



2018

ANNUAL REPORT

For the year ended 30 June 2018

incentia^{pay}



CREATE VALUE IN EVERY TRANSACTION AND GROW WITH US

IncentiaPay is a leading integrated loyalty and payment solutions provider of transactional platforms and marketing programs that enable businesses to attract and engage customers across multiple channels. These platforms currently serve 36,000 merchants and millions of consumers through an extensive closed-loop network of non-profit organisations, corporate groups and customer bases.

IncentiaPay houses and innovates the intellectual property associated with the following leading brands.



Entertainment Publications is an exclusive fundraising tool for more than 17,000 community organisations, a unique word of mouth marketing tool for the hospitality industry, and a way for consumers to experience new leisure opportunities through valuable offers. Entertainment creates value via a unique three-way relationship between consumers, charity fundraisers and hospitality and leisure business. Entertainment has a 25 year history and a database of more than 20,000 merchants and 3 million end users transacting more than \$1 billion per year which gives it a significant competitive advantage over others. Entertainment offers promotions and incentives for dining, travel, retail and leisure activities. Memberships are available in two formats; the Entertainment Book in print and the Entertainment Digital Membership as a smartphone app.



My Bookings brings hotels, resorts, airlines, rental car companies and cruises a closed end user group of influential and travel oriented consumers. Over 30 countries are featured with more than 2,000 hotels and resorts profiled online, 10% off the best available online promotional rates for flights and 100% of payments made directly with the hotel.

China In A Box

1.4 million independent Chinese travellers visit Australia each year and spend over \$9 billion annually in tourism dollars. Alipay is their preferred method of payment with an 85 per cent usage rate. Created as a result of Entertainment's marketing partnership with Alipay, "China in a Box" is a resource for merchants containing tips and expertise to welcome Australia's most lucrative tourism market through a tailored customer experience, including the ability to pay with their preferred local payment method.

corporate marketing solutions

The Corporate Marketing Solutions group delivers bespoke benefit solutions to help corporate clients to drive customer acquisition, retention and engagement results. Leveraging the strengths and capabilities of all IncentiaPay business units, Corporate Marketing Solutions provides tailored incentive offerings to closed loop consumer groups for dining programs, travel programs and print and/or digital solutions. Included in the Corporate Marketing Solutions group is the Frequent Values™ program, offering white labelled options to large corporates in the form of books or a mobile app. Also included is the Entertainment Corporate Platform that sells gift cards from major business chains.

GRUDEN

Gruden is a specialist agency offering a comprehensive range of digital and technology services to help transform business in an online world. Gruden services over 500,000 users across approximately 800 retail outlets, and handles in excess of 100,000 transactions per month. Gruden generates intelligent interactions, with a focus on helping clients to implement measurable, digital investment that enhances their customer experience and drives growth. As a partner of choice for major corporations, brands and government, the Gruden division enables clients to optimise their marketing investment through a wide range of products and supporting services, across mobile and digital. Gruden is comprised of four key business units; the award-winning Enterprise Digital Services, Performance Marketing (PPC & SEO), award-winning mobileDEN platform and Gruden Government.

CONTENTS

Chair's Introduction	1
CEO's Financial and Operating Review	3
The Leadership Team	11
Business Risks	15
Directors' Report	19
Remuneration Report	27
Auditor's Independence Declaration	37
Financial Statements	39
Directors' Declaration	91
Independent Auditor's Report	93
ASX Additional Information	101
Corporate Directory	104

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of IncentiaPay Ltd will be held on Monday, 19 November 2018 at 12pm at KPMG - Tower Three, Level 38, 300 Barangaroo Ave Sydney NSW 2000

IncentiaPay Ltd ABN 43 167 603 992



CHAIR'S INTRODUCTION

WELCOME

Dear Shareholders,

On behalf of the Board of Directors of IncentiaPay Ltd, I present to you our 2018 Annual Report.

While we acknowledge the instability experienced in 2017, we are pleased with the renewed focus that has emerged as we implement necessary change.

As a Company, we are undertaking a significant restructure and changing our strategy to position IncentiaPay for growth. This commenced with a renewed management team and subsequent changes to the Board. Iain Dunstan was appointed as Chief Executive Officer (CEO) in November 2017, succeeding Trevor Dietz. As a Board, we are happy with the calibre of the management team we have managed to put together.

Further new appointments included Darius Coveney in the combined role of Chief Operating and Finance Officer (COO/CFO), and other senior leadership team members. The Board has also seen significant change and renewal with myself and Chris Berkefeld joining as new Independent Non-Executive Directors. Iain Dunstan joined the Board as Managing Director during the year. Murray d'Almeida, Trevor Dietz, Antonie (Tony) Wiese and Brian Hall all resigned during the past twelve months.

On 14 September 2018, IncentiaPay announced the signing of a contract for the sale of the Bartercard business. This sale is in line with the Company's stated intention to divest non-core assets and allocate capital to future growth areas. This reallocation of capital to core growth areas is allowing us to focus on new growth and market opportunities in Australia and New Zealand. These leverage off existing corporate and partnership marketing channels, as well as our growing relationship with Alipay as one of their preferred marketing partners, which enables us to enter and capture the booming inbound Chinese tourism market. We believe our partnership with Alipay will be a driver of additional revenue growth in FY2019 and beyond.

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During FY2018, we undertook a number of capital management activities, including a \$10 million equity raising from institutional and sophisticated shareholders in November 2017; a dividend for FY2017 of 2.25 cents per share, which was paid in January 2018 at a total cost of \$2.7 million; a \$2 million equity raising from eligible shareholders participating in a Share Purchase Plan, which was significantly oversubscribed and for which IncentiaPay is grateful for the broad support from its loyal retail shareholder base; and \$20.7 million of equity raised from an institutional and retail Entitlement Offer over February and March. At the April EGM shareholders approved an issue of loan funded shares to the CEO and COO/CFO, as well as an Employee Share Option Plan (ESOP) to be used for future employee incentives.

We have signed major agreements this financial year with Alipay and Smartpay, which will enable us to capture and capitalise on a strong foothold in the growing Chinese tourism market across both Australia and New Zealand. This is an important revenue generating step in IncentiaPay's ongoing program of controlled investment in channel partnerships and new digital transaction-based consumer offers under these agreements. IncentiaPay receives both a transaction fee and a marketing fee for introducing the Chinese consumer to the merchant.

The Board acknowledges the vote made against the Company's Remuneration report last year, and has focussed additional efforts ensuring increased alignment between shareholders and executives as new senior managers have been brought in. This remains a key focus for the Board as we continue to restructure the Company.

Finally, on behalf of the Board, I would like to thank our shareholders, our clients and our employees for their support and dedication. We are confident that with the strategic clarity outlined by our renewed management team and Board, we will continue to move forward and grow business value for our shareholders, our clients, our partners and our employees.

NASEEMA SPARKS AM
CHAIR

CEO'S FINANCIAL AND OPERATING REVIEW

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FINANCIAL RESULTS OVERVIEW

Gross revenue for FY2018 was \$110.1 million, in line with both FY2017 gross revenue and previous guidance. Underlying EBITDA for FY2018 was \$1.8 million, with \$2.2 million of this amount coming in the second half. Underlying EBITDA was not reported on in FY2017 but will be reported during the restructuring period. Negative operating cash flow was \$2.9 million (excluding discontinued operations, but after one-off restructuring costs). Net loss after tax (NLAT) from ordinary activities was \$62.2 million, compared to a net profit after tax (NPAT) from ordinary activities of \$10.3 million in FY2017, predominantly due to non-cash charges related to the Company's current restructure program.

The Company acknowledges our financial results have not been strong this year, due to impairments and restructuring expenses, however gross revenue has been stable.

GROSS REVENUE

Overall gross revenue for FY2018 was \$110.1 million. This included \$24.5 million, or 22 per cent, from fee income (2017:\$30.0 million), \$0.2 million, or less than one per cent, from license fees (2017:\$1.6 million), \$44.7 million, or 41 per cent, from membership subscriptions (2017:\$49.4 million), \$34.7 million, or 31 per cent, from gift cards sales (2017:\$21.9 million), and \$2.7 million, or 3 per cent, from other sources (2017:\$7.5 million).

To improve market disclosure, the Company has added additional information regarding the cost of gift card sales within the Entertainment business. These represent significant revenue to the Group. However, due to the nature of these sales, where the discount provided by the retailer is passed on to Entertainment members, margins are marginal.

DIVISIONAL REVENUE

Revenue from the Entertainment business was \$77.4 million, an 18 per cent increase from FY2017 revenue of \$65.9 million. This increase was predominantly attributed to growth in the Corporate Marketing Solutions group, as well as a sizeable increase in gift card revenues (see comments above). Revenue from the Bartercard business was \$32.7 million, a 27 per cent decrease from FY2017 revenue of \$44.6 million. This decrease was due to a continued decline in the level of trading within the exchange.

GEOGRAPHIC REVENUE

Looking at geographical segments, Australian revenue accounted for \$90.7 million, or 82 per cent, New Zealand revenue accounted for \$16.1 million, or 15 per cent, and other revenue, including from international license fees, accounted for \$3.3 million, or 3 per cent.

NET LOSS AFTER TAX AND IMPAIRMENTS

Reported net loss after tax (NLAT) from ordinary activities was \$62.2 million in FY2018 compared to a net profit after tax from ordinary activities of \$10.3 million in FY2017. This net loss was predominantly attributed to impairments of \$47.2 million, related to non-cash assets on the balance sheet. In addition, charges for depreciation and amortisation (\$6.1 million), provision for restructure (\$4.8 million), other one-off expenses (\$2.0 million) and acquisition costs related to the purchase of Gruden (\$0.8 million), were incurred during the financial year. A further \$3.5 million in costs were incurred related to the operations of the Bartercard US and UK businesses, which were discontinued as at 30 June 2018.

In finalising the FY2018 results, the directors assessed the future growth prospects and associated investment costs related to the Company's Bartercard business and took a further impairment charge against the assets of that business. A contract for the sale of the Bartercard business was signed on 14 September (subsequent to balance date). Furthermore, the Company has taken a conservative view of the future contract signing rate within the Gruden business, as well as the planned investment required to fully integrate the mobileDEN technology, and accordingly has booked a \$2 million impairment against the business as at 30 June 2018.

Other significant items incurred during FY2018 primarily relate to the ESOP approved at the April EGM, incurring a \$0.7 million non-cash cost of issued ESOP's.

TRANSACTION, INTEGRATION AND RESTRUCTURING COSTS

Several restructuring initiatives were announced in December 2018. They included combining the management of the Bartercard Australian and New Zealand businesses to deliver significant efficiency

gains; integrating the Entertainment and Bartercard businesses by adopting a shared services model, scaling back ongoing investment in international business, developing a timetable to close or sell non-core operations and redeploying capital resources into core growth areas such as Entertainment and Alipay.

