechnology.com**). This Charter is reviewed by the Committee at least annually.

The Committee is to include at least three members and an Independent Chairman who shall not be the chairperson of the Board. At any time the composition of the board permits, the Committee shall consist of only Non-Executive Directors and a majority of Independent Directors. At least one member is to have significant, recent and relevant financial management experience and some members shall have an understanding of the industries in which the Company operates. The current members of the Committee comprise:

- Garth Barrett
- Murray d'Almeida
- Antonie Wiese

Garth Barrett is the independent Chairman of the Audit and Risk Committee being an independent Non-Executive Director applying the criteria published by the ASX Corporate Governance Council.

Given the size of the Board and in an attempt to ensure an effective division of responsibilities, it has not been possible to comply with the Principle recommendation that all Directors are Non-Executive with a majority also being independent.

Antonie Wiese is an Executive Director of the Company, however in his role as Chief Financial Officer, he brings the significant financial experience required of a Committee member. Together with Murray d'Almeida, Mr Wiese has many years of experience in the industries in which BPS operates.

Further details of the experience and expertise of the members of the Committee are detailed in the Directors' Report.

The Committee performs a variety of functions relevant to internal and external reporting and reports to the Board following each meeting. Other matters for which the Committee is responsible include:

- review with senior management and the external auditor and make recommendations to the Board in relation to the approval of financial statements and reports intended for publication;
- review the adequacy and effectiveness of the Company's policies and procedures for assessment, monitoring and management of financial and non-financial risks;
- review any legal matters which could significantly impact the Company's compliance and risk management systems and any significant compliance and reporting issues;
- review the effectiveness of the compliance function at least annually, including the system for monitoring compliance with law and regulations and the results of management's investigations of any fraudulent acts or non-compliance; and
- monitor and review the external audit function including matters concerning appointment and remuneration, effectiveness, independence and non-audit services.

The Committee also has a process to review representation letters on behalf of senior management, being the Chief Executive Officer and the Chief Financial Officer, to ensure all relevant matters are addressed, including the declaration required by s295A of the *Corporations Act 2001* and Recommendation 4.2 of the Principles.

The Committee meets at least half yearly, with further meetings to be convened as required or as requested by the Chair of the Committee or the Board. At the discretion of the Chair of the Committee, relevant members of management and the external auditor may be required to attend meetings.

The Audit and Risk Committee members' attendance at meetings as compared to total meetings held are detailed in the Directors' Report.

EXTERNAL AUDITOR

The external auditor will attend the committee meetings at least twice a year and on other occasions where circumstances warrant. Pursuant to the Company's External Communications Policy, the external auditor will also be available at the Company's Annual General Meeting (AGM) to answer Shareholder's questions about the conduct of the audit and the preparation and content of the audit report.

A copy of the External Communication Policy is located on the Company website. (**www.bpstechnology.com**).

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

BPS is committed to promoting investor confidence and ensuring that Shareholders and the market are provided with timely and balanced disclosure of all material matters concerning the Company, as well as ensuring that all Shareholders have equal and timely access to externally available information issued by the Company.

BPS has adopted an External Communications Policy which outlines its policies and procedures aimed at meeting its responsibilities in relation to disclosing information to the market and Shareholders, and to ensure compliance with the continuous disclosure regime under the ASX Listing Rules and the *Corporations Act 2001*. A copy of this policy is available on the Company's website (**www.bpstechnology.com**).

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

BPS is committed to providing Shareholders with the necessary information and facilities to allow them to exercise their rights effectively, including:

- providing Shareholders with ready access to information about the Company and its governance;
- communicating openly and honestly with them; and
- encouraging and facilitating Shareholder participation in Shareholders meetings.

To this end BPS has adopted an External Communications Policy which details its policies and procedures with respect to Shareholder Communication (refer **www.bpstechnology.com**), These policies have been designed to ensure that Shareholders have access to balanced and understandable information about the Company and its activities. The External Communications Policy is reviewed on an annual basis.

The Company uses its website (www.bpstechnology.com) as its primary communication tool for distribution of the annual report, market announcements and media disclosures. Annual reports for the Company are available in hard copy to all Shareholders who have specifically requested this format. Half yearly and annual reports, as well as media releases etc are also available on the Company's website. Shareholders have the option of electing to receive all Shareholders communications, including notification of annual report availability, notices of meetings and dividend payment statements, by email by notifying the Share Registry.

External communication which may have a material effect on the price or value of the Company's securities is not released unless it has been announced previously to the ASX in compliance with its obligations under the ASX Listing Rules.

Shareholders participation at the AGM is welcomed and encouraged by the Company, either in person, by proxy or other legally appointed representative, or any other means adopted by the Board. Shareholders who are unable to attend the Annual General Meeting are given the opportunity to submit questions and comments ahead of the meeting and where appropriate, those questions will be answered at the meeting.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

EXPOSURE TO ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISKS

The Board does not consider it has any material exposure to environmental or social sustainability risks.

The Board has however, identified the risks which may impact upon its economic sustainability. This risk analysis is detailed in the Operating and Financial Review in Section 1.0 of this report.

RISK MANAGEMENT POLICY

The Board has established policies for the oversight and management of material business risks. The Audit and Risk Committee assists the Board in carrying out this function and is focussed on ensuring that the Company maintains an effective system of internal control and risk management. The Committee's structure, roles and responsibilities are detailed in the Audit and Risk Committee Charter and the Risk Management Policy (refer **www.bpstechnology.com**).

The members of the Committee and their attendance at Committee meetings during the year are detailed in the Directors' Report.

The Audit and Risk Committee meets at least twice a year and keeps minutes of its meetings which are included for review at the following board meeting. Both the Risk Management Policy and the Audit and Risk Charter are reviewed at least annually.

The Company's risk management policy is based upon the standard for Risk Management, AS/NZS ISO 3100:2009. The risk management process consists of the following main elements:

- communicate and consult;
- establish the context;
- identify risks;
- record risks;
- analyse risks;
- evaluate risks;
- treat risks; and
- monitor and review.

Risks are managed by the Company through the effective implementation of various controls which include:

- board approved risk management framework;
- documented policies and procedures;
- maintenance of registers;
- implementation of risk-based systems and processes;
- ongoing monitoring of regulatory obligations;
- ongoing supervision of representatives; and
- internal and external reporting.

At scheduled Audit and Risk Committee meetings, the risk management framework and risk register are reviewed. In the event that there are material changes to the Register through the year, these are brought to the Committee's attention as soon as practicable.

Implementation of the risk management framework is the responsibility of the Chief Executive Officer, with the assistance of senior management as required. In fulfilling the duties of risk management, the Chief Executive Officer has unrestricted access to Company employees, contractors, and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has undertaken a review of the Company's risk management framework and is satisfied that it continues to be sound and that the entity is operating within the risk framework set by the Board.

BPS does not have an internal audit function, however the Board is of the opinion that the processes and procedures adopted to manage risk and which are referred to above, are appropriate to evaluate and continually improve the effectiveness of its risk management and internal control procedures.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Remuneration and Nominations Committee is tasked with ensuring that the Company has remuneration policies and practices which enable it to attract and retain Directors and Executives who will best contribute towards achieving positive outcomes for Shareholders, employees and other stakeholders. A copy of the Committee's charter is detailed on the Company's website (**www.bpstechnology.com**).

Details of the membership and charter of the Committee are set out under Principle two above. The attendance of Committee members at meetings during the year are detailed in the Directors' Report.

REMUNERATION OF SENIOR EXECUTIVES AND EXECUTIVE DIRECTORS

The Board has delegated responsibility to the Remuneration and Nominations Committee for:

- regularly reviewing and making recommendations to the Board with respect to an appropriate remuneration policy including retirement benefits and termination payments for Senior Executives and Executive Directors;
- regularly reviewing and making recommendations to the Board regarding remuneration packages of Senior Executives and Executive Directors, including fixed, performance based and equity based remuneration, reflecting the long term performance objectives appropriate to the Company's circumstances and goals; and
- making recommendations to the Board with respect to the quantum of short term incentives (if any) to be paid to Senior Executives.

Details of the current remuneration policy and remuneration paid to Senior Executives and Executive Directors are set out in the Remuneration Report.

In 2017 a policy for the payment of either performance based remuneration or equity based incentives to Key Management Personnel was introduced. Further information can be found in the Remuneration Report.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Remuneration and Nominations Committee is also responsible for:

- making recommendations as to the structure of remuneration for Non-Executive Directors; and
- ensuring that the fees paid to Non-Executive Directors are within the aggregate amount approved by Shareholders and making recommendations to the Board with respect to the need for increases to this aggregate amount at the Company's Annual General Meeting.

All remuneration paid to Directors and the Executives is valued at cost to the Company and expensed.

Directors' Report

3.0

DIRECTORS' REPORT

The Directors present their report on the consolidated entity BPS Technology Limited and its controlled entities ("BPS") for the financial year ended 30 June 2017. The information in the Operating and Financial Review forms part of this Directors' Report for the financial year ended 30 June 2017 and is to be read in conjunction with this Section of the report.

GENERAL INFORMATION

DIRECTORS'

- The following persons were Directors of BPS Technology Limited during or since the end of the financial year up to the date of this report:
- Murray d'Almeida
- Anthony Lally (resigned 28 November 2016)
- Trevor Dietz
- Brian Hall (appointed 20 February 2017)
- Antonie Wiese
- Garth Barrett (appointed 20 February 2017)

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

DIVIDENDS PAID OR DECLARED

Dividends paid or declared for payment during the financial year are as follows:

	$000
Dividend of 2.00c per share paid on 20 October 2016	1,824
Dividend of 2.25c per share paid on 12 April 2017	2,053

On 29 August 2017 the Board declared a further fully franked dividend of 2.25c per share, payable on 17 November 2017. This dividend is not reflected in these financial statements.

INDEMNIFYING DIRECTORS AND OFFICERS

During or since the end of the financial year, the Company has paid premiums to insure the Directors and Officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Directors of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The premium for this policy is $48,500.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of the Court 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 proceedings during the year.

