



Appendix 4D

Half Year Report
28th February 2018

Impelus Limited (formerly Mobile Embrace Limited)

ABN: 24 089 805 416

Appendix 4D Half Year Report
For the period 1 July 2017 to 31 December 2017

Appendix 4D

The following information sets out the requirements of the Appendix 4D of Impelus Limited and its controlled entities.

This Appendix 4D covers the reporting period from 1 July 2017 to 31 December 2017. The previous corresponding period is 1 July 2016 to 31 December 2016.

Results for Announcement to the Market

| | FHY18 \$ | FHY17 \$ | Change \$ | Change % |
|---|--------------|-------------|--------------|-------------|
| Revenue from ordinary activities | 15,460,270 | 27,079,803 | (11,619,533) | (42.90%) |
| EBITDA | 2,164,502 | 2,133,434 | 31,068 | 1.46% |
| Net profit before write-off of Goodwill | 365,150 | 721,043 | (355,893) | (49.36%) |
| Write-off of Goodwill | (20,056,664) | - | | |
| Net profit / (loss) for the half year (including write-off of Goodwill) | (19,691,514) | 721,043 | (20,412,556) | (2830.98%) |
| Exchange difference on translating foreign operations * | (299,559) | (227,042) | (72,517) | 31.94% |
| Outside Equity interest** | - | (50,466) | 50,466 | (100.0%) |
| Total comprehensive income for the half year | (19,991,072) | 393,535 | (20,384,608) | (5179.87%) |

Dividends

No dividend has been proposed or declared in respect of the period ended 31 December 2017.

Capital

Total issued and paid up ordinary shares: 442,927,882.

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

Financial Summary

| | FHY18 \$ million | FHY17 \$ million |
|---|---------------------|---------------------|
| Sales Revenue | 15.5 | 27.1 |
| EBITDA | 2.2 | 2.1 |
| Net profit before write-off of Goodwill | 0.4 | 0.7 |
| Write-off of Goodwill | (20.1) | - |
| NPAT | (19.7) | 0.7 |
| Cash at Bank | 3.3 | 7.7 |

Refer to the Review of Operations in the half year financial report for commentary on the results for the period and explanations to understand the Group's revenue and profit / (loss) from ordinary activities.

***Exchange difference on translating foreign operations** – The Company operates wholly owned subsidiaries in the UK and Singapore; on converting these entities financial accounts to Australian dollars an unrealized exchange gain or loss occurs.

Directors' Report

Your directors submit the financial report of the consolidated Group for the half year ended 31 December 2017.

Directors

The names of directors who held office during or since the end of the half year:

| | |
|---------------------|---|
| Ian Elliot | Non-executive Chairman (appointed 29 November 2017) |
| Neil Wiles | Chief Executive Officer & Managing Director (appointed 18 July 2017) |
| Drew Kelton | Non-executive Director Chairman until 29 November 2017 and Non-Executive Director since that time |
| David Andrew Haines | Non-executive Director |
| Christopher Thorpe | Chief Executive Officer until 18 July 2017 and Non-Executive Director until resignation on 17 November 2017 |

Review of Operations

Impelus Limited posted an EBITDA of \$2.2 million, net profit before impairment of Goodwill was \$0.37 million and a net loss after tax (including write-off of Goodwill) of \$19.7 million for the half year end results.

The principal activities of the consolidated entity are technology led Digital Performance Marketing (DPM). As a DPM customer acquisition company the consolidated entity, through its DPM platforms and infrastructure, enables businesses to generate customers at scale via digital channels and devices. For more information please see www.impelus.com.

The consolidated entity also has non-core activities that are in the process of divestment or run-off (Clipp and Direct Carrier Billing)

On 13 December 2017 the Company announced a change of its name from *"Mobile Embrace Limited"* to *"Impelus Limited"* which approved by the Company's shareholders at the Annual General meeting held on 29 November 2017.