Annualised cost savings from restructure efforts during FY2018 is in the order of \$3.7 million.

The signing of an agreement (post year-end) to sell the Company's Bartercard business is aligned to this restructure plan and, although the sale will have a negative impact on FY2019 results, the Company expects the focus of core growth assets to have a positive impact on the shareholder value over the medium term.

DEBT MANAGEMENT AND BANKING COVENANTS

IncentiaPay's debt management profile continues to support the ongoing operations of the Company in an effective manner. As at 30 June 2018, the Company's net cash balance was \$11.1 million, following debt repayments of \$19.4 million and a final FY2017 dividend payment of \$2.7 million during the year.

In August 2017, the Company's bankers, Commonwealth Bank of Australia, (CBA) approved an expanded finance facility, which better reflected the needs of the enlarged Group following its acquisition of Entertainment Publications. The expanded facilities included the provision of a further \$5 million seasonal overdraft to better reflect the cash flow impacts of the Entertainment membership selling season. This was paid back by 30 June 2018.

CBA also slightly modified the timing of repayments under the Group's term loan facility, but the overall term of the loan remains unchanged. The term loan facility was paid off from equity raised during the year.

IncentiaPay monitors its compliance with banking covenants regularly, and throughout FY2018 has remained within all banking covenants. IncentiaPay maintains a strong relationship with its bankers.

DIVIDENDS

A final dividend for FY2017 of 2.25 cents per share was paid on 9 January 2018 at a total cost of \$2.7 million. No dividend has been declared in relation to the FY2018 results. Investors should note that the Board of Directors of IncentiaPay do not expect to declare dividends from the Company during the current restructuring period.

OPERATING REVIEW

In FY2018 Company operations were reported as two operating divisions, Entertainment and Bartercard. Gruden, which only contributed for a six-week period due to the timing of the acquisition, is reported within the Entertainment business.

IncentiaPay derived revenue from both its main divisions. Entertainment contributed 70% per cent to overall revenue, while Bartercard contributed 30% per cent to overall revenue.

DIVISIONAL REVIEW

ENTERTAINMENT

A review of the year

Over the past year, IncentiaPay concluded the integration of the Entertainment business into its operations. In February 2018 the Entertainment business commenced a restructure to maximise operational efficiencies and reduce costs. This included the removal of management layers, re-organising employees geographically to reduce duplication and implement a program of work across the business to automate and regionalise branch administration. As part of the process, seven Entertainment offices were amalgamated. The restructure was completed at the end of July 2018 with a 12 per cent headcount reduction and net annualised cost savings of more than \$1 million.

Entertainment's transformation of its online presence and focus on a 'digital first' strategy saw its digital membership continue to trend as the preferred choice, over the traditional printed version. Digital members now represent 60 per cent of purchases, up from 53 per cent last year.

There were additional benefits of digitisation, including an enhanced website and upgraded mobile application. These initiatives have provided a material lift in both service levels and customer engagement, with an enhanced user experience providing richer customer data to merchants to enable them to improve and personalise their service and offerings. This will ultimately deliver a stronger and more stable bottom line for the Company.

Both the Frequent Values program and Corporate Partnerships program expanded, with a material increase in gift card sales. The Corporate Marketing Solutions group, which creates bespoke benefits packages for various companies' loyalty or rewards programs, launched new products for leading superannuation, insurance and banking organisations during the year.

Looking forward

Moving forward, the Entertainment business will continue to focus on identifying improved ways to enhance existing revenue streams, identify new revenue streams, drive down costs, improve efficiencies and continue to enhance our digital offering.

A redistribution of capital and resources to this area will see further focus in the following four areas: building a stronger connection between members, merchants and fundraisers; using data and analytics to better know and understand customers to help them explore new experiences and offers; provide more perks to members and communicate how they are being smart with their money by belonging to an exclusive community; and making it easier and more convenient to give more control to the customers and merchant partners.

The Entertainment business provides strong growth opportunities and increased earnings capabilities for IncentiaPay going forward.



**“A SUBSTANTIALLY
ENHANCED USER
EXPERIENCE”**

BARTERCARD

A review of the year

Over the past year, a significant body of work was undertaken to begin digital transformation in the Bartercard business, with the purpose of raising customer satisfaction, increasing transactional volumes, accelerating the acquisition of SME's on the platform, reducing costs and improving profitability.

The broad customer adoption of Bartercard's mobile app has helped to realise increased operational efficiencies that have been delivered ahead of plan. A focus on enabling customers to conduct seamless transactions on the exchange network and improving field customer management remain key business drivers.

Coupled with the implementation of technology was the move to streamline operations across Australia and New Zealand into a centralised model. This included a restructure to form two key areas - Operations and Customer Management - led by a single executive team, utilising shared services across marketing, finance and human resources. The divestment of Bartercard US and the negotiated exit of Bartercard UK operations have also formed part of the restructure.

Commercial efficiencies were realised across the business and in all geographic markets, with a reduced cost operating model and back office efficiencies gained through automation of customer onboarding and servicing. A new field customer management program increased engagement and productivity, resulting in greater value and transaction volumes.

Finance Plus and Honan Insurance, which are third party finance and insurance providers respectively, partnered with Bartercard to provide email-based offerings to members for a fee per transaction, or introduction fee. There is no further investment into Bucqi and Export Plus, Bartercard's initiative to help members export into China and obtain a presence on Alipay's local market. This is in line with the strategy to scale back investment in international business operations.

Looking forward

On 14 September 2018, IncentiaPay announced the signing of a contract for sale of the Bartercard business. This sale is in line with the Company's stated intention to divest of non-core assets and to allocate capital to future growth areas.

GRUDEN

A review of the year

In February 2018, IncentiaPay announced its intention to acquire Gruden – the transaction was completed in May 2018. The Gruden business has had a successful year, launching a major parking website which transformed the organisation's business and won them two ABA100 Awards - Winner for Digital Innovation and UX Design Innovation in The 2018 Australian Business Awards.

mobileDEN was selected by a leading sporting organisation after a competitive tender process, to provide their new Digital/Mobile Payments Solution and loyalty program for members and guests at multiple venues, as well as being selected by a franchised retailer to implement their mobile loyalty, ordering and payments solution across their 300 stores nationally.

The Gruden Government business unit was successfully approved and selected for the panel for the department of a government division. 32 companies were chosen to provide digital services, of which Gruden was one of only seven companies that had not previously worked with that government department.

Looking forward

Over the next year, Gruden will focus on realising the benefits of technological enhancements. Gruden's enterprise development and digital marketing capabilities, including its payments, loyalty and ordering platform, mobileDEN, will be integrated into IncentiaPay's offering. It will provide enhanced transactional capabilities and ultimately is expected to create an 'all-in-one' benefits network.

Bringing together the leading entertainment deals platform, Entertainment Publications, with mobileDEN's payments, ordering and loyalty platform - will create a product that will deliver significant value to clients seeking a one-stop platform to manage and increase customer engagement and revenues.

Gruden's platforms and services will be made available to IncentiaPay's extensive network of merchants and customers, with the opportunity to accelerate across new businesses and retail segments. Bringing together the business and sales functions is also expected to increase cross-selling opportunities and drive revenue opportunity from annuity and transactional revenues.

Finally, by successfully integrating and merging Gruden and mobileDEN into IncentiaPay, the new business will result in an expanded blue-chip client base for driving rewards, deals and incentives.

STRATEGIC INITIATIVES

Of the significant events occurring since last year, there are three key strategic events that will support the ongoing growth of IncentiaPay's business. These include a Marketing Cooperation Agreement signed with Alipay, incorporating the development of the China in a Box merchant portal and a Frequent Value style deal offered on Alipay's Discovery platform; a Marketing Agreement signed with Smartpay, Australia and New Zealand's largest independent full-service EFTPOS provider; and the acquisition of Gruden, an ASX-listed digital marketing and transactional payment company - servicing over 500,000 users across approximately 800 retail outlets, and handling in excess of 100,000 transactions per month.



ALIPAY

In September 2017, IncentiaPay signed a Marketing Cooperation Agreement with Alibaba's associated company Alipay, the world's largest third-party mobile and online payment platform, to deploy it as a payment method through a selected number of its Entertainment merchant network. The agreement enables IncentiaPay to market to an estimated 800,000 Alipay users who visit Australia annually and allows these inbound Chinese visitors to access discounts and pay for goods and services from participating merchants using the Alipay application on their mobile phone.

Since the launch of the merchant portal in February 2018, IncentiaPay has signed over 250 merchants on Alipay's Discovery platform and over 140,000 coupons have been downloaded by Alipay customers.

IncentiaPay's merchant portal provides translation and training tools, consumer analytics, concierge and merchant acquisition services. Through this product, IncentiaPay merchants can communicate with Chinese consumers before, during and after travelling to Australia via Alipay's Discovery platform.

The Corporate Marketing Solutions group is capitalising on this opportunity by developing a Frequent Values style deal in partnership with Alipay giving Chinese tourists access to specially targeted offers to redeem during their visit to Australasia. To support this, restaurant menus and other offer information have been translated into Mandarin. This initiative is currently being rolled out across the Gold Coast, Cairns and Sydney, and will extend to the major New Zealand tourist markets, in conjunction with Smartpay, over the coming year.