NON-AUDIT SERVICES

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

- all non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Pilot Partners for non-audit services provided during the year ended 30 June 2017:

	$000
Taxation services - compliance	230
Investigating Accountant's report	378
Other services	296
TOTAL	**904**

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found at Section 5.0 of the annual report.

OPTIONS

At the date of this report there are no options on issue.

Option holders do not have any rights to participate in any issue of shares or other interests of the company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

ASIC INSTRUMENT 2016 / 191 ROUNDING IN FINANCIAL STATEMENTS /DIRECTORS' REPORTS

The Company is an entity to which ASIC Instrument 2016 / 191 applies. Accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

INFORMATION RELATING TO DIRECTORS AND COMPANY SECRETARY

MURRAY D'ALMEIDA
Director (Non-Executive)

Interest in Shares and Options
5,000 ordinary shares in BPS Technology Ltd

Special Responsibilities
Chairman of the Remuneration and Nominations Committee

Member of the Audit and Risk Committee

Directorships held in other listed entities during the three years prior to the current year
Pacific Environment Ltd,
Management Resource Solutions Plc (UK)

QUALIFICATIONS

Accountant (FAICD)

EXPERIENCE

Murray has over 35 years of diverse national and international business experience. Murray began his career as an accountant in Perth. He founded Retail Food Group Limited (ASX: RFG) and led its global expansion.

Murray's current board roles include;

- Chairman of Barrack St Investments Ltd;
- Director of Global Masters Ltd;
- Director of Triple Energy Ltd;
- Member Gold Coast Light Rail Business Advisory Board;
- Deputy Chancellor of Southern Cross University;
- Director of Tasmania Magnesite NL;
- Trustee of Currumbin Wildlife Foundation;
- Chairman of the One Light Charity Foundation.

TREVOR DIETZ
Executive Director, Chief Executive Officer

Interest in Shares and Options
10,514,000 ordinary shares in BPS Technology Ltd

Special Responsibilities
Chief Executive Officer

Directorships held in other listed entities during the three years prior to the current year
None

QUALIFICATIONS

Fellow of the Institute of Public Accountants and AICD

Master of Science (HRM)

EXPERIENCE

Trevor is a co-founder of BPS and has over 30 years experience in retail, corporate and international banking, finance and human resource management. He was previously Chief Operating Officer for the Bartercard International Group and Managing Director of Bartercard Australia from 2005 until 2009. Before joining Bartercard, Trevor was Chief Executive Officer of the Institute of Public Accountants.

Trevor is Deputy Chair of the Advisory Board to the School of Business at Bond University and a Founder Director of the One Light Charity Foundation.

ANTONIE WIESE
Executive Director and Company Secretary

Interest in Shares and Options
8,174,663 ordinary shares in BPS Technology Ltd

Special Responsibilities
Chief Financial Officer

Member of the Audit and Risk Committee

Member of the Remuneration and Nominations Committee

Directorships held in other listed entities during the three years prior to the current year
None

QUALIFICATIONS
Bachelor of Commerce

Bachelor of Accounting Honours

Chartered Accountant

EXPERIENCE
Tony is a Chartered Accountant with 25 years experience in financial and executive management - 10 years as Executive Director of Listed public companies.

He co-founded BPS Technology Limited in 2014 after 7 years as Director of Bartercard.

Prior to moving to Australia, Tony was co-founder and CEO for 3 years of Onelogix Group Ltd, a JSE listed logistics and supply chain company in South Africa. Prior to this he was Executive Director of the $1 Billion publicly listed South African transport group Super Group Limited, for 10 years.

BRIAN HALL
Executive Director

Interest in Shares and Options
9,504,000 ordinary shares in BPS Technology Ltd

Special Responsibilities
CEO of Bartercard Group

Directorships held in other listed entities during the three years prior to the current year
None

QUALIFICATIONS
Bachelor of Commerce (Business)

EXPERIENCE
Brian is a cofounder of BPS Technology Limited established in 2014 and also is a co-founder of Bartercardestablished in 1991.

With over 27 years of relevant sales and management experience, Brian is one of the most experienced managers in the Trade Exchange industry and has a deep understanding of its drivers, participants and key success factors.

Over the past 26 years Brian has been hands-on developing the technology for the sales and trading systems and franchise model of Bartercard both domestically and internationally.

GARTH BARRETT
Non-Executive Director

Interest in Shares and Options
None

Special Responsibilities
Chair of the Audit and Risk Committee
Member of the Remuneration and Nomination Committee

Directorships held in other listed entities during the three years prior to the current year
None

QUALIFICATIONS

B.Com, F.C.A.

Chartered Accountant

EXPERIENCE

Garth has more than 40 years' experience in strategic planning, merger and acquisitions, financial systems, risk analysis and operations management. He is an expert in financial and management advisory, reporting and accounting system implementation. His experience includes many years as partner in national and international Chartered Accounting firms.

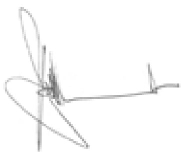
MEETINGS OF DIRECTORS

During the financial year, seven meetings of Directors (including Committees of Directors) were held. Attendances by each Director during the year was as follows:

	Directors' Meetings		Audit and Risk Committee		Remuneration and Nominations Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Murray d'Almeida	5	5	2	2	2	2
Anthony Lally	2	2	1	1	1	1
Trevor Dietz	5	5	-	-	-	-
Antonie Wiese	5	5	2	2	2	2
Brian Hall	2	2	-	-	-	-
Garth Barrett*	2	2	-	-	-	-

*Garth Barrett attended the Audit and Risk committee to approve this annual report.

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



Murray d'Almeida
Non-Executive Chairman
27 September 2017

Trevor Dietz
Chief Executive Officer
27 September 2017

4.0 Remuneration Report

REMUNERATION POLICY

The Remuneration and Nominations Committee has the responsibility for providing advice in relation to the remuneration packages of Senior Executives, Non-Executive and Executive Directors. The Committee is also responsible for the design and oversight of any share option schemes, performance incentive packages, superannuation entitlements and retirement and termination entitlements.

The remuneration policy of BPS has been designed to attract the most qualified and experienced key management personnel ("KMP") and align KMP objectives with those of the business and Shareholders.

All Executives receive a base salary which is based upon factors such as the length of service, experience and skills as well as superannuation as required by law. Executives may sacrifice part of their salary to increase payments towards superannuation.

At the date of this report the Company does have an employee share option plan. The terms and conditions of the employee incentive plan was released to Shareholders.

The Board's policy is to review remuneration to KMP as well as Non-Executive Directors annually based upon market practice, duties, and accountability. Independent advice can be sought when required.

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval at the Annual General Meeting. The maximum amount approved by Shareholders is $500,000 per annum.

DIRECTORS AND SENIOR GROUP EXECUTIVES

The name of each person holding the position of Director of BPS at any time during the financial year was:

NAME	ROLE
Murray d'Almeida	- Non-Executive Director - Independent Chairman
Anthony Lally (Resigned 28 November 2016)	- Independent Non-Executive Director
Garth Barrett (Appointed 20 February 2017)	- Independent Non-Executive Director
Trevor Dietz	- Chief Executive Officer - Executive Director
Brian Hall (Appointed 20 February 2017)	- Executive Director
Antonie Wiese	- Chief Financial Officer - Executive Director - Company Secretary

The Company has entered into service agreements with the three Executive Directors. These agreements will continue until terminated. Either party may terminate the executive service agreement by giving six months' notice, or in the case of the Company, by paying the relevant Executive Director an amount equivalent to his salary in lieu of notice for that period.

The names of each person holding a position within the Senior Group Executive, other than the Directors listed above at any time during the financial year were:

NAME	ROLE
Andrew McIntyre	- Chief Technology Officer
Susan Minnekeer	- General Manager
Heidi Halson	- Executive Director - Entertainment Publications Group
Philip Scott	- General Manager Mobile Payments Systems

The employment conditions of all Senior Group Executives are formalised in written contracts of employment. Generally the employment contracts stipulate a four week resignation period. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance

KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration for each Director and each of the Senior Group Executives during the year was as follows:

		SHORT TERM EMPLOYEE BENEFITS Cash and salary	POST EMPLOYMENT BENEFITS Superannuation	TOTAL
		$000	$000	$000
DIRECTORS	Murray d'Almeida	100	9	109
	Anthony Lally	36	26	62
	Garth Barrett	25	2	27
	Trevor Dietz	425	40	465
	Brian Hall	425	40	465
	Antonie Wiese	425	40	465
	DIRECTORS TOTAL	1,436	157	1,593
EXECS	Andrew McIntyre	215	21	236
	Susan Minnekeer[1]	139	12	151
	Heidi Halson	278	20	298
	Philip Scott	140	13	153
	EXECS TOTAL	772	66	838
	GRAND TOTAL	2,208	223	2,431

1. Susan Minnekeer joined BPS on 28 November 2016

None of the remuneratio.n paid to any Director or Senior Group Executive was tied to any specific performance condition.

OPTIONS ISSUED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2017

No options were granted as part of remuneration during the year.

SHAREHOLDINGS OF DIRECTORS' AND SENIOR EXECUTIVE GROUP

The number of ordinary shares in the Company held by each KMP during the financial year is as follows:

	BALANCE AT BEGINNING OF YEAR	OTHER CHANGES	SHARES ACQUIRED DURING YEAR	BALANCE AT END OF YEAR
Murray d'Almeida	5,000	-	-	5,000
Anthony Lally	50,000	(50,000)	-	-
Garth Barrett	-	-	-	-
Trevor Dietz	10,504,000	-	10,000	10,514,000
Brian Hall	10,504,000	(1,000,000)	-	9,504,000
Antonie Wiese	10,000,000	(1,825,337)	-	8,174,663
Andrew McIntyre	-	-	20,000	20,000
Susan Minnekeer	-	-	-	-
Heidi Halson	-	-	-	-
Philip Scott	2,000,000	(276,315)	-	1,723,685

OTHER EMPLOYEE BENEFITS

No other material benefits were paid to Directors or any Senior Executive Group member during the year.

No schemes exist for retirement benefits for Non-Executive Directors other than superannuation.

OTHER TRANSACTIONS WITH DIRECTORS AND SENIOR GROUP EXECUTIVES

There were no transactions conducted between the Company and Directors or Senior Group Executives, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arms length dealings with unrelated persons.

