

REVERSE CORP LIMITED  
ANNUAL REPORT  
2018





# CONTENTS

Chairman's Letter	1
Operations Report	2
Directors' Report	5
Auditor's Independence Declaration	15
Financial Report	16
Directors' Declaration	51
Audit Report	52
Shareholder Information	56
Corporate Directory	57

# CHAIRMAN'S LETTER

## Reverse Corp Limited

ABN 16 085 949 855  
Level 1, 30 Little Cribb Street  
Milton QLD 4064

Dear Shareholder,

On behalf of your Board, I am pleased to present our Annual Report for the financial year ended 30 June 2018.

Over the year your company achieved revenues of \$8,047,347 with earnings before interest, tax, depreciation & amortisation (EBITDA) of \$566,248 and a net loss after tax of \$503,153.

The result represents a 34% increase in total revenue reflecting the continuing transformation of our business from reverse charge calling to online contact lens retailing. Revenue in our Contact Lenses business increased 93% on last year to \$4,518,712 primarily from increased sales driven by marketing activity in our OzContacts.com.au brand, and the acquisition of the WebContacts.com.au business in August 2017. Revenue in 1800-Reverse declined 4% to \$3,538,635.

Our investment in marketing to grow our Contact Lenses business has been the main driver of Group EBITDA decreasing 48% to \$566,249. Total marketing spend for the Contact Lenses business to grow the customer base increased from \$32,178 to \$563,711.

## Reverse Charge Calling

As anticipated, 1800-Reverse call volumes declined by 19% across the year. The impact of these declines on profitability were partly mitigated by strategic price changes. EBITDA for the product decreased 3% to \$1,585,289. In July and August 2018, the company received notifications from both Optus and Telstra that they would no longer provide third party billing which is required to support 1800-Reverse calls to Optus and Telstra mobiles. Calls to Optus mobiles ended on 24 August 2018, and calls to Telstra mobiles will end on 28 February 2019. These changes mean 1800-Reverse is expected to become unviable from March 2019 and would close.

## Online Contact Lenses

In the second quarter of the year we commenced customer acquisition marketing for our OzContacts.com.au brand. Revenues for OzContacts.com.au increased 77% on last year to \$2,524,313 driven by digital marketing and stronger customer propositions including Free Shipping offers. Across the year we tested different marketing activity and spend levels to determine the most efficient approach. The results have formed the basis of our plan for the year ahead.

Our NetOptical.com.au brand contributed revenues of \$944,198 for the year. This result was supported by the launch of a new web platform in late September 2017. And in August 2017 we completed the acquisition of the WebContacts.com.au business which included the secondary brand YourContacts.com.au. This business contributed revenue of \$1,050,201 for the year.

## Future Growth

The Contact Lenses business has demonstrated its growth potential however based on our learnings across the year it will take longer than the initial 2 to 3 year timeline forecast in late 2016 to achieve our ambition of growing annualised revenues to \$10m. In the year ahead, the contact lenses business will focus on efficient growth and achieving positive cashflow.

The company is also preparing for the closure of the 1800-Reverse service and the structural changes which are expected to follow. We will update our shareholders as these developments arise.

In light of 1800-Reverse nearing the end of its life cycle and the company's surplus cash reserves, the Board declared a fully-franked special dividend of \$0.055 payable on 28 September 2018.

Yours faithfully



**Peter D Ritchie**  
Chairman  
Reverse Corp Limited

# OPERATIONS REPORT

## Reverse Charge Calling

Despite its maturity, 1800-Reverse continues to deliver positive cashflow for the Group. In the 2018 financial year the service achieved revenue of \$3,538,635 and EBITDA of \$1,585,289. These results were down 4% and 3% respectively on the previous year, and were achieved despite call volumes declining 19%. The flow through of strategic price changes executed in December 2016, May 2017 and December 2017 helped mitigate the impact of call volume declines.

Significant price increases on calls-to-mobiles in May 2017 were vital to the EBITDA margin remaining steady at 45% year-on-year. This was despite the volume of calls-to-fixed lines, which have an average gross profit per call which is 3 times higher than calls-to-mobiles, declining 29% versus last year. Calls-to-fixed lines represented only 9% of the total volume but contributed 28% of total revenue. Calls-to-mobiles declined 18% on last year to represent 91% of total calls and contributed 72% of total revenue. Total marketing spend was \$12,152 and mainly comprised targeted SMS to drive usage. Management also continues to implement operational improvements and cost savings.

1800-Reverse remains the most well-known reverse charge calling service in the country providing calls to mobiles and home phones. Since its launch in 2000, the product positioning has evolved to providing a 'call of last resort' option primarily for prepaid mobile users out-of-credit. It is a premium rate service reflecting its 24-7 availability and call-by-call charging method (no set-up or subscription), and is designed for occasional use only. The product is in the end phase of its life cycle as demand for traditional out-of-credit calling declines with the commoditisation of mobile voice, and the increased use of over-the-top (OTT) voice and messaging services on smart phones accessible via free public Wi-Fi.

Despite providing a valuable service and being profitable based on continuing customer demand, the service is facing closure in March 2019. As of this date we will be unable to provide reverse charge calls to Telstra mobiles. This follows a similar change on 24 August 2018 restricting 1800-Reverse calls to Optus mobiles. At these respective dates, Telstra and Optus will stop providing third party billing for 1800-Reverse. Third party billing by mobile providers has been under increased scrutiny over the last 18 months primarily due to issues with digital content subscription services and customers being unknowingly subscribed. 1800-Reverse is not a subscription service and does not provide digital content requiring opt-in via a mobile internet page but has still been impacted by these decisions. Third party billing mechanisms such as premium SMS and Direct Carrier Billing are essential to provide reverse charge calls-to-mobiles. No other mechanisms can support the experience required for these calls. In the 2018 financial year, revenue from the billing of Telstra and Optus mobiles comprised 66% (\$2.33m) of total 1800-Reverse revenue. Management continues to engage with both mobile providers seeking an exemption.

In the year ahead, it is forecast that the product would continue to generate positive EBITDA until the projected close in March 2019. Close down timelines and costs for the reverse charge calling division are still being determined.

Chart 1. 1800-Reverse Revenue and EBITDA by Half Year for the last 5 years

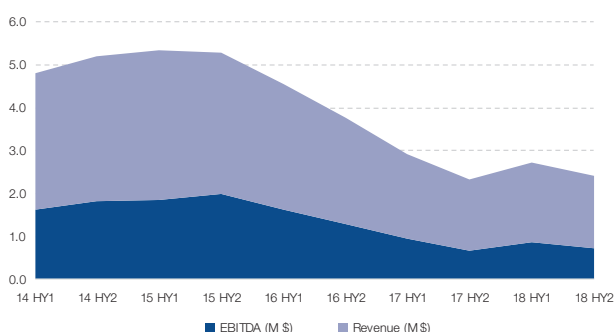
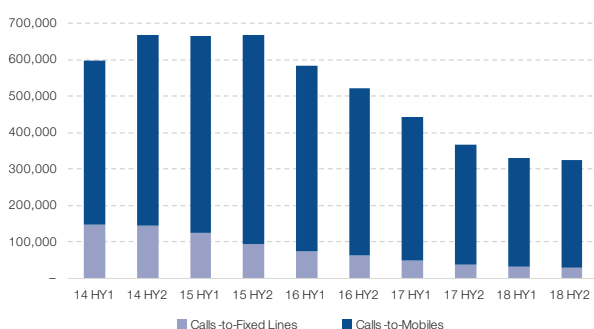


Chart 2. 1800-Reverse Volumes and Call Mix by Half Year for the last 5 years



# OPERATIONS REPORT

## Online Contact Lenses

Reverse Corp has a 95% stake in this division which includes the brands OzContacts.com.au, NetOptical.com.au, WebContacts.com.au and YourContacts.com.au. Managing Director Michael Aarts holds 5%.

Led by Michael Aarts, the team increased total online contact lens revenue by 93% to \$4,518,712 primarily from marketing driven growth in our OzContacts brand as well as the acquisition of the WebContacts business in August 2017. The division also benefited from a full year of revenue for NetOptical.com.au which was acquired in August 2016. Based on IBISWorld market sizing from October 2017, our estimated share of the total online contact lenses market in Australia is now 9%.

The strategic investment in marketing to grow the customer base was a key contributor to the total EBITDA loss increasing to \$566,202 from \$100,226 last year. The total investment in marketing increased from \$32,178 to \$563,711 and was predominantly to support the OzContacts brand. Staff costs to support our growth increased to \$599,231 which was up from \$376,438 last year. Gross Profit margins remained flat at 20% as we absorbed some supplier price increases in order to improve competitiveness and customer acquisition.

The WebContacts.com.au business which includes the secondary brand YourContacts.com.au was acquired for \$710,000 funded through cash reserves. The business was acquired from a Logan based Optometrist and has been operating since 2000.

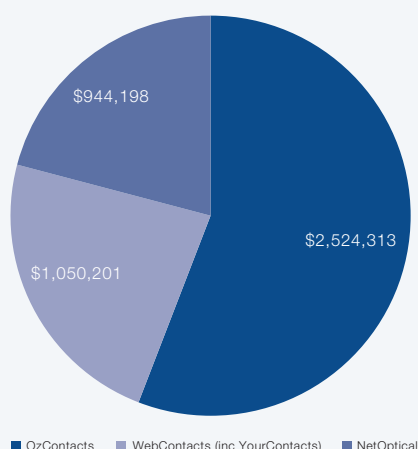
In October 2017 we commenced customer marketing on our lead brand OzContacts.com.au. Total revenue for this brand increased by 77% to \$2,524,313 which was up from \$1,413,576 in the previous year. Marketing initiatives focused on customer acquisition and retention through digital activity including Google Adwords and Shopping, retargeting, display, social media and email marketing. During the year, the business has been able to test a range of spend levels and medium combinations to determine the most efficient overall approach. The company also invested in customer propositions to support this activity, primarily through Free Shipping promotions. The growth in OzContacts helped increase the total active contact lenses base to over 19,000 customers at year end. The business has also made a significant investment in inventory in order to improve our same day dispatch customer propositions to differentiate versus competitors.

Since the completion of our major project to deploy the Magento 2 web platform for OzContacts.com.au in FY17, we have seen strong improvements in search engine optimisation for this brand. The improved site architecture helped achieve a 78% increase in organic search engine unique user traffic versus the previous year. This free, organic audience has complemented our paid marketing initiatives, with the OzContacts website attracting more than triple the unique website visitors of the previous year.

Our brand strategy remains for OzContacts to be our lead customer acquisition brand and the NetOptical and WebContacts brands to be retention focused. The YourContacts brand is a significantly smaller business which is used for 'test and learn' initiatives.