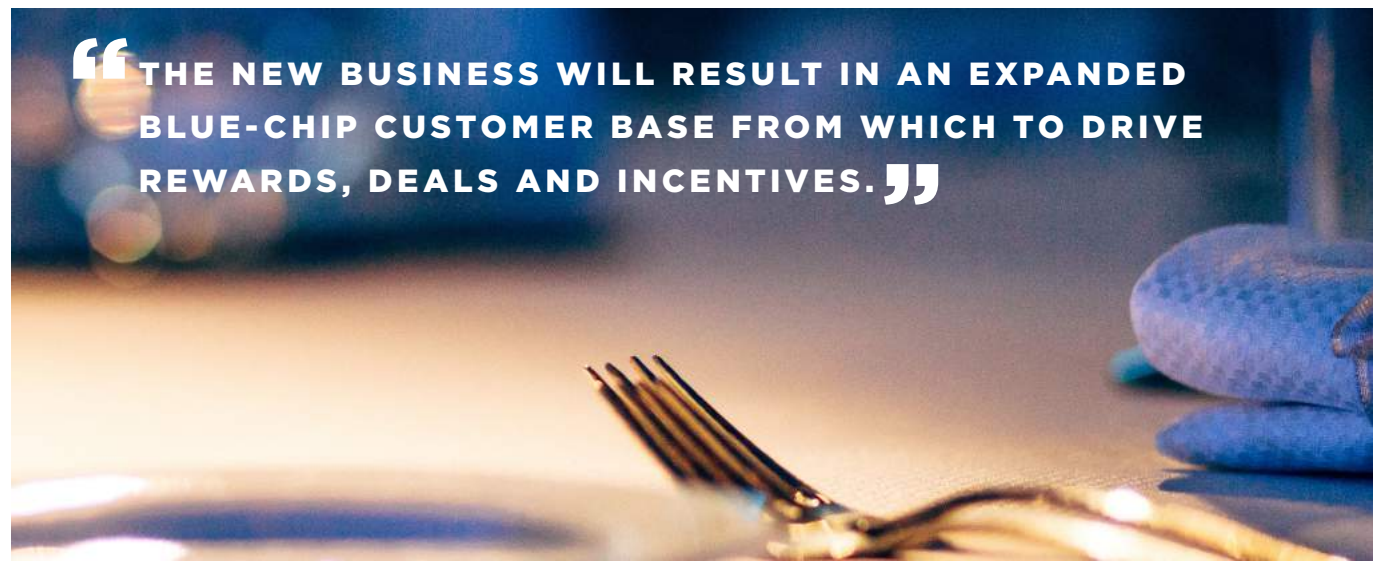
SMARTPAY

In April 2018, IncentiaPay signed a Marketing Agreement with Smartpay Holdings Pty Ltd (Smartpay), Australia and New Zealand's largest independent full-service EFTPOS provider. The agreement offers a 32,000 strong merchant network from IncentiaPay, and a 25,000 strong merchant network from Smartpay, the opportunity to promote goods and services in the form of download offers, bookings and transactions to Alipay users - before, during and after visiting Australia and New Zealand. Once Smartpay's new Alipay enabled terminals are rolled out, IncentiaPay and Smartpay will earn revenue on all transaction types, made up of a combination of negotiated transaction and marketing fees.

GRUDEN ACQUISITION

On 11 May 2018, IncentiaPay acquired Gruden, a marketing and transactional payment company that operates across four business streams; Performance Marketing, Government, Digital Services and mobileDEN. This acquisition gives IncentiaPay the opportunity to further penetrate the quick service restaurant (QSR) market and hospitality sectors, providing access to a blue-chip customer base, and presents the opportunity for revenue generation, including cross-selling, as well as cost synergies.

Combining the two businesses will enable product and feature enrichment from the integration of Gruden's digital marketing platform and transactional capabilities with IncentiaPay's incentives and rewards platform. Furthermore, it will enhance IncentiaPay's capabilities in the technology, media and digital sectors.



“THE NEW BUSINESS WILL RESULT IN AN EXPANDED BLUE-CHIP CUSTOMER BASE FROM WHICH TO DRIVE REWARDS, DEALS AND INCENTIVES.”



**“ IT IS THE
DEDICATION
AND HARD
WORK OF OUR
EMPLOYEES
THAT HAS
PROPELLED US
TO WHERE WE
CURRENTLY
ARE. ”**

CORPORATE GOVERNANCE AND RISK MANAGEMENT

IncentiaPay's Board remains strongly committed to sound corporate governance practices and to managing risk to protect its shareholders, employees, customers, the environment, Company assets and its reputation. The Board sets the risk appetite of the business to ensure that the business direction is consistent with the goals of Company.

The Company intends to make further and ongoing corporate governance improvements. In February this year, we appointed KPMG to assist in a review of the Company's governance and controls. While some control improvements have already been implemented, the review is ongoing. The Company will take all necessary steps to rectify any issues identified from the review.

For more information on our corporate governance, and specifically risk management principles, please refer to the corporate governance statement on IncentiaPay's website.

PEOPLE AND CULTURE

IncentiaPay employs more than 425 staff across Australia and New Zealand¹. It is the dedication and hard work of our employees that has propelled us to where we currently are.

One of the most important factors impacting an organisation's ability to innovate, compete and engage employees and customers is corporate culture – it is known to be linked to a company's bottom line and must be backed with aligned thoughts and aligned actions of people. IncentiaPay continues to focus on the values that underpin a sustainable and positive culture. We have also consolidated several contractor roles to ensure commitment and loyalty with the business.

We have hired a number of key individuals over the past six months to continue to meet the growth and development objectives of the business and support the corporate strategy. This was in line with our focus to improve the senior management structure alongside an experienced executive team and Board. Chris Berkefeld and Naseema Sparks joined the Board in February and May respectively. Some of the key changes within the executive team include a new CEO and joint COO/ CFO, as outlined in the Chair's Introduction, as well as a General Manager of People and an Executive General Manager – Corporate Sales.

¹. Expected to decrease to 241 staff following the completion of the Bartercard sale.

We have recognised that as an organisation we are going through significant change. Accordingly, during the year we implemented an Employee Assistance Program (EAP). This is an external, free and confidential self-service counselling program available to employees and their immediate family members. The satisfaction and support of our employees remains key.

OUTLOOK

We have undergone significant change and restructure over the past financial year to position IncentiaPay for growth. Our cost rationalisation and savings continue to drive productivity gains, alongside our investment in technology to innovate and maintain our competitive edge and digital focus.

Our investment in restructuring the Company, the strengthened board and leadership team, a renewed focus on key markets, and a clear vision of where to go and how to get there will enable us to move forward with a strong revenue business.

Our core focus remains threefold. Firstly, on growth within the Entertainment business to generate additional new and sustainable revenue streams; secondly on the Alipay rollout, which has played a growing part in commerce and payment across Australia this year, and from whom we expect to see this continue as we gain ground in China; and thirdly, the integration of Gruden's digital marketing and transactional capabilities with IncentiaPay's platform. These will further entrench a market leading position in the loyalty and digital payment solutions space.

IncentiaPay will continue to focus on the business growth drivers, which include adding new SME merchants, not-for-profits and corporate partnerships, increasing the consumer database and memberships, leveraging content to secure partnerships within verticals and geographies, encouraging the faster adoption of digital practices by consumers, merchants and employees, creating or facilitating more transactions - and fees from those transactions - and redirecting resources to higher level income-generating activities. A 'digital first' strategy remains key.

I am positive about the future of IncentiaPay. With a total asset base of 36,000 SMEs, 20,000 not-for-profits, 1.5 million fee-earning householders and a reach of 3.5 million individuals transacting more than \$1 billion per year - the opportunity for IncentiaPay to increase and drive new revenue streams from predictive

buying and selling patterns is truly exciting. This is well supported with the major trend of consumer online shopping, now more than ever before.

We will continue to invest in our people as well, supporting our employees as we transition and guide the Company through the next phase of change and growth.

I am confident that these and other strategic initiatives will deliver returns for our shareholders.



IAIN DUNSTAN
CHIEF EXECUTIVE OFFICER

THE LEADERSHIP TEAM



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INCENTIAPAY HAS AN OUTSTANDING LEADERSHIP TEAM WITH A DEEP HISTORY IN MARKETING, TECHNOLOGY, PAYMENT SYSTEM DEVELOPMENT AND BUSINESS MANAGEMENT.

NASEEMA SPARKS AM CHAIR



Naseema is an experienced 'top-line growth' director with expertise in business strategy, marketing, branding, consumer segmentation, digital marketing and data.

Naseema has current experience in transformational and disruptor businesses, especially those operating in the rapid growth, customer acquisition and brand awareness stage. She also has experience with businesses facing market and competitive pressures where significant operational transformation is required to restore profitability and growth.

She has been a professional non-executive director since 2005, serving on boards of a diverse range of companies including ASX listed and private companies, Government statutory authorities, not-for-profit arts, health and education boards.

She is currently a director of Melbourne IT Ltd, Australian Vintage Ltd (McGuigan Wine Group), Genero.com and Chair of Sniip (Australia), an innovative m-billing app.

CHRIS BERKEFELD INDEPENDENT NON-EXECUTIVE DIRECTOR



Chris has over 20 years' experience on public and private company boards in New Zealand and Australia.

He has a background in industrial, waste and mining services in Australia along with engineering and heavy transportation services in Europe and Asia, and has extensive experience as managing director, executive director and chief executive officer in the waste industry spanning almost two decades.

IAIN DUNSTAN MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER



Iain Dunstan has over 35 years' experience in the global fintech industry, including an extensive listed company and M&A background.

Iain joined IncentiaPay in December 2017 and, as the Managing Director, he is responsible for the overall strategic direction of the Group, including divisions, employees and shareholders.

Iain was previously the CEO of ASX-listed Rubik Financial Limited, where he facilitated the sale of the company to Temenos Group in May 2017. Prior to that, Iain was the Founder and CEO of ASX listed company Bravura Solutions Limited. Iain grew the company from its small foundations to an enterprise with over 700 employees

operating in nine countries around the world, and an annual turnover of more than \$125 million.

In 2007, Iain won the Ernst & Young Entrepreneur of the Year, in the Technology, Communications, e-Commerce and Life Sciences category.

Iain has a Master of Commercial Law from Macquarie, an MBA from the Macquarie Graduate School of Management and is a graduate member of the Australian Institute of Company Directors.

DARIUS COVENEY

CHIEF OPERATING AND FINANCE OFFICER



Darius Coveney has over 25 years' experience across technology and financial services organisations, having worked in Australia, Asia, Europe and the Americas.

Darius joined IncentiaPay in February 2018 and, as the Chief Operating and Finance Officer, he is responsible for all finance, legal, IT, M&A and HR functions across the group.

His Australian listed company experience includes three years in the combined role of CFO/COO at Rubik Financial Limited, including managing the sale of that business to Temenos Group in May 2017.

Darius also spent nearly 10 years at the Macquarie Group where he held various roles running projects and building finance teams in Sydney, Hong Kong, New York and London, as well as undertaking several M&A due diligence and integration projects for the group. He also spent five years at Ernst and Young Corporate Finance.

Darius is a graduate member of the Australian Institute of Company Directors, a member of Chartered Accountants in Australia and New Zealand, and holds a Masters of Applied Finance from Macquarie University.

HEIDI HALSON

EXECUTIVE GENERAL MANAGER - ENTERTAINMENT



Heidi has over 30 years' experience as a business leader in Australia, New Zealand and the US, with 25 of those years at the helm of Entertainment Publications.

Heidi joined Entertainment Publications in 1994 establishing the first office in the region as the District Manager for Melbourne. Heidi was instrumental in growing the business, opening 20 offices across Australia and New Zealand. As EGM Entertainment, Heidi oversees all aspects of the business in both Australia and New Zealand with a collaborative leadership style and an innovative approach.

Prior to this, Heidi held several positions in hospitality management, senior level sales and sales management.

Heidi has a Bachelor of Arts degree in Hospitality Administration/Management and Economics from Washington State University.