5.0 Auditor's Independence Declaration

PILOT PARTNERS
Chartered Accountants

Level 10, Waterfront Place
1 Eagle St. Brisbane 4000

PO Box 7095 Brisbane 4001
Queensland Australia

P +61 7 3023 1300
F +61 7 3229 1227

pilotpartners.com.au

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

BPS TECHNOLOGY LTD ABN 43 167 603 992 AND CONTROLLED ENTITES

I declare that to the best of my knowledge and belief, during the year ended 30 June 2017, there have been:

i. no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

Pilot Partners

PILOT PARTNERS
Chartered Accountants

DANIEL GILL
Partner

Signed on 29 September 2017

Level 10
1 Eagle Street
Brisbane Qld 4000

6.0

Financial Statements

BPS TECHNOLOGY LTD & CONTROLLED ENTITIES CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED GROUP	
	NOTE	2017 $000	2016 $000
CONTINUING OPERATIONS			
Revenue	3	110,464	50,172
Direct expenses of providing services		(41,191)	(11,571)
Building occupancy expenses		(4,660)	(2,540)
Employee expenses		(38,476)	(21,163)
Depreciation and amortisation expense		(1,586)	(802)
Finance cost		(766)	(534)
Other expenses		(12,436)	(5,428)
PROFIT BEFORE INCOME TAX	4	**11,349**	**8,134**
Tax expense	5	(1,061)	(789)
NET PROFIT FOR THE YEAR	4	**10,288**	**7,345**
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**10,288**	**7,345**
Earnings per share			
Basic earnings per share (cents)	9	12.10	12.57
Diluted earnings per share (cents)	9	11.80	11.71

The accompanying notes form part of these financial statements

BPS TECHNOLOGY LTD & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	NOTE	CONSOLIDATED GROUP 2017 $000	CONSOLIDATED GROUP 2016 $000
ASSETS			
Current Assets			
Cash and cash equivalents	10	15,330	906
Trade and other receivables	11	12,380	10,409
Inventories	12	5,269	5,793
Other assets	17	9,800	696
TOTAL CURRENT ASSETS		**42,779**	**17,804**
Non-Current Assets			
Trade and other receivables	11	-	1,906
Property, plant and equipment	14	3,295	958
Deferred tax assets	20	3,061	742
Intangible assets	15	77,975	32,206
Other financial assets	16	1,500	1,500
TOTAL NON-CURRENT ASSETS		**85,831**	**37,312**
TOTAL ASSETS		**128,610**	**55,116**
LIABILITIES			
Current Liabilities			
Trade and other payables	18	9,571	4,794
Borrowings	19	7,238	3,613
Current tax liabilities	20	1,037	814
Deferred revenue		22,916	-
Provisions	21	1,920	1,603
TOTAL CURRENT LIABILITIES		**42,682**	**10,824**
Non-Current Liabilities			
Trade and other payables	18	822	2,278
Provisions	21	962	289
Borrowings	19	13,000	5,000
TOTAL NON-CURRENT LIABILITIES		**14,784**	**7,567**
TOTAL LIABILITIES		**57,466**	**18,391**
NET ASSETS		**71,144**	**36,725**
EQUITY			
Issued capital	22	54,554	26,227
Reserves		(668)	(349)
Retained earnings		17,258	10,847
TOTAL EQUITY		**71,144**	**36,725**

The accompanying notes form part of these financial statements

BPS TECHNOLOGY LTD & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	ORDINARY SHARE CAPITAL $000	RETAINED EARNINGS $000	FOREIGN CURRENCY TRANSLATION RESERVES $000	TOTAL $000
Balance at 1 July 2015		26,167	6,573	(9)	32,731
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the year		60	-	-	60
Dividends for the year		-	(3,071)	-	(3,071)
TOTAL TRANSACTIONS WITH OWNERS AND OTHER TRANSFERS		**60**	**(3,071)**	**-**	**(3,011)**
Comprehensive income					
Profit for the year		-	7,345	-	7,345
Other comprehensive income		-	-	-	-
Movement		-	-	(340)	(340)
Total comprehensive income for the year		**-**	**7,345**	**(340)**	**7,005**
BALANCE AT 30 JUNE 2016		**26,227**	**10,847**	**(349)**	**36,725**
Balance at 1 July 2016		26,227	10,847	(349)	36,725
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the year		30,808	-	-	30,808
Transaction costs		(2,481)	-	-	(2,481)
Dividends for the year		-	(3,877)	-	(3,877)
TOTAL TRANSACTIONS WITH OWNERS AND OTHER TRANSFERS		**28,327**	**(3,877)**	**-**	**24,450**
Comprehensive income					
Profit for the year		-	10,288	-	10,288
Other comprehensive income		-	-	-	-
Movement		-	-	(319)	(319)
Total comprehensive income for the year		**-**	**10,288**	**(319)**	**9,969**
BALANCE AT 30 JUNE 2017		**54,554**	**17,258**	**(668)**	**71,144**

The accompanying notes form part of these financial statements

BPS TECHNOLOGY LTD & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	CONSOLIDATED GROUP 2017 $000	CONSOLIDATED GROUP 2016 $000
Cash Flows From Operating Activities			
Receipts from customers		128,711	49,886
Payments to suppliers and employees		(115,576)	(44,713)
Interest received		-	14
Tax paid		(383)	(55)
NET CASH PROVIDED BY OPERATING ACTIVITIES	26	**12,752**	**5,132**
Cash Flows From Investing Activities			
Investment in developing new territories		(1,115)	(1,375)
Acquisition of subsidiaries and businesses net of cash acquired		(23,509)	-
Purchase of investments		-	(1,500)
Proceeds from sale of property		-	182
Purchase of property, plant and equipment		(421)	(277)
Purchase of intangibles		(4,190)	(6,563)
NET CASH USED IN INVESTING ACTIVITIES		**(29,235)**	**(9,533)**
Cash Flows From Financing Activities			
Net repayment of borrowings		(2,608)	(1,972)
Interest paid		(766)	(534)
Net proceeds from borrowings		12,426	8,141
Net proceeds from issue of shares		25,732	-
Dividends paid		(3,877)	(3,071)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**30,907**	**2,564**
Net increase/(decrease) in cash held		14,424	(1,837)
Cash and cash equivalents at beginning of financial year		906	2,743
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	10	**15,330**	**906**

The accompanying notes form part of these financial statements

BPS TECHNOLOGY & CONTROLLED ENTITIES
FOR THE YEAR 30 JUNE 2017
NOTES TO THE FINANCIAL STATEMENTS

The separate financial statements of the parent entity, BPS Technology Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 29 September 2017 by the Directors of the Company..

Note 1 | Summary of significant accounting policies

BASIS OF PREPARATION

These ge-neral purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. BPS Technology Ltd is a listed public Company incorporated and domiciled in Australia. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent BPS Technology Limited and all of its subsidiaries (also referred to as "the Group"). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in note 13.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been adjusted where necessary to ensure uniformity of the accounting policies adopted by the Group.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised.

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of the following items, over the acquisition date fair value of net identifiable assets acquired:

i. the consideration transferred;

ii. any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

iii. the acquisition date fair value of any previously held equity interest.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in the profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, ("CGUs"). These CGUs represent the lowest level at which goodwill is monitored but are not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill of the entity that has been sold. Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Goodwill on the acquisition of franchises which are not held for re-sale are included in intangible assets.

b. Income Tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:

- a legally enforceable right of set-off exists; and
- the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

d. Inventories

Inventories represent goods, gift cards and the value of franchises held for resale. These assets are valued at the lower of cost and net realisable value.

e. Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to note 1(h) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

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

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group. Useful life is taken to commence from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Estimated useful life for each class of depreciable assets are:

CLASS OF FIXED ASSET	ESTIMATED USEFUL LIFE
Leasehold improvements	10 years
Plant and equipment	3 - 5 years
Leased plant and equipment	3 - 5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

f. Leases

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

Finance leases are capitalised by recognising an asset and a liability at the lower of 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 or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised 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 lease term.

g. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment. This amount is then adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period. It is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument, to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

i. **Financial assets at fair value through profit or loss**
Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

ii. **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 subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

iii. **Financial liabilities**
Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

iv. **Available-for-sale investments**
Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Financial Asset Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that a debtor(s) will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses if after having taken all possible measures of recovery, management establishes that the carrying amount cannot be recovered by any means, the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

h. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

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

i. Intangibles Other than Goodwill

Technology and Software Assets

Technology and software assets acquired separately are capitalised at cost. Where the technology and software asset has been acquired as part of a business acquisition, these assets are recognised at fair value as at the date of acquisition. The useful lives of these assets are then assessed to be either finite or indefinite. Assets with a finite life are amortised over that life with the expense being recognised in the Profit and Loss. Expenditure on the development of technology and software assets are capitalised until the software is ready for use and then amortised over their expected useful life of 10 years.

These assets are tested for impairment at least annually.

Brand names and international rights

The brand names and international rights were acquired in a separate transaction. These assets are recognised using the cost model, which requires an intangible asset to be recorded at cost less any accumulated amortisation and any accumulated impairment losses.

These intangible assets have been assessed as having an indefinite useful life as neither brand names nor international rights are subject to contractual or statutory time limits. There is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. As a result no amortisation will be charged.

These assets are tested for impairment at least annually, either individually or within a cash generating unit.

Development costs

Development costs consist of costs incurred in designing, developing and contracting new territories. Recognition of the development costs only occurs when feasibility studies confirm that franchise proliferation is expected to deliver future economic benefits, these benefits can be measured reliably and there are adequate resources available to complete the development. The development costs are amortised over their useful life starting from the time the development of a territory is complete. The franchise agreements are for a term of 10 years and this will be used as the useful life for the purposes of amortisation.

j. Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transactions and balances

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

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

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income. Otherwise the exchange difference is recognised in profit or loss.

