

Appendix 4E

Incentiapay Limited (INP or the Company) (ABN 43 167 603 992)

Results for announcement to the market

This Appendix 4E of Incentiapay Limited is provided to the Australian Securities Exchange (**ASX**) under ASX Listing Rule 4.3A.

1. Reporting period details

Current reporting period: Financial year ended 30 June 2018 (**FY2018**)
Previous corresponding period: Financial year ended 30 June 2017 (**FY2017**)

2. Results

Unaudited Results	Direction	% Change	FY2018	FY2017
Revenue from continuing operations ⁺	Up	2%	106,789	105,073
Revenue from discontinued operations ⁺	Down	(38%)	3,335	5,391
Revenue [^] (\$'000's)	Down	(0%)	110,124	110,464
Underlying EBITDA* (\$'000's)	N/A	N/A	1,842	N/A
(Loss)/Profit from ordinary activities after tax (\$'000's)**	Down	(696%)	(61,345)	10,288
Net (Loss)/profit after tax attributed to members (\$'000's)	Down	(704%)	(62,183)	10,288
Basic earnings per share (NPAT) (cents)**	Down	(536%)	(52.8)	12.1
Net tangible assets per share (cents)	Up	94%	(0.5)	(7.5)

[^] See section 4 below

⁺ FY2017 figures are provided for comparison purposes

* Non-AIFRS item - see section 3 below. Note that the underlying EBITDA was not reported last year

** Excludes discontinued operations

Progress of Audit

The FY2018 accounts are in the process of being audited. As such, the information set out in this Appendix 4E is unaudited. Although the FY2018 audit is not yet completed, the company's auditors (Pilot Partners) currently expect to issue an unqualified audit opinion and the Directors are not currently aware of any matters that may impact on the FY2018 audit opinion.

3. Summary of FY2018 Operational Results

Performance	Ref	FY2018 \$'000
Fee income		24,496
Licence fees		195
Membership subscriptions		44,740
Gift card sales		34,651
Other		2,707
Revenue from discontinued operations		3,335
Total Gross Sales Revenue	4	110,124
Less: Cost of Gift Cards	4	(34,406)
Total Net Sales Revenue	4	75,718
Underlying EBITDA*		1,842
Depreciation & Amortisation		(6,055)
EBIT Before significant items*		(4,213)
Net interest expense		(1,216)
Profit/(Loss) before tax and significant items*		(5,429)
Significant items*		
Impairments	5.1	(47,156)
Provision for restructure	5.2	(4,754)
Discontinued operations	5.3	(3,458)
One off Balance Sheet adjustments	5.4	(1,030)
Extraordinary General Meetings "EGM" costs	5.5	(923)
Acquisition costs	5.6	(783)
Other significant items	5.7	(650)
Profit/(Loss) before tax		(64,183)
Income tax benefit/(payable)		2,000
Net Profit/(Loss) after tax		(62,183)

* Non-AIFRS item

4. Divisional Revenues

Divisional Revenues	FY2018 \$'000	FY2017 \$'000	VAR %
Revenue			
Bartercard	29,385	39,222	(25%)
Entertainment Publication	77,404	65,851	18%
Income from discontinued operations	3,335	5,391	(38%)
Total Gross Sales Revenue	110,124	110,464	0%
Less: Cost of Gift Cards	(34,406)	(24,889)	(38%)
Total Net Sales Revenue	75,718	85,575	(12%)

Note that FY2018 Gruden revenues of \$1.9m have been reported within the Entertainment Publications division and that FY2017 income from discontinued operations has been provided for comparison purposes.

To improve disclosure to the market, the Company has added additional information regarding the cost of gift card sales. Gift cards are sold within the Entertainment business and represent a significant revenue line for that business. However, due to the nature of these sales (resale of third party gift cards, where the discount provided by the retailer is passed on to Entertainment members) the margins on this revenue are small (less than 1% in FY18).

5. Significant items

5.1. Impairments

Impairments	FY2018 \$'000
Development costs	(6,519)
Bartercard franchise related intangibles (goodwill)	(6,992)
Bartercard franchise related inventories	(1,892)
Goodwill related to Bartercard UK operations	(4,987)
International rights related to Bartercard	(941)
Investment in unlisted entity	(1,500)
Inventory balances related to Bartercard	(1,540)
Goodwill related to the Bartercard business	(4,035)
Other balance sheet items	(1,714)
Total balance sheets write-downs to 31 December 2017	(30,120)
Impairments to 30 June 2018	
Bartercard Group	(13,609)
Gruden Group	(2,012)
Other balance sheet items	(1,415)
Total balance sheets write-downs to 30 June 2018	(47,156)

When reporting the Company's results for H1 FY2018, the Directors noted that a number of write-downs had been taken by the IncentiaPay Group related to non-cash assets on the balance sheet. In finalising the FY2018 results, the Directors have further assessed the future growth prospects and associated investment costs related to the Company's Bartercard business and have taken a further impairment charge against the assets of that business.

