

22 February 2018

## MARKET UPDATE

BPS Technology Limited ("BPS" or "Company") (ASX: BPS) advises the following:

- Underlying EBITDA of \$2.7 million for 1HFY2018, lower than previous guidance of \$4.0-4.5 million provided to the market;
- Impairments and write-off to balance sheet assets of \$30.1 million as a result of a review of intangibles, business development costs and previously capitalised items;
- Restructuring provision of \$4.5 million to be booked in 1HFY2018, as previously advised, as well as \$1.3 million in other one-off expenses for the half year;
- Restatement of prior year remuneration reports due to items being previously omitted or incorrectly disclosed;
- Appointment of Mr Iain Dunstan to the Board of Directors as Managing Director (currently CEO);
- Resignations of Mr Antonie (Tony) Wiese and Mr Brian Hall from the Board of Directors, effective today;
- Resignation of Mr Brian Hall as CEO of Bartercard Group, effective today;
- Resignation of Mr Tony Wiese as CFO of the Company, and Mr Darius Coveney to take on the combined role of CFO and COO, effective today; and
- The appointment of Ms Laura Newell of Boardroom Pty Ltd as Company Secretary, replacing Mr Tony Wiese.

### Revised Financial Performance and Impairments

As announced to the market on 22 December 2017, the Company is, following the appointment of Mr Iain Dunstan as CEO, implementing a number of business restructuring recommendations.

The underlying EBITDA for the 1HFY2018 is now expected to be \$2.7m. The main driver for the lower performance compared to previous guidance is the delay in the realisation of forecast costs savings.

As part of the 1HFY2018 review, the Company in consultation with its auditors has reviewed the appropriateness of the previous accounting treatment and impairment testing of certain assets on the balance sheet. As a result, a write-off of \$30.1 million is expected in the balance sheet as at 31 December 2017 consisting of:

- \$6.5 million in previously capitalised business development costs;
- \$8.9 million of the carrying value of Bartercard franchises either held for sale or Company owned;
- \$7.5 million of the carrying value of international Bartercard operations;
- \$4.0 million write-down of Goodwill related to the Bartercard business;
- \$3.2 million of other balances, mainly related to inventories and receivables.



As previously advised to the market, the Company also expects to book a restructuring provision of \$4.5 million in the 1H FY2018 result. There will also be other one-off expenses in the half year of approximately \$1.3 million. Based on the sum of the above adjustments, the Company's reported EBITDA for 1H FY2018 is expected to be a loss of approximately \$33.2 million.

In addition to the above, the Company is amending its estimates of the remaining useful lives of various technology and software assets, leading to an increase in the level of amortisation in the period. Further detail will be provided with the release of the 1H FY2018 results on 28 February 2018.

### **Restatement of Prior Year Remuneration Reports**

During the preparation of the accounts for the half year ended 31 December 2017, the Company has conducted a thorough review of Key Management Personnel ("KMP") remuneration. As a result of this review, the Company has identified that certain items were omitted or incorrectly disclosed in prior Remuneration Reports. These findings have been discussed with and confirmed by the Company's auditor.

The previous and restated Remuneration Report tables for FY2017, FY2016 and FY2015 are attached as Appendix A. It should be noted that these corrections relate to past disclosures and have no impact on the reported profits of the Company in the relevant years.

### **Review of Accounting Practices and Controls**

The Company has appointed KPMG to assist in a review of the Company's governance and controls. This review is ongoing, however a number of control improvements have already been implemented across the business. The Company will continue to take all steps that might be appropriate to rectify any issues identified from the review and protect the interests of shareholders.

### **Board and Management Renewal Process**

Consistent with the Company's commitment to undertake a major review of its organisational structure and corporate governance practices, further changes to both senior management and board are announced today.

Mr Tony Wiese and Mr Brian Hall have tendered, and the Company has accepted, their resignations as board members, effective today. Mr Iain Dunstan, who has served as Chief Executive Officer since his appointment in November 2017, has also accepted the role of Managing Director and will join the Board immediately.

Mr Tony Wiese has also resigned from his role as Chief Financial Officer and company secretary today. Mr Brian Hall has resigned as CEO of the Bartercard business, but will continue to work with the Bartercard team in a strategic advisory role. The Board wishes to thank Mr Wiese and Mr Hall for their service to the Company.

Mr Darius Coveney, who was appointed to the position of Chief Operating Officer on 4 February 2018, will assume the role of CFO/COO.