Group companies

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

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the Statement of Financial Position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the Group disposes of the operation.

k. Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled within 12 months after the end of the annual reporting period in which the employees render the related service. These benefits include wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the Statement of Financial Position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

Retirement benefit obligations

All employees of the Australian entities in the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's Statement of Financial Position.

l. 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.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

m. Cash and Cash Equivalents

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

n. Revenue and Other Income

Except for a limited number of exceptions, including leases, the revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

The Group recognises revenue on the transfer of services to customers at an amount that reflects the amount of consideration it expects to be entitled to in exchange for those services:

- Revenue from transaction fees is recognised when the trade dollar transaction is complete and when all obligations of processing the transaction are fulfilled.
- Revenue from monthly subscription fees is recognised at the end of each month when all obligations of providing membership support services in the month are fulfilled.
- Revenue from the sale of franchise rights in countries and the issue of licences to run exchanges is recognised when the sale is complete and all obligations have been fulfilled.
- Revenue from Bartercard membership fees is recognised when all obligations of processing the membership application have been fulfilled.
- Other Bartercard revenue, which includes trading income and various fees charged to members other than transaction fees, is recognised when all obligations in respect of these income streams are fulfilled.
- On commencement of memberships Entertainment Publications enters into a performance obligation to deliver benefits in the form of special offers, discounts, promotions and booking facilities to members during the period of membership.

  The membership year runs from 1 June to 31 May.

  Entertainment Publications satisfies its obligations as services are rendered to members during the period of membership. Benefits must be provided constantly throughout the period and Entertainment Publications has concluded that a straight-line basis is the most appropriate method.

  Revenue from the sale of memberships is recognised on a straight-line basis as services are rendered over the period of membership.

  A liability is recognised for unearned revenue for performance obligations to members that have not yet been satisfied.

  Payment for membership is made prior to the commencement of membership.

  Entertainment Publications has an obligation to refund memberships in full for the first 90 days following payment.
- Revenue from Entertainment Publications marketing and merchant support fees through the placement of advertisements and the distribution of offers and promotions on behalf of businesses to members is recognised when the advertisement or offer is placed, distributed and invoiced. Revenue from the successful promotion of merchant offers is recognised when the transaction occurs which evidences the take up of the promotion.
- Revenue from the sale of vouchers on behalf of businesses to members is recognised when the gift card is provided to the customer and it is paid for.
- Revenue from commission receivable for bookings are recognised when the bookings are made and it is paid for.

Payment terms are highly varied for the different sources of revenue, different customers and contract terms are individually negotiated. Trade debtor profiles are disclosed in Note 11.

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

o. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value, less any provision for impairment. Refer to note 1(h) for further discussion on the determination of impairment losses.

p. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

q. Direct Expenses of Providing Services

Sales commissions paid for the sale of memberships, being an incremental cost of obtaining contracts with customers, are recognised initially as prepayments. Subsequently, they are amortised as expenses through the income statement in line with the recognition of revenue from membership sales.

Costs incurred for the development of the following year's membership package are capitalised as costs incurred to fulfil a contract with a customer. They are recognised initially as an asset and subsequently amortised over the period of membership during which those benefits are delivered to members.

r. Transactions in Trade

In addition to its cash revenue, the Bartercard businesses also receive additional fees in trade dollars. These businesses operate as Managers of the respective Trade Exchange and as such, also participate in the exchange, buying services.

Trade transactions have not been recorded in the Financial Statements. Transactions in trade by the Managers do not meet the definition and recognition criteria of assets and liabilities within the Australian Accounting Standards and are therefore not recorded.

s. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated exclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

t. Comparative Figures

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

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) Statement of Financial Position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

u. Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Instrument 2016 / 191. Accordingly, amounts in the financial statements and Directors' report have been rounded off to the nearest $1,000.

The group has opted to adopt AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017) early from 1 July 2014.

v. New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments

Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investment in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases

Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases and Related Interpretations*. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- Recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- Depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- Additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, management is currently assessing the impact of the change but has not yet qualified the impact.

w. Critical Accounting Estimates and Judgements

The Directors' estimates and judgments are incorporated into the financial statements and are based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and from within the Group.

Key estimates and judgements

i. Impairment – goodwill and other intangibles

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Further details on the key estimates used in the impairment evaluation can be found in Note 15. No impairment has been recognised in respect of goodwill or other intangibles for the year ended 30 June 2017.

ii. Impairment – cash debtor receivables

The Group assesses impairment of cash debtor receivables at the end of each reporting period by reference to the history of cash debtor collections.

iii. Valuation of franchise inventories

Franchises held for resale are recognised as inventories at cost. At each reporting period the carrying value of each of these assets are compared to a valuation model to determine the net realisable value of the asset. The asset is written down to the extent that the carrying value is in excess of the net realisable value. The valuation model is market tested on a regular basis.

Note 2 | Parent Company Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

STATEMENT OF FINANCIAL POSITION	2017 $000	2016 $000
Assets		
Current assets	2,149	493
Non-current assets	73,249	37,473
TOTAL ASSETS	**75,398**	**37,966**
Liabilities		
Current liabilities	6,812	5,134
Non-current liabilities	13,891	5,891
TOTAL LIABILITIES	**20,703**	**11,025**
Equity		
Issued capital	54,554	26,227
Retained earnings	812	499
Other reserves	(671)	215
TOTAL EQUITY	**54,695**	**26,941**
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
TOTAL PROFIT	**4,190**	**3,349**
TOTAL COMPREHENSIVE INCOME	**4,190**	**3,349**

a. **Contingent liabilities and contractual commitments**

- BPS Technology Ltd has no identified capital commitments or contingent liabilities.

Note 3 | Revenue and Other Income

	CONSOLIDATED GROUP	
	2017 $000	2016 $000
Sales revenue		
Fee income	29,951	27,618
Licence fees	1,641	6,266
Membership subscriptions	49,392	8,924
Gift card sales	21,889	-
Other	7,546	7,364
TOTAL SALES REVENUE	**110,419**	**50,172**
Other revenue		
Interest received	45	-
TOTAL OTHER REVENUE	45	-
TOTAL REVENUE	**110,464**	**50,172**

The 2016 membership fees of $258k have been reclassified to fee income in Financial Year 2017.

Note 4 | Profit for the year

Profit before income tax from continuing operations includes the following significant items of revenue and expense:

	NOTE	CONSOLIDATED GROUP 2017 $000	CONSOLIDATED GROUP 2016 $000
A) EXPENSES			
Employee benefits expense:			
Defined contribution superannuation expense		2,431	1,128
Bad and doubtful debts:			
Trade receivables		612	159
Write downs of inventories to net realisable value:			
Inventories		725	(643)
Rental expense on operating leases:			
Minimum lease payments		4,660	2,091
Interest Expense:			
Interest		766	534
Impairment of non-current assets:			
Investments		-	1,800
		-	**-**
Depreciation:			
Plant & equipment	14	(348)	(285)
Amortisation of intangibles	15	(1,238)	(430)
Loss on disposal of fixed assets		-	(87)
TOTAL		**(1,586)**	**(802)**

Note 5 | Tax Expense

	NOTE	CONSOLIDATED GROUP 2017 $000	CONSOLIDATED GROUP 2016 $000
A) The components of tax expense/ (income) comprise:			
Current tax	20	1,175	525
Deferred tax	20	(114)	264
		1,061	**789**
B) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at domestic statutory rate of 30% (2016: 30%)		3,405	2,440
Add / (Less) Tax effect of:			
Permanent differences		(734)	(617)
Recoupment of prior year tax (profits)/ losses not previously bought to account		(91)	(75)
Tax effect of trade transactions		(1,494)	(942)
Effect of lower tax rate in NZ		(25)	(15)
Other		-	(2)
TOTAL		**1,061**	**789**

Note 6 | Key Management Personnel Compensation

Refer to the remuneration report in Section 4.0 of this annual report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2017.

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

	CONSOLIDATED GROUP	
	2017 $000	2016 $000
Short-term employee benefits	2,208	1,670
Post-employment benefits	223	118
TOTAL KMP COMPENSATION	**2,431**	**1,788**

SHORT-TERM EMPLOYEE BENEFITS

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, and fringe benefits awarded to executive directors and other KMP.

POST-EMPLOYMENT BENEFITS

These amounts are the estimated cost of providing for the Group's superannuation contributions based on the services provided during the year.

SHARE-BASED PAYMENTS

No share based payments were made to KMP during this year, other than 20,000 shares issued to Andrew McIntyre.

Further information in relation to KMP remuneration can be found in the Remuneration Report.

Note 7 | Auditor's Remuneration

	CONSOLIDATED GROUP	
	2017 $000	2016 $000
Remuneration of the auditor for:		
Auditing or reviewing the financial statements	309	228
Taxation services - compliance	230	122
Investigating Accountant's report	378	-
Other services	296	106
TOTAL	**1,213**	**456**

The above remuneration included amounts paid to component auditors of $83,311 (2016: $62,000).

Note 8 | Dividends

	CONSOLIDATED GROUP	
	2017 $000	2016 $000
Distributions paid:		
2016 final unfranked ordinary dividends of 2.00 (2015: 3.25) cents per share	1,824	1,901
Interim unfranked ordinary dividend of 2.25 (2016: 2.00) cents per share	2,053	1,170
	3,877	**3,071**
TOTAL DIVIDENDS PER SHARE FOR THE PERIOD	**4.25c**	**5.25c**
Franking Account: **A) Balance of franking account at year-end adjusted for franking credits arising from**		
Payment of provision for income tax	693	633
FRANKING CREDITS AVAILABLE FOR SUBSEQUENT FINANCIAL YEAR	**8,454**	**633**

Subsequent to the end of the financial year on 29 August 2017 the Company declared a further fully franked dividend of 2.25c per share. The ex date for the dividend is 3 November 2017 with a payment date of 17 November 2017.

Note 9 | Earnings Per Share

	CONSOLIDATED GROUP	
	2017 $000	2016 $000
A) Reconciliation of earnings to profit or loss:		
Profit after tax	10,288	7,345
Profit attributable to non-controlling equity interest	-	-
EARNINGS USED TO CALCULATE BASIC EPS	**10,288**	**7,345**
	No.	**No.**
B) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**85,169,383**	**58,521,153**
Weighted average of dilutive convertible notes outstanding	**5,000,000**	**4,255,319**
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	**90,169,383**	**62,776,472**

Note 10 | Cash and Cash Equivalents

	CONSOLIDATED GROUP	
	2017 $000	2016 $000
Cash at bank and on hand	14,494	906
Short-term bank deposits	836	-
TOTAL CASH AND CASH EQUIVALENTS	**15,330**	**906**

The effective interest rate on short-term bank deposits was 2.5% (2016: 2%). These deposits have an average maturity of 182 days.