There were no other significant changes in the nature of the consolidated group's principal activities during the period.

| | FHFY18 \$ million | FHFY17 \$ million |
|---|----------------------|----------------------|
| Revenue | 15.5 | 27.1 |
| EBITDA | 2.2 | 2.1 |
| Net Profit / (Loss) After Tax Before write-off of Goodwill | 0.37 | 0.72 |
| Write-off of Goodwill | (20.06) | - |
| Exchange difference on translating foreign operations | (0.30) | (0.27) |
| Outside Equity interest | - | (0.50) |
| Total comprehensive income | (19.99) | 0.39 |

The Company

Impelus Limited (ASX:IMS) is a technology led Digital Performance Marketing (DPM) customer acquisition company that is building out its DPM Platforms and infrastructure globally. This infrastructure utilises its proprietary technology, tools and data assets from its offices in the UK, Australia and New Zealand to seamlessly connect and engage consumers with products they value, enabling better customer generation for businesses at scale via digital channels and devices.

Impelus is expanding its catalogue of Digital Performance Marketing products to provide increasing value and market opportunity to its clients and partners.

Businesses globally are urgently seeking to alleviate the growing complexities of marketing through digital channels such as advertising fraud, viewability, transparency, brand safety and overall marketing spend wastage. Impelus enables businesses, through its machine learning technology, engagement mechanics and data assets, to attain measurable ROI (Return on Investment) for every dollar spent, addressing these complexities and simplifying digital customer acquisition for businesses.

Businesses can reach and acquire their best customers, at scale, through digital channels and most importantly, on the devices where consumers are choosing to spend more and more of their time.

Subsequent Events

On 1 February 2017, the Company advised the ASX that late on 29 January 2018 it was informed by a major telecommunications carrier which provides Impelus with Direct Carrier Billing Services of its intention to cease providing the Services as of March 2, 2018 to all its DCB partners including Impelus. On 9 February 2018 the Company provided a further update in relation to the decision by Telstra Corporation Limited to cease providing Direct Carrier Billing Services as of March 2, 2018 to all its DCB partners including Impelus. In that announcement the Company stated in part: *"...Impelus has attempted to try and resolve this issue with Telstra but without success. Impelus' strong position is that Telstra has a continuing obligation to provide it with the Services after March 2, 2018 and intends on initiating proceedings in the Supreme Court of New South Wales (Supreme Court) to seek injunctive or expedited final relief to prevent Telstra from ceasing to provide it with the Services from March 2, 2018...While, as previously announced, Impelus has classified its DCB operations as non-core (and has been reducing costs in that area of its operations and focusing on its existing and profitable technology-led Digital Performance Marketing business), premature withdrawal of the Services in March 2018 in breach by Telstra will have a material impact on Impelus' FY2018 revenue and earnings before interest and tax (EBITDA). The Company estimates that the impact on EBITDA for FY2018 is in the range of \$550k to \$680k..."*. At the time of reporting this issue remains unresolved.

Impairment

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.

a) Goodwill

The Company having made a positive start to the financial year, seeing a higher ratio of EBITDA to revenue this half year compared to the previous corresponding period, and as a component of the Company's transition to digital performance marketing, the Board resolved to undertake a Balance Sheet restructure with a view to the future and incur a significant impairment in relation to Goodwill of approximately \$20m. This was the result of a number of factors including:

- Advice in regard to reducing the proportion of Goodwill as a percentage of total asset value;
- Impact upon the business as a result of the transition from a Direct Carrier Billing (DCB) focus to a technology-led Performance Marketing Business including Telstra's decision to prematurely cease providing DCB services to Impelus;
- The amalgamation of the Company's individual cash generating unit entities under the DPM umbrella;
- Write downs in relation to non-core assets including \$4m in relation to Clipp;
- The age of some components of the intangible assets;
- The result of the bi-annual asset impairment testing process including consideration of a number of macro assumptions such as market conditions; and
- Impairment testing indicated the Company needed to incur an impairment of at least \$7.3m but due to the factors particularised above, a decision was made to incur an amount of \$20m.

This restructuring of the Balance Sheet positions the business for a healthier future.

Cash

The Company's Cash at Bank was \$3.28 million as at 31 December 2017 compared to \$7.72 million as at 31 December 2016.

Outlook

Impelus is now well advanced in establishing itself as a growing digital-led customer acquisition business underpinned by the very best technology platforms.

In a rapidly changing marketing landscape, leading companies and brands are demanding better outcomes from their promotional partners, including delivery of more qualified customer leads, improved customer lifetime value, and greater cost effectiveness. Impelus' platforms are now doing this.

The Company will increase its investment in the growth and development of the new DPM assets throughout HY2 FY2018, given they are expected to generate higher average revenue per transaction, and will lessen activity on lower value, lower average revenue per transaction products.