Across the year further technical improvements were made to the web platforms across all brands. These included a simplified reorder experience for customers from SMS and email reminders which has seen significant improvements to email click-through traffic and conversion compared to last year. Retention initiatives will be critical to ensure we retain the new customers acquired in 2018. Further improvements were also made to our Magento 2 platform used for OzContacts.com.au to reduce ongoing hosting and development costs, as well as making the potential future extension of this platform to our other brands easier to complete. In September 2017 we migrated our NetOptical.com.au business to a new web platform providing a significantly improved customer experience. Over the year we also benefitted from our successful 1 July 2017 migration to a NetSuite system for inventory and customer relationship management across all brands.

Chart 3. FY18 Online Contact Lenses Revenue Split by Brand



# OPERATIONS REPORT

Since year end, the strategy for our contact lenses business has changed. In late 2016 we communicated our ambition to build annualised revenues to \$10m with positive EBITDA. Growth to support these plans was to be driven from aggressive customer marketing as well as competitor business acquisitions. Both elements have proved more difficult to execute than forecast. Whilst marketing initiatives have successfully grown the base over the year, this growth has been more expensive than forecast. This is largely due to the new customer market for contact lenses wearers being narrower and more reliant on high volume Google Adwords key search terms. Additionally, the size of the competitor businesses which are potential acquisition targets are smaller than forecast and will take longer to complete. In the year ahead, the business will focus on efficient net growth of the customer base and ensuring the total contact lenses business is cash flow positive.

## **Strategic Priorities for the Company for the Year Ahead:**

1. Build on the learnings in our OzContacts.com.au brand to continue to grow the total contact lenses base with greater efficiency to achieve positive cash flow
2. Maximise earnings in 1800-Reverse until its projected close in March 2019
3. Restructure the company in line with the closure of 1800-Reverse and the contact lenses division operating as a stand-alone business

By the end of the year ahead, the company will complete its transition from reverse charge calling provider to online contact lenses retailer. This will include structural changes to ensure the company has the appropriate cost base given the reduced operating margins of the stand-alone contact lenses business.



Charles Slaughter  
**Chief Executive Officer**

# DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2018.

## Directors

The names of directors in office at any time during or since the end of the year are:

Mr Peter D Ritchie – Chairman  
Mr Stephen C Jermyn (resigned 26 October 2017)  
Mr Richard L Bell  
Mr Gary B Hillberg

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## Principal Activities

The principal activity of the consolidated entity during the financial year was the provision of reverse charge calling services. There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

## Operating Results

Net loss after tax (NLAT) for the year to 30 June 2018 amounted to \$103,153, before a goodwill impairment charge of \$400,000 with the final result of \$503,153. Excluding one-off gains in the previous year, this represented a decline of 29% compared to the previous year.

Group revenue for the year was \$8,057,347 which was up 34% from \$6,024,898 last year, while earnings before interest, tax, depreciation & amortisation (EBITDA) declined 48% to \$566,249.

Group earnings continue to be underpinned by the Australia Reverse Charge business (1800-Reverse) where revenue decreased 4% on the previous year to \$3,538,635 and EBITDA decreased 3% to \$1,585,289. These declines were anticipated given the product's maturity.

Our combined online contact lenses business achieved total revenue for the year of \$4,518,712 which was up 93% on last year. The result included \$944,198 in revenue from the Net Optical business, and \$1,050,201 from the WebContacts and YourContacts businesses which were acquired in August 2017. This division recorded an EBITDA loss of \$566,202 for the year reflecting the investment in marketing activity to grow the customer base.

## Review of Operations

**Reverse Charge Calling.** The flow through of benefits from price changes executed over the last 18 months helped mitigate the impact of continuing call volume declines on 1800-Reverse. Total calls were down 19% on the previous year with revenue decreasing 4% to \$3,538,635. EBITDA decreased 3% to \$1,585,289. Demand for traditional 'out-of-credit' calling continues to decline as expected with the further commoditisation of mobile voice, and the increasing use of alternative over-the-top (OTT) voice and messaging services on smart phones which can be accessed via free public Wi-Fi. The 1800-Reverse product is entering the end phase of its life cycle over the next 6 to 18 months and management will take all necessary steps to maximise profitability whilst it remains viable.

**Online Contact Lenses.** Total contact lens business revenue increased by 93% to \$4,518,712 driven by growth in our OzContacts.com.au brand and new revenue from the acquisition of the WebContacts.com.au business in August 2017. Revenue in our lead brand OzContacts.com.au increased by 77% for the year to \$2,524,313 driven by the commencement of marketing activity attracting new customers. Our combined brands reported an EBITDA loss of \$566,202 reflecting the significant investment in OzContacts marketing and propositions.

Our NetOptical business achieved revenues of \$944,198. In September 2017 we launched a new web platform to improve the experience and support customer retention for this brand. In August 2017 we acquired the WebContacts.com.au business, which includes the secondary brand YourContacts.com.au, for \$710,000 funded through existing cash reserves. This business achieved revenues of \$1,050,201 for the 10.5 months it was part of the group.

## Financial Position

The company generated operating cash flows of (\$246,708) down 149% compared to the previous year of \$502,287. The balance sheet remains conservatively geared with net cash at year-end of \$5,313,397.



# DIRECTORS' REPORT

## Significant Changes in State of Affairs

In the opinion of the directors there were no other significant changes in the state of affairs of the consolidated entity during the financial year not otherwise disclosed in this report or the consolidated financial statements.

## Events arising since the end of the Reporting Period

On 26 July 2018 the business received notification from its mobile billing providers used to provide 1800-Reverse calls-to-mobiles that their operating agreements with Optus had been terminated with 30 days' notice. This means that from 24 August 2018 onward the business is unable to provide reverse charge calls to Optus mobiles. Management are working with its mobile billing providers to seek an exemption from Optus. If this cannot be achieved, EBITDA for the product would be negatively impacted by an estimated \$25,000 per month. Should Telstra follow this decision and choose not to renew the current mobile billing agreement with 1800-Reverse due to expire on 2 December 2018, the 1800-Reverse service would no longer be viable and would be closed.

No other matters or circumstances, other than the Optus announcement and the declared dividend have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## Likely Developments, Prospects and Business Strategies

1800-Reverse call volumes will continue to decline in the year ahead as the product nears end-of-life. Barring major market changes, the product is forecast to operate profitability throughout the 2019 financial year. Fixed line and Mobile Origination operating agreements with Telstra Corporation expire 1 December 2019 and hence this would be the likely close down date. As reverse charge calling is our main undertaking, closing the 1800-Reverse product would require us to restructure our business. We will engage our shareholders and the market on the impacts as these developments arise.

The major operational risk prior to 1 December 2019 is the ongoing reliance on the mobile providers for the billing of reverse charge calls to mobiles through direct carrier billing and premium SMS. 1800-Reverse has a direct connection with Telstra for mobile billing which has been renewed every 12, 3 or 6 months for the last 8 years. Specialist mobile billing aggregators are used to bill calls to Optus and Vodafone mobiles.

These 3rd party billing methods enabled by the mobile operators have been under increased scrutiny in the last 12 months primarily due to problems with digital subscription services and customers unwittingly being signed up and charged. As previously advised, on 26 July 2018 Optus gave both our billing providers notice that they would not support mobile billing from 24 August 2018. 1800-Reverse is not a subscription service however, there is risk that Telstra and Vodafone may join Optus in switching off the billing of 1800-Reverse calls to mobiles. The business is also yet to understand if any of its billing agreements may be impacted by Telstra's revised business strategy communicated in June 2018 which included the simplification of legacy services and provisions for revenue dilution from product and plan closures.

In the year ahead, our Contact Lenses business will aim to build and consolidate on the growth achieved in 2018. A range of digital marketing activity was tested in addition to some traditional media to understand the most efficient approach to customer acquisition. These learnings will be applied across the 2019 financial year to continue to grow the OzContacts.com.au customer base as our lead brand. Improvements to the email reorder experience for OzContacts.com.au have also been implemented and are expected to deliver ongoing customer retention benefits. An opportunity also exists to consolidate all brands under a single e-commerce technical platform which would improve the NetOptical and WebContacts customer experience, as well as realise savings in IT resourcing. A decision on consolidation will be taken mid-year following testing to understand the costs and resource requirements.

Whilst the Contact Lenses business has grown strongly over the year, we will not achieve the stated objective in late 2016 of building a \$10m revenue business with positive EBITDA in 2-3 years. This is due to the customer acquisition market being costlier and more reliant on Google AdWords than anticipated, and the competitor business acquisition targets being smaller than forecast. In the year ahead, the business focus will be continuing to achieve customer base growth with positive cash flow.

In light of 1800-Reverse nearing the end of its life cycle and the contact lenses business not requiring further funds, the Board has decided to return surplus cash reserves to shareholders as a special dividend.

## The Company's Strategic Priorities for the 2019 Financial Year are:

1. Continue to grow the online contact lenses business building on the learnings from 2018 with improved efficiencies to achieve positive cash flow
2. Maximise earnings in 1800-Reverse whilst also planning for the wind-down of this business unit



# DIRECTORS' REPORT

## Information on Directors

<b>Mr Peter D Ritchie</b>	— Chairman (Non-executive)
<b>Qualifications</b>	— B.Com, FCPA
<b>Experience</b>	— Company Chairman since inception in 1999. Previously founding Director, Chief Executive and Chairman of McDonald's Australia Limited. Other previous directorships include Westpac Bank Limited, Seven Group Holdings Limited and Solution Six Holdings Limited.
<b>Interest in Shares and Options</b>	— 4,722,234 Ordinary Shares in Reverse Corp Limited.
<b>Mr Gary B Hillberg</b>	— Non-executive Director
<b>Qualifications</b>	— B.Bus (Marketing)
<b>Experience</b>	— Mr Hillberg has been a Board member since October 2005. He has over 30 years' experience in the Australian telecommunications industry and has held the roles of Chief Operating Officer and Group Managing Director with the company.
<b>Interest in Shares and Options</b>	— 250,356 Ordinary Shares in Reverse Corp Limited.
<b>Mr Stephen C Jermyn</b>	— Non-executive Director
<b>Qualifications</b>	— FCPA
<b>Experience</b>	— Mr Jermyn joined the Board of Directors of McDonald's Australia in 1986 and was appointed Executive Vice President in 1993. In June 1999, he was appointed Deputy Managing Director. In August 2005 Mr Jermyn stepped down from executive duties at McDonald's. Mr Jermyn was appointed to the Board of Reverse Corp Limited in October 2005.
<b>Interest in Shares and Options</b>	— 2,901,544 Ordinary Shares in Reverse Corp Limited.
<b>Special Responsibilities</b>	— Mr Jermyn is the Chairman of the Audit and Risk Committee, and a member of the Remuneration and Nomination Committee.
<b>Resignation Date</b>	— 26 October 2017
<b>Directorships held in other listed entities</b>	— Mr Jermyn is a current director of Mortgage Choice Limited
<b>Mr Richard L Bell</b>	— Non-executive Director
<b>Qualifications</b>	— LLB
<b>Experience</b>	— Mr Bell is Reverse Corp's founder and former Chief Executive and Board member since inception in 1999.
<b>Interest in Shares and Options</b>	— 20,370,588 Ordinary Shares in Reverse Corp Limited.