RECONCILIATION OF CASH		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	15,330	906
TOTAL CASH AND CASH EQUIVALENTS	**15,330**	**906**

Note 11 | Trade and Other Receivables

	CONSOLIDATED GROUP	
	2017 $000	2016 $000
CURRENT		
Trade receivables	14,589	9,217
Provision for impairment	(4,285)	(1,702)
Net Trade Receivables	**10,304**	**7,515**
Other receivables	2,076	2,894
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	**12,380**	**10,409**
NON-CURRENT		
Trade receivables	-	1,906
TOTAL NON-CURRENT TRADE AND OTHER RECEIVABLES	**-**	**1,906**

Provision for Impairment of Receivables

Movement in the provision for impairment of receivables is as follows:

		CONSOLIDATED GROUP			
		OPENING BALANCE 01/07/2016	CHARGE FOR THE YEAR	AMOUNTS WRITTEN OFF	CLOSING BALANCE 30/06/2017
	NOTE	$000	$000	$000	$000
Current trade receivables		(1,702)	(3,195)	612	(4,285)
TOTAL		**(1,702)**	**(3,195)**	**612**	**(4,285)**

		CONSOLIDATED GROUP			
		OPENING BALANCE 01/07/2015	CHARGE FOR THE YEAR	AMOUNTS WRITTEN OFF	CLOSING BALANCE 30/06/2016
	NOTE	$000	$000	$000	$000
Current trade receivables		(2,317)	(159)	774	(1,702)
TOTAL		**(2,317)**	**(159)**	**774**	**(1,702)**

The group impairs the value of individual trade debtors based on an assessment of the credit quality of the customer, the previous trading pattern of the customer and management's assessment of the likely recovery. All trade debtors which are not likely to be recovered are either written off or a provision for impairment is recognised. No credit risk is expected in respect of recoverables which are not written off or provided. The remainder of receivables, after provision for impairment are considered to be of high credit quality.

Credit Risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 11. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

No collateral is held in respect of these exposures and there are no other credit enhancement arrangements. All trade receivables have been investigated and other than those which have been written off or provided, there are no indicators of poor credit quality for trade receivables. Securities in the form of personal guarantees from directors, or registered mortgages are regularly taken to support customer trading activities.

Trade Debtor Profile

	CONSOLIDATED GROUP	
	2017 $000	2016 $000
Gross amount	14,589	11,123
Impaired (past due)	(4,285)	(1,702)
	10,304	**9,421**
Past due not impaired - 30 days	1,055	404
60 days	314	212
90 days	522	302
90 days +	2,904	1,314
Within initial trade terms	5,509	7,189
TOTAL	**10,304**	**9,421**

Geographical Credit Risk

The Group has significant operations in Australia, New Zealand, the United Kingdom and the United States of America, as well as licensed operators in several other countries. The Group's exposure to credit risk for trade and other receivables at the end of the reporting period in these regions is as follows:

	CONSOLIDATED GROUP	
	2017 $000	2016 $000
Australia	6,951	6,669
New Zealand	1,916	1,829
United Kingdom	949	1,648
United States of America	436	131
Other	2,128	132
TOTAL	**12,380**	**10,409**

Note 12 | Inventories

	CONSOLIDATED GROUP	
	2017 $000	2016 $000
Franchises held for re-sale	1,892	3,871
Finished goods and gift cards held for sale	3,377	1,922
TOTAL INVENTORIES	**5,269**	**5,793**

Note 13 | Interests in Subsidiaries

a) Information about Principal Subsidiaries

The Subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each Subsidiary's principal place of business also reflects its country of incorporation.

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	OWNERSHIP INTEREST HELD BY THE GROUP 2017 %	OWNERSHIP INTEREST HELD BY THE GROUP 2016 %	PROPORTION OF NON-CONTROLLING INTERESTS 2017 %	PROPORTION OF NON-CONTROLLING INTERESTS 2016 %
Bucqi Australia Pty Ltd	Australia	100	100	-	-
Bartercard Group Pty Ltd	Australia	100	100	-	-
Bartercard Services Pty Ltd	Australia	100	100	-	-
Bartercard Operations UK Ltd	United Kingdom	100	100	-	-
Bartercard Operations NZ Ltd	New Zealand	100	100	-	-
Bartercard Operations Australia Pty Ltd	Australia	100	100	-	-
Bartercard USA Inc	USA	100	100	-	-
Trade Exchange Software Services Pty Ltd	Australia	100	100	-	-
BPS Financial Limited	Australia	100	100	-	-
Entertainment Publications of Australia Pty Ltd	Australia	100	-	-	-
Entertainment Publications Limited	New Zealand	100	-	-	-

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements, using the same accounting policies. There are no significant restrictions over the Group's ability to access or use the assets and settle liabilities of the group.

b) Acquisition of Controlled Entities

Effective on 1 July 2017 the group acquired 100% of the issued share capital of Entertainment Publications of Australia Pty Ltd and Entertainment Publications Limited in New Zealand, a leading B2C deals platform for $33.7m. The purchase was satisfied by payment of $31.2m cash and the issue of shares to the value of $2.5m at 94c per share.

The acquisition is designed to realise synergies and drive digital engagement strategies within the B2C consumer database acquired from Entertainment Publications.

Through acquiring 100% of the issued share capital of Entertainment Publications of Australia Pty Ltd and Entertainment Publications Limited, the group has obtained control of the companies.

	ENTERTAINMENT PUBLICATIONS OF AUSTRALIA PTY LTD	ENTERTAINMENT PUBLICATIONS LIMITED	
	FAIR VALUE $'000	FAIR VALUE $'000	TOTAL $'000
PURCHASE CONSIDERATION			
Cash	26,074	5,144	31,218
Shares	2,500	-	2,500
	28,574	5,144	33,718
LESS:			
Cash	4,526	3,183	7,709
Other assets	2,175	-	2,175
Receivables (i)	9,047	751	9,798
Property, plant and equipment	1,509	178	1,687
Intangibles	8,133	-	8,133
Inventories	357	16	373
Payables	(6,814)	(1,188)	(8,002)
Deferred revenue	(12,951)	(2,753)	(15,704)
Identifiable assets acquired and liabilities assumed	**5,982**	**187**	**6,169**
GOODWILL (ii)	**22,592**	**4,957**	**27,549**
NET CASH OUTFLOW ON ACQUISITION			**23,509**

i. The Directors believe that the receivables are fully recoverable and no further provision for impairment is required.

ii. The goodwill is attributed to the high profitability of the acquired businesses and the significant synergies that are expected to arise after the Group's acquisition of the two entities. No amount of the goodwill is deductible for tax purposes.

Profits and revenues resulting from the acquisitions are included in the consolidated Statement of Profit and Loss and Other Comprehensive Income for the year ended 30 June 2017 are as per note 25(a).

Note 14 | Property, Plant and Equipment

	CONSOLIDATED GROUP 2017 $000	2016 $000
Plant and equipment:		
At cost	3,423	894
Accumulated depreciation	(1,747)	(408)
	1,676	**486**
Leasehold improvements:		
At cost	1,887	432
Accumulated amortisation	(423)	(60)
	1,464	**372**
Leased plant and equipment:		
Capitalised leased assets	172	137
Accumulated depreciation	(17)	(37)
	155	**100**
TOTAL PLANT AND EQUIPMENT	**3,295**	**958**
Property:		
Freehold at cost	-	-
TOTAL PROPERTY, PLANT AND EQUIPMENT	**3,295**	**958**

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are set out below

CONSOLIDATED GROUP	FREEHOLD LAND $000	LEASEHOLD IMPROVEMENTS $000	PLANT AND EQUIPMENT $000	LEASED PLANT AND EQUIPMENT	TOTAL $000
Balance at 1 July 2015	179	397	503	81	1,160
Additions	-	58	178	75	311
Disposals	(179)	(49)	-	-	(228)
Transfers	-	-	24	(24)	-
Depreciation expense	-	(34)	(219)	(32)	(285)
BALANCE AT 30 JUNE 2016	**-**	**372**	**486**	**100**	**958**
Additions	-	18	1,012	-	1,030
Disposals	-	(5)	(25)	(2)	(32)
Transfers	-	(174)	113	61	-
Additions through business combinations	-	1,231	456	-	1,687
Depreciation expense	-	22	(366)	(4)	(348)
BALANCE AT 30 JUNE 2017	**-**	**1,464**	**1,676**	**155**	**3,295**

Note 15 | Intangible Assets

	CONSOLIDATED GROUP 2017 $000	CONSOLIDATED GROUP 2016 $000
GOODWILL		
Cost	52,425	21,063
Accumulated impairment losses	-	-
Net carrying amount	**52,425**	**21,063**
TECHNOLOGY AND SOFTWARE		
Cost	15,180	6,996
Accumulated amortisation and impairment losses	(1,595)	(630)
Net carrying amount	**13,585**	**6,366**
PURCHASED BRAND NAMES AND INTERNATIONAL RIGHTS		
Cost	6,610	2,976
Accumulated amortisation and impairment losses	-	-
Net carrying amount	**6,610**	**2,976**
DEVELOPMENT COSTS		
Cost	5,628	1,801
Accumulated impairment cots	(273)	-
Net carrying amount	**5,355**	**1,801**
TOTAL INTANGIBLES	**77,975**	**32,206**

CONSOLIDATED GROUP	GOODWILL $000	TECHNOLOGY AND SOFTWARE $000	BRAND NAME & INTERNATIONAL RIGHTS $000	DEVELOPMENT COSTS $000	TOTAL $000
YEAR ENDED 30 JUNE 2016					
Balance at the beginning of the year	18,926	4,514	2,976	-	26,416
Additions	-	2,298	-	1,801	4,099
Acquisition of franchises	2,270	-	-	-	2,270
Disposals	(133)	(16)	-	-	(149)
Amortisation charge	-	(430)	-	-	(430)
CLOSING VALUE AT 30 JUNE 2016	**21,063**	**6,366**	**2,976**	**1,801**	**32,206**
YEAR ENDED 30 JUNE 2017					
Balance at the beginning of the year	21,063	6,366	2,976	1,801	32,206
Additions	-	3,684	-	3,827	7,511
Acquisition of franchises	3,813	-	-	-	3,813
Disposals	-	-	-	-	-
Acquisitions through business combinations	27,549	4,500	3,634	-	35,683
Amortisation charge	-	(965)	-	(273)	(1,238)
CLOSING VALUE AT 30 JUNE 2017	**52,425**	**13,585**	**6,610**	**5,355**	**77,975**

Technology and Software assets have finite useful lives. The current amortisation charges for these assets are included under depreciation and amortisation expense per the statement of profit or loss. Goodwill, Brand Names and International Rights have an indefinite useful life and as such are not subject to amortisation, instead these assets are subject to regular impairment reviews.