In relation to the Gruden business, the Company has taken a conservative view of the future contract signing rate within that business, as well as the investment required to fully integrate the mobileDen technology, and has decided to book an impairment against the business as at 30 June 2018.

5.2. Provision for restructure

In December 2017 IncentiaPay announced a restructure program in respect of geographical presence and the employee cost base. As at 31 December a provision was raised for \$4.5m, being for employee entitlements and occupancy costs. This was in addition to the \$0.3m of employee termination costs booked during the six month period to 31 December 2017.

During the six months to 30 June 2018 the Group has completed the following items from the restructuring plan:

- Amalgamated eight office locations
- Amalgamated and streamlined the Bartercard Australia and New Zealand (BCANZ) senior management team
- Restructured field teams for BCANZ
- Implemented two key automation projects enabling restructure of head office administration
- Created shared service support solutions for the Group's marketing, human resource, finance, project management and legal functions
- Suspended investment in ExportPlus and Bucqi operations
- Increased investment in AliPay operations
- Divested of Bartercard US Inc and negotiated an exit of the Bartercard UK operations

The above resulted in an impact of \$1.9m to the provision during the six-month period ended 30 June 2018. The remaining provision as at 30 June 2018 is \$2.6m. The annualized operating profit benefit resulting from restructure program initiatives completed to 30 June 2018 is in the order of \$3.7m.

5.3. Discontinued operations

In line with the restructuring program announced on 22 December 2017, IncentiaPay divested of interests in Bartercard US Inc on 31 May 2018, and negotiated an exit of the Bartercard UK operations. These actions had the following impacts:

- Reclassified \$0.8m of losses during FY2018 to discontinued operations; and
- Booked impairments and losses on sale of \$2.6m against US and UK assets.

5.4. One-off balance sheet adjustments

The FY2018 results were impacted by the following one-off adjustments to the Group's balance sheet:

- Understatement of other liabilities by \$0.4m as disclosed in the H1 FY2018 report

- Overstatement of trade receivables by \$0.5m as disclosed in the restatement of the H1 FY2018 report announced to the market on 17 July 2018
- Other minor adjustments amounting to \$0.1m

5.5. EGM costs

During FY2018, IncentiaPay Ltd held two Extraordinary General Meetings.

The first was held on 3 November 2017 at the request of shareholders. The business of that meeting related to the proposed removal and appointment of directors. The second was held on 5 April 2018, primarily to seek shareholder approval for the acquisition of the business assets of Gruden Group Limited ("Gruden").

The Group incurred \$0.9m in one-off costs relating to these meetings, \$0.5m to 31 December 2017 and a further \$0.4m to 30 June 2018.

5.6. Acquisition costs

On 11 May 2018 the Company acquired the business assets of ASX-Listed Gruden Group Limited ("Gruden"), a digital marketing and transactional payment business with 500,000 users across 800 retail outlets handling 100,000 transactions per month.

In this acquisition, IncentiaPay acquired the following new, wholly owned, subsidiaries:

- Gruden Pty Ltd ACN 602 396 654
- Blackglass Pty Ltd ACN 114 807 340
- MobileDen Pty Ltd ACN 159 196 620

Costs associated with the acquisition included accounting and financial due diligence and advice (\$0.4m) and legal due diligence and advice (\$0.4m).

5.7. Other significant items

Other significant items incurred during FY2018 primarily relate to the Employee Share Option Plan (ESOP) approved at the April EGM. The FY2018 non-cash cost of all issued ESOP's was \$0.7m.

6. Dividends

During FY2018 the IncentiaPay Group announced a fully franked dividend of 2.25 cents per share in relation to the Company's results for the year ended 30 June 2017. A total of \$2.6m was paid to shareholders in relation to this dividend on 6 January 2018.

No dividend has been declared in relation to the FY2018 results. Investors should note that the Board of Directors of IncentiaPay Ltd do not expect to declare dividends from the Company during the current restructuring period.