The UK operations are trading well, and new client relationships are being established with growth opportunities identified in other European markets. IMS sees considerable scope for growth in the UK operations, and the Company is well advanced with plans to establish a greater presence there to deliver organic revenue and earnings growth. Updates to the market will be provided in due course.

Given the impact of recent changes to the DCB operations as reported on 9 February, and the continued investment this half in the DPM business, clearer revenue and earnings visibility is anticipated in the first half of FY2019. Objectives for this half include:

- Scale-up and deployment of technologically-enhanced DPM operations in Australia, NZ and more so, the larger UK and European markets;
- Launch of new consumer engagement technology platforms to deliver improved margins; and
- Strengthening the UK operations and improved efficiency gains.

Impelus looks forward to reporting on these milestones progressively in the near term. The Board and management team is very confident in the Company's prospects and opportunities for growth.

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 6 for the half year ended 31 December 2017.

This report is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Neil Wiles', is positioned above the printed name.

Neil Wiles

CEO & Managing Director

28 February 2018



**IMPELUS LIMITED ABN 24 089 805 416
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C
OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF IMPELUS LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2017 there have been no contraventions of:

- a. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- b. any applicable code of professional conduct in relation to the review.

MNSA Pty Ltd

Sam Danieli
Director

Sydney

Dated this 28th day of February 2018

Consolidated Statement of Profit or Loss and other comprehensive income for the half year ended 31 December 2017

| | Notes | Consolidated Group | |
|---|-------|--------------------|-------------|
| | | 31.12.17 | 31.12.16 |
| | | \$ | \$ |
| Continuing Operations | | | |
| Revenue from Continuing Operations rendered | | 15,460,270 | 27,079,803 |
| Cost of sales | | (7,003,662) | (6,869,125) |
| | | 8,456,608 | 20,210,678 |
| Interest income | | 5,046 | 11,215 |
| Service providers and commissions | | (563,969) | (2,085,691) |
| Administration expenses | | (136,090) | (340,692) |
| Advertising and marketing expenses | | (164,647) | (5,823,013) |
| Finance costs | | (155,174) | (93,779) |
| Depreciation and amortisation expense | | (2,197,829) | (998,212) |
| Impairment of intangible assets | | - | (76,292) |
| Impairment of Goodwill | 6 | (20,056,664) | - |
| Employee benefits expense | | (4,279,977) | (7,176,847) |
| Legal expenses | | (100,325) | (120,939) |
| Occupancy expenses | | (279,911) | (313,247) |
| Operational expenses | | (472,823) | (1,362,211) |
| Other expenses from ordinary activities | | (294,364) | (854,604) |
| Profit / (loss) before income tax | | (20,240,119) | 976,366 |
| Income tax (expense) / benefit | | 548,606 | (255,323) |
| Net profit / (loss) for the half year | | (19,691,513) | 721,043 |
| Other comprehensive income | | - | - |
| Exchange differences on translating foreign operations | | (299,559) | (277,042) |
| Income tax relating to other comprehensive income | | - | - |
| | | (299,559) | (277,042) |
| Outside Equity Interest | | - | (50,466) |
| Other comprehensive income for the year net of tax | | - | - |
| Total comprehensive income for the year | | (19,991,072) | 393,535 |
| Basic earnings per share (cents per share) | | (0.05) | 0.16 |
| Diluted earnings per share (cents per share) | | (0.04) | 0.15 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position as at 31 December 2017