As a result of the board changes, the current board is comprised of:

- Mr Murray D’Almeida, Independent Chairman
- Mr Garth Barrett, Independent Non-Executive Director
- Mr Iain Dunstan, Managing Director

The Company intends to further strengthen the board with experienced non-executive directors with relevant corporate governance and industry experience, and expects to make a further announcement regarding this in the near future.

### **Change of Company Secretary**

In accordance with ASX Listing Rule 3.16.1, the Company advises that effective today, the following resignation and appointment occurred:

- resignation of Mr Tony Wiese as company secretary; and
- appointment of Ms Laura Newell as company secretary.

In accordance with ASX Listing Rule 12.6, BPS advises that Ms Newell will be responsible for communication with the ASX in relation to all Listing Rule matters.

Ms Newell is employed by Boardroom Pty Ltd in their Corporate Secretarial Services Division in Sydney. Boardroom is one of the largest providers of Company Secretarial Services in Australia. Ms Newell is an Associate of the Governance Institute of Australia. She holds a Bachelor degree in Law with Criminology and a Masters in Law and Corporate Governance. Her experience includes ASX listed, NSX listed and unlisted entities.

### **For more information, please contact:**

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**About BPS Technology Limited (BPS):** BPS is a leading provider of transactional platforms and management systems which enable businesses to attract customers across multiple sales channels. These platforms currently serve 36,000 merchants and 1.5m customers through a network of ~20,000 Not-for-Profit organisations, giving BPS a reach of 3.5m consumers. BPS earns revenues on transactions over the platforms via its subsidiaries Bartercard, Entertainment and bucci.

## **Appendix A – Original and Revised Remuneration Tables for FY2017, FY2016 and FY2015**

### **1. Year Ended 30 June 2017 (“FY2017”)**

#### **Remuneration Report as originally published for FY2017**

In the Remuneration Report included in the Financial Report for BPS for FY2017, the following was disclosed (Table A):

**Table A**

	<b>DIRECTORS' REMUNERATION REPORT FY17</b>	<b>Short Term Employee Benefits</b>	<b>Post Employment Benefits</b>	<b>Total</b>
		<b>Cash and Salary</b>	<b>Superannuation</b>	
		<b>\$000</b>	<b>\$000</b>	
Directors	Murray d'Almeida	100	9	<b>109</b>
	Anthony Lally	36	26	<b>62</b>
	Garth Barrett	25	2	<b>27</b>
	Trevor Dietz	425	40	<b>465</b>
	Brian Hall	425	40	<b>465</b>
	Antonie Wiese	425	40	<b>465</b>
	<b>DIRECTORS TOTAL</b>	<b>1,436</b>	<b>157</b>	<b>1,593</b>
Execs	Andrew McIntyre	215	21	<b>236</b>
	Susan Minnekeer <sup>(1)</sup>	139	12	<b>151</b>
	Heidi Halson	278	20	<b>298</b>
	Philip Scott	140	13	<b>153</b>
	<b>EXECS TOTAL</b>	<b>772</b>	<b>66</b>	<b>838</b>
	<b>GRAND TOTAL</b>	<b>2,208</b>	<b>223</b>	<b>2,431</b>

**Notes**

1 Susan Minnekeer joined BPS on 28 November 2016

#### **Remuneration Report as revised for FY2017**

The following table includes and corrects the relevant items previously omitted or incorrectly disclosed (Table B):

**Table B**

	<b>DIRECTORS' REMUNERATION REPORT FY17</b>	<b>Base Remuneration</b>	<b>Post Employment Benefits</b>	<b>Sub-Total</b>	<b>Other Short Term Employee Benefits</b>	<b>Total</b>
		<b>Cash and Salary</b>	<b>Superannuation</b>			
		<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
Directors	Murray d'Almeida <sup>(1)</sup>	109	0	109	0	109
	Anthony Lally <sup>(2)</sup>	36	26	62	0	62
	Garth Barrett	25	2	27	0	27
	Trevor Dietz	425	40	465	36	501
	Brian Hall <sup>(3),(5)</sup>	167	3	170	1	171
	Antonie Wiese <sup>(4)</sup>	466	7	473	20	493
	<b>DIRECTORS TOTAL</b>	<b>1,228</b>	<b>78</b>	<b>1,306</b>	<b>57</b>	<b>1,363</b>
Execs	Brian Hall <sup>(3),(6)</sup>	299	4	303	1	304
	Andrew McIntyre	225	21	246	0	246
	Susan Minnekeer <sup>(7)</sup>	141	12	153	0	153
	Heidi Halson	200	20	220	78	298
	Philip Scott	163	0	163	0	163
	<b>EXECS TOTAL</b>	<b>1,028</b>	<b>57</b>	<b>1,085</b>	<b>79</b>	<b>1,164</b>
	<b>GRAND TOTAL</b>	<b>2,256</b>	<b>135</b>	<b>2,391</b>	<b>136</b>	<b>2,527</b>