7. Statement of Financial Position

Consolidated Group			
	REF	FY2018 \$'000	FY2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		11,130	15,330
Trade and other receivables	7.1	9,675	12,380
Inventories		350	5,269
Other assets		12,186	9,800
Assets of disposal group classified as held for sale		1,596	-
Total current assets		34,937	42,779
Non-current assets			
Trade and other receivables		141	-
Property, plant and equipment		2,366	3,295
Deferred tax assets		4,773	3,061
Intangible assets	7.2	49,280	77,975
Other financial assets		-	1,500
Total non-current assets		56,560	85,831
TOTAL ASSETS		91,497	128,610
LIABILITIES			
Current liabilities			
Trade and other payables	7.3	6,474	9,571
Borrowings		-	5,000
Vendor loans		800	2,238
Current tax liabilities		169	1,037
Deferred revenue		22,001	22,916
Provisions		10,600	1,920
Liabilities of disposal group classified as held for sale		777	-
Total current liabilities		40,821	42,682
Non-current liabilities			
Trade and other payables		661	822
Borrowings		-	13,000
Provisions		1,839	962
Total non-current liabilities		2,500	14,784
TOTAL LIABILITIES		43,321	57,466
NET ASSETS		48,176	71,144
EQUITY			
Issued capital		94,892	54,554
Reserves		875	(668)
Retained earnings		(47,591)	17,258
TOTAL EQUITY		48,176	71,144

7.1. Trade and other receivables

	Consolidated Group	
	2018 \$'000	2017 \$'000
Current		
Trade receivables	9,150	14,589
Provision for impairment	(2,287)	(4,285)
Net Trade Receivables	6,863	10,304
Other receivables	2,812	2,076
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	9,675	12,380

7.2. Intangible assets

	GOODWILL \$'000	TECHNOLOGY AND SOFTWARE \$'000	BRAND NAME & INTERNAT- IONAL RIGHTS \$'000	DEVELOP- MENT COSTS \$'000	OTHER INTANGIBL- ES \$'000	TOTAL \$'000
Balance as at 1 July 2016	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	-	-	-	-	-	-
Additions through business combinations	27,549	4,500	3,634	-	-	35,683
Amortisation charge	-	(965)	-	(273)	-	(1,238)
BALANCE AS AT 30 JUNE 2017	52,425	13,585	6,610	5,355	-	77,975
Balance as at 1 July 2017	52,425	13,585	6,610	5,355	-	77,975
Additions	-	4,809	-	1,164	37	6,010
Acquisition of franchises	93	-	-	-	-	93
Disposals	-	(335)	-	-	-	(335)
Additions through business combinations	3,792	2,971	-	-	1,692	8,455
Amortisation charge	-	(4,737)	-	-	(37)	(4,774)
Impairment	(26,969)	(1,705)	(2,951)	(6,519)	-	(38,144)
BALANCE AS AT 30 JUNE 2018	29,341	14,588	3,659	-	1,692	49,280

7.3. Trade and other payables

Consolidated Group		
	2018	2017
	\$'000	\$'000
CURRENT		
Unsecured liabilities:		
Trade payables	6,169	4,279
Sundry payables and accruals	305	5,292
TOTAL CURRENT UNSECURED LIABILITIES	6,474	9,571

8. Statement of Comprehensive Income

Consolidated Group			
	REF	2018	2017
		\$'000	\$'000
Revenue	4	106,789	110,464
Direct expenses of providing services		(49,837)	(41,191)
Impairments	5.1	(49,054)	-
Employee expenses		(44,876)	(38,476)
Depreciation and amortisation expense		(6,055)	(1,586)
Building occupancy expense		(4,395)	(4,660)
Finance costs		(1,216)	(766)
Other expenses		(14,701)	(12,436)
Profit/(loss) before income tax		(63,345)	11,349
Tax expense		2,000	(1,061)
Net profit/(loss) for the period		(61,345)	10,288
Gain/(loss) for the period from discontinued operations		(838)	-
Net profit/(loss) attributable to:			
- Members of the parent entity		(62,183)	10,288
Other comprehensive income			
Gain/(Loss) arising from translating foreign controlled entities		883	-
Total comprehensive income/(loss) for the period		(61,300)	10,288
Earnings/(loss) per share			
Basic earnings/(loss) per share (cents)		(52.8)	12.1
Diluted earnings/(loss) per share (cents)		(52.6)	11.8

Note: Earnings/(Loss) per share calculations above exclude discontinued operations.