| | Notes | Consolidated Group | |
|--|-------|--------------------|-------------------|
| | | 31.12.17 | 30.06.17 |
| | | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 3,278,550 | 9,071,741 |
| Trade and other receivables | | 6,681,229 | 9,402,899 |
| Other assets | | 3,543,328 | 2,903,301 |
| TOTAL CURRENT ASSETS | | 13,503,107 | 21,377,941 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | | 252,992 | 249,804 |
| Plant and equipment | | 1,049,864 | 1,281,407 |
| Intangible assets | 4 | 14,189,664 | 15,418,567 |
| Deferred tax assets | | 2,031,279 | 1,943,829 |
| Investments | | - | - |
| Goodwill | 6 | 4,106,378 | 20,087,209 |
| Other non-current assets | | 5,300 | 6,300 |
| TOTAL NON-CURRENT ASSETS | | 21,635,477 | 38,987,116 |
| TOTAL ASSETS | | 35,138,584 | 60,365,057 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 2,467,432 | 3,555,083 |
| Deferred consideration | | - | 4,626,606 |
| Borrowings | 8 | 2,819,552 | 314,936 |
| Deferred tax liabilities | | 1,355,647 | 1,735,476 |
| Income tax payable | | 315,398 | 656,489 |
| Short-term provisions | | 967,526 | 1,481,812 |
| TOTAL CURRENT LIABILITIES | | 7,925,555 | 12,370,402 |
| NON-CURRENT LIABILITIES | | | |
| Deferred consideration | | | |
| Borrowings | 8 | 5,186,864 | 5,994,380 |
| Provisions | | 22,844 | 22,332 |
| TOTAL NON-CURRENT LIABILITIES | | 5,209,708 | 6,016,712 |
| TOTAL LIABILITIES | | 13,135,263 | 18,387,114 |
| NET ASSETS | | 22,003,321 | 41,977,943 |
| EQUITY | | | |
| Issued capital | | 46,646,348 | 46,629,898 |
| Reserves | | 98,222 | 98,222 |
| Retained earnings / (accumulated losses) | | (24,058,407) | (4,366,894) |
| Parent interest | | 22,686,163 | 42,361,226 |
| Foreign currency translation reserve | | (682,842) | (383,283) |
| TOTAL EQUITY | | 22,003,321 | 41,977,943 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows for the half year ended 31 December 2017

| | Consolidated Group | |
|--|---------------------------|---------------------|
| | 31.12.17 | 31.12.16 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 16,410,028 | 27,470,135 |
| Payments to suppliers and employees | (14,633,469) | (28,600,191) |
| Interest Received | 5,046 | 11,215 |
| Income tax (Paid) / Refund | (924,530) | (968,992) |
| Interest Paid | (155,174) | (93,779) |
| Net cash provided by / (used in) operating activities | 701,910 | (2,181,612) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for Acquisitions & Earn outs | (7,108,140) | (5,869,178) |
| Investment in Clipp | - | (583,333) |
| Purchase of property, plant and equipment | (28,101) | (597,346) |
| Purchase of intangible assets | (751,344) | (2,782,851) |
| Net cash used in investing activities | (7,887,585) | (9,832,708) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of Borrowings | (141,066) | - |
| Proceeds from borrowings | 1,533,550 | 515,660 |
| Proceeds from Issue of capital | - | 1,260,200 |
| Net cash provided by / (used in) financing activities | 1,392,484 | 1,775,860 |
| Net increase / (decrease) in cash held | (5,793,191) | (10,238,460) |
| Cash at beginning of half year | 9,071,741 | 17,955,835 |
| Cash at end of half year | 3,278,550 | 7,717,375 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity for the half year ended 31 December 2017

Consolidated Group

| | Issued Capital \$ | Accumulated Losses \$ | Reserves \$ | Foreign Currency Reserve \$ | Minority Interest \$ | Total Equity \$ |
|---|----------------------|-----------------------------|----------------|--------------------------------------|----------------------------|--------------------|
| Balance 1 Jul 2016 | 45,300,648 | (5,962,570) | 793,484 | (158,486) | - | 39,973,076 |
| Issued Capital | 1,260,200 | - | - | - | - | 1,260,200 |
| Profit for the half year | - | 721,043 | - | - | - | 721,043 |
| Share issued costs | - | - | - | - | - | - |
| Option reserve: options issued | - | - | 165,821 | - | - | 165,821 |
| Option reserve: options expired | - | - | - | - | - | - |
| Option reserve: options converting to capital | 89,517 | - | - | - | - | 89,517 |
| Foreign exchange (loss) / gain from OCI | - | - | - | (277,042) | - | (277,042) |
| Outside Equity Interest | - | - | - | - | (50,466) | (50,466) |
| Balance 31 Dec 2016 | 46,650,365 | (5,241,527) | 959,305 | (435,528) | (50,466) | 41,882,149 |
| Balance 30 Jun 2017 | 46,629,898 | (4,366,894) | 98,222 | (383,283) | - | 41,977,943 |
| Issued Capital | - | - | - | - | - | - |
| Loss for the half year | - | (19,691,513) | - | - | - | (19,691,513) |
| Share issued costs | - | - | - | - | - | - |
| Option reserve: options issued | 16,450 | - | - | - | - | 16,450 |
| Option reserve: options expired | - | - | - | - | - | - |
| Option reserve: options converting to capital | - | - | - | - | - | - |
| Foreign exchange (loss) / gain from OCI | - | - | - | (299,559) | - | (299,559) |
| Outside Equity Interest | - | - | - | - | - | - |
| Balance 31 Dec 2017 | 46,646,348 | (24,058,407) | 98,222 | (682,842) | - | 22,003,321 |

The accompanying notes form part of these financial statements.