**Notes**

- Director fees were paid to an associated entity of Murray d'Almeida
- Retired as a Director on 28 November 2016
- Base remuneration includes \$76,442 in salary and \$437,884 in fees paid to an associated entity of Brian Hall (across time as a Director and an Executive)
- Base remuneration includes \$76,442 in salary and \$437,884 in fees paid to an associated entity of Antonie Wiese
- Appointed as a Director on 20 February 2017
- For the period to 19 February 2017
- Susan Minnekeer joined BPS on 28 November 2016

In addition to the remuneration disclosed above, Broni International Pty Ltd, an entity jointly controlled by Brian Hall and Antonie Wiese, received consulting fees of \$95,400 (ex-GST). As an entity controlled by Brian Hall and Antonie Wiese, it is therefore a related party of BPS.

## 2. Year Ended 30 June 2016 ("FY2016")

### Remuneration Report as originally published for FY2016

In the Remuneration Report included in the Financial Report for BPS for FY2016, the following was disclosed (Table C):

**Table C**

	<b>DIRECTORS' REMUNERATION REPORT FY16</b>	<b>Short Term Employee Benefits</b>	<b>Post Employment Benefits</b>	<b>Total</b>
		<b>Cash and Salary</b>	<b>Superannuation</b>	
		<b>\$000</b>	<b>\$000</b>	
Directors	Murray d'Almeida	99	-	<b>99</b>
	Anthony Lally	75	7	<b>82</b>
	Andrew Pipolo <sup>(1)</sup>	63	6	<b>69</b>
	Trevor Dietz	387	31	<b>418</b>
	Brian Hall <sup>(2)</sup>	354	28	<b>382</b>
	Antonie Wiese	387	31	<b>418</b>
	<b>DIRECTORS TOTAL</b>	<b>1,365</b>	<b>103</b>	<b>1,468</b>
Execs	Andrew McIntyre	124	12	<b>136</b>
	Philip Scott	148	-	<b>148</b>
	Brian Hall <sup>(3)</sup>	33	3	<b>36</b>
	<b>EXECS TOTAL</b>	<b>305</b>	<b>15</b>	<b>320</b>
	<b>GRAND TOTAL</b>	<b>1,670</b>	<b>118</b>	<b>1,788</b>

**Notes**

- 1 Resigned 26 April 2016
- 2 Resigned 24 May 2016
- 3 From 25 May 2016

**Remuneration Report as revised for FY2016**

The following table includes and corrects the relevant items previously omitted or incorrectly disclosed (Table D):

**Table D**

	<b>DIRECTORS' REMUNERATION REPORT FY16</b>	<b>Base Remuneration</b>	<b>Post Employment Benefits</b>	<b>Sub-Total</b>	<b>Other Short Term Employee Benefits</b>	<b>Total</b>
		<b>Cash and Salary</b>	<b>Superannuation</b>			
		<b>\$000</b>	<b>\$000</b>			
Directors	Murray d'Almeida <sup>(1)</sup>	99	0	99	0	<b>99</b>
	Anthony Lally	75	7	82	0	<b>82</b>
	Andrew Pipolo <sup>(2)</sup>	63	6	69	0	<b>69</b>
	Trevor Dietz	350	33	383	39	<b>422</b>
	Brian Hall <sup>(3),(5)</sup>	348	5	353	3	<b>356</b>
	Antonie Wiese <sup>(4)</sup>	379	5	384	11	<b>395</b>
	<b>DIRECTORS TOTAL</b>	<b>1,314</b>	<b>56</b>	<b>1,370</b>	<b>53</b>	<b>1,423</b>
Execs	Brian Hall <sup>(6)</sup>	31	0	31	0	<b>31</b>
	Andrew McIntyre	124	12	136	0	<b>136</b>
	Philip Scott <sup>(7)</sup>	148	0	148	0	<b>148</b>
	<b>EXECS TOTAL</b>	<b>303</b>	<b>12</b>	<b>315</b>	<b>0</b>	<b>315</b>
	<b>GRAND TOTAL</b>	<b>1,617</b>	<b>68</b>	<b>1,685</b>	<b>53</b>	<b>1,738</b>