# DIRECTORS' REPORT

## Company Secretary

Dion Soich is a Certified Practising Accountant and the Chief Financial Officer. Dion has held senior positions with a number of leading companies and has a Bachelor of Commerce and is a Member of the Australian Institute of Company Directors.

## Dividends

During the financial year, a fully franked dividend of \$934,413 (1c per share) was paid on 14 September 2017 (2017: \$914,415).

Since the end of the financial year, the Board have declared a fully franked dividend of \$5,107,331 (5.5c per share) to be paid on 28 September 2018.

## Meetings of Directors

The number of meetings of the company's Board of directors and Board committees held during the year and the number of meetings attended by each director and committee member were:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS			
			Audit and Risk		Remuneration and Nomination	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Peter D Ritchie	6	5	1	0	1	0
Mr Stephen C Jermyn	1	1	1	1	1	1
Mr Richard L Bell	6	6	1	1	1	1
Mr Gary B Hillberg	6	5				

## Environmental Issues

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

## Indemnities given and insurance premiums paid to Auditors and Officers

During the year, Reverse Corp Limited paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

## Unissued shares under option

At the date of this report, there are no unissued ordinary shares of Reverse Corp Limited under option.

During the year ended 30 June 2018, no shares were issued on the exercise of options. No further shares have been issued since the end of the year.

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

For details of options issued to directors and executives as remuneration refer to the Remuneration Report and to Note 27 Share-based Payments.

# DIRECTORS' REPORT

## Proceedings on Behalf of the Company

No person has applied for leave of Court under section 237 of the Corporations Act 2001 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 such proceedings during the year.

## Non-audit Services

The Board of Directors, in accordance with 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 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 do not compromise the general principles relating to auditor independence as set out in the APES 110: Code of Ethics for Professional accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid during the year ended 30 June 2018, or are payable, to the external auditors:

	Consolidated entity \$
Taxation and other services	14,800

## Auditor's Independence Declaration

The lead auditor's independence declaration as per section 307C of the *Corporations Act 2001* for the year ended 30 June 2018, which forms part of this report, has been received and can be found on page 15.

## Remuneration Report – Audited

The Directors of Reverse Corp Limited present the Remuneration Report for Non-Executive Directors and Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporate Regulations 2001*.

## (a) Principles used to determine the nature and amount of remuneration

### Remuneration policy

The remuneration policy of Reverse Corp Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term incentives based on key performance areas affecting the consolidated entity's financial results. The Board of Reverse Corp Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated entity, as well as create goal congruence between key management personnel and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated entity is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Remuneration and Nomination Committee and approved by the Board.
- Key management personnel may receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options, employee share schemes and performance incentives.
- The Remuneration and Nomination Committee reviews key management personnel packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of key management personnel is measured against criteria agreed annually with each individual and is based predominantly on the forecast growth of the consolidated entity's profits and shareholders' value. All bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, shares and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of key management personnel and reward them for performance that results in long-term growth in shareholder wealth.



# DIRECTORS' REPORT

Key management personnel are also entitled to participate in the employee share and option arrangements.

Key management personnel employed in Australia receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Options and shares are valued using a binomial methodology.

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Remuneration and Nomination Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

The company has adopted a policy in respect of directors and executives trading in the company's securities. No formal policy has been adopted regarding directors and executives hedging exposure to holdings of the company's securities and no director or executive has hedged their exposure.

## Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods are applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of shares under an employee share scheme to key management personnel to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth.

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. In determining whether or not a KPI has been achieved, Reverse Corp Limited bases the assessment on audited figures.

## Voting and comments made at the Company's last Annual General Meeting

Reverse Corp received more than 87% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2017. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

The following table shows the gross revenue, profits and dividends for the last 5 years for the listed entity, as well as the share prices at the end of the respective financial years. The Board is of the opinion that the previously described remuneration policy will result in increased shareholder wealth.

	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$
Revenue	9,736,666	8,810,844	6,939,083	6,024,898	8,057,347
Net Profit	1,497,714	2,062,073	1,559,089	300,373	(503,153)
Dividends paid (cents)	-	-	1.00	1.00	1.00
EPS (cents)	1.60	2.20	1.70	0.30	(0.50)
Share price at year-end	\$0.15	\$0.14	\$0.13	\$0.07	\$0.06

To grow the share price the company is pursuing long term earnings in its online contact lenses business through customer base growth.

# DIRECTORS' REPORT

## (b) Details of remuneration for year ended 30 June 2018

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. Details of the nature and amount of each element of the remuneration of each Key management personnel of Reverse Corp Limited are shown in the table below:

Director and other Key Management Personnel remuneration									
Employee	Year	Short term employee benefits			Post-employment benefits	Termination benefits	Share-based payments	Total	Performance based percentage of remuneration
		Cash salary and fees	Cash Bonus	Non-monetary benefits	Superannuation	Termination payments	Shares		
Non-Executive Directors									
Peter Ritchie <i>Independent Chairman</i>	2018	86,957	-	-	8,261	-	-	95,218	0.0%
	2017	86,957	-	-	8,261	-	-	95,218	0.0%
Stephen Jermyn <sup>1</sup> <i>Independent Director</i>	2018	15,255	-	-	1,449	-	-	16,704	0.0%
	2017	45,767	-	-	4,348	-	-	50,115	0.0%
Richard Bell <i>Independent Director</i>	2018	-	-	-	-	-	-	-	0.0%
	2017	-	-	-	-	-	-	-	0.0%
Gary Hillberg <i>Independent Director</i>	2018	54,795	-	-	5,206	-	-	60,001	0.0%
	2017	45,767	-	-	4,348	-	-	50,115	0.0%
Key Management Personnel									
Charles Slaughter <i>Chief Executive Officer</i>	2018	225,731	35,744	-	20,049	-	-	281,524	12.7%
	2017	221,510	47,738	-	19,973	-	-	289,221	16.5%
Dion Soich <i>Chief Financial Officer</i>	2018	192,394	16,113	-	19,765	-	-	228,272	7.1%
	2017	188,302	10,661	-	18,730	-	-	217,693	4.9%
Luke Krasnoff <sup>2</sup> <i>Head of IT</i>	2018	87,755	6,171	-	10,079	12,623	-	116,628	5.3%
	2017	125,981	7,173	-	12,650	-	-	145,804	4.9%
Michael Aarts <i>Managing Director – OzContacts</i>	2018	129,772	17,686	-	14,008	-	-	161,466	11.0%
	2017	121,466	34,875	-	14,590	-	-	170,931	20.4%
2018 Total	2018	792,659	75,714	-	78,817	12,623	-	959,813	
2017 Total	2017	835,750	100,447	-	82,900	-	-	1,019,097	

1. Stephen Jermyn – resigned 26 October 2017

2. Luke Krasnoff – resigned 8 March 2018

# DIRECTORS' REPORT

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration	At risk – STI
<b>Key Management Personnel</b>		
Charles Slaughter	91%	9%
Dion Soich	91%	9%
Luke Krasnoff	91%	9%
Michael Aarts	91%	9%

## (c) Employment contracts of key management personnel

The employment conditions of key management personnel are formalised in contracts of employment. All management personnel are permanent employees of 1800 Reverse Operations Pty Ltd or Oz Contacts Pty Ltd.

The employment contracts stipulate a range of one to four-month resignation periods. The company may terminate an employment contract without cause by providing written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the company can terminate employment at any time.

## (d) Share-based remuneration

The Board implemented an Employee Loan Funded Share Plan during the 2015 financial year to provide key management personnel an incentive in a tax effective manner to better align the interests of the participants with the interests of Shareholders. No share-based remuneration was paid during the financial year.

The terms of the Loan Funded Share Plan are such that participants receive an upfront entitlement to a certain number of shares with a corresponding limited recourse loan. The loan is interest free and is provided for a maximum term of 3 years. The shares are subject to a holding lock until the loan is repaid. There are no vesting conditions on these shares.

On 1 September 2017 Charles Slaughter and Dion Soich forfeited their shares issued under the Employee Loan Funded Share Scheme. These shares were sold by the Company on-market for \$76,607 to repay the corresponding Limited Recourse Loan.

## (e) Bonuses included in remuneration

The details of the short-term incentive cash bonuses awarded as remuneration to each key management personnel, the percentage of the available bonus that was paid in the financial year, and the percentage that was forfeited because the person did not meet the performance criteria is set out below. The performance criteria included revenue and EBITDA business targets as well as completion of key IT enabling projects.

Name	Included in remuneration (\$)	Percentage vested during the year	Percentage forfeited during the year
<b>Key Management Personnel</b>			
Charles Slaughter <sup>1</sup>	10,744	49%	51%
Dion Soich <sup>1</sup>	9,263	49%	51%
Luke Krasnoff	6,171	49%	51%
Michael Aarts <sup>1</sup>	6,270	49%	51%

1. Charles Slaughter, Dion Soich and Michael Aarts were paid additional discretionary bonus<sup>1</sup> of \$25,000, \$6,850 and \$11,416 respectively.



# DIRECTORS' REPORT

## (f) Other information

### Options held by Key Management Personnel

There are no options held by key management personnel at year end.

### Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2018 reporting period held by each of the key management personnel, including their related parties, is set out below:

	Balance 1.7.17	Granted as Remuneration	Options Exercised	Other <sup>(1)</sup>	Balance 30.6.18
Peter Ritchie	4,722,234	-	-	-	4,722,234
Gary Hillberg	250,356	-	-	-	250,356
Steve Jermyn <sup>(2)</sup>	2,901,544	-	-	(2,901,544)	-
Richard Bell	20,370,588	-	-	-	20,370,588
Charles Slaughter	706,215	-	-	(706,215)	-
Dion Soich	353,107	-	-	(353,107)	-
<b>Total</b>	<b>29,304,044</b>	<b>-</b>	<b>-</b>	<b>(3,960,866)</b>	<b>25,343,178</b>

(1) Other refers to net shares purchased or sold during the financial year

(2) Resigned 26 October 2017

None of the shares included in the table above are held nominally by Key Management Personnel.

### Loans to Key Management Personnel

The number of key management personnel included in the Company aggregate at year end is zero (0). There are no individuals with loans above \$100,000 during the financial year.

### End of Remuneration Report

# DIRECTORS' REPORT

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

A handwritten signature in black ink, reading "Peter D Ritchie". The signature is fluid and cursive, with the first name "Peter" and last name "Ritchie" clearly distinguishable.