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements for the interim half year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Mobile Embrace Limited and its controlled entities (referred to as the Consolidated Group or the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half year.

Going Concern

This 31 December 2017 interim financial report has been prepared on the basis of a going concern. The basis believes that funds will be available to finance future operations and that realisation of assets and settlement of liabilities will occur in the normal course of business.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except in relation to the matters discussed below.

Principles of Consolidation

The consolidated financial statements incorporated all of the assets, liabilities and results of the parent Mobile Embrace Limited and all of the subsidiaries. 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 subsidiaries is provided in Note 3: Controlled Entities.

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 on which that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interest in a subsidiary not attributable, directly or indirectly, to the Group is presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiaries net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the June 2017 Annual Report.

Adoption of new and revised Accounting Standards

The Company has adopted all of the new and revised Standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period.

The adoption of all new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has had no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Company's presentation of, or disclosures in, its interim financial statements.

New Accounting Standards and Interpretations issued but not yet applied by the entity

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

Note 2. Operating Segments

Segment Information

A. Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and / or services provided by segment;
- The type or class of customer for the products or services;
- The distribution method; and
- Any external regulatory requirements.

B. Types of products and services by segment

i. Digital Performance Marketing (DPM)

The Company through its DPM customer acquisition platforms and infrastructure, enables businesses to generate customers at scale. The Company utilises its proprietary technology, tools and data assets from its offices in the UK, Australia and New Zealand to seamlessly connect and engage consumers with products they value, enabling better customer generation for businesses via digital channels and devices.

ii. Carrier Billing

The Company enables itself and its partners integrated customer acquisition, management and carrier billing via mobile devices. Consumers seamlessly engage with digital product and service offers and utilise carrier billing to conveniently pay for them on their mobile devices.

iii. Clipp

Clipp is a bar tab and restaurant bill payment smart phone application. The application enables customers to open a bar tab via the Clipp smart phone application to purchase food and drink through the applications powerful functionality and point of sale (POS) integration.

i. Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statement of the Group.

ii. Intersegment transactions

An internally determined transfer price is set for all intersegment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is the representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment loans payable and receivable are initially recognised at the consideration received / to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

iii. Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Note 2. Operating Segments (continued)

C. Basis of accounting for purposes of reporting by operating segments

iv. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrance of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

v. Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Impairment of assets and other non-recurring items of revenue or expense;
- Income tax expense;
- Deferred tax assets and liabilities;
- Current tax liabilities;
- Other financial liabilities; and
- Intangible assets.

D. Segment performance

| 31 December 2017 | C Billing \$ | DP Marketing \$ | Clipp \$ | Total \$ |
|--|------------------|--------------------|------------------|---------------------|
| REVENUE | | | | |
| External sales | 4,544,549 | 8,378,279 | 2,537,442 | 15,460,270 |
| Interest revenue | 4,163 | 883 | - | 5,046 |
| Total segment revenue | 4,548,712 | 8,379,162 | 2,537,442 | 15,465,316 |
| Segment gross profit | 3,496,990 | 3,824,054 | 88,888 | 7,409,932 |
| Segment net profit / (loss) before tax | 826,475 | 2,164,580 | (286,142) | 2,704,913 |
| Reconciliation of segment result to group net profit / loss before tax | | | | |
| Amounts not included in segment results but reviewed by the Board: | | | | |
| Depreciation and amortisation and impairment | - | - | - | (22,254,493) |
| Net Interest | - | - | - | - |
| Unallocated items: | - | - | - | - |
| Corporate charges | - | - | - | (690,539) |
| Net profit / (loss) before tax | - | - | - | (20,240,119) |