The recoverable amount of the cash-generating units is determined based on a value-in-use calculation. The model includes a sensitivity analysis allowing for a range of growth rates.

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

2018 - 2022	GROWTH RATE	PRE-TAX DISCOUNT RATE
Bartercard	2.5%	10%
Entertainment Publications	5%	10%

The discount rate used reflects entity and market specific factors. To generate impairment, the discount rate would need to be in excess of 15% for Bartercard and 17% for Entertainment Publications or a decline in EBITDA of 12% for Bartercard and 20% for Entertainment Publications.

The cash generating unit for Entertainment Publications includes goodwill of $27,549,000 and indefinite life intangible assets of $3,634,000. The cash generating unit for Bartercard includes goodwill of $24,876,000 and indefinite life intangible assets of $2,976,000.

Cash flows used in the value-in-use calculations are based on forecasts produced by Management. These forecasts use growth rates consistent with historical performance and take into account cost growth assumptions and inflation expectations appropriate to the locations in which the Group operates. The cash flow forecasts have been projected over a period of five years, with a terminal multiplier of 2.5 for Bartercard and 5.3 for Entertainment Publications in year five consistent with the Company's long term planning horizons.

Note 16 | Other Financial Assets

	CONSOLIDATED GROUP	
	2017 $000	2016 $000
NON-CURRENT		
Available-for-sale financial assets		
Unlisted investment at fair value	1,500	1,500
TOTAL SHARES IN OTHER CORPORATES	1,500	1,500

These shares have been recognised based on the Directors valuation of the shares. The valuation has been prepared by reference to the capitalisation of future maintainable earnings and verified by direct comparison to similar listed entities. The Directors believe there are no identifiable unobservable matters which are likely to result in a significant adjustment to the valuation.

Note 17 | Other Assets

	CONSOLIDATED GROUP	
	2017 $000	2016 $000
CURRENT		
Prepayments	9,800	696
TOTAL CURRENT PREPAYMENTS	9,800	696

Prepayments predominantly represents the production cost of the entertainment platform built for the 2018 financial year. These costs are amortised over the next financial year.

Note 18 | Trade and Other Payables

	NOTE	CONSOLIDATED GROUP	
		2017 $000	2016 $000
CURRENT			
Unsecured liabilities:			
Trade payables		4,279	3,234
Sundry payables and accrued expenses		5,292	1,560
TOTAL CURRENT UNSECURED LIABILITIES		9,571	4,794
NON-CURRENT			
Unsecured liabilities:			
Other payables		822	2,278
TOTAL NON-CURRENT UNSECURED LIABILITIES		822	2,278

All liabilities in Note 18 are unsecured.

Note 19 | Borrowings

	NOTE	CONSOLIDATED GROUP 2017 $000	CONSOLIDATED GROUP 2016 $000
CURRENT			
Secured liabilities:			
Bank overdraft		3,000	3,613
Term loan current		2,000	-
Vendor loan		2,238	-
TOTAL CURRENT BORROWINGS		**7,238**	**3,613**
NON-CURRENT			
Unsecured liabilities:			
Convertible notes		5,000	5,000
Secured liabilities:			
Term loan non-current		8,000	-
TOTAL NON-CURRENT BORROWINGS		**13,000**	**5,000**
TOTAL BORROWINGS		**20,238**	**8,613**

The bank borrowings are secured by a first charge over all the present and after acquired property of the Group.

New convertible notes were issued in December 2016 and have a 24 month term. They have a coupon rate of 7.5%. The conversion price has been calculated at the lower of $1.0 per share and the price at which any additional shares are issued during the term of the note. These convertible notes were repaid in August 2017. The convertible notes from the 2016 financial year were repaid in December 2016.

The vendor loan is secured by guarantees provided by the Entertainment Book entities.

Note 20 | Tax

	NOTE	CONSOLIDATED GROUP 2017 $000	CONSOLIDATED GROUP 2016 $000
CURRENT			
Income Tax Payable		**1,037**	**814**

CONSOLIDATED GROUP	OPENING BALANCE $000	CHARGED TO INCOME $000	CHARGED DIRECTLY TO EQUITY $000	ACQUISITION $000	CLOSING BALANCE $000
Deferred tax assets:					
Provisions	668	(747)	-	-	(79)
Transaction costs on equity issue	1,263	-	(308)	-	955
Employee benefits	568	31	-	-	599
Property, plant and equipment:	7	(22)	-	-	(15)
Intangibles	(659)	-	-	-	(659)
Other	72	(131)	-	-	(59)
BALANCE AT 30 JUNE 2016	**1,919**	**(869)**	**(308)**	**-**	**742**
Provisions	(79)	4,192	-	1,472	5,585
Transaction costs on equity issue	955	-	(296)	-	659
Employee benefits	599	693	-	(355)	937
Property, plant and equipment:	(15)	-	-	(15)	(30)
Intangibles	(659)	(1,840)	-	607	(1,892)
Other	(61)	-	-	(2,137)	(2,198)
BALANCE AT 30 JUNE 2017	**740**	**3,045**	**(296)**	**(428)**	**3,061**

Unused tax losses for which no deferred tax assets have been brought to account relate to operating losses in the United Kingdom of $2,037,000 (2016: $2,515,000) and losses in the United States of America of $1,165,394 (2016: $1,173,000). The benefits of the above temporary differences and unused tax losses will only be realised if the conditions for deductibility set out in note 1(b) occur. The UK losses have no expiry date. The 2017 USA losses expire in 2037 (2016: expire 2036).

Note 21 | Provisions

MOVEMENT IN PROVISIONS	CONSOLIDATED GROUP EMPLOYEE BENEFITS $000	CONSOLIDATED GROUP TOTAL $000
Opening balance at 1 July 2015	1,721	1,721
Additional provisions	1,516	1,516
Amounts used	(1,345)	(1,345)
BALANCE AT 30 JUNE 2016	**1,892**	**1,892**
Opening balance at 1 July 2016	1,892	1,892
Additional provisions	2,725	2,725
Amounts used	(1,735)	(1,735)
BALANCE AT 30 JUNE 2017	**2,882**	**2,882**

ANALYSIS OF TOTAL PROVISIONS	CONSOLIDATED GROUP 2017 $000	CONSOLIDATED GROUP 2016 $000
Current	1,920	1,603
Non-current	962	289
TOTAL	**2,882**	**1,892**

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements as well as long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

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 historical data. The measurement and recognition criteria relating to employee benefits have been discussed in note 1(k).

Note 22 | Issued Capital

	CONSOLIDATED GROUP 2017 $000	CONSOLIDATED GROUP 2016 $000
91,327,771 (2016: 58,559,615) fully paid ordinary shares	54,554	26,227
TOTAL	**54,554**	**26,227**

BPS has no limits to its authorised share capital.

	CONSOLIDATED GROUP	
	2017 (NUMBER)	2016 (NUMBER)
ORDINARY SHARES		
At the beginning of the reporting period	58,559,615	58,509,615
Shares issued during the year:		
7 April 2016	-	50,000
17 August 2016	9,258,255	-
15 September 2016	19,997,064	-
15 September 2016	2,659,574	-
23 September 2016	758,263	-
12 April 2017	95,000	-
AT THE END OF THE REPORTING PERIOD	**91,327,771**	**58,559,615**

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. Shares have no par value.

At Shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

The entity manages its capital to ensure that it maximises the returns to Shareholders as dividends and in capital value, whilst maintaining sufficient equity to ensure the Company can meet its business development objectives and continue as a going concern. The Group only has ordinary shares on issue and is not subject to any externally imposed capital requirements.

Capital is also managed having regard to the Group's long term growth requirements.

Options

At the date of this report, the unissued ordinary shares in BPS Technology Ltd under option are as follows:

DATE OF GRANT	DATE OF EXPIRY	EXERCISE PRICE $	NUMBER UNDER OPTION
9 September 2014	8 September 2017	1.15	300,000

Option holders do not have any rights to participate in any issue of shares or other interests of the company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

Note 23 | Capital and Leasing Commitments

	CONSOLIDATED GROUP	
	2017 $000	2016 $000
OPERATING LEASE COMMITMENTS		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
Not later than 1 year	3,723	1,812
Between 2 and 5 years	11,676	6,743
Later than 5 years	1,520	844
	16,919	**9,399**

Note 24 | Contingent Liabilities and Contingent Assets

a. Contingent Assets

The Bartercard businesses litigate customers for necessary recovery of unpaid amounts owing to the exchange and the operator in the ordinary course of business. No asset is taken up by the Exchange Manager until a judgement is made and the Company believes there is a realistic expectation of recovery. The total value of claims currently before the courts is approximately $500,000. The Directors are of the view that they will be successful in each of the recoveries but are uncertain as to the timing and measurement of the recovery.

Note 25 | Segment Information

Reportable segments are identified on the basis of internal reports on the business units of BPS that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and assess its performance. Since the acquisition of the Entertainment Publications businesses (EPANZ), BPS manages the Group as two separate segments, being the Bartercard business and the Entertainment Publications business and reports these separately to management.