Peter D Ritchie  
**Chairman**

Dated this 28th day of August 2018

## Auditor's Independence Declaration

### To the Directors of Reverse Corp Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Reverse Corp Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M S Bell  
Partner - Audit & Assurance

Brisbane, 28 August 2018

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**REVERSE  
CORP LIMITED  
AND CONTROLLED  
ENTITIES**

ABN 16 085 949 855



# **Financial Report for the Financial Year**

Ended 30 June 2018

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	Consolidated Entity	
		2018 \$	2017 \$
Revenue	2	8,057,347	6,024,898
Other income	2	98,424	735,136
Direct costs associated with revenue	3	(5,045,098)	(2,863,827)
Employee benefits expense		(1,755,274)	(1,511,722)
Depreciation and amortisation expense		(385,186)	(225,604)
Impairment of intangibles	15	(400,834)	(975,023)
Other expenses		(708,370)	(593,578)
Finance costs	3	-	(12)
Profit before income tax		(138,991)	590,291
Income tax expense	4	(364,162)	(289,918)
<b>Profit for the year</b>		<b>(503,153)</b>	<b>300,373</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale financial assets:			
- Current year gains		-	(251,136)
Income tax on other comprehensive income		-	-
<b>Other comprehensive income for the year, net of income tax</b>		<b>-</b>	<b>(251,136)</b>
<b>Total comprehensive income for the year</b>		<b>(503,153)</b>	<b>49,237</b>
<b>Profit/(loss) for the year attributable to:</b>			
Non-controlling interest		(58,611)	(7,400)
Owners of the parent		(444,542)	307,773
		(503,153)	300,373
<b>Other comprehensive income for the year attributable to:</b>			
Non-controlling interest		-	-
Owners of the parent		-	(251,136)
		-	(251,136)
<b>Earnings per share</b>	<b>8</b>		
<b>Basic earnings per share</b>		<b>(0.005)</b>	<b>0.003</b>
<b>Diluted earnings per share</b>		<b>(0.005)</b>	<b>0.003</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	Consolidated Entity	
		2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	5,313,397	7,285,778
Trade and other receivables	10	611,763	459,003
Inventories	11	939,657	258,146
Other current assets	16	62,814	57,027
TOTAL CURRENT ASSETS		6,927,631	8,059,954
NON-CURRENT ASSETS			
Property, plant and equipment	14	69,896	63,962
Deferred tax assets	19	520,063	469,310
Goodwill	15	441,062	841,062
Other intangible assets	15	1,343,983	823,393
TOTAL NON-CURRENT ASSETS		2,375,004	2,197,727
TOTAL ASSETS		9,302,635	10,257,681
CURRENT LIABILITIES			
Trade and other payables	17	739,406	343,926
Current tax liabilities	19	63,247	20,525
Short-term employee benefits	20	133,642	126,878
TOTAL CURRENT LIABILITIES		936,295	491,329
NON-CURRENT LIABILITIES			
Deferred tax liabilities	19	4,403	8,896
Long-term employee benefits	20	36,372	17,185
TOTAL NON-CURRENT LIABILITIES		40,775	26,081
TOTAL LIABILITIES		977,070	517,410
NET ASSETS		8,325,565	9,740,271
EQUITY			
Issued capital	21	3,576,084	3,553,224
Other components of equity	22	443,715	443,715
Retained earnings		4,407,799	5,786,754
		8,427,598	9,783,693
Non-controlling interest		(102,033)	(43,422)
TOTAL EQUITY		8,325,565	9,740,271

The accompanying notes form part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Note	Consolidated Entity				
		Issued capital \$	Retained earnings \$	Non-controlling interest \$	Other components of equity \$	Total \$
<b>Balance at 1 July 2016</b>		<b>3,553,224</b>	<b>6,413,396</b>	<b>(36,022)</b>	<b>694,851</b>	<b>10,625,449</b>
Profit for the year		-	<b>307,773</b>	<b>(7,400)</b>	-	<b>300,373</b>
Other comprehensive income		-	-	-	(251,136)	(251,136)
Subtotal		3,553,224	6,721,169	(43,422)	443,715	10,674,686
<b>Transactions with owners</b>						
Dividends paid	7	-	(934,415)	-	-	(934,415)
<b>Balance at 30 June 2017</b>		<b>3,553,224</b>	<b>5,786,754</b>	<b>(43,422)</b>	<b>443,715</b>	<b>9,740,271</b>
<b>Balance at 1 July 2017</b>		<b>3,553,224</b>	<b>5,786,754</b>	<b>(43,422)</b>	<b>443,715</b>	<b>9,740,271</b>
Profit for the year		-	<b>(444,542)</b>	<b>(58,611)</b>	-	<b>(503,153)</b>
Total comprehensive income		-	-	-	-	-
Subtotal		3,553,224	5,342,212	(102,033)	443,715	9,237,118
<b>Transactions with owners</b>						
Dividends paid	7	-	(934,413)	-	-	(934,413)
Share Buy back		(53,737)	-	-	-	(53,737)
Issue of share capital		76,597	-	-	-	76,597
<b>Balance at 30 June 2018</b>		<b>3,576,084</b>	<b>4,407,799</b>	<b>(102,033)</b>	<b>443,715</b>	<b>8,325,565</b>

The accompanying notes form part of these financial statements.

# CASH FLOW STATEMENT

For the year ended 30 June 2018

	Note	Consolidated Entity	
		2018 \$	2017 \$
<b>OPERATING ACTIVITIES</b>			
Receipts from customers		8,149,707	6,243,635
Payments to suppliers and employees		(8,019,728)	(5,244,143)
Taxes paid		(376,687)	(497,205)
Net cash provided by (used in) operating activities	26	(246,708)	502,287
<b>INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(45,925)	(37,999)
Proceeds from the sale of financial assets		-	2,671,550
Payments for acquisitions		(710,000)	(751,000)
Interest received		98,424	43,979
Payments for intangible assets		(156,619)	(247,889)
Investment in subsidiaries		(10)	(20)
Net cash provided by (used in) investing activities		(814,130)	1,678,621
<b>FINANCING ACTIVITIES</b>			
Interest paid		-	(12)
Proceeds from the issue of shares		76,607	20
Payments from the cancellation of shares		(53,737)	-
Dividends paid		(934,413)	(934,415)
Net cash used in financing activities		(911,543)	(934,407)
Net increase in cash and cash equivalents		(1,972,381)	1,246,501
Cash and cash equivalents at beginning of financial year		7,285,778	6,039,277
<b>Cash and cash equivalents at end of financial year</b>	<b>9</b>	<b>5,313,397</b>	<b>7,285,778</b>

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 1: Statement Of Significant Accounting Policies

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the consolidated entity of Reverse Corp Limited and controlled entities ("consolidated group" or "group"). Reverse Corp Limited is a listed public company, incorporated and domiciled in Australia.

Reverse Corp Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report of Reverse Corp Limited and controlled entities comply with all Australian Accounting Standards, which ensures that the financial report comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### Basis of Preparation

#### *Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Accounting Policies

#### *(a) Basis of Consolidation*

The Group financial statements consolidate those of the parent entity and all of its subsidiaries as of 30 June 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from the involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

All subsidiaries have a reporting date of 30 June.

All balances and transactions between Group companies in the consolidated entity have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

### Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

#### *(b) Income Tax*

The charge for current income tax expense is based on the profit for the year adjusted for any non- assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the statement of financial position date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility proposed by law.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 1: Statement Of Significant Accounting Policies (cont)

Reverse Corp Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Reverse Corp Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group notified the Australian Taxation Office on 9 December 2004 that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered into a tax sharing agreement and a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Oz Contacts Pty Limited, a 95% owned subsidiary of Reverse Corp Limited, has formed an income tax consolidated group under the tax consolidation regime. Oz Contacts Pty Limited is responsible for recognising the current and deferred tax assets and liabilities for the Oz Contacts tax consolidated group. The Oz Contacts group notified the Australian Taxation Office on 19 October 2016 that it had formed an income tax consolidated group to apply from 1 July 2016. The Oz Contacts tax consolidated group will enter into a tax sharing agreement and a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the Oz Contacts tax consolidated group.

### (c) Inventories

Inventories are measured at the lower of cost and net realisable value. Included in inventories are contact lenses and associated accessories including drops and solutions sold online by Oz Contacts Pty Ltd, Net Optical (Aust.) Pty Ltd, WebContacts Pty Ltd and YourContacts Pty Ltd.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

### (d) Property, Plant and Equipment

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

#### Plant and equipment

Plant and equipment, motor vehicles and the calling platform are measured on the cost basis.

The cost of fixed assets constructed within the consolidated entity 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 charged to the income statement during the financial period in which they are incurred.

#### Depreciation

The depreciable amount of all fixed assets, excluding the calling platform, are depreciated on a diminishing value basis over their useful lives to the consolidated entity commencing from the time the assets are held ready for use. The calling platform is depreciated on a straight-line basis over its useful life.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	11.25% to 40%
Calling Platform	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

### (e) Leases

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

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to 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 and the lease term.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 1: Statement Of Significant Accounting Policies (cont)

### (f) *Financial Instruments*

#### **Recognition**

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### **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 stated at amortised cost less impairment losses.

#### **Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

#### **Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### **Impairment**

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

### (g) *Impairment of Non-financial Assets*

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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.

### (h) *Intangibles*

#### **Goodwill**

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### **Patents and trademarks**

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 10 to 20 years.

#### **Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 1: Statement Of Significant Accounting Policies (cont)

### (h) Intangibles (cont)

#### Development Costs, Contractual Rights and Customer Databases

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. Useful lives are generally 5 years.

#### Intellectual Property

All other intangible assets are recorded at cost less impairment and have indefinite life.

### (i) 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 and presentation currency.

#### Transaction 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 the income statement, 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 equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

### 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 year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where this approximates the rate at the date of the transaction; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

### (j) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on high quality corporate bonds that have maturity dates that match the expected timing of cash flows.

### Share-based payment transactions

The group provides benefits to employees (including directors) in the form of share-based payments, whereby employees render services in exchange for rights over shares or options. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares or options granted.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 1: Statement Of Significant Accounting Policies (cont)

### (k) 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.

### (l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### (m) Revenue

Revenue from calls is recognised on the day on which the call is completed.

Revenue from the sale of contact lenses is recognised when the significant risks and rewards of ownership of the goods have passed to the customer. Risk and rewards are considered passed to the customer when the contact lenses have been despatched.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

### (n) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred.

### (o) 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. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Reverse Corp Limited and its wholly-owned Australian subsidiaries have formed a GST group effective 1 April 2003. Oz Contacts Pty Limited and its wholly-owned Australian subsidiaries have formed a GST group effective 1 July 2016. The impact of forming a GST group is GST is not charged on taxable supplies between members of the group.

### (p) Comparative Figures

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

### (q) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and 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 within the group.

### Key estimates – Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. For additional details relating to the testing of goodwill impairment refer to Note 15: Goodwill and other Intangible Assets.

### Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised.