| 31 December 2016 | C Billing \$ | M Marketing \$ | Clipp \$ | Total \$ |
|---|-------------------|-------------------|-------------|-------------------|
| REVENUE \$ | | | | |
| External sales | 13,110,926 | 13,968,877 | - | 27,079,803 |
| Interest revenue | - | - | - | - |
| Total segment revenue | 13,110,926 | 13,968,877 | - | 27,079,803 |
| Segment gross profit | 4,872,745 | 7,099,752 | - | 11,972,497 |
| Segment net profit / (loss) before tax | 709,145 | 2,993,099 | - | 3,702,244 |
| Reconciliation of segment result to group net profit/ loss before tax | | | | |
| Amounts not included in segment results but reviewed by the Board: | | | | |
| Depreciation and amortisation and impairment | - | - | - | (1,074,504) |
| Net Interest | - | - | - | (82,564) |
| Unallocated items: | - | - | - | - |
| Corporate charges: | - | - | - | (1,568,810) |
| Net profit / (loss) before tax | - | - | - | 976,366 |

Note 3. Interest in Subsidiaries

Controlled Entities Consolidated

| Name of Entity | Country of Incorporation | Ownership Interest | |
|--|--------------------------|--------------------|---------------|
| | | 31.12.17 % | 31.12.16 % |
| Parent Entity: | | | |
| Mobile Embrace Limited | Australia | | |
| Subsidiaries of Mobile Embrace Limited: | | | |
| Global One Mobile Entertainment Pty Ltd | Australia | 100 | 100 |
| Divolution Limited | Australia | 100 | 100 |
| 1st Screen | Australia | 100 | 100 |
| 6G Pty Ltd | Australia | 100 | 100 |
| Lead Proof Pty Ltd (formerly 7A Pty Ltd) | Australia | 100 | 100 |
| 8Z Pty Ltd | Australia | 100 | 100 |
| Convey Pty Ltd (formerly Level 3 Pty Ltd) | Australia | 100 | 100 |
| Mobipay Pty Ltd (formerly Convey Pty Ltd) | Australia | 100 | 100 |
| Convey Global Pty Ltd | Singapore | 100 | 100 |
| The Performance Factory Pty Ltd | Australia | 100 | 100 |
| Eggmobi Pty Ltd | Australia | - | 100 |
| Eggmobi UK Limited | UK | 100 | 100 |
| Vizmond Pty Ltd | Australia | 100 | 100 |
| Vizmond Media Pty Ltd | Australia | 100 | 100 |
| Convey Global MY SDN BHD | Malaysia | - | 100 |
| Marketing Punch Limited | UK | 100 | 100 |
| Marketing Punch Pty Ltd | Australia | 100 | 100 |
| Clipp Pty Ltd | Australia | 97 | 31 |

Note 4. Intangible Assets

| | Consolidated Group | |
|------------------------------------|--------------------|-------------------|
| | Dec 2017 | Jun 2017 |
| | \$ | \$ |
| Software systems from acquisitions | 10,877,208 | 10,877,208 |
| Accumulated amortisation | (2,306,041) | (1,615,099) |
| Net carrying value | 8,571,167 | 9,262,109 |
| Software development | 12,163,700 | 11,397,680 |
| Accumulated amortisation | (6,545,203) | (5,241,222) |
| Net carrying value | 5,618,497 | 6,156,458 |
| Content and web development costs | 74,649 | 74,649 |
| Accumulated amortisation | (74,649) | (74,649) |
| Net carrying value | - | - |
| Total Intangibles | 14,189,664 | 15,418,567 |

Note 4. Intangible Assets (Continued)

Movements in Carrying Amounts

Movement in the carrying amount for each class of intangible assets between the beginning and the end of the current year.

| Consolidated Group: | Software and Development \$ | Content & Web Development \$ | Total \$ |
|---|--------------------------------|---------------------------------|-------------------|
| Year ended 30 June 2017 | | | |
| Balance at the beginning of the year | 11,809,996 | 79,147 | 11,889,143 |
| Additions: external acquired | | | |
| Software acquired through acquisition | 3,659,029 | | 3,659,029 |
| Software | 1,765,930 | | 1,765,930 |
| Additions: internally developed | | | |
| Software | 1,956,245 | | 1,956,245 |
| Disposals | (8,130) | (79,147) | (87,277) |
| Amortisation / impairment | (3,764,503) | - | (3,764,503) |
| | 15,418,567 | - | 15,418,567 |
| Half Year ended 31 December 2017 | | | |
| Balance at the beginning of the year | 15,418,567 | - | 15,418,567 |
| Additions: external acquired | | | |
| Software acquired through acquisition | - | - | - |
| Software | - | - | - |
| Additions: internally developed | | | |
| Software | 751,344 | - | 751,344 |
| Disposals | - | - | - |
| Amortisation / impairment | (1,980,248) | - | (1,980,248) |
| | 14,189,664 | - | 14,189,664 |