**Notes**

- 1 Director fees were paid to an associated entity of Murray d'Almeida
- 2 Retired as a Director on 26 April 2016
- 3 Base remuneration includes \$51,923 in salary and \$327,520 in fees paid to an associated entity of Brian Hall
- 4 Base remuneration includes \$51,923 in salary and \$327,520 in fees paid to an associated entity of Antonie Wiese
- 5 Resigned as a Director on 24 May 2016
- 6 For the period from 25 May 2016
- 7 Base remuneration was paid to an associated entity of Philip Scott

In addition to the remuneration disclosed above, Broni International Pty Ltd, an entity jointly controlled by Brian Hall and Antonie Wiese, received consulting fees of \$93,600 (ex-GST). As an entity controlled by Brian Hall and Antonie Wiese, it is therefore a related party of BPS.

### 3. Year Ended 30 June 2015 ("FY2015")

#### Remuneration Report as originally published for FY2015

In the Remuneration Report included in the Financial Report for BPS for FY2015, the following was disclosed (Table E):

**Table E**

	DIRECTORS' REMUNERATION REPORT FY15	Short Term Employee Benefits	Post Employment Benefits	Total
		Cash and Salary	Superannuation	
		\$000	\$000	
Directors	Murray d'Almeida <sup>(1)</sup>	75	7	82
	Anthony Lally <sup>(1)</sup>	33	35	68
	Andrew Pipolo <sup>(1)</sup>	33	35	68
	Trevor Dietz	387	31	418
	Brian Hall	387	31	418
	Antonie Wiese	387	31	418
	<b>DIRECTORS TOTAL</b>	<b>1,302</b>	<b>170</b>	<b>1,472</b>
Execs	Scott Chappel	165	16	181
	Philip Scott	128	12	140
	Peter Fenton	139	13	152
	<b>EXECS TOTAL</b>	<b>432</b>	<b>41</b>	<b>473</b>
	<b>GRAND TOTAL</b>	<b>1,734</b>	<b>211</b>	<b>1,945</b>

**Notes**

- 1 Appointed 25 July 2014

#### Remuneration Report as revised for FY2015

The following table includes and corrects the relevant items previously omitted or incorrectly disclosed (Table F):

**Table F**

	DIRECTORS' REMUNERATION REPORT FY15	Base Remuneration	Post Employment Benefits	Sub-Total	Other Short Term Employee Benefits	Total
		Cash and Salary	Superannuation			
		\$000	\$000		\$000	\$000
Directors	Murray d'Almeida <sup>(1),(2)</sup>	74	0	74	0	74
	Anthony Lally <sup>(2)</sup>	29	38	67	0	67
	Andrew Pipolo <sup>(2)</sup>	33	35	68	0	68
	Trevor Dietz	338	31	369	24	393
	Brian Hall <sup>(3)</sup>	371	0	371	2	373
	Antonie Wiese <sup>(4)</sup>	371	0	371	7	378
	<b>DIRECTORS TOTAL</b>	<b>1,216</b>	<b>104</b>	<b>1,320</b>	<b>33</b>	<b>1,353</b>
Execs	Scott Chappel	165	16	181	0	181
	Philip Scott	140	-	140	0	140
	Peter Fenton	139	13	152	0	152
	<b>EXECS TOTAL</b>	<b>444</b>	<b>29</b>	<b>473</b>	<b>0</b>	<b>473</b>
	<b>GRAND TOTAL</b>	<b>1,660</b>	<b>133</b>	<b>1,793</b>	<b>33</b>	<b>1,826</b>

**Notes**

- 1 Director fees were paid to an associated entity of Murray d'Almeida  
2 Appointed as a Director on 25 July 2014  
3 Base remuneration includes \$0 in salary and \$371,000 in fees paid to an associated entity of Brian Hall  
4 Base remuneration includes \$0 in salary and \$371,000 in fees paid to an associated entity of Antonie Wiese

In addition to the remuneration disclosed above, Broni International Pty Ltd, an entity jointly controlled by Brian Hall and Antonie Wiese, received consulting fees of \$73,260 (ex-GST). As an entity controlled by Brian Hall and Antonie Wiese, it is therefore a related party of BPS.