### Business Combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 2: Revenue

	Note	Consolidated Entity	
		2018 \$	2017 \$
Sales revenue			
— Sale of products		4,518,712	2,345,537
— Rendering of services		3,538,635	3,679,361
Sales revenue		8,057,347	6,024,898
Other income			
— Interest received from other corporations		98,424	43,979
— Gain on sale on available for sale financial assets		-	691,157
— Other income		-	-
Other income		98,424	735,136

## Note 3: Expenses

	Note	Consolidated Entity	
		2018 \$	2017 \$
Direct costs associated with revenue		5,045,098	2,863,827
Realised foreign exchange loss/(gain)		(531)	864
Cost of inventories expensed (included in direct costs above)		3,333,010	1,686,836
Inventory write-off expensed		12,441	5,623
Rental expenses on operating leases:			
— minimum lease payments		111,852	107,595
Finance costs:			
— External		-	12

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 4: Income Tax Expense

	Note	Consolidated Entity	
		2018 \$	2017 \$
(a) The components of tax expense/(benefit) comprise:			
Current tax		419,408	402,727
Deferred tax	19	(55,246)	(112,887)
Under/(over) provision in respect of prior years		-	78
Income tax expense		364,162	289,918
Deferred tax expense recognised in other comprehensive income		-	-
(b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit before income tax at 27.5% (2017: 27.5%)		(38,227)	177,087
Add:			
Tax effect of:			
— Tax losses not recognised		246,648	-
— Other non-allowable/(deductible) items		155,741	320,100
— Capital items non-deductible (Onthehouse gain)		-	(207,347)
— Under/(over) provision in respect of prior years		-	78
Income tax expense		364,162	289,918
The applicable weighted average effective tax rates are as follows:			
		N/A	49%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 5: Key Management Personnel Remuneration

(a) Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2018. Names and positions held by key management personnel in office at any time during the financial year are:

### Directors

Peter Ritchie	Non-executive Chairman
Gary Hillberg	Non-executive Director
Stephen Jermyn	Non-executive Director (resigned 26 October 2017)
Richard Bell	Non-executive Director

### Management Personnel

Charles Slaughter	Chief Executive Officer
Dion Soich	Chief Financial Officer
Michael Aarts	Managing Director – Oz Contacts Pty Ltd
Luke Krasnoff	Head of IT (resigned 8 March 2018)

	Note	Consolidated Entity	
		2018 \$	2017 \$
<b>(b) Remuneration for Key Management Personnel</b>			
Short term employee benefits		868,373	936,197
Post-employment benefits		78,817	82,900
Share-based payments		-	-
Termination benefits		12,623	-
		959,813	1,019,097

### (c) Remuneration Options

There were no options issued during the year as part of any executive's remuneration.

Further details on share-based payments can be found at Note 27: Share-based Payments.

### (d) Employee Loan Funded Share Plan

There were no shares issued during the year as part of any executive's remuneration.

Further details on share-based payments can be found at Note 27: Share-based Payments.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 5: Key Management Personnel Remuneration (cont)

### (e) Shares issued on Exercise of Remuneration Options

There were no shares issued during the year as a result of options exercised.

### (f) Shareholdings

Number of Shares held by Key Management Personnel during the year

	Balance 1.7.17	Granted as Remuneration	Options Exercised	Other <sup>(1)</sup>	Balance 30.6.18
Peter Ritchie	4,722,234	-	-	-	4,722,234
Gary Hillberg	250,356	-	-	-	250,356
Steve Jermyn <sup>(3)</sup>	2,901,544	-	-	(2,901,544)	-
Richard Bell	20,370,588	-	-	-	20,370,588
Charles Slaughter	706,215	-	-	(706,215)	-
Dion Soich	353,107	-	-	(353,107)	-
Total	29,304,044	-	-	(3,960,866)	25,343,178

Number of Shares held by Key Management Personnel for the year ended 30 June 2017

	Balance 1.7.16	Granted as Remuneration	Options Exercised	Other <sup>(1)</sup>	Balance 30.6.17
Peter Ritchie	4,722,234	-	-	-	4,722,234
Gary Hillberg	250,356	-	-	-	250,356
Steve Jermyn	2,901,544	-	-	-	2,901,544
Richard Bell	20,370,588	-	-	-	20,370,588
Charles Slaughter <sup>(2)</sup>	706,215	-	-	-	706,215
Dion Soich <sup>(2)</sup>	353,107	-	-	-	353,107
Total	29,304,044	-	-	-	29,304,044

(1) Other refers to net shares purchased, forfeited or sold during the financial year.

(2) Subject to a holding lock until limited recourse loan is paid.

(3) Resigned 26 October 2017.

## Note 6: Auditors' Remuneration

	Consolidated Entity	
	2018 \$	2017 \$
Remuneration of the auditor of the parent entity for:		
– auditing or reviewing the financial report	52,307	52,911
– taxation services provided by related practice of auditor	14,800	15,000

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 7: Dividends

	Consolidated Entity	
	2018 \$	2017 \$
Dividends Paid	934,413	934,415
Fully franked dividend (1c per share)	934,413	934,415
Balance of franking account at year end:	6,365,477	6,389,253
— Adjustment for franking credits arising from payment of provision for income tax	17,393	6,158
Balance of franking account after post balance date adjustments	6,382,870	6,395,411

The tax rate at which dividends have been franked is 27.5%.

## Note 8: Earnings per Share

	Consolidated Entity	
	2018 \$	2017 \$
(a) Reconciliation of Earnings to Profit		
Profit/(loss)	(444,542)	307,773
Earnings used to calculate basic EPS	(444,542)	307,773
Earnings used in the calculation of dilutive EPS	(444,542)	307,773
(b) Weighted average number of ordinary shares during the year used in calculating basic EPS	No 93,044,099	No 93,441,497
Weighted average number of options outstanding <sup>(i)</sup>	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	93,044,099	93,441,497

(i) Only those options which were "in-the-money" during the year were included in the weighted average number of outstanding options.  
At year end there were no options which were capable of being exercised.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 9: Cash and Cash Equivalents

	Consolidated Entity	
	2018 \$	2017 \$
Cash at bank and on hand	63,457	70,773
Short-term deposits	5,249,940	7,215,005
	5,313,397	7,285,778

For the purposes of the Cash Flow Statement, cash and cash equivalents are comprised as above.  
The effective interest rate on cash at bank and short-term bank deposits was 2.2% (2017: 0.6%).

## Note 10: Trade and Other Receivables

	Note	Consolidated Entity	
		2018 \$	2017 \$
CURRENT			
Trade receivables	10a	341,276	339,357
Sundry receivables		270,487	119,646
		611,763	459,003

(a) Current trade receivables are on 30-day terms. No receivables are either past due or impaired.  
Refer to Note 30 for further information regarding credit risk

## Note 11: Inventories

	Consolidated Entity	
	2018 \$	2017 \$
Inventory at cost	939,657	258,146

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 12: Controlled Entities

(a) Unlisted investments, at cost:	Principal activities	Country of Incorporation	Ownership Interest	
			2018 \$	2017 \$
1800 Reverse Pty Ltd	Reverse Charge Calling Services	Australia	100	100
0800 Reverse Pty Ltd	Dormant Entity	Australia	100	100
Oz Contacts Pty Ltd	Online Contact Lenses	Australia	95	95
Net Optical (Aust.) Pty Ltd <sup>(i)</sup>	Online Contact Lenses	Australia	100	100
Webcontacts Pty Ltd <sup>(i)(iii)</sup>	Online Contact Lenses	Australia	100	100
1800 Reverse Operations Pty Ltd <sup>(ii)</sup>	Service Entity	Australia	100	100
15-15 Pty Ltd	Dormant Entity	Australia	100	100
Yourcontacts Pty Ltd <sup>(i)</sup>	Online Contact Lenses	Australia	100	N/A

(i) Subsidiary of Oz Contacts Pty Ltd

(ii) Subsidiary of 1800 Reverse Pty Ltd

(iii) Formerly known as Online Contact Lenses (Aust.) Pty Ltd

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 13: Parent Entity Information

Reverse Corp Limited	2018 \$	2017 \$
<b>Assets</b>		
Current assets	5,211,044	7,193,308
Non-current assets	3,489,460	3,483,710
<b>Total Assets</b>	<b>8,700,504</b>	<b>10,677,018</b>
<b>Liabilities</b>		
Current liabilities	107,640	47,476
Non-current liabilities	9,640,477	8,582,883
<b>Total Liabilities</b>	<b>9,748,117</b>	<b>8,630,359</b>
<b>Equity</b>		
Issued capital	3,576,084	3,553,224
Retained earnings	(5,068,411)	(1,951,279)
<b>Other components of equity</b>		
Share option reserve	444,714	444,714
<b>Total Equity</b>	<b>(1,047,613)</b>	<b>2,046,659</b>
<b>Financial Performance</b>		
Profit/(loss) for the year	(3,117,132)	(1,954,049)
Other comprehensive income	-	-
<b>Total Comprehensive Income</b>	<b>(3,117,132)</b>	<b>(1,954,049)</b>

### Guarantees in relation to the debts of subsidiaries:

Reverse Corp Limited has signed a debt and interest interlocking guarantee in favour of National Australia Bank Limited in relation to financing provided to its subsidiaries, 1800 Reverse Pty Ltd and 1800 Reverse Operations Pty Ltd. At the date of this report no funds were owed to National Australia Bank under this facility.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 14: Property, Plant and Equipment

	Consolidated Entity	
	2018 \$	2017 \$
Plant and Equipment:		
At cost	233,632	220,005
Accumulated depreciation	(208,681)	(197,837)
	24,951	22,168
Calling Platform:		
At cost	1,124,671	1,095,671
Accumulated depreciation	(1,084,425)	(1,062,794)
	40,246	32,877
Leasehold Improvements:		
At cost	25,728	22,430
Accumulated depreciation	(21,029)	(13,513)
	4,699	8,917
Total Property, Plant and Equipment	69,896	63,962

## Movements in Carrying Amounts

	Consolidated Entity			
	Plant and Equipment	Calling Platform	Lease Hold Improvements	Total
	\$	\$	\$	\$
<b>Year ended 30 June 2017</b>				
Balance at the beginning of year	28,094	15,875	16,319	60,288
Additions	5,499	32,500	-	37,999
Disposals	-	-	-	-
Depreciation expense	(11,425)	(15,498)	(7,402)	(34,325)
Carrying amount at the end of year	22,168	32,877	8,917	63,962
<b>Year ended 30 June 2018</b>				
Balance at the beginning of year	22,168	32,877	8,917	63,962
Additions	13,627	29,000	3,298	45,925
Disposals	-	-	-	-
Depreciation expense	(10,844)	(21,631)	(7,516)	(39,991)
Carrying amount at the end of year	24,951	40,246	4,699	69,896

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 15: Goodwill and Other Intangible Assets

	Note	Consolidated Entity	
		2018 \$	2017 \$
Goodwill			
Cost		841,062	1,671,024
Acquired through business combination		-	149,000
Adjustments		-	(3,962)
Impairment loss recognised		(400,000)	(975,000)
Net carrying value		441,062	841,062
Trademarks, Licences and Intellectual Property			
Cost		806,852	644,256
Impairment		(834)	(23)
Accumulated amortisation		(419,874)	(317,481)
Net carrying value		386,144	326,752
Customer Databases			
Cost		1,304,000	600,000
Accumulated amortisation		(346,161)	(106,192)
Net carrying value		957,839	493,808
Contractual Rights			
Cost		570,000	570,000
Accumulated amortisation		(570,000)	(567,167)
Net carrying value		-	2,833
Total other intangibles		1,343,983	823,393
Total intangible assets		1,785,045	1,664,455