Note 5. Fair Value Measurement

The Group has a number of financial instruments which are measured at fair value in the statement of financial position. These had the following fair values as at 31 December 2017.

| | | 31.12.2017 | |
|-------------------------------|--|-----------------|------------|
| | | Carrying amount | Fair value |
| Current receivables | | | |
| • Trade and other receivables | | 6,681,229 | 6,681,229 |
| | | 6,681,229 | 6,681,229 |
| Current liabilities | | | |
| • Trade and other payables | | 2,467,432 | 2,467,432 |
| | | 2,467,432 | 2,467,432 |

Due to their short-term nature, the carrying amounts of current receivables and current payables are assumed to approximate their fair value.

Note 6. Goodwill Update

| | Consolidated Group | |
|--|---------------------------|-------------------|
| | 31.12.17 | 30.06.16 |
| | \$ | \$ |
| Goodwill | | |
| Goodwill on acquisitions – Performance Marketing Group | 20,017,316 | 15,941,483 |
| Goodwill on acquisitions - Clipp | 4,145,726 | 4,145,726 |
| Impairment of Goodwill | (20,056,664) | - |
| Carrying Value at balance date | <u>4,106,378</u> | <u>20,087,209</u> |

Impairment testing

For the purposes of annual impairment testing goodwill is broken down into the following cash generated units which is consistent with business combination calculations.

| | 31.12.17 |
|---|------------------|
| | \$ |
| Performance Marketing | 4,106,378 |
| Goodwill allocation at 31 December 2017 | <u>4,106,378</u> |

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

Management has taken into account the industry growth rates and the relative likely competitive pressures on the sector, and a range of market growth rates for FY 2018. Management has assumed expenses grow by 10% year on year. The discount rate is based on the WACC for the Company.

Impairment testing

Growth rates:

| | | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|-----------------------------|--------------|----------------|----------------|----------------|----------------|----------------|
| Performance Marketing Group | Growth rates | 5% | 5% | 5% | 5% | 5% |
| Performance Marketing Group | Growth rates | 10% | 10% | 10% | 10% | 10% |
| Performance Marketing Group | Growth rates | 15% | 15% | 15% | 15% | 15% |

Cash flow assumptions

Management's key assumptions for the businesses include, stable margin, and assumed expenses grow by 10% year on year. Management believes growth will continue across FY 2019 to FY 2022 given the sectors infancy and increasing adoption rates.

Apart from the considerations described in determining the value-in-use of the cash generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

Applying discount rate of 12%

| Growth Rate | Cash generating unit | CGU value including goodwill after write-off of Goodwill | NPV of cash flow |
|--------------------|-----------------------------|---|-------------------------|
| 5% | Performance Marketing Group | 4,106,378 | 11,659,501 |
| 10% | Performance Marketing Group | 4,106,378 | 18,634,247 |
| 15% | Performance Marketing Group | 4,106,378 | 25,723,266 |

Note 6. Goodwill Update (Continued)
Applying discount rate of 18%

| Growth Rate | Cash generating unit | CGU value including goodwill after write-off of Goodwill | NPV of cash flow |
|-------------|-----------------------------|--|------------------|
| 5% | Performance Marketing Group | 4,106,378 | 9,630,774 |
| 10% | Performance Marketing Group | 4,106,378 | 15,144,337 |
| 15% | Performance Marketing Group | 4,106,378 | 20,745,011 |

Note 7. Business Combinations: Acquisitions

Acquired controlled entities: C2B Solutions Pty Limited

The Company has acquired C2B Solutions Pty Ltd (C2B), a profitable and strategically compelling Performance Marketing company. (Refer ASX announcement dated 14 August 2017).