Our segment results include a corporate category reflecting head office operations costs. This does not qualify as an operating segment in its own right.

a. Segment Performance

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

YEAR ENDED 30 JUNE 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)
Other Expenses	(21,436)	(27,606)	(6,530)	(55,572)
EBITDA	**14,173**	**6,013**	**(6,485)**	**13,701**
Depreciation	(933)	(415)	(238)	(1,586)
SEGMENT PROFIT BEFORE TAX	**13,240**	**5,598**	**(6,723)**	**12,115**
Operating margin	30%	9%	n/a	11%
Unallocated items				
Interest	-	-	(766)	(766)
NET PROFIT BEFORE TAX	**13,240**	**5,598**	**(7,489)**	**11,349**

In 2016 Bartercard was the only segment and therefore no analysis of segment results is required.

YEAR ENDED 30 JUNE 2017	BARTERCARD $000	EPANZ $000	CORPORATE $000	TOTAL $000
SEGMENT ASSETS	**20,630**	**36,120**	**71,860**	**128,610**

In 2016 Bartercard was the only segment and therefore no analysis of segment assets is required.

YEAR ENDED 30 JUNE 2017	BARTERCARD $000	EPANZ $000	CORPORATE $000	TOTAL $000
SEGMENT LIABILITIES	**9,293**	**28,120**	**20,053**	**57,466**

In 2016 Bartercard was the only segment and therefore no analysis of segment liabilities is required.

b. **Revenue by geographical region**

Revenue, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the country in which the revenue is derived and billed:

	30 JUNE 17 $000	30 JUNE 16 $000
Australia	86,306	30,945
UK	4,195	6,150
New Zealand	18,569	11,826
USA	1,396	1,251
TOTAL REVENUE	**110,464**	**50,172**

c. **Assets by geographical region**

	30 JUNE 17 $000	30 JUNE 16 $000
The location of non-current segment assets by geographical location of the assets is disclosed below:		
Australia	76,177	31,519
UK	2,985	1,875
New Zealand	3,438	1,058
USA	3,231	2,860
TOTAL NON-CURRENT ASSETS	**85,831**	**37,312**

d. **Major Customers**

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

Note 26 | Cash Flow Information

	CONSOLIDATED GROUP 2017 $000	CONSOLIDATED GROUP 2016 $000
A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX		
Profit after income tax:	10,288	7,345
Cash flows excluded from profit attributable to operating activities	766	-
Non-cash flows in profit:		
Amortisation	1,238	430
Loss on disposal of assets	-	87
Write down of Inventory to fair value	725	(643)
Depreciation	348	285
Unrealised foreign exchange gain	(319)	(340)
Loss on intangibles	-	133
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase)/decrease in trade and term receivables	943	(5,543)
(Increase)/decrease in prepayments	(5,511)	89
(Increase)/decrease in inventories	172	1,354
(Increase)/decrease in other financial assets	(2,370)	-
Increase/(decrease) in trade payables and accruals	(96)	1,229
Increase/ (decrease) in deferred income	7,212	-
Increase/(decrease) in income taxes payable	(47)	(642)
Increase/(decrease) in deferred taxes payable	2,087	912
(Increase)/decrease in deferred taxes receivable	(1,362)	265
Increase/(decrease) in provisions	(1,322)	171
CASH FLOW FROM OPERATING ACTIVITIES	**12,752**	**5,132**
B) ACQUISITION OF ENTITIES & BUSINESS COMBINATIONS		
During the year various ownership interests were acquired. Details of these transactions are:		
Total purchase consideration	33,718	-
Consisting of:		
Cash consideration	31,218	-
Share consideration	2,500	
TOTAL CONSIDERATION	33,718	-
CASH OUTFLOW	**31,218**	**-**
Assets and liabilities held at acquisition date:		
Cash	7,709	-
Receivables	9,798	-
Inventories	373	-
Other assets	2,175	
Property, plant and equipment	1,687	-
Intangibles	8,133	-
Payables	(8,002)	-
Deferred value	(15,704)	
TOTAL	**6,169**	**-**
Goodwill on consolidation	27,549	-
TOTAL	**23,509**	**-**

Information regarding the acquisitions is disclosed in Note 13.

C) 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.

D) CREDIT STANDBY ARRANGEMENTS WITH BANKS

The major facilities are summarised as follows:

Bank overdrafts:

- Bank overdraft facilities are arranged with the general terms and conditions being set and agreed to annually.
- Interest rates are variable and subject to adjustment.

BPS Technology Ltd has a facility for $4.0 million with the Commonwealth Bank of Australia comprising of the following:

- Overdraft $3,000,000 drawn to $2,900,000;
- Corporate charge card $200,000 drawn to $28,000;
- Contingent liability Bank Guarantee $300,000 fully drawn; and
- Equipment finance $500,000 drawn to $65,000.

The facility is secured by a first charge over all the present and after acquired property of the Group.

Note 27 | Events After the Reporting Period

Subsequent to the year end the company received a claim from a claimant seeking damages of $100,000. The Directors having taken advice from the company's lawyers believe the claim has no merit. This has not been reflected in these financial statements.

The convertible note of $5,000,000 was repaid in August 2017.

The options existing at 30 June 2017 expired on the 8 September 2017.

Note 28 | Related Party Transactions

A) Related Parties

The Group's main related parties are as follows:

i. Key Management Personnel

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

For details of disclosures relating to key management personnel, refer to Note 6.

ii. Other related parties

Other related parties include entities controlled by the Company and entities over which key management personnel have joint control.

B) Transactions With Related Parties

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

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

A loan of $835,000 was made during the year to Barter Futures Pty Ltd a director-controlled entity. The loan was secured and interest was payable at the rate of 7.5% per annum. At the date of this annual report the loan was fully repaid.

In 2016 no transactions occured with related parties

Note 29 | Financial Risk Management

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

The totals for each category of financial instruments are measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*, as detailed in the accounting policies to these financial statements. These are summarised as follows:

	NOTE	CONSOLIDATED GROUP 2017 $'000	CONSOLIDATED GROUP 2016 $'000
FINANCIAL ASSETS			
Cash and cash equivalents	10	15,330	906
Trade and other receivables	11	12,380	12,315
Other financial assets	16	1,500	1,500
TOTAL FINANCIAL ASSETS		**29,210**	**14,721**
FINANCIAL LIABILITIES			
Financial liabilities at amortised cost:			
Trade and other payables		7,782	6,119
Borrowings	19	15,238	3,613
Convertible notes	19	5,000	5,000
TOTAL FINANCIAL LIABILITIES		**28,020**	**14,732**

Financial Risk Management Policies

Senior Management meet on a regular basis to review currency and interest rate exposure and to evaluate treasury management strategies where relevant, in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to assist the Consolidated Group in meeting its financial targets, while minimising potential adverse effects on financial performance. This strategy includes the review of the use credit risk policies and future cash flow requirements.

	WITHIN 1 YEAR		1 - 5 YEARS		5 YEARS		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
MATURITY ANALYSIS	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities due for payment:								
Trade and other payables	7,782	6,119	-	-	-	-	7,782	6,119
Borrowings[1]								
- Bank overdraft	-	-	-	-	-	-	3,000	3,613
- Term loan	2,000	-	8,000	-	-	-	10,000	-
- Vendor loan	2,238	-	-	-	-	-	2,238	-
Convertible notes	-	5,000	5,000	-	-	-	5,000	5,000
Financial Assets cash flows realisable								
Cash	15,330	906	-	-	-	-	15,330	996
Trade debtors	10,304	7,515	-	1,906	-	-	10,304	9,421
Other receivables	2,076	2,814	-	-	-	-	2,076	2,814
Other financial assets	-	-	-	-	1,500	1,500	1,500	1,500

1. Directors have excluded the bank overdraft from this analysis as they see no circumstances where the overdraft will become payable over the next five years.
2. The fair value of the investment has been measured as level 3. Measurements have been based on unobservable inputs.

Sensitivity analysis

Directors believe that the fair value of financial assets and liabilities are not sensitive to movements in either interest rates or exchange rates having taken into account the relatively stable interest rate market of our interest exposure and there are few cross border transactions.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and price risk.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (including the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties) ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 30 days from the invoice date.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period (excluding the value of any collateral or other security held) is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the Statement of Financial Position.

The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 11.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- Preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- Monitoring undrawn credit facilities;
- Obtaining funding from a variety of sources;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

c. Foreign exchange risk

The Group is exposed to foreign currency risk on the sale of licences and transaction fee income from foreign entities as well as on the translation of its foreign subsidiaries. The Group has not hedged foreign currency transactions as at 30 June 2017. Senior Management continue to evaluate this risk on an ongoing basis.

With instruments being held by overseas operations, fluctuations in the US dollar and UK pound sterling may impact on the Group's financial results unless those exposures are appropriately hedged.

Note 30 | Share based payments

On 12 April 2017 95,000 shares were issued in exchange for software services provided to the Group. Based upon the market price of the services provided in the normal course of business.