Trademarks, licences, customer databases and development costs have finite useful lives. The current amortisation charges in respect of these intangible assets are included under depreciation and amortisation expense. Intellectual property and goodwill do not have finite useful lives.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 15: Goodwill and Other Intangible Assets (cont)

### Movements in Carrying Amounts

	Consolidated Entity				
	Goodwill	Trademarks, Licences & IP	Customer Databases	Contractual Rights	Total
	\$	\$	\$	\$	\$
<b>Year ended 30 June 2017</b>					
Balance at the beginning of year	1,671,024	112,140	-	52,667	1,835,831
Additions	149,000	249,889	600,000	-	998,889
Adjustments	(3,962)	-	-	-	(3,962)
Impairment	(975,000)	(23)	-	-	(975,023)
Amortisation expense	-	(35,254)	(106,192)	(49,834)	(191,280)
Carrying amount at the end of year	841,062	326,752	493,808	2,833	1,664,455
<b>Year ended 30 June 2018</b>					
Balance at the beginning of year	841,062	326,752	493,808	2,833	1,664,455
Additions	-	162,619	704,000	-	866,619
Write off	-	(834)	-	-	(834)
Impairment	(400,000)	-	-	-	(400,000)
Amortisation expense	-	(102,393)	(239,969)	(2,833)	(345,195)
Carrying amount at the end of year	441,062	386,144	957,839	-	1,785,045

### Impairment Disclosures

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units:

	2018 \$	2017 \$
Reverse Charge Calling	296,024	696,024
Online Contact Lenses	145,038	145,038
Goodwill allocation at 30 June	441,062	841,062

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations, covering detailed 1-5 year forecasts, followed by an extrapolation of expected cash flows for the units' remaining useful lives using growth rates determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate.

		Growth Rate	Discount Rates
Reverse Charge Calling	Year 1	(40%)	15%
Online Contact Lenses	Years 1-2	5%	16%
	Years 3-5	(5%)	16%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 15: Goodwill and Other Intangible Assets (cont)

### Growth Rates

The growth rates reflect the average medium-term growth rates for the product lines and industries of the segments. The growth rate of Reverse Charge Calling reflects the current rates being experienced by mature telecommunication product lines.

### Discount Rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each unit.

### Cash Flow Assumptions

#### *Reverse Charge Calling*

The forecast was adjusted in 2018 for the decline in reverse charge calling due to technology changes in telecommunications and the Optus billing announcement. The market continues to shift toward mobile VoIP (voice over internet protocol) alternatives including WhatsApp, Facetime, Skype and other substitutes available via data connections including free public WiFi. These declines have been occurring for the past 4 years and although slowing in 2018, they are forecast to increase in 2019. As a result, management expects declining margins for this product.

Impairment testing, taking into consideration these developments, resulted in a reduction of goodwill in 2018 to its recoverable amount. The related goodwill impairment loss of \$400,000 was included within impairment of non-financial assets.

These budgets assume no price increases for the life of the model, aggressive volumes decline trends and that all the parties to the Heads of Agreement don't terminate before 30 June 2019.

#### *Online Contact Lenses*

Goodwill in this cash generating unit is from the acquisition of the Net Optical business of \$145,038 after vendor deferred payment adjustments made on 12 February 2018.

The businesses of WebContacts and YourContacts were acquired this year to further increase the scale of the online contacts lens business adding \$1m of revenue annually. Additionally, increased marketing expenditure in the OzContacts business drove additional revenue with a 77% increase over 2017. The combined business scale has increased significantly further increasing buying power opportunities.

The budgets assume increased margins due to additional scale as well as increased sales from continued marketing activity.

## Note 16: Other Assets

	Consolidated Entity	
	2018 \$	2017 \$
CURRENT		
Prepayments	61,080	56,977
Deposits	1,734	50
	62,814	57,027

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 17: Trade and Other Payables

	Note	Consolidated Entity	
		2018 \$	2017 \$
CURRENT			
Trade payables	17a	620,269	203,586
Sundry payables and accrued expenses		119,137	140,340
		739,406	343,926

(a) Current trade payables are on 30-day terms. No payables are either past due or impaired. Refer to Note 30 for further information regarding currency risk.

## Note 18: Financial Liabilities

### NAB credit facility

The Group has a \$50,000 credit card limit and a bank guarantee limit of \$56,162. The bank holds a fixed and floating charge over the assets of the group.

## Note 19: Tax

	Note	Consolidated Entity	
		2018 \$	2017 \$
(a) Current			
Income tax payable		63,247	20,525

	Balance Sheet		Comprehensive Income		Income Statement	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
(b) Non-Current						
Consolidated Entity						
Deferred tax liabilities:						
Prepaid expenses	-	-			-	(1,560)
Property, plant and equipment	-	-				-
Intangibles	(4,403)	(8,896)			(4,493)	4,246
Gross deferred income tax liability	(4,403)	(8,896)				
Deferred tax assets:						
Provisions	46,754	43,219			(3,535)	(5,989)
Carried forward tax losses	382,999	417,729			34,730	(121,472)
Intangibles	80,527	8,362			(72,165)	11,888
Other	9,783	-	-	-	(9,783)	-
Gross deferred income tax assets	520,063	469,310				
Deferred income tax charge			-	-	(55,246)	(112,887)

Due to the wind up of dormant foreign entities during 2011 the group realised capital tax losses. As a result a deferred tax asset of \$748,000 was generated. This asset, and the corresponding deferred tax benefit, have not been recognised. In 2017 the capital gain on sale of financial assets from the sale of the Onthehouse shares was utilised against the groups realised capital losses (\$207,347). The remaining amount is available for the tax consolidated group to utilise should the group incur a further capital tax gain in future years.

The Oz Contacts consolidated tax group generated a tax loss of \$897,000 which generated a deferred tax asset of \$246,675. This asset, and the corresponding deferred tax benefit, have not been recognised but are available for the OzContacts consolidated tax group should it incur future profits.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 20: Employee Benefits

	Consolidated Entity
	\$
<b>Employee Benefits</b>	
Opening balance at 1 July 2017	144,063
Movement in employee benefits	25,951
Balance at 30 June 2018	170,014

### Analysis of Total Employee Benefits

	Consolidated Entity	
	2018	2017
	\$	\$
<b>Employee Benefits</b>		
Current	133,642	126,878
Non-current	36,372	17,185
	170,014	144,063

### Employee Benefits

A provision has been recognised for employee entitlements relating to annual leave and long service leave. 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 an estimate of expected service periods. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

## Note 21: Issued Capital

	Note	Consolidated Entity	
		2018	2017
		\$	\$
92,860,562 (2017: 93,441,497)			
Fully paid Ordinary shares	21(a)	3,576,084	3,553,224
		3,576,084	3,553,224

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly, the consolidated entity does not have authorised capital or par value in respect of its issued capital.

### (a) Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	2018	2017
	No.	No.
At the beginning of reporting period	93,441,497	93,441,497
Shares bought back during the year	(580,935)	-
At reporting date	92,860,562	93,441,497

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 21: Issued Capital (cont)

### (b) Options

- (i) For information relating to the Reverse Corp Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 27.
- (ii) For information relating to share options issued to executives during the financial year, refer to Note 27.

### (c) Capital Management

Management controls the capital of the group in order to maintain an appropriate debt to equity ratio, provide shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Management felt it was prudent to hold no group debt to provide maximum financial flexibility for future growth. The gearing ratios for the year ended 30 June 2018 and 30 June 2017 are as follows:

	Note	Consolidated Entity	
		2018 \$	2017 \$
Total borrowings	18	-	-
Less cash and cash equivalents	9	(5,313,397)	(7,285,778)
Net debt		(5,313,397)	(7,285,778)
Total equity		8,325,565	9,740,271
Total capital		3,012,168	2,454,493
Gearing ratio		0.0%	0.0%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 22: Other components of equity

	Consolidated Entity			
	Available-for-sale Reserve	Share Option Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$
<b>At 1 July 2016</b>	251,136	443,715	-	694,851
Currency translation differences				
– Reclassification to the profit and loss	-	-	-	-
Reversal of prior year unrealised gains	(251,136)	-	-	(251,136)
Share-based payments	-	-	-	-
<b>At 30 June 2017</b>	-	443,715	-	443,715
Currency translation differences				
– Reclassification to the profit and loss	-	-	-	-
Reversal of prior year unrealised gains	-	-	-	-
Share-based payments	-	-	-	-
<b>At 30 June 2018</b>	-	443,715	-	443,715

### Share Option Reserve

The share option reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

### Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of financial statements of foreign operations into AUD. All foreign operations have been either disposed of or discontinued in 2013 and 2015, and as such no group entities have a functional currency other than AUD.

### Available-for-sale Reserve

The available-for-sale reserve is used to record the fair value unrealised gain or losses on revaluation of available-for-sale financial assets. These assets were disposed of in 2017.

## Note 23: Leasing Commitments

Note	Consolidated Entity	
	2018 \$	2017 \$
<b>Operating Lease Commitments as Lessee</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Minimum lease payments		
– not later than 12 months	113,519	119,300
– greater than 1 year but not greater than 5 years	59,108	9,974
	172,627	222,697

- (a) A current operating lease for the office in Brisbane, Australia which commenced on 1 August 2015 for a 3-year term was renewed and now expires on 31 December 2019. This lease has an annual increase of a fixed 3.5%.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 24: Contingent Liabilities and Contingent Assets

Reverse Corp Limited has signed a debt and interest interlocking guarantee in favour of National Australia Bank Limited in relation to financing provided to its subsidiaries, 1800 Reverse Pty Ltd and 1800 Reverse Operations Pty Ltd to cover the 1800 Reverse Pty Ltd's credit card limit of \$50,000 and bank guarantees of \$56,162.

## Note 25: Segment Reporting

The group has identified its operating segments based on the internal reports that are reviewed and used by management and the Board of Directors in assessing performance and determining the allocation of resources. The operating segments reflect the ongoing needs of the business.

The group is managed primarily on the basis of the operating markets as these markets have different pricing and operating structures. The operating segments are therefore determined on the same basis.

The following table presents the operating segments for the years ended 30 June 2018 and 2017.