TOBY ELLIS

EXECUTIVE GENERAL MANAGER - CORPORATE SALES



Toby has over 20 years' experience in people leadership and development, sales and distribution, innovation and technology, start-up commercialisation and SaaS/emerging technologies across the Asia Pacific region.

Toby joined IncentiaPay in August 2018 as the Executive General Manager - Corporate Sales. He is responsible for driving sales, account management and delivery through direct and global channel partners.

Prior to his current role, Toby was Managing Director, Asia for a global software company where he built and led a high performing team to deliver channel business across Asia Pacific. He has worked in multinational organisations, and has developed and drove culture and growth in agile businesses both in Australia and Asia. This includes roles with Macquarie Bank, NRMA and ipScape.

Toby's qualifications included an MBA from Macquarie Graduate School of Management where he conducted research on Leadership Strategy, an Advanced Diploma of Financial Planning, Diploma of Financial Services and ADA1 (Accredited Derivatives Advisor) and project management qualifications (Prince2 Practitioner).

STACEY HAMPTON

GENERAL MANAGER - PEOPLE



Stacey has over 16 years' experience managing people and culture across finance and technology companies, having commenced her career with training brokerage.

Stacey joined IncentiaPay in March 2018 as the General Manager of People. She is responsible for the human resources function across IncentiaPay including employee lifecycle and workforce planning, attraction and selection, performance management, talent identification, leadership, learning and development, and reward and recognition.

Prior to joining IncentiaPay, Stacey was the Head of HR for Temenos Australia (formerly Rubik Financial Limited) where she focused on building a culture of engagement, diversity and inclusion across all employees.

Stacey also spent over 10 years with Macquarie Group, supporting several business units including Financial Management Group, Risk Management and Legal and Governance.

Stacey has a Bachelor of Business (Human Resources) and a Graduate Diploma Human Resources and Industrial Relations.

BUSINESS RISKS

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INCENTIAPAY FACES A NUMBER OF BUSINESS RISKS THAT MAY IMPACT THE COMPANY'S ABILITY TO ACHIEVE ITS STRATEGIC OBJECTIVES AND CREATE SHAREHOLDER VALUE.

THE BUSINESS RISKS WERE OUTLINED IN DETAIL IN THE CAPITAL RAISING DOCUMENTS LODGED WITH THE ASX IN FEBRUARY 2018. THE BOARD CONSIDERS THE FOLLOWING TO BE THE KEY RISKS CURRENTLY FACING THE BUSINESS.

RISK	NATURE OF RISK
REGULATORY	IncentiaPay is subject to substantial regulatory and legal oversight. The agencies with regulatory oversight of IncentiaPay and its subsidiaries include, among others, ASX and ASIC. Failure to comply with legal and regulatory requirements may have a material adverse effect on IncentiaPay and its reputation among customers and regulators, and in the market.
	IncentiaPay has compliance frameworks, policies and procedures in place to manage the risk of non-compliance, and is prepared to play an active role in consulting with regulators on changes that could impact the business.
REPUTATION	Reputation risk may arise through the actions of IncentiaPay or its employees and adversely affect perceptions of IncentiaPay held by the public, customers, shareholders or regulators. These issues include appropriately dealing with product outages or issues, potential conflicts of interests, legal and regulatory requirements, ethical issues, privacy laws, information security policies and sales and trading practices. Damage to IncentiaPay's reputation may have an adverse impact on IncentiaPay's financial performance, capacity to source funding and liquidity, cost of sourcing funding and liquidity, and by constraining business opportunities.
	IncentiaPay actively manages the above risks by regularly monitoring its market reputation amongst customers and shareholders, as well as keeping an open dialogue with regulators and financiers.
COMPETITION	New competitors are emerging in the loyalty and incentives markets, within which IncentiaPay operates. The loyalty space is particularly competitive, with many well-funded international competitors. An inability to adapt to technological advancement, including further digitisation of products, could negatively impact the ability to attract customers and have a material adverse effect on the business of IncentiaPay.
	To mitigate this, IncentiaPay continues to invest in its merchant content, including the signing of exclusive content where applicable. The Company's ongoing investment in its digital technology assets will also assist to lessen this risk.

RISK	NATURE OF RISK
PERSONNEL	IncentiaPay's success depends, in part, upon the continued performance, efforts, abilities and expertise of its key management personnel, as well as other management and technical personnel, including those employed on a contractual basis. The loss of the services of these personnel without replacement could have an adverse impact on the successful operation, management and marketing of IncentiaPay's product/service offerings and platforms. Further, a substantial increase in labour costs for employees or contractors may have an adverse impact on the financial performance and/or financial position of IncentiaPay.
	The Remuneration Committee, a sub-committee of the Board, reviews the incentive structures of key personnel and senior management to ensure their remuneration is in line with the market, with a proportion deferred as a long-term/retention incentive. In addition, management regularly undertakes succession planning analysis of key lead roles with the view to understand suitable internal talent and their readiness to assume these roles.
THIRD PARTY FAILURE	IncentiaPay is reliant on a number of third party contractors. These third parties provide essential services, on an outsourced basis, including software and/or product development activities. Accordingly, IncentiaPay is reliant on contractors properly performing their contractual obligations and performance failures may have an adverse effect on IncentiaPay. IncentiaPay is also an extensive user of third party provided IT hardware and software platforms, systems and infrastructure. IncentiaPay is reliant on these suppliers properly performing their contractual obligations, and performance failures or unreasonable price increases may have a material adverse impact on the Company. A failure by any of these suppliers to provide those services or a failure of their systems may adversely affect IncentiaPay's ability to provide services to its customers.
	To minimise these risks, IncentiaPay actively engages with its key third party providers on a regular basis and remains abreast of potential risks within these providers through regular interaction at the senior management level.
FUNDING	There is no certainty that IncentiaPay will remain well funded, especially if existing financial resources are invested in growth or the development of IncentiaPay's technology platforms and that investment does not generate a timely return.
	IncentiaPay continually manages its cash position and regularly monitors its investments to balance the risk, outlay and timings of the returns. In addition, the Company continues to keep unused debt facilities available for any short-term funding requirements.
INTELLECTUAL PROPERTY RISK	Whilst every effort has been made to secure the technology supporting IncentiaPay's various platforms, IncentiaPay does not intend to apply to register patents for all the intellectual property associated with the Entertainment and Frequent Values platforms. Other parties may claim infringement of patents or alternatively other parties may develop and patent other very similar, potentially substitutable products, processes or technologies.
	IncentiaPay see the unique value of its intellectual property, in the content of its Entertainment and Frequent Values platforms, as a mitigant to this risk.



DIRECTORS' REPORT

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DIRECTORS' REPORT

The directors present their report on the consolidated entity IncentiaPay Ltd and its controlled entities (IncentiaPay) for the financial year ended 30 June 2018. The information in the Financial and Operating Review forms part of this Directors' report and should be read in conjunction with this section of the Annual Report.

GENERAL INFORMATION

DIRECTORS

The following persons were directors of IncentiaPay Ltd during or since the end of the financial year up to the date of this report:

- Naseema Sparks (appointed 22 May 2018)
- Chris Berkefeld (appointed 28 February 2018)
- Iain Dunstan (appointed 4 December 2017)
- Murray d'Almeida (resigned 27 September 2018)
- Garth Barrett (resigned 17 July 2018)
- Brian Hall (resigned 2 February 2018)
- Antoine Wiese (resigned 2 February 2018)
- Trevor Dietz (resigned 25 January 2018)

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

DIVIDENDS PAID OR DECLARED

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

Dividend of 2.25c per share paid on 9 January 2018	\$2,665,961
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No dividend has been declared in relation to the 2018 financial results. Investors should note that the Board of Directors of IncentiaPay Ltd do not expect to declare dividends from the Company during the current restructuring period.

INDEMNIFYING DIRECTORS AND OFFICERS

During or since the end of the financial year, the Company has paid premiums to insure the directors and officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors or officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The premium for this policy is \$48,287.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the court under Section 237 of the Corporations Act 2001 for leave 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.

NON-AUDIT SERVICES

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

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

The following fees were paid or payable to Pilot Partners for non-audit services provided during the year ended 30 June 2018:

	\$
Taxation services – compliance	102,958
Other services	267,871
Total	370,829

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 38 of the Annual Report.

OPTIONS

Refer to Remuneration report for details of performance and other equity instruments on issue.

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

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

INFORMATION RELATING TO DIRECTORS AND COMPANY SECRETARY

NASEEMA SPARKS AM (appointed to the Board 22 May 2018)

INDEPENDENT CHAIR (appointed 27 September 2018)



Interest in shares and options	Nil
Special responsibilities	Chair of the Remuneration and Nominations Committee Member of the Audit and Risk Committee
Directorships held in other listed entities during the three years prior to the current year	Australian Vintage Ltd PMP Ltd Melbourne IT Ltd Grays e-Commerce Group Ltd
Qualifications	MBA Dip. Marketing FAICD

Experience

Naseema is an experienced 'top-line growth' director with expertise in business strategy, marketing, branding, consumer segmentation, digital marketing and data.

Naseema has current experience in transformational and disruptor businesses, especially those operating in the rapid growth, customer acquisition and brand awareness stage. She also has experience with businesses facing market and competitive pressures where significant operational transformation is required to restore profitability and growth.

She has been a professional non-executive director since 2005, serving on boards of a diverse range of companies including ASX listed and private companies, Government statutory authorities, not-for-profit arts, health and education boards.

CHRIS BERKEFELD (appointed 28 February 2018)**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Interest in shares and options	Nil
Special responsibilities	Chair of the Audit and Risk Committee Member of the Remuneration and Nominations Committee
Directorships held in other listed entities during the three years prior to the current year	Triple Energy Limited
Qualifications	Management Diploma AICD
Experience	Chris has over 20 years' experience on public and private company boards in New Zealand and Australia. He has a background in industrial, waste and mining services in Australia along with engineering and heavy transportation services in Europe and Asia, and has extensive experience as managing director, executive director and chief executive officer in the waste industry spanning almost two decades.

IAIN DUNSTAN (appointed 4 December 2017)**MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**

Interest in shares and options	2,192,569 fully paid ordinary shares 3,035,714 loan funded shares
Special responsibilities	Chief Executive Officer
Directorships held in other listed entities during the three years prior to the current year	None
Qualifications	Master of Commercial Law MBA GAICD
Experience	Iain has over 35 years' experience in the global fintech industry, including an extensive listed company and M&A background. Iain was previously the CEO of ASX-listed Rubik Financial Limited, where he facilitated the sale of the company to Temenos Group in May 2017. Prior to that, Iain was the Founder and CEO of ASX listed company Bravura Solutions Limited. Iain grew the company from its small foundations to an enterprise with over 700 employees operating in nine countries around the world, and an annual turnover of more than \$125 million.