This acquisition enables Impelus to benefit more from its digital Performance Marketing positioning to deliver more sustainable growth: Highly complementary business with strong earnings increasing sales reach that works favourably with the building out of the Company's Performance Marketing platforms and products

At this stage the Company has not performed the purchase price allocation.

| | Fair Value \$ |
|---|------------------|
| Purchase consideration: | |
| Cash | 2,500,000 |
| Contingent consideration | - |
| | <u>2,500,000</u> |
| Less: | |
| Cash | - |
| Receivables | - |
| Tangible Assets | - |
| Intangible Asset – IT System | - |
| Payables | - |
| Identifiable assets acquired and liabilities assumed | <u>-</u> |
| Goodwill (i) | <u>2,500,000</u> |
| Purchase consideration settled in cash | |
| Cash outflow on acquisition | <u>2,500,000</u> |

- (i) The goodwill is attributable to C2B Solutions' strong position and competitive advantage in the Performance Marketing sector. Provisional fair values are subject to final review by the Directors.

No amount of the goodwill is deductible for tax purposes.

EBITDA and revenue resulting from the acquisition of C2B Solutions Pty Limited amounting to \$0.74 million and \$1.68 million respectively are included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. These results have been consolidated since the date of the acquisition on 1 July 2017.

Note 8. Borrowings

| | Notes | 31.12.17 | 30.06.17 |
|--------------------|---|------------------|------------------|
| Current | | | |
| Loan | 1 | 2,819,552 | 314,936 |
| | | <u>2,819,552</u> | <u>314,936</u> |
| Non-current | | | |
| Loan | 1 | 743,302 | 927,865 |
| Facility | 2 | 4,443,562 | 5,066,515 |
| | | <u>5,186,864</u> | <u>5,994,380</u> |
| Notes | | | |
| 1. | Loan: 5-year term, monthly payments expiring March 2021. | | |
| 2. | The drawdown facility (GBP £4 million): 3-year term expiring September 2018, was converted into a \$7 million-dollar loan amortising over 3 years with monthly payments from the 22 January 2018. | | |

Note 9. After Balance Date Events

On 1 February 2017, the Company advised the ASX that late on 29 January 2018 it was informed by a major telecommunications carrier which provides Impelus with Direct Carrier Billing Services of its intention to cease providing the Services as of March 2, 2018 to all its DCB partners including Impelus. On 9 February 2018 the Company provided a further update in relation to the decision by Telstra Corporation Limited to cease providing Direct Carrier Billing Services as of March 2, 2018 to all its DCB partners including Impelus. In that announcement the Company stated in part: *"...Impelus has attempted to try and resolve this issue with Telstra but without success. Impelus' strong position is that Telstra has a continuing obligation to provide it with the Services after March 2, 2018 and intends on initiating proceedings in the Supreme Court of New South Wales (Supreme Court) to seek injunctive or expedited final relief to prevent Telstra from ceasing to provide it with the Services from March 2, 2018...While, as previously announced, Impelus has classified its DCB operations as non-core (and has been reducing costs in that area of its operations and focusing on its existing and profitable technology-led Digital Performance Marketing business), premature withdrawal of the Services in March 2018 in breach by Telstra will have a material impact on Impelus' FY2018 revenue and earnings before interest and tax (EBITDA). The Company estimates that the impact on EBITDA for FY2018 is in the range of \$550k to \$680k..."*. At the time of reporting this issue remains unresolved.


Note 10. Contingent Liabilities

There are no contingent liabilities at balance date.

Directors' Declaration

In accordance with a resolution of the directors of the company declare that:

1. The financial statements and notes, as set out on the pages 8 to 19, are in accordance with the Corporations Act 2001, including:
 - a. Complying with Accounting Standards AASB 134 Interim Financial Reporting; and
 - b. Giving a true and fair view of the consolidated entity's financial position as at the 31 December 2017 and of its performance for the half year ended on that date.
2. In the director's opinion there are reasonable grounds to that the company will be able to pay its debts as and when they become due and payable.



Neil Wiles
CEO & Managing Director
28 February 2018



**IMPELUS LIMITED ABN 24 089 805 416
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
IMPELUS LIMITED**

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Impelus Limited, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of Impelus Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Impelus Limited's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Impelus Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Impelus Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of Impelus Limited's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

MNSA Pty Ltd

Sam Danieli

Director

Sydney

Dated this 28th day of February 2018