	Reverse Charges	Online Contacts	Corporate	Inter Segment Eliminations	Group
Year ended 30 June 2018	\$	\$	\$	\$	\$
REVENUE					
External revenue	3,538,635	4,518,712	-	-	8,057,347
Other revenue	56,418	-	-	(56,418)	-
Interest revenue	-	-	392,072	(293,648)	98,424
Total revenue	3,595,053	4,518,712	392,072	(350,066)	8,155,771
RESULT					
Segment result	1,140,573	(1,224,148)	(55,416)	-	(138,991)
OTHER SEGMENT INFORMATION					
Segment assets	26,109,204	3,389,898	21,214,029	(41,410,496)	9,302,635
Segment liabilities	16,036,552	5,611,613	17,586,095	(38,257,190)	977,070
Interest expense	-	293,648	-	(293,648)	-
Capital expenditure	35,984	876,560	-	-	912,544
Depreciation and amortisation	39,367	345,819	-	-	385,186
Impairment	400,000	834	-	-	400,834
Income tax expense/(benefit)	425,710	(49,144)	(12,404)	-	364,162

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 25: Segment Reporting (cont)

	Reverse Australia	Online Contacts	Corporate	Inter Segment Eliminations	Group
Year ended 30 June 2017	\$	\$	\$	\$	\$
REVENUE					
External revenue	3,679,332	2,345,537	29	-	6,024,898
Other revenue	50,739	-	691,157	(50,739)	691,157
Interest revenue	1,352	-	211,370	(168,743)	43,979
Total revenue	3,731,423	2,345,537	902,556	(219,482)	6,760,034
RESULT					
Segment result	573,773	(448,154)	464,672	-	590,291
OTHER SEGMENT INFORMATION					
Segment assets	22,302,054	1,794,646	20,200,356	(34,039,375)	10,257,681
Segment liabilities	14,319,265	2,841,360	15,617,854	(32,261,069)	517,410
Interest expense	3	168,743	9	(168,743)	12
Capital expenditure	33,575	1,003,313	-	-	1,036,888
Depreciation and amortisation	81,113	144,491	-	-	225,604
Impairment	975,023	-	-	-	975,023
Income tax expense/(benefit)	474,196	(123,578)	(60,700)	-	289,918

### Basis of accounting for purposes of reporting by operating segments

All amounts reported to the Board of Directors are determined in accordance with accounting policies that are consistent with those adopted for the annual financial statements of the group.

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of accumulated depreciation, amortisation and impairment. Segment liabilities consist principally of payables, employee benefits, accrued expenses, and provisions. Segment assets and liabilities do not include deferred income taxes.

Parent entity costs are not allocated across each segment. Segment revenues, expenses and results include transfers between segments. All such transactions are eliminated on consolidation of the group's financial statements. The prices charged on inter-segment transactions are at an arm's length.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 26: Cash Flow Information

	Consolidated Entity	
	2018 \$	2017 \$
<b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>		
Profit after income tax	(503,153)	300,373
Items reclassified in cash flow statement (Interest received and interest paid)	(98,424)	(43,967)
Non-cash flows in profit		
Amortisation	345,195	191,281
Depreciation	39,991	34,323
Net (profit)/loss on disposal of property, plant and equipment	-	-
Net (profit)/loss on sale of AFS financial assets	-	(691,157)
Stock adjustment	12,441	5,623
Share-based payments	-	-
Impairment of intangibles	400,834	975,023
Other non-cash outflows	-	3,962
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	(46,280)	47,594
(Increase)/decrease in inventories	(693,953)	(98,815)
(Increase)/decrease in prepayments	(4,102)	(16,024)
(Increase)/decrease in other assets	(52,438)	(60,843)
Increase/(decrease) in trade payables and accruals	416,683	38,657
Increase/(decrease) in income taxes payable	42,722	(94,399)
Increase/(decrease) in deferred taxes payable	(4,492)	2,685
Increase/(decrease) in other payables	(127,425)	(111,994)
Increase/(decrease) in provisions	25,693	19,965
Foreign currency movement	-	-
Cash flow from operations	(246,708)	502,287

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 27: Share-based Payments

### Options

There are no options outstanding at 30 June 2018.

There were no options granted during the year.

### Employee Loan Funded Share Plan

There were no shares issued under the Loan Funded Share Plan during the year.

On 1 September 2017 both key management personnel issued shares under the Employee Loan Funded Share Plan forfeited their shares, which were sold by the Company on-market, with the corresponding limited recourse loans being repaid.

The number of shares in the Loan Funded Share Plan issued to key management personnel and outstanding at the end of the year was nil.

The number of shares in the Loan Funded Share Plan issued to key management personnel and outstanding at the end of the year was nil.

## Note 28: Events After the Balance Sheet Date

On 26 July 2018 the business received notification from both of its mobile billing providers used to provide 1800-Reverse calls-to-mobiles that their operating agreements with Optus had been terminated with 30 days' notice. This means that from 25 August 2018 onward the business can no longer provider reverse charge calls to mobiles. Management are working with its mobile billing providers to seek an exemption from Optus. If this cannot be achieved EBITDA for the product would be negatively impacted by an estimated \$25,000 per month. Should Telstra follow this decision and choose not to renew the current mobile billing agreement with 1800-Reverse due to expire on 2 December 2018, the service would no longer be viable and would be closed.

No other matters or circumstances, other than the Optus billing announcement and the declared dividend have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

The financial report was authorised for issue on 28 August 2018 by the Board of directors.

## Note 29: Related Party Transactions

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

Transactions with related parties:

### (a) Subsidiary Companies

At balance date intercompany receivable balances existed between Reverse Corp Limited and its wholly owned subsidiaries. The balance represents the provision of working capital in order to manage operating businesses. The intercompany receivable balance is interest bearing and repayable on demand. At 30 June 2018 the net amount owed by the company to its subsidiaries was \$4,964,930. (2017: \$6,047,040).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 30: Financial Instruments

### (a) Financial risk management objectives and policies

The group's financial instruments consist mainly of cash and short-term deposits.

The main risks arising from the consolidated entity's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Audit and Risk Committee, in conjunction with management, oversees policies in relation to financial instrument risk management. Future expectations of funding requirements and potential exposures are considered regularly.

#### Interest rate risk

The group's exposure to market risk for changes in interest rates relates to the group's short-term cash deposits.

At balance date, the consolidated entity had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	Consolidated Entity	
	2018 \$	2017 \$
<b>Financial Assets</b>		
Cash and cash equivalents	5,257,807	7,215,005
	5,257,807	7,215,005
<b>Financial Liabilities</b>		
Bank loans	-	-
<b>Net Exposure</b>	5,257,807	7,215,005

The other financial instruments of the consolidated entity that are not included in the above table are non-interest bearing and are therefore not subject to interest rate risk.

There are no other financial instruments held by foreign subsidiaries that are not already translated through the foreign currency translation reserve. On this basis, there is no further impact to the consolidated group to that already disclosed.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the statement of financial position date.

At 30 June 2018, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

	Post Tax Profit Higher/(Lower)	
	2018 \$	2017 \$
Judgements of reasonable possible movements:		
<b>Consolidated</b>		
+1% (100 basis points)	52,578	72,150
-1% (100 basis points)	(52,578)	(72,150)

The movements in profit are due to higher/lower interest on cash balances.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 30: Financial Instruments (cont)

### (a) Financial risk management objectives and policies (cont)

#### Foreign currency risk

The group has an immaterial foreign currency exposure to the USD with approximately \$8,000 held in USD denominated bank accounts at year end. No sensitivity analysis or disclosure has been prepared in relation to this exposure.

#### Credit risk

The credit risk of financial assets of the consolidated entity which have been recognised in the Balance Sheet is generally the carrying amount.

With respect to receivables, the group manages its credit risk by maintaining strong relationships with a limited number of quality customers. The risk is mitigated with specific clauses within the contracts entered into with these quality customers.

The group has one major debtor in the 1800 Reverse business in which it operates and as such has concentrated credit risk. However, the credit quality of each counterparty is considered appropriate and accordingly the group's exposure to credit risk is considered to be low.

#### Liquidity risk

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, leases and available credit lines.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant, equipment and investments in working capital such as inventory and trade receivables. These assets are considered in the group's overall liquidity risk.

	Within 1 Year	1 to 5 Years	Over 5 years	Total
Year ended 30 June 2018	\$	\$	\$	\$
<b>Consolidated financial assets:</b>				
Cash	5,313,397	-	-	5,313,397
Receivables	611,763	-	-	611,763
Total Financial Assets	5,925,160	-	-	5,925,160
<b>Consolidated financial liabilities:</b>				
Trade and sundry payables	739,406	-	-	739,406
Total Financial Liabilities	739,406	-	-	739,406
<b>Net Maturity</b>	<b>5,185,754</b>	<b>-</b>	<b>-</b>	<b>5,185,754</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 31: Acquisitions

On 23 August 2017, the Group acquired 100% of all of the assets of WebContacts and 100% of the shares of YourContacts Pty Ltd, two Queensland based online contact lens retailers owned by an optometrist. The acquisition was made to increase the Group's market share of the online contact lens market. The combined WebContacts and YourContacts business is a sizeable business in the Group's targeted market.

The details of the business combination are as follows:

	\$
<b>Fair value of consideration transferred</b>	
Amount settled in cash	741,522
<b>Total</b>	<b>741,522</b>
<b>Recognised amounts of identifiable net assets</b>	
Intangible assets	710,000
Inventories	31,522
<b>Total assets</b>	<b>741,522</b>
<b>Total liabilities</b>	<b>-</b>
Identifiable net assets	741,522
<b>Goodwill on acquisition</b>	<b>-</b>
Consideration transferred settled in cash	741,522
Cash and cash equivalents acquired	(1)
<b>Net cash outflow on acquisition</b>	<b>741,521</b>
Acquisition costs charged to expenses	18,478
<b>Net cash paid relating to the acquisition</b>	<b>759,999</b>

### Consideration transferred

The acquisition of WebContacts and YourContacts were settled in cash for \$741,522.

Acquisition-related costs amounting to \$18,478 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses.

### Identifiable net assets

Inventories were valued at fair value which amounted to \$31,522 and reflects net realisable value. The customer database and website has been fair value assessed at \$704,000 and \$6,000 respectively.