MURRAY D'ALMEDIA (resigned 27 September 2018)

CHAIR OF THE BOARD

Interest in shares and options	178,571 fully paid ordinary shares (as at resignation date)
Directorships held in other listed entities during the three years prior to the current year	Pacific Environment Ltd Management Resource Solutions Plc (UK)
Qualifications	Accountant FAICD
Experience	Murray has over 35 years of diverse national and international business experience, having begun his career as an accountant in Perth. He founded Retail Food Group Limited (ASX: RFG) and led its global expansion. Murray's current board roles include: • Chairman of Barrack St Investments Ltd • Director of Global Masters Ltd • Director of Triple Energy Ltd • Member Gold Coast Light Rail Business Advisory Board • Deputy Chancellor of Southern Cross University • Director of Tasmania Magnesite NL • Trustee of Currumbin Wildlife Foundation • Chairman of the One Light Charity Foundation

TREVOR DIETZ (resigned 25 January 2018)

EXECUTIVE DIRECTOR, CHIEF EXECUTIVE OFFICER

Interest in shares and options	10,525,923 fully paid ordinary shares (as at resignation date)
Directorships held in other listed entities during the three years prior to the current year	None
Qualifications	Fellow of the Institute of Public Accountants and AICD Master of Science (HRM)
Experience	Trevor was a co-founder of BPS and has over 30 years' experience in retail, corporate and international banking, finance and human resource management. He was previously Chief Operating Officer for the Bartercard International Group and Managing Director of Bartercard Australia from 2005 until 2009. Before joining Bartercard, Trevor was Chief Executive Officer of the Institute of Public Accountants. Trevor is Deputy Chair of the Advisory Board to the School of Business at Bond University and a Founder Director of the One Light Charity Foundation.

BRIAN HALL (resigned 2 February 2018)**EXECUTIVE DIRECTOR**

Interest in shares and options	9,514,423 fully paid ordinary shares (as at resignation date)
Directorships held in other listed entities during the three years prior to the current year	None
Qualifications	Bachelor of Commerce (Business)
Experience	Brian was a co-founder of BPS Technology Limited established in 2014 and also a co-founder of Bartercard established in 1991. With over 27 years of relevant sales and management experience, Brian is one of the most experienced managers in the Trade Exchange industry and has a deep understanding of its drivers, participants and key success factors. Over the past 26 years Brian has been hands-on developing the technology for the sales and trading systems and franchise model of Bartercard both domestically and internationally.

ANTONIE WIESE (resigned 2 February 2018)**EXECUTIVE DIRECTOR AND COMPANY SECRETARY**

Interest in shares and options	8,181,086 fully paid ordinary shares (as at resignation date)
Directorships held in other listed entities during the three years prior to the current year	None
Qualifications	Bachelor of Commerce Bachelor of Accounting Chartered Accountant
Experience	Tony is a Chartered Accountant with 25 years' experience in financial and executive management and 10 years as an Executive Director of listed public companies. He co-founded BPS Technology Limited in 2014 after 7 years as director of Bartercard. Prior to moving to Australia, Tony was co-founder and CEO for 3 years of Onelogix Group Ltd, a JSE listed logistics and supply chain company in South Africa. Prior to this he was Executive Director of the \$1 billion publicly listed South African transport group Super Group Limited.

GARTH BARRETT (resigned 17 July 2018)**NON-EXECUTIVE DIRECTOR**

Interest in shares and options	150,000 fully paid ordinary shares (as at resignation date)
Directorships held in other listed entities during the three years prior to the current year	None
Qualifications	B.Com, F.C.A. Chartered Accountant
Experience	Garth has more than 40 years' experience in strategic planning, mergers and acquisitions, financial systems, risk analysis and operations management. He is an expert in financial and management advisory, reporting and accounting system implementation. His experience includes many years as partner in national and international Chartered Accounting firms.

LAURA NEWELL (appointed 22 February 2018)**COMPANY SECRETARY**

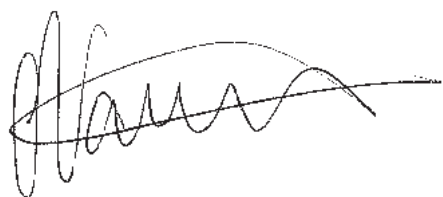
Ms Newell was appointed as the Company Secretary on 22 February 2018, replacing Mr Antonie Wiese. Ms Newell is employed by Boardroom Pty Ltd in their Corporate Secretarial Services Division in Sydney. Ms Newell is an Associate of the Governance Institute of Australia. She holds a Bachelor degree in Law and a Masters in Law and Corporate Governance. Her experience includes ASX listed, NSX listed and unlisted entities.

MEETINGS OF DIRECTORS

During the financial year, the following meetings of directors (including committees of directors) were held. Attendances by each director during the year was as follows:

	DIRECTORS' MEETINGS		AUDIT AND RISK COMMITTEE		REMUNERATION AND NOMINATIONS COMMITTEE	
	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
Murray d'Almeida	19	17	2	2	2	2
Garth Barrett	19	17	2	2	2	2
Trevor Dietz	10	8	N/A	N/A	N/A	N/A
Brian Hall	15	12	N/A	N/A	N/A	N/A
Antoine Wiese	15	12	1	1	2	2
Iain Dunstan	5	5	N/A	N/A	N/A	N/A
Chris Berkefeld	4	4	0	0	0	0
Naseema Sparks	1	1	0	0	0	0

This Directors' report, incorporating the operating and financial review and the Remuneration report is signed in accordance with a resolution of the Board of Directors.



NASEEMA SPARKS AM
INDEPENDENT CHAIR

27 September 2018



IAIN DUNSTAN
CHIEF EXECUTIVE OFFICER

27 September 2018

REMUNERATION REPORT

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REMUNERATION REPORT FRAMEWORK

OUR RESPONSE TO SHAREHOLDER CONCERNS

In introducing this year's Remuneration report, the directors would like to address the first strike received against the adoption of the 2017 Remuneration report at last year's AGM, and the actions taken since that date.

Since the receipt of the first strike, the Board has commenced a strategic review of IncentiaPay's remuneration and incentive schemes for Key Management Personnel (KMP) and other executives, in order to ensure we have the balance right between our employee value proposition and our shareholder return obligations. Following the AGM, the Board and management have consulted widely with stakeholders to more clearly understand their perspectives and concerns. This feedback has been incorporated in to the revised remuneration packages provided to the new executive team that have been put in place during the year, and was reflected in the seeking of shareholder approval in April this year for the issuance of Loan Funded Shares to key executives and the formal approval of the Board's Performance Rights Equity Plan at that same EGM.

Further details of the updated KMP remuneration structures are set out in this report.

1. KEY MANAGEMENT PERSONNEL

KMP are those people who have authority and responsibility for planning, directing and controlling the strategic activities of the Group, directly or indirectly, including any Group (the Board) or any individual acting under delegated authority (in the case of the CEO and his direct reports).

KEY MANAGEMENT PERSONNEL FOR THE YEAR COMPRISED:

NON-EXECUTIVE DIRECTORS AS AT 30 JUNE 2018

NAME	POSITION	DATES
Murray d'Almeida ¹	Non-Executive Chairman	Full financial year
Christopher Berkefeld	Non-Executive Director	Appointed 28 February 2018
Naseema Sparks AM ¹	Non-Executive Director	Appointed 22 May 2018
Garth Barrett ²	Non-Executive Director	Full financial year

PREVIOUS DIRECTORS

NAME	POSITION	DATES
Trevor Dietz	CEO and Executive Director	Resigned 25 January 2018
Brian Hall	CEO Bartercard and Executive Director	Resigned 2 February 2018
Antonie Wiese	CFO/CoSec and Executive Director	Resigned 2 February 2018

EXECUTIVES

NAME	POSITION	DATES
Iain Dunstan	Managing Director and CEO	Appointed 4 December 2017
Darius Coveney	COO/CFO	Appointed 1 February 2018
Heidi Halson	EGM - Entertainment	Full financial year

1. Murray d'Almeida resigned from the Board on 27 September 2018, with Naseema Sparks taking over as Chair of the Board.

2. Garth Barrett resigned from the Board on 17 July 2018.

2. REMUNERATION POLICY

The remuneration policy of IncentiaPay has been designed to attract the most qualified and experienced KMP and align objectives with those of the business and shareholders.

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

The Company has an Employee Share Option Plan. The terms and conditions of the employee incentive plan were approved by shareholders on 5 April 2018.

The Board's policy is to review remuneration for KMP annually, based on market practice, duties and accountability. Independent advice can be sought when required.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed in accordance with Australian Accounting Standards.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval at the AGM. The maximum amount currently approved by shareholders is \$500,000 per annum.

3. REMUNERATION COMMITTEE AND EXECUTIVE COMPENSATION

The Remuneration Committee has the responsibility for providing advice in relation to the remuneration packages of senior executives, non-executive and executive directors. The Committee is also responsible for the design and oversight of any share option schemes, performance incentive packages, superannuation entitlements and retirement and termination entitlements.

The Remuneration Committee reviews the compensation package for senior executives on an annual basis and makes recommendations to the Board for approval.

Compensation packages are reviewed and determined based on current market rates and benchmarked against comparable roles and companies of a similar size.

In February and May 2018 respectively, Chris Berkefeld and Naseema Sparks joined the IncentiaPay Board with Naseema Sparks taking on the position of Chair of the Remuneration Committee from 25 May 2018.

4. REMUNERATION OBJECTIVES AND PRINCIPLES

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations.

The Company's remuneration strategy is structured to:

- ensure employee remuneration is fair and reasonable;
- attract and retain high calibre executives;
- align performance with shareholder value; and
- be easily understood by all stakeholders.

5. REMUNERATION FRAMEWORK

The Executive Remuneration Framework is characterised by Fixed Remuneration (base salary, superannuation plus other fixed benefits) and Variable Remuneration (including short-term incentive (STI) and long-term incentive (LTI) linked to performance).

FIXED COMPENSATION

This component is not performance linked and generally consists of salary, superannuation entitlements and a motor vehicle allowance. The base amount is reviewed annually by the Remuneration Committee for the Chief Executive Officer (CEO) and other senior executives. Any adjustments made during the year will either be as a result of market rate changes in order for the Company to remain competitive or to reflect any changes in the level of responsibility in the event the role has expanded.

PERFORMANCE RELATED COMPENSATION

Performance related compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The STI is an 'At Risk' bonus provided in the form of cash and its calculation is based on underlying EBITDA and the achievement of agreed KPIs, while the LTI is provided predominantly as exposure to the price performance of ordinary shares of the consolidated entity.

SHORT-TERM INCENTIVES (STI)

The STI performance target is a Board approved scheme in which executives are incentivised to increase revenue and decrease cost to maximise IncentiaPay earnings. Hurdles are set in order to incentivise improved business performance. Individuals have STI targets, as set out in their contracts, with final payment amounts subject to individual, divisional and group KPIs as well as Board review and approval. In some cases, guaranteed STI amounts are approved on the initial hiring of key executives.

LONG-TERM INCENTIVES (LTI)

LTI's are linked to share price performance and provided to certain key management personnel as part of their remuneration package, at the discretion of the Board. These LTI arrangements currently include time based vesting arrangements, the achievement of annual EBITDA hurdles and exercise prices set at or above the share price on the date of issuance and thereby assist in the alignment of management and shareholders. The plan will be reviewed for FY2019.

6. DETAILS OF REMUNERATION (KMP)

Details of the remuneration of KMP of the consolidated entity are set out in the following tables.

	SHORT-TERM BENEFITS		POST EMPLOYMENT BENEFITS	LONG-TERM BENEFITS		SHARE BASED PAYMENTS	
	CASH SALARY AND FEES \$	BONUS \$	SUPER-ANNUATION \$	LONG SERVICE LEAVE \$	TERMINATION BENEFITS \$	EQUITY SETTLED \$	TOTAL \$
2018							
DIRECTORS							
Murray d'Almeida ¹	108,546	-	-	-	-	-	108,546
Chris Berkefeld ²	25,000	-	2,375	-	-	-	27,375
Naseema Sparks ²	7,083	-	672	-	-	-	7,755
Garth Barrett ³	75,000	-	7,125	-	-	-	82,125
PREVIOUS DIRECTORS							
Trevor Dietz ⁴	433,222	-	38,068	184,471	45,287	-	701,048
Brian Hall ⁴	302,269	-	11,038	-	252,900	-	566,207
Antonie Wiese ⁴	306,444	-	11,038	-	252,900	-	570,382
EXECUTIVES							
Iain Dunstan ^{2,5}	261,155	106,250	23,293	-	-	27,933	418,631
Darius Coveney ^{2,5}	151,809	72,500	14,172	-	-	24,647	263,128
Heidi Halson	225,307	95,500	20,048	-	-	97,113	437,968

1. Director's fees were paid to an associated entity of Murray d'Almeida.

2. Remuneration disclosed is from the date of appointment as a KMP.

3. Remuneration was paid partly in salary and partly to an associated entity.

4. Remuneration disclosed is up to the date of resignation as a KMP and includes payments as an employee as well as payments to an associated entity and all deferred settlement arrangements.

5. 1/3 of STI Bonus amount is deferred to future years.

	SHORT-TERM BENEFITS		POST EMPLOYMENT BENEFITS	LONG-TERM BENEFITS		SHARE BASED PAYMENTS	
2017	CASH SALARY AND FEES \$	BONUS \$	SUPER-ANNUATION \$	LONG SERVICE LEAVE \$	TERMINATION BENEFITS \$	EQUITY SETTLED \$	TOTAL \$
DIRECTORS							
Murray d'Almeida ¹	108,548	-	-	-	-	-	108,548
Garth Barrett	25,000	-	2,000	-	-	-	27,000
Trevor Dietz	460,835	-	40,375	-	-	-	501,210
Brian Hall ^{3,4}	182,667	-	2,557	-	-	-	185,224
Antonie Wiese ³	527,104	-	7,125	-	-	-	534,229
Anthony Lally ²	36,000	-	26,000	-	-	-	62,000
EXECUTIVES							
Brian Hall ^{3,5}	326,290	-	4,568	-	-	-	330,858
Heidi Halson	200,000	78,000	20,000	-	-	-	298,000

1. Directors fees were paid to an associated entity of Murray d'Almeida.

2. Resigned as a director on 28 November 2016.

3. Cash salary and fees includes amounts paid as salary and fees paid to an associated entity of the KMP.

4. Appointed as a director on 20 February 2017.

5. For the period to 19 February 2017.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
DIRECTORS						
Murray d'Almeida	100%	100%	-	-	-	-
Chris Berkefeld	100%	N/A	-	-	-	-
Naseema Sparks	100%	N/A	-	-	-	-
Garth Barrett	100%	100%	-	-	-	-
PREVIOUS DIRECTORS						
Trevor Dietz	100%	-	-	-	-	-
Brian Hall	100%	-	-	-	-	-
Antonie Wiese	100%	-	-	-	-	-
EXECUTIVES						
Iain Dunstan	68%	N/A	25%	N/A	7%	N/A
Darius Coveney	63%	N/A	28%	N/A	9%	N/A
Heidi Halson	56%	74%	22%	26%	22%	-

The proportion of the cash bonus paid/payable or forfeited is as follows:

	CASH BONUS PAID/PAYABLE		CASH BONUS FORFEITED	
	FY2018	FY2017	FY2018	FY2017
DIRECTORS				
Murray d'Almeida	N/A	N/A	N/A	N/A
Chris Berkefeld	N/A	N/A	N/A	N/A
Naseema Sparks	N/A	N/A	N/A	N/A
Garth Barrett	N/A	N/A	N/A	N/A
PREVIOUS DIRECTORS				
Trevor Dietz	N/A	N/A	N/A	N/A
Brian Hall	N/A	N/A	N/A	N/A
Antonie Wiese	N/A	N/A	N/A	N/A
EXECUTIVES				
Iain Dunstan	50%	N/A	50%	N/A
Darius Coveney	50%	N/A	50%	N/A
Heidi Halson ¹	N/A	N/A	N/A	N/A

1. Heidi Halson's bonus amount is in respect of an uncapped commission scheme and therefore this calculation is not meaningful.

7. SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

NAME	Iain Dunstan
Title	Chief Executive Officer
Agreement commenced	4 December 2017
Term of engagement	3 years
Details	Termination of employment: • By either party on giving nine (9) months notice; or • Immediately on payment in lieu of notice or if any of the conditions for summary terminations are met including serious misconduct, gross negligence, breach of contract, bankruptcy, crime or repeated absence without explanation. Excluding payment in lieu of notice, the contract does not specify any termination payment. Equity compensation: 3,035,714 loan funded shares
NAME	Darius Coveney
Title	Chief Operating and Finance Officer
Agreement commenced	1 February 2018
Term of engagement	3 years
Details	Termination of employment: • By either party on giving six (6) months notice; or • Immediately on payment in lieu of notice or if any of the conditions for summary terminations are met including serious misconduct, gross negligence, breach of contract, bankruptcy, crime or repeated absence without explanation. Excluding payment in lieu of notice, the contract does not specify any termination payment. Equity compensation: 2,678,571 loan funded shares
NAME	Heidi Halson
Title	Executive General Manager – Entertainment
Agreement commenced	1 June 1994
Term of engagement	Ongoing
Details	Termination of employment: • By either party on giving five (5) weeks notice; or • Immediately on payment in lieu of notice or if any of the conditions for summary terminations are met including serious misconduct, fraud or dishonesty. Excluding payment in lieu of notice, the contract does not specify any termination payment. Equity compensation: Up to 200,000 Performance Rights per annum

8. SHARE BASED COMPENSATION

LOAN FUNDED SHARES

As at 30 June 2018, there were 5,714,285 shares issued to key management personnel as part of Loan Funded Share (LFS) arrangements approved by shareholders on 5 April 2018.

The terms of the current LFS arrangements can be summarised as follows:

1. IncentiaPay provides its key executives, or their nominee, ('the executive') with a loan to purchase an agreed number of IncentiaPay shares at or slightly above current market value;
2. The loan provided is limited recourse, such that the executive has the option to either repay the loan or return the shares at the loan repayment date, and interest is payable on the loan unless the Board approves otherwise;
3. Any dividends declared by IncentiaPay during the life of the loan will be applied against the outstanding balance of the loan rather than being paid in cash to the executive;
4. Certain vesting conditions apply to each executive's shares, being related to time and share price; and
5. Prior to the shares becoming unencumbered, the executive is required to repay the loan.

The Board notes that variations of this type of plan are broadly used by companies listed on the ASX.

Details of shares issued to key management personnel as part of compensation during the year and their terms as at 30 June 2018 are set out below:

NAME	DATE ISSUED	NO. OF SHARES	SHARE PRICE VESTING HURDLE
Iain Dunstan	4 May 2018	3,035,714	0.28
Darius Coveney	4 May 2018	2,678,571	0.28
		5,714,285	

Note that loan funded shares issued to executives that subsequently leave IncentiaPay are returned to the consolidated entity and can then be used to fund future share issuances to either KMP or other IncentiaPay employees under IncentiaPay's broad based Employee Share Ownership Plan.

PERFORMANCE RIGHTS EQUITY PLAN (PREP)

As at 30 June 2018, there were 80,000 Performance Rights issued to key management personnel, following shareholder approval on 5 April 2018.

The Performance Rights were issued under the 'Performance Rights Equity Plan' (PREP) which was communicated to shareholders on 24 May 2017 and approved at the Company's EGM held on 5 April 2018.

The key terms of the PREP can be summarised as follows:

- Annual grant of Performance Rights for four years
- Number of Performance Rights granted is calculated based on:
 - Annual maximum grant amount;
 - Annual (calendar year) revenue hurdles;
 - Annual (calendar year) EBITDA hurdles; and
 - Continuing employment.
- Performance Rights issued then vest annually in July at 25% per annum for four years
- Vested Performance Rights convert to ordinary shares 1:1

NAME	DATE ISSUED	MAXIMUM PERFORMANCE RIGHTS POOL	PERFORMANCE RIGHTS GRANTED*
Heidi Halson	23 May 2017	200,000	80,000

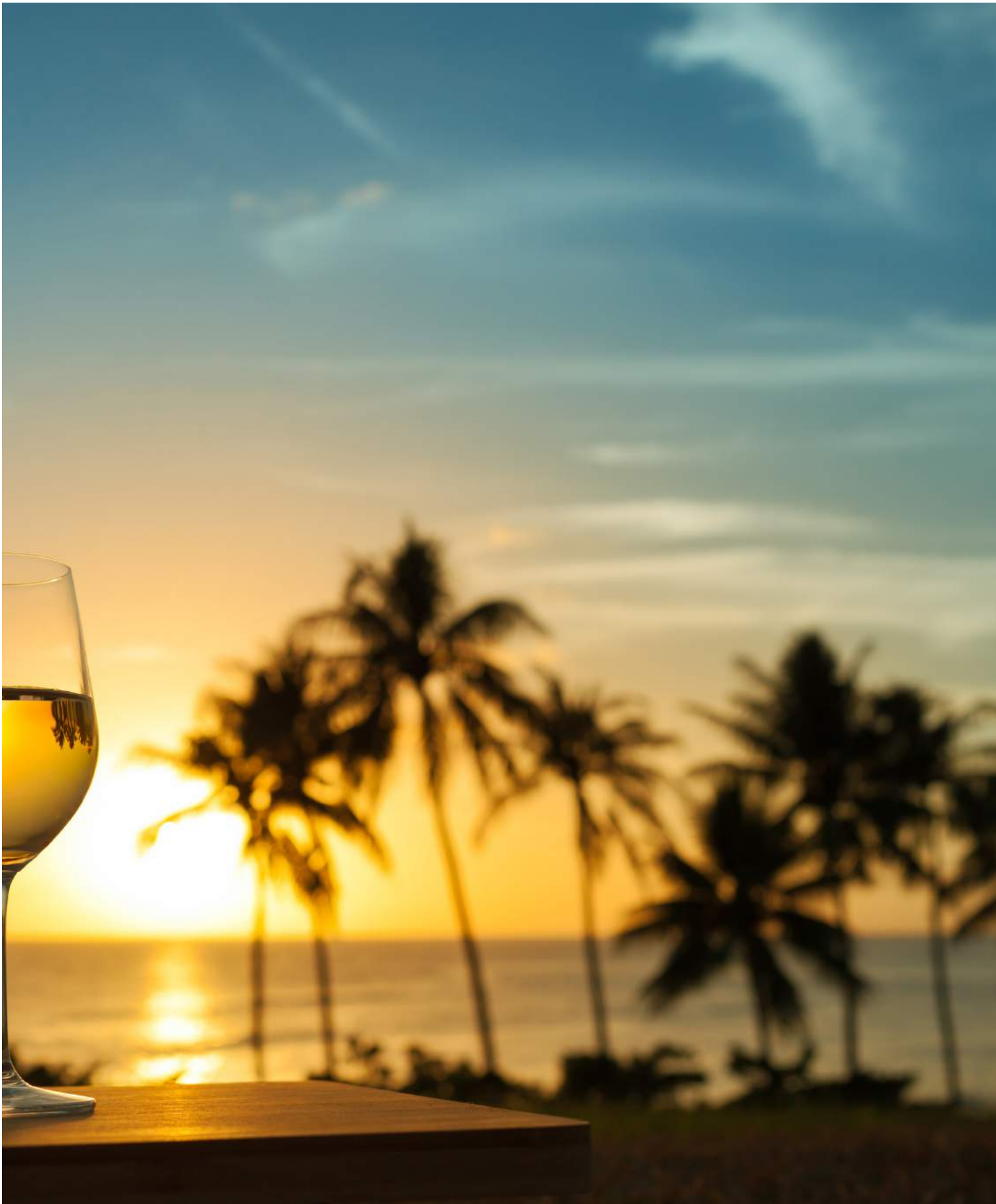
*Performance Rights will vest at 20,000 rights per annum for four years, with the first tranche vesting in July 2018.

9. ADDITIONAL INFORMATION

The earnings of the consolidated entity for the four years to 30 June 2018 are summarised below:

	FY2015 \$000	FY2016 \$000	FY2017 \$000	FY2018 \$000
Profit/(loss) after income tax	7,889	7,345	10,288	(61,345) ¹

1. Excludes discontinued operations.



AUDITOR'S INDEPENDENCE DECLARATION





AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
INCENTIAPAY LIMITED

PILOT PARTNERS
Chartered Accountants
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I declare that to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

- i. no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Pilot Partners
PILOT PARTNERS
Chartered Accountants


DANIEL GILL
Partner

Signed on 26 September 2018

Level 10
1 Eagle Street
Brisbane Qld 4000



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FINANCIAL STATEMENTS



incentiapay

INCENTIAPAY LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

		CONSOLIDATED GROUP	
	NOTE	FY2018 \$'000	FY2017 \$'000
Revenue	2	106,789	110,464
Direct expenses of providing services	3	(49,837)	(41,191)
Impairments	3	(49,054)	-
Employee expenses		(44,876)	(38,476)
Depreciation and amortisation expense		(6,055)	(1,586)
Building occupancy expense		(4,395)	(4,660)
Finance costs	3	(1,216)	(766)
Other expenses		(14,701)	(12,436)
Profit/(loss) before income tax		(63,345)	11,349
Tax expense	4(a)	2,000	(1,061)
Net profit/(loss) for the period		(61,345)	10,288
Loss for the period from discontinued operations	24	(838)	-
Net profit/(loss) attributable to members of the parent entity		(62,183)	10,288
Other comprehensive income			
Gain/(loss) arising from translating foreign controlled entities from continuing operations		883	-
Total comprehensive income/(loss) for the period		(61,300)	10,288
Earnings/(loss) per share			
Basic earnings/(loss) per share (cents)	5		
Earnings from continuing operations		(52.8)	12.1
Loss from discontinued operations		(0.7)	-
Total		(53.5)	12.1
Diluted earnings/(loss) per share (cents)	5		
Earnings from continuing operations		(50.4)	11.4
Loss from discontinued operations		(0.7)	-
Total		(51.1)	11.4

The accompanying notes form part of these financial statements.

INCENTIAPAY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

		CONSOLIDATED GROUP	
	NOTE	FY2018	FY2017
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	6	11,130	15,330
Trade and other receivables	8	9,675	12,380
Inventories	9	350	5,269
Other assets	10	12,186	9,800
Assets and disposal group classified as held for sale	24	1,596	-
Total current assets		34,937	42,779
Non-current assets			
Trade and other receivables	8	141	-
Property, plant and equipment	11	2,366	3,295
Deferred tax assets	4(c)	4,773	3,061
Intangible assets	12	49,280	77,975
Other financial assets	13	-	1,500
Total non-current assets		56,560	85,831
Total assets		91,497	128,610
Liabilities			
Current liabilities			
Trade and other payables	14	11,949	9,571
Borrowings	15	-	5,000
Vendor loans	16	800	2,238
Current tax liabilities	4(d)	169	1,037
Deferred revenue	17	22,001	22,916
Provisions	18	5,643	1,920
Liabilities included in disposal group held for sale	24	777	-
Total current liabilities		41,339	42,682
Non-current liabilities			
Trade and other payables	14	851	822
Borrowings	15	-	13,000
Provisions	18	1,131	962
Total non-current liabilities		1,982	14,784
Total liabilities		43,321	57,466
Net assets		48,176	71,144
Equity			
Issued capital	19	94,892	54,554
Reserves	20	875	(668)
Retained earnings		(47,591)	17,258
Total equity		48,176	71,144

The accompanying notes form part of these financial statements.

INCENTIAPAY LTD AND CVONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

		ORDINARY SHARE CAPITAL	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE BASED PAYMENTS RESERVE	TOTAL
	NOTE	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016		26,227	10,847	(349)	-	36,725
Comprehensive income						-
Profit for the period		-	10,288	-	-	10,288
Other comprehensive income						
Movement during the period		-	-	(319)	-	(319)
Total comprehensive income for period		-	10,288	(319)	-	9,969
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the period		30,808	-	-	-	30,808
Transactions costs		(2,481)	-	-	-	(2,481)
Dividends for the period		-	(3,877)	-	-	(3,877)
Total transactions with owners and other transfers		28,327	(3,877)	-	-	24,450
Balance at 30 June 2017		54,554	17,258	(668)	-	71,144

		ORDINARY SHARE CAPITAL	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE BASED PAYMENTS RESERVE	TOTAL
	NOTE	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017		54,554	17,258	(668)	-	71,144
Comprehensive income						
Loss for the period		-	(62,183)	-	-	(62,183)
Other comprehensive income						
Movement during the period	20	-	-	883	660	1,543
Total comprehensive income for period		-	(62,183)	883	660	(60,640)
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the period	19	41,689	-	-	-	41,689
Transactions costs	19	(2,041)	-	-	-	(2,041)
Other equity movement	19	690	-	-	-	690
Dividends for the period	5	-	(2,666)	-	-	(2,666)
Total transactions with owners and other transfers		40,338	(2,666)	-	-	37,672
Balance at 30 June 2018		94,892	(47,591)	215	660	48,176

The accompanying notes form part of these financial statements.

INCENTIAPAY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

		CONSOLIDATED GROUP	
	NOTE	FY2018 \$'000	FY2017 \$'000
Cash flows from operating activities			
Receipts from customers		120,003	128,711
Payments to suppliers and employees		(122,336)	(115,576)
Tax paid		(580)	(383)
Net cash from/(used in) from continuing operations	7	(2,913)	12,752
Net cash used in discontinued operations		(684)	n/a
Net cash provided/(used in) by operating activities		(3,597)	12,752
Cash flows from investing activities			
Investment in developing new territories		-	(1,115)
Purchase of property, plant and equipment		(339)	(421)
Purchase of intangibles		(6,103)	(4,190)
Acquisition of subsidiaries net of cash acquired	23	297	(23,509)
Net cash used in investing activities		(6,145)	(29,235)
Cash flows from financing activities			
Net proceeds from issue of shares		30,241	25,732
Repayment of borrowings		(14,439)	(2,608)
Repayment of convertible note		(5,000)	-
Proceeds from borrowings		-	12,426
Interest paid		(1,216)	(766)
Loan to external parties		(1,000)	-
Dividends paid		(2,666)	(3,877)
Net cash provided by financing activities		5,920	30,907
Net increase/(decrease) in cash held		(3,822)	14,424
Cash and cash equivalents at beginning of financial period		15,330	906
Cash and cash equivalents at the end of the financial period*		11,508	15,330
Cash held in discontinued operations	24	(378)	-
Cash and cash equivalents at the end of the financial period in continuing operations	6	11,130	15,330

*Management have assessed the effect of exchange rate changes on cash and cash equivalents as immaterial to the statement of cash flows.

The accompanying notes form part of these financial statements.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

Note 1	Summary of significant accounting policies.....	45
Note 2	Revenue.....	48
Note 3	Expenses.....	50
Note 4	Income tax.....	51
Note 5	Dividends and earnings per share.....	54
Note 6	Cash and cash equivalents.....	55
Note 7	Cash flow information.....	56
Note 8	Trade and other receivables.....	57
Note 9	Inventories.....	59
Note 10	Other assets.....	60
Note 11	Property, plant and equipment.....	60
Note 12	Intangible assets.....	63
Note 13	Other financial assets.....	67
Note 14	Trade and other payables.....	68
Note 15	Borrowings.....	68
Note 16	Vendor loan.....	70
Note 17	Deferred revenue.....	70
Note 18	Provisions.....	70
Note 19	Issued capital.....	73
Note 20	Reserves.....	75
Note 21	Key management personnel compensation.....	76
Note 22	Auditor's remuneration.....	76
Note 23	Interests in subsidiaries and business combinations.....	77
Note 24	Disposal groups classified as held for sale and discontinued operations.....	80
Note 25	Parent company information.....	81
Note 26	Segment information.....	82
Note 27	Capital and leasing commitments.....	86
Note 28	Contingent liabilities and contingent assets.....	86
Note 29	Financial risk management.....	87
Note 30	Related party transactions.....	89
Note 31	Events after the reporting period.....	90

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These general purpose financial statements for the year ended 30 June 2018 have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. IncentiaPay Ltd is a listed public Company incorporated and domiciled in Australia. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

These consolidated financial statements were authorised for issue on 27 September 2018.