Note 31 | Company details

The registered office of the Company is:
Level 10, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

The principal places of business are:

ENTERTAINMENT PUBLICATIONS

53 - 55 Herbert Street, Artarmon, Sydney NSW 2064

BARTERCARD OPERATIONS AUSTRALIA PTY LTD
TRADE EXCHANGE SOFTWARE PTY LTD
BUCQI AUSTRALLIA PTY LTD
BARTERCARD SERVICES PTY LTD

121 Scarborough Street
Southport Qld 4215

BARTERCARD OPERATIONS NZ LIMITED

Building 3, Level 3, Candida Office Park,
61 Constellation Drive
Mairangi Bay
Auckland
New Zealand

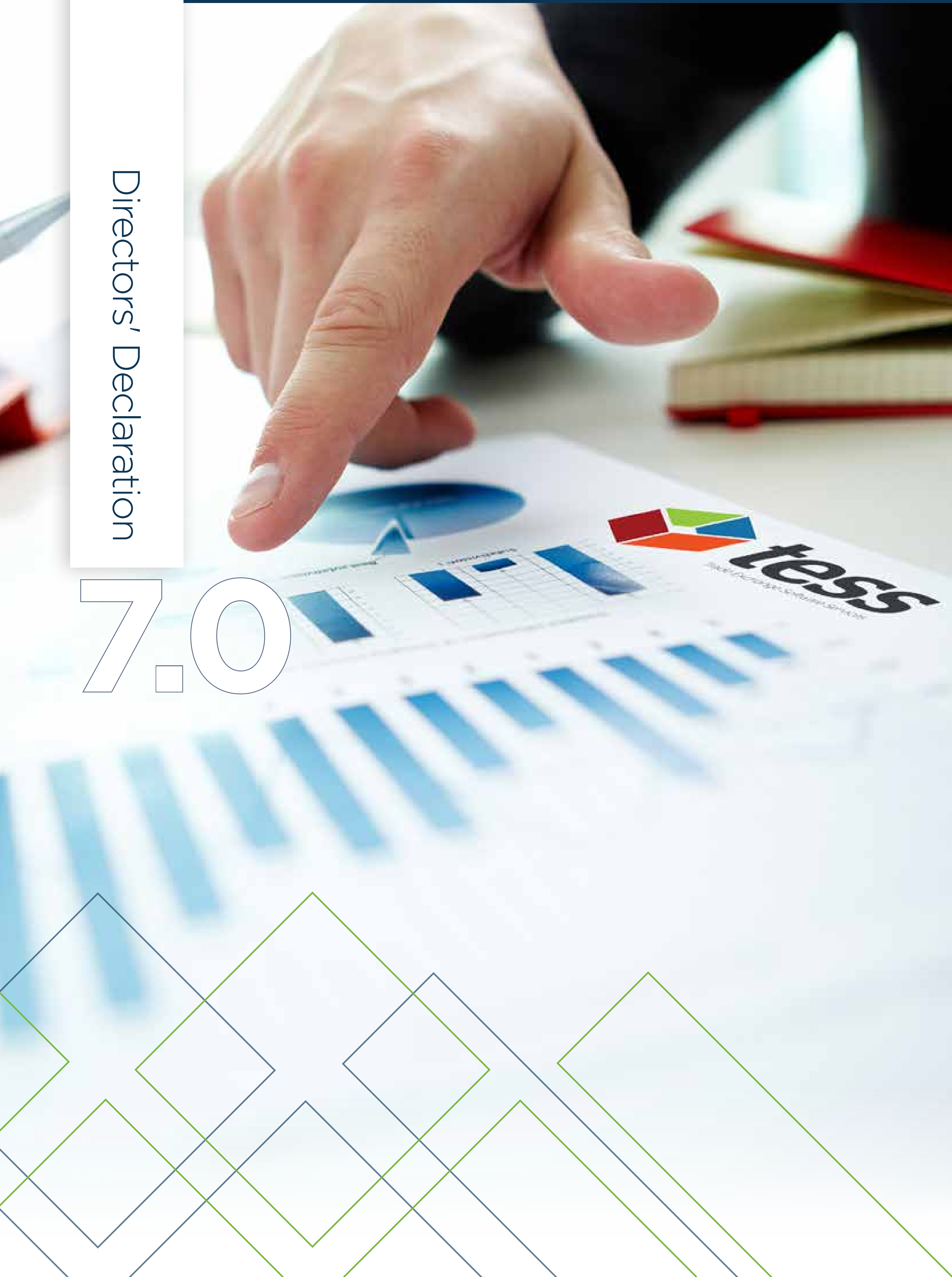
BARTERCARD OPERATIONS UK LTD

Churchill House
1 London Road
Slough
Berkshire
SL3 7FJ
United Kingdom

BARTERCARD USA INC

125 River Landing Drive,
Suite 104 Charleston
South Carolina 29492
United States of America

7.0 Directors’ Declaration



BPS Technology

Directors' Declaration

In accordance with a resolution of the Directors of BPS Technology Limited, the Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 29 to 62, are in accordance with the *Corporations Act 2001* and:

    a. Comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

    b. Give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group;

In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and the Directors have been given the declarations required by s295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

Murray d'Almeida
Chairman

Trevor Dietz
Chief Executive Officer

16 September 2017

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Southport Qld 4215

Independent Auditor's Report

8.0

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PILOT PARTNERS
Chartered Accountants

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1 Eagle St. Brisbane 4000

PO Box 7095 Brisbane 4001
Queensland Australia

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F +61 7 3229 1227

pilotpartners.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BPS TECHNOLOGY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the financial report of BPS Technology 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 and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the 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:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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.

Goodwill and Intangible Assets

Reason for significance:

The impairment assessment made by the Group over its goodwill and intangible assets balances is a key audit matter as it incorporates significant judgements in respect of factors such as forecast cash flows, growth rates and economic and operational assumptions. Goodwill and intangible assets are also a significant portion of the Group's total assets.

How our audit addressed the matter:

Our audit considered whether the methodology and principles applied by the Group to their discounted cash flow impairment models met the requirements of *AASB 136 Impairment of Assets*.

Using our understanding of the nature of the Group's business and the environment in which it operates, we assessed and tested the assumptions and methodologies used in the Group's discounted cash flow model. In doing so:

- We assessed the basis for the Group's forecasts including consideration of historical performance.
- We compared the discount rates, growth rates and other economic assumptions to available data.
- We performed sensitivity analysis and evaluated whether a reasonable change in assumptions could cause the carrying amount of the cash-generating units to exceed its recoverable amount, and
- We considered the appropriateness of the cash-generating units identified.

We also considered the adequacy of the financial report disclosures in regard to those assumptions.

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 accordingly 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.

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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 ability of the Group 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 has 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/Home.aspx. 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 23 to 25 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of BPS Technology 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.

Pilot Partners

PILOT PARTNERS
Chartered Accountants

DANIEL GILL
Partner

Signed on 29 September 2017

Level 10
1 Eagle Street
Brisbane Qld 4000

9.0 Additional ASX Disclosures

Additional information required by the Australian Securities Exchange not shown elsewhere in this report is as follows.

The following information is current as at 29 September 2017:

1. **Shareholding**

a. **Distribution of Shareholders**

CATEGORY (SIZE OF HOLDING)	NUMBER ORDINARY
1 - 1,000	129
1,001 - 5,000	288
5,001 - 10,000	136
10,001 - 100,000	358
100,001 and over	55
TOTAL	**966**

b. The number of shareholdings held in less than marketable parcels is 96.

c. The names of the substantial Shareholders listed in the holding Company's register are:

NAME	NO OF ORDINARY SHARES HELD
JP Morgan Nominees Australia Limited	10,913,916
Everest MB Pty Ltd	10,312,000
Coralnet Pty Ltd	9,500,000
TCM Investments Australia Pty Ltd	8,074,663
National Nominees Limited	5,108,179

d. **Voting Rights**

The Company only has ordinary shares. Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. **20 Largest Shareholders – Ordinary Shares**

NAME	NO OF ORDINARY FULLY PAID SHARES HELD	% HELD OF ISSUED ORDINARY CAPITAL
1. J P Morgan Nominees Australia Limited	10,913,916	12.19%
2. Everest MB Pty Ltd	10,312,000	11.50%
3. Coralnet Pty Ltd	9,500,000	10.61%
4. TCM Investments Australia Pty Ltd	8,074,663	9.02%
5. National Nominees Limited	5,108,179	5.70%
6. L1 Capital Pty Ltd	4,475,000	5.00%
7. Alceon Liquid Strategies Pty Ltd	3,360,000	3.75%
8. BNP Paribas Nominees Pty Ltd	2,896,165	3.23%
9. Pershing Australia Nominees Pty Ltd	1,959,177	2.19%
10. HSBC Custody Nominees (Australia) Limited	1,775,370	1.98%
11. Virpaysol Pty Ltd	1,723,685	1.92%
12. Barter Futures Pty Ltd	1,709,582	1.91%
13. CVC Limited	1,588,321	1.77%
14. CS Third Nominees Pty Limited	1,335,738	1.49%
15. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,321,472	1.48%
16. Quotidian No2 Pty Ltd	1,100,000	1.23%
17. JKM Securities Pty Limited	600,000	0.67%
18. Narlack Pty Ltd	454,875	0.51%
19. BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	433,715	0.48%
20. Stanbox Pty Ltd	406,000	0.45%

2. **The name of the Company Secretary is:**

Antonie Wiese

3. **The address of the principal registered office in Australia is:**

Level 10, Waterfront Place
1 Eagle Street
Brisbane Qld 4000
(07) 3023 1300

The principal place of business is:

121 Scarborough Street
Southport Qld 4215
(07) 5561 9111

4. **Registers of securities are held at the following addresses:**

Link Market Service
Level 15, 324 Queen Street
Brisbane Qld 4000
(07) 3320 2211

5. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

CORPORATE INFORMATION

BPS TECHNOLOGY LTD

ABN	43 167 603 992
Directors	Murray d'Almeida | Director (Non-Executive) Garth Barrett | Director (Non-Executive) Trevor Dietz | Chief Executive Officer Antonie Wiese | Chief Financial Officer Brian Hall | Director (Executive)
Company Secretary	Antonie Wiese
Registered Office	Level 10, Waterfront Place 1 Eagle Street Brisbane Qld 4000
Principal Place of Business	ENTERTAINMENT PUBLICATIONS 53 - 55 Herbert Street, Artarmon, Sydney NSW 2064 BARTERCARD OPERATIONS AUSTRALIA PTY LTD TRADE EXCHANGE SOFTWARE PTY LTD BUCQI AUSTRALIA PTY LTD BARTERCARD SERVICES PTY LTD 121 Scarborough Street, Southport QLD 4215
Auditor	Pilot Partners Level 10, Waterfront Place 1 Eagle Street Brisbane Qld 4000
Legal Advisors	McCullough Robertson Level 11, 66 Eagle Street Brisbane Qld 4000
Bankers	Commonwealth Bank of Australia Level 3, 240 Queen Street Brisbane Qld 4000
Share Register	Link Market Services Limited Level 15, 324 Queen Street Brisbane Qld 4000
Website	www.bpstechnology.com.au
Securities Exchange	BPS Technology Ltd is listed on the Australian Securities Exchange (ASX: BPS)

BPS Technology

Level 10, Waterfront Place,
1 Eagle Street,
Brisbane QLD 4000

www.bpstechnology.com
info@bpstechnology.com