9. Statement of Changes in Equity

	Ordinary share capital	Retained earnings	Foreign currency translation reserve	Share based payments reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	54,554	17,258	(668)	-	71,144
Comprehensive income					
Profit for the period	-	(62,183)	-	-	(62,183)
Other comprehensive income					
Movement during the period	-	-	883	660	1,543
Total comprehensive income for period	-	(62,183)	883	660	(60,640)
Transactions with owners, in their capacity as owners and other transfers					
Shares issued during the period	41,689	-	-	-	41,689
Transactions costs	(2,041)	-	-	-	(2,041)
Other equity movement	690	-	-	-	690
Dividends for the period	-	(2,666)	-	-	(2,666)
Total transactions with owners and other transfers	40,338	(2,666)	-	-	37,672
Balance at 30 June 2018	94,892	(47,591)	215	660	48,176

10. Statement of Cashflows

	Consolidated Group	
	FY2018 \$'000	FY2017 \$'000
Cashflows from operating activities		
Receipts from customers	120,003	128,711
Payments to suppliers and employees	(122,366)	(115,576)
Tax paid	(580)	(383)
Net cash from / (used in) continuing operations	(2,943)	12,752
Net cash used in discontinued operations	(684)	n/a
Net cash provided by / (used in) operating activities	(3,627)	12,752
Cashflows from investing activities		
Investment in developing new territories	-	(1,115)
Purchase of property, plant and equipment	(339)	(421)
Purchase of intangibles	(6,103)	(4,190)
Acquisition of subsidiaries net of cash acquired	297	(23,509)
Net cash used in investing activities	(6,145)	(29,235)
Cashflows from financing activities		
Net proceeds from issue of shares	30,241	25,732
Repayment of borrowings	(14,409)	(2,608)
Repayment of convertible note	(5,000)	-
Proceeds from borrowings	-	12,426
Interest paid	(1,216)	(766)
Loan to external parties	(1,000)	-
Dividends paid	(2,666)	(3,877)
Net cash provided by financing activities	5,950	30,907
Net increase/(decrease) in cash held	(3,822)	14,424
Cash and cash equivalents at beginning of financial period	15,330	906
Cash and cash equivalents at the end of the financial period	11,508	15,330
Cash held in discontinued operations	(378)	-
Cash and cash equivalents at the end of the financial period in continuing operations	11,130	15,330

11. Segment reporting

Operating segments

YEAR ENDED 30 JUNE 2018	Barter card \$'000	EP \$'000	Corporate \$'000	Total \$'000
Revenue				
Revenue from external customers	29,385	77,404	-	106,789
Revenue from discontinued operations	3,335	-	-	3,335
Total Revenue	32,720	77,404	-	110,124
Expenses				
Direct expenses of providing services	(4,176)	(45,661)	-	(49,837)
Employee expenses	(19,862)	(20,706)	(4,308)	(44,876)
Depreciation and amortisation	(1,995)	(1,828)	(2,232)	(6,055)
Impairments	(35,125)	(2,596)	(11,333)	(49,054)
Interest	(110)	(25)	(1,081)	(1,216)
Other Expenses	(5,759)	(7,202)	(6,135)	(19,096)
Expenses from discontinued operations	(4,173)	-	-	(4,173)
Total Expenses	(71,200)	(78,018)	(25,089)	(174,307)
Segment Profit before tax	(38,480)	(614)	(25,089)	(64,183)

Note: Gruden results of \$2,567k net loss before tax (including \$2,012k impairment) are reported within the EP division above.

Geographical segments

YEAR ENDED 30 JUNE 2018	Australia \$'000	New Zealand \$'000	Others \$'000	Total \$'000
Revenue				
Revenue from external customers	90,663	16,126	-	106,789
Revenue from discontinued operations	-	-	3,335	3,335
Total Revenue	90,663	16,126	3,335	110,124
Expenses				
Direct expenses of providing services	(45,274)	(4,563)	-	(49,837)
Employee expenses	(43,758)	(1,118)	-	(44,876)
Depreciation and amortisation	(5,288)	(767)	-	(6,055)
Impairments	(48,728)	(326)	-	(49,054)
Interest	(1,226)	10	-	(1,216)
Other Expenses	(9,370)	(9,726)	-	(19,096)
Expenses from discontinued operations	-	-	(4,173)	(4,173)
Total Expenses	(153,644)	(16,490)	(4,173)	(174,307)
Segment Profit before tax	(62,981)	(364)	(838)	(64,183)

12. Significant post year end events

The Directors are not aware of any significant post balance date events.