GOING CONCERN

As at 30 June 2018, the consolidated entity had current assets of \$34.9 million and current liabilities of \$41.3 million.

The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation in the financial statements:

- \$9.8 million of the net current liability balance (being \$22.0 million of revenue received in advance (liability), less \$12.2 million of prepaid production and commission expenses (asset)) will not crystallise as a cash outflow in the next 12 months;
- the consolidated entity has announced a significant restructuring program, which will see the business return to positive operating cash flow within the next 12 months; and
- the consolidated entity had access to unused debt facilities of \$12 million as at 30 June 2018.

As a consequence of the above, the directors believe

that the consolidated entity will be able to continue as a going concern and, accordingly, the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments relating to recoverability and classification of recorded assets or amounts or the amount and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent IncentiaPay Ltd and all of its subsidiaries (also referred to as “the Group”). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation.

Accounting policies of subsidiaries have been adjusted where necessary to ensure uniformity of the accounting policies adopted by the Group.

B) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

FUNCTIONAL AND PRESENTATION CURRENCY

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

TRANSACTIONS AND BALANCES

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

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

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

GROUP COMPANIES

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

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

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

C) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant taxation authority.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the relevant taxation authority are

presented as operating cash flows included in receipts from customers or payments to suppliers.

D) COMPARATIVE FIGURES

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

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

E) ROUNDING OF AMOUNTS

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

F) NEW AND AMENDED ACCOUNTING POLICIES ADOPTED BY THE GROUP

REVENUE RECOGNITION

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

This Standard replaces the current accounting requirements applicable to revenue with a single, principles based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

See note 2 for further details.

G) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

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

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

AASB 9: *Financial Instruments and Associated Amending Standards* (applicable for annual reporting periods commencing on or after 1 January 2018).

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

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

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

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

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

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit

or loss and unwinding of the liability in principal and interest components;

- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

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

Although the Directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018.

H) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

KEY ESTIMATES AND JUDGEMENTS

Impairment – goodwill and other intangibles

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

Further details on the key estimates used in the impairment evaluation and the impairment recognised in respect of goodwill or other intangibles for the year ended 30 June 2018 can be found in note 12.

Impairment – cash debtor receivables

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

Valuation of franchise inventories

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

NOTE 2 | REVENUE

ACCOUNTING POLICY

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

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

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

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

- Revenue from transaction fees is recognised when the trade dollar transaction is complete and when all obligations of processing the transaction are fulfilled.
- Revenue from monthly subscription fees is recognised at the end of each month when all obligations of providing membership support services in the month are fulfilled.
- Revenue from the sale of franchise rights in countries and the issue of licences to run exchanges is recognised when the sale is complete and all obligations have been fulfilled.
- Revenue from Bartercard membership fees is recognised when all obligations of processing the membership application have been fulfilled.
- Other Bartercard revenue, which includes trading income and various fees charged to members

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

other than transaction fees, is recognised when all obligations in respect of these income streams are fulfilled.

- On commencement of memberships, Entertainment Publications enters into a performance obligation to deliver benefits in the form of special offers, discounts, promotions and booking facilities to members during the period of membership.

The membership year runs from 1 June to the following 31 May.

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

- A liability is recognised for unearned revenue for performance obligations to members that have not yet been satisfied. (See note 17)
- Payment for membership is made prior to the commencement of membership.
- Entertainment Publications has an obligation to refund memberships in full for the first 90 days following payment.

- A liability is recognised for unearned revenue for performance obligations to members that have not yet been satisfied. (See note 17) Payment for membership is made prior to the commencement of membership.
- Revenue from Entertainment Publications marketing and merchant support fees through the placement of advertisements and the distribution of offers and promotions on behalf of businesses to members is recognised when the advertisement or offer is placed, distributed and invoiced. Revenue from the successful promotion of merchant offers is recognised when the transaction occurs which evidences the take up of the promotion.
- Revenue from the sale of vouchers on behalf of businesses to members is recognised when the gift card is provided to the customer and it is paid for.
- Revenue from commission receivable for bookings are recognised when the bookings are made and it is paid for.

Payment terms are highly varied for the different sources of revenue, different customers and contract terms are individually negotiated.

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

CONSOLIDATED GROUP		
	FY2018	FY2017
	\$'000	\$'000
Sales revenue		
Fee income	24,496	29,951
Licence fees	195	1,641
Membership subscriptions	44,740	49,392
Gift card sales	34,651	21,889
Other	2,707	7,546
Total	106,789	110,419
Other revenue		
Interest received	-	45
Total	106,789	110,464

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

TRANSACTIONS IN TRADE

In addition to the table on the previous page, the Bartercard businesses also transact in trade dollars. These businesses operate as managers of the respective trade exchange and as such, earn fees in trade dollars and participate in the exchange, buying services.

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

NOTE 3 | EXPENSES

ACCOUNTING POLICY

DIRECT EXPENSES OF PROVIDING SERVICES

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

Costs incurred for the development of the following year's membership package are capitalised as costs incurred to fulfil a contract with a customer. They are recognised initially as an asset and subsequently amortised over the period of membership during which those benefits are delivered to members. (See note 10)

Loss before income tax from continuing operations includes the following significant expenses:

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Direct expenses of providing services		
Direct expenses of providing services	49,837	41,191
Employee benefits expense		
Defined contribution superannuation expense	2,813	2,431
Bad and doubtful debts		
Trade receivables	301	612
Write-downs of inventories to net realisable value		
Inventories	3,432	725
Rental expense on operating leases		
Minimum lease payments	4,395	4,660
Interest expense		
Interest payable	1,216	766

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	FY2018 \$'000	FY2017 \$'000
Depreciation and amortisation expense		
Plant and equipment	1,281	348
Amortisation of intangibles	4,774	1,238
	6,055	1,586
Impairments		
Inventories	3,432	-
Goodwill	26,969	-
Development costs	6,519	-
Software and technology	1,705	-
Brand name and international rights	2,951	-
Investment in unlisted entity	1,500	-
Other balance sheet items	5,978	-
	49,054	-

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

NOTE 4 | INCOME TAX

ACCOUNTING POLICY

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

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

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

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

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

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

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

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

Deferred tax assets and liabilities are offset where:

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

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
a) The components of income tax expense/(income) comprise		
Current tax	(700)	1,175
Deferred tax	(1,300)	(114)
	(2,000)	1,061
b) The prima facie tax payable on profit from ordinary activities before income tax is reconciled to income tax as follows		
Prima facie tax payable/(benefit) on profit from ordinary activities before income tax at domestic statutory rate of 30% (2017: 30%)	(19,255)	3,405
Add/(less) tax effect of		
Permanent differences	17,925	(734)
Recoupment of prior year tax (profits)/losses not previously brought to account	(1,143)	(91)
Unrecognised profits	(601)	-
Unrecognised tax losses	1,055	-
Tax effect on trade transactions	-	(1,494)
Effect of lower tax rate in NZ	-	(25)
Other	19	-
	(2,000)	1,061

INCENTIAPAY LTD AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

c) Deferred tax	CONSOLIDATED GROUP				
	OPENING BALANCE	CHARGED TO INCOME	CHARGED DIRECTLY TO EQUITY	ACQUISITION	TOTAL
Deferred tax assets					
Provisions	(79)	4,192	-	1,472	5,585
Transaction costs on equity issues	955	-	(296)	-	659
Employee benefits	599	693	-	(355)	937
Property, plant and equipment	(15)	-	-	(15)	(30)
Intangibles	(659)	(1,840)	-	607	(1,892)
Other	(61)	-	-	(2,137)	(2,198)
Balance as at 30 June 2017	740	3,045	(296)	(428)	3,061
Provisions	5,585	579	-	-	6,164
Transaction costs on equity issues	659	(462)	691	-	888
Employee benefits	937	451	-	-	1,388
Property, plant and equipment	(30)	12	-	-	(18)
Intangibles	(1,892)	184	-	-	(1,708)
Other	(2,198)	257	-	-	(1,941)
Balance as at 30 June 2018	3,061	1,021	691	-	4,773

d) Current tax	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Income tax payable	169	1,037

INCENTIAPAY LTD AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5 | DIVIDENDS AND EARNINGS PER SHARE

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Distributions paid		
Dividends paid during the year		
Final fully franked ordinary dividend (FY2017: 2.00 cents) per share	-	1,824
Interim fully franked ordinary dividend of 2.25 cents (FY2017: 2.25 cents) per share	2,666	2,053
	2,666	3,877
Total dividends for the period	2.25 cents	4.25 cents

The directors have advised that they do not expect to declare further dividends during the current restructuring period.

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Reconciliation of earnings to profit or loss		
Profit/(loss) after tax	(61,345)	10,288
Profit attributable to non-controlled equity interest	-	-
Earnings used to calculate basic EPS	(61,345)	10,288
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	116,182,656	85,169,383
Weighted average of dilutive convertible notes and equity instruments outstanding	5,520,548	5,534,247
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	121,703,204	90,703,630

INCENTIAPAY LTD AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 6 | CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

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

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Cash at bank and on hand	10,120	14,494
Short-term bank deposits	1,010	836
Total cash and cash equivalents	11,130	15,330
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows		
Cash and cash equivalents	11,130	15,330
Total cash and cash equivalents	11,130	15,330

INCENTIAPAY LTD AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 7 | CASH FLOW INFORMATION

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Reconciliation of profit after income tax to net cash flow from operations		
Profit/(loss) after income tax	(61,345)	10,288
Cash flows excluded from profit attributable to operating activities	-	766
Non-cash flows in profit/(loss)		
Amortisation	4,774	1,238
Loss/(gain) on disposal of assets	109	-
Write-down of inventory to fair value	3,432	725
Depreciation	1,281	348
Unrealised foreign exchange (gain)/loss	(883)	(319)
Loss/(gain) on disposal of intangibles	335	-
Impairment of intangibles	45,622	-
Impairment adjustment relating to discontinued operations	(1,485)	-
Net interest paid including investing	(1,216)	-
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade receivables	2,564	943
(Increase)/decrease in prepayments	(2,386)	(5,511)
(Increase)/decrease in inventories	4,919	172
(Increase)/decrease in other financial assets	-	(2,370)
(Increase)/decrease in