### WebContacts and YourContacts' contribution to the group results

WebContacts and YourContacts generated a profit of \$113,281 for the ten and a quarter months from 23 August 2017 to the reporting date. If WebContacts and YourContacts had been acquired on 1 July 2017, revenue and loss for Group would have been \$8.34m and \$484k respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 32: Company Details

The registered office and principal place of business of the company is:

Level 1, 30 Little Cribb Street  
Milton QLD 4064

## Note 33: New and revised standards that are effective for these financial statements

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been adopted early by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

Accounting Standards issued but not yet effective and not been adopted early by the Group	Effective date	Impact on Group
AASB 9 Financial Instruments (December 2014) [Also refer to AASB 2014-7 and 2016-8 below]	1 January 2018	When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on transactions and balances recognised in the financial statements.
AASB 16 Leases	1 January 2019	The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.
AASB 15 Revenue from Contracts with Customers [Also refer to AASB 2014-5, 2015-8 and 2016-3 below]	1 January 2018	When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on transactions and balances recognised in the financial statements.
AASB 17 Insurance Contracts	1 January 2021	The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.
Interpretation 22 – Foreign Currency and Transactions and Advance Consideration	1 January 2018	When this interpretation is adopted for the year ending 30 June 2019, there will be no material impact on the financial statements
IFRIC 23 – Uncertainty Over Income Tax Treatments	1 January 2019	When this interpretation is adopted for the year ending 30 June 2020, there will be no material impact on the financial statements
AASB 2014-5 – Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018	Refer to impact under AASB 15 above
AASB 2014-7 – Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018	Refer to impact under AASB 9 above
AASB 2014-10 – Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018	When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## Note 33: New and revised standards that are effective for these financial statements (cont)

Accounting Standards issued but not yet effective and not been adopted early by the Group	Effective date	Impact on Group
AASB 2015-8 – Amendments to Australian Accounting Standards – Effective Date of AASB 15	1 January 2017	Refer to impact under AASB 15 above
AASB 2016-3 – Amendments to Australian Standards – Clarifications to AASB 15	1 January 2018	Refer to impact under AASB 15 above
AASB 2016-5 – Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements
AASB 2016-6 – Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1 January 2018	When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements
AASB 2016-8 – Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1 January 2018	Refer to impact under AASB 9 above
AASB 2017-1 – Transfers of Investment Property, Annual Improvements 2014- 2016 Cycle and Other Amendments	1 January 2018	When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements
AASB 2017-3 – Amendments to Australian Accounting Standards – Clarifications to AASB 4	1 January 2018	When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements
AASB 2017-5 – Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2018	When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements
AASB 2017-6 – Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1 January 2019	When these amendments are first adopted for the year ending 30 June 2020, there will be no material impact on the financial statements
AASB 2017-7 – Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	1 January 2019	When these amendments are first adopted for the year ending 30 June 2020, there will be no material impact on the financial statements
AASB 2018-1 – Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019	When this interpretation is adopted for the year ending 30 June 2020, there will be no material impact on the financial statements
AASB 2018-2 – Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	1 January 2019	When this interpretation is adopted for the year ending 30 June 2020, there will be no material impact on the financial statements

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

# DIRECTORS' DECLARATION

The directors of the company declare that:

1. the attached financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards and the *Corporations Regulations 2001*;
  - (b) Include an explicit statement in the notes to the financial statements that the financial statements comply with International Financial Reporting Standards (IFRS); and
  - (c) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the company and consolidated entity;
2. the Chief Executive Officer and Chief Financial Officer have declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Mr Peter D Ritchie  
Chairman

Dated this 28th day of August 2018

# Independent Auditor's Report

## To the Members of Reverse Corp Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Reverse Corp Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated 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:

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b 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 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.

### Key audit matter

### How our audit addressed the key audit matter

#### Acquisition of Web Contacts Pty Ltd Assets and Your Contacts Pty Ltd

##### Note 31

The Group, through the subsidiary Oz Contacts Pty Ltd acquired assets from WebContacts Pty Ltd and all of the shares in YourContacts Pty Ltd on 23 August 2017.

Accounting for this transaction is a complex and judgmental exercise, requiring management to determine the fair value and useful lives of acquired assets, in particular the allocation of purchase consideration separately identifiable intangible assets including customer databases.

This area is a key audit matter due to the judgement required to identify the assets and the estimation processes involved in accounting for the acquisition.

Our procedures included, amongst others:

- Reading the Business and Share Sale Agreement to understand the key terms and conditions;
- Evaluating whether the acquisition meets the definition of a business combination in compliance with AASB 3: Business Combinations;
- Evaluating management's assumptions and methodology used to determine the fair value and useful life of the customer database;
- Checking amortisation calculations; and
- Assessing the adequacy of the Group's disclosures in respect of the acquisition in the financial statements.

#### Impairment of Goodwill – Reverse call cash generating unit

##### Note 15

The Group has historically recognised goodwill of \$1,671,024 in relation to the reverse charge calling cash generating unit (CGU).

Call volumes and associated revenues are declining as the reverse charge calling product approaches the end of its useful life. Subsequent to year end notification was received that agreements through Optus had been terminated resulting in reduced revenues (refer note 28). Management have conducted an impairment assessment on the reverse charge calling CGU and determined that \$400,000 of impairment should be recognised. The carrying value as 30 June 2018 is \$296,024.

The assessment of impairment of the goodwill associated with the reverse charge calling CGU incorporates a value in use model with significant judgements and estimates in respect to factors such as projected revenues, costs and discount rates.

This area is a key audit matter due to the significant judgement and estimates required in relation to the selection of key external and internal inputs in the value in use model.

Our procedures included, amongst others:

- Challenging management's assumptions and methodology used in management's impairment assessment including forecast revenues and costs and the decision to apply no terminal value at the end of the useful life;
- Assessing the historical accuracy of forecasting of management; and
- Assessing the adequacy of the Group's disclosures in respect of the goodwill impairment assessment.

#### Impairment testing– contact lens cash generating unit Note 15

The Group has recognised goodwill of \$145,038 and intangible assets of \$957,839 in relation to the contact lens cash generating unit (CGU).

The contact lens CGU generated a segment loss of \$1,224,148 and an EBTIDA loss of \$566,202 indicating potential impairment.

This area is a key audit matter due to the significant judgement and estimates required in relation to the selection of key external and internal inputs in the value in use model.

Our procedures included, amongst others:

- Challenging management's assumptions and methodology used in management's impairment assessment including identification of cash generating unit, forecast revenues and costs;
- Assessing the historical accuracy of forecasting of management;
- Utilising our corporate finance and valuation specialists to evaluate management's impairment assessment.
- Checking the mathematical accuracy of the value in use model, recalculating key inputs such as discount rates, and performing sensitivity analysis on these inputs; and
- Assessing the adequacy of the Group's disclosures in respect of the goodwill and intangible asset impairment assessment.

#### Revenue Recognition Note 1(m) and Note 2

The Group's revenue balance of \$8,057,347 is the largest item in the Statement of Comprehensive Income.

Additionally ASA 240 The Auditors Responsibility in relation to Fraud in an Audit of A Financial Report requires us to consider the risk of material misstatement due to fraudulent financial reporting relating to revenue recognition.

This area is a key audit matter due to the nature of revenue arrangements, the systems and processes used to transact sales and the importance of the revenue balance to stakeholders.

Our procedures included, amongst others:

- Updating our understanding of the processes and controls used by the Group in recording revenue and receivables;
- Testing a sample of contact lens sales by agreeing to customer payment, and assessing whether revenue is recognised in accordance with Group policies;
- Verifying material reverse charge calling revenue streams to monthly invoices and customer payment;
- Performing an analysis of reverse charge calling revenue disaggregated by call type and by month; and
- Assessing the adequacy of the Group's disclosures in respect of revenue.

#### 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 2018, 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 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.

### 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 Group's ability 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 have 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/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). 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 8 to 12 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Reverse Corp Limited, for the year ended 30 June 2018 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.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M S Bell  
Partner - Audit & Assurance  
Brisbane, 28 August 2018

# SHAREHOLDER INFORMATION

This information is extracted from share registry records as at 29 August 2018.

## (a) Distribution schedule

Range	Number of holders	Number of shares
1-1000	34	10,474
1,001 - 5,000	32	89,977
5,001 - 10,000	105	900,460
10,001 - 100,000	209	8,388,965
100,001 and over	87	83,470,686
<b>Total</b>	<b>467</b>	<b>92,860,562</b>

Number of holders with less than a marketable parcel: 69

## (b) Twenty largest shareholders

Rank	Name	Units	% of Issued capital
1	RICHARD LESLIE BELL	18,259,777	19.66%
2	DEFENDER EQUITIES PTY LTD	6,999,998	7.54%
3	VERTUA LIMITED	6,100,000	6.57%
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	5,837,642	6.29%
5	MR PETER DAVID RITCHIE & MRS LEIGH MARGARET RITCHIE	4,602,534	4.96%
6	MR ANTHONY JOHN FITZGERALD WYER	4,533,333	4.88%
7	WOODVILLE SUPER PTY LIMITED	3,999,997	4.31%
8	ONE MANAGED INVT FUNDS LTD	2,000,000	2.15%
9	BELL CO PTY LTD	1,901,544	2.05%
10	KERRY JOHN MASON & MARY CATHERINE COUGHLAN-MASON & BRUCE KENNETH DELL	1,700,000	1.83%
11	MR WAYNE HAROLD FINDLAY	1,600,000	1.72%
12	MR DONALD JAMES MILLER	1,400,000	1.51%
13	MR RICHARD JAMES STENLAKE	1,333,333	1.44%
14	DEFENDER NO 1 PTY LTD	1,293,504	1.39%
15	MR MALCOLM ARNOLD CRAIG	1,134,045	1.22%
16	MR NOEL DIAGO LAWRENCE FRANCIS D'SOUZA & MRS CHRISTINE ANN D'SOUZA	1,025,383	1.10%
17	TIE INTERACT PTY LTD	1,015,281	1.09%
18	EXPLORER CORPORATION PTY LTD	1,000,000	1.08%
19	HARLEY N PTY LIMITED	991,300	1.07%
20	BNP PARIBAS NOMINEES PTY LTD	885,029	0.95%
<b>Total: Twenty largest shareholders</b>		<b>67,612,700</b>	<b>72.81%</b>
<b>Remainder</b>		<b>25,247,862</b>	<b>27.19%</b>
<b>Total</b>		<b>92,860,562</b>	<b>100.00%</b>

## (c) Substantial shareholders

Rank	Name	Units	% of Issued capital
1	Richard Leslie Bell	20,370,588	21.9%
2	Defender Equities Pty Ltd , Vertua Limited & Woodville Super Fund	18,393,499	19.8%
3	Mr Peter David Ritchie & Mrs Leigh Margaret Ritchie	4,722,234	5.1%

## (d) Voting rights

At general meetings, each member entitled to vote may vote in person, or by proxy or attorney.

A holder of a fully paid ordinary share at any general meeting is entitled to one vote on a show of hands and one vote for each fully paid share of which he or she is a holder on a poll.

# CORPORATE DIRECTORY

## Directors

Mr Peter D Ritchie – Chairman

Mr Gary B Hillberg

Mr Richard L Bell

## Company Secretary

Mr Dion Soich

## Registered Office

Level 1  
30 Little Cribb Street  
Milton QLD 4064

Telephone: +61 7 3295 0300  
Facsimile: +61 1800 734 478

## Principal Place of Business

Level 1  
30 Little Cribb Street  
Milton QLD 4064

## Share Registry

Link Market Services  
Level 15  
324 Queen Street  
Brisbane QLD 4000

Telephone: +61 2 8280 7111 (or 1300 554 474)  
Facsimile: +61 2 9287 0303

## Stock Exchange

Listed on the Australian Stock Exchange (Code: REF)

## Auditors

Grant Thornton Queensland Partnership  
Chartered Accountants  
Level 18  
145 Ann Street  
Brisbane QLD 4000

## Solicitors

Holding Redlich  
Level 1  
300 Queen Street  
Brisbane QLD 4000

## Website

[www.reversecorp.com.au](http://www.reversecorp.com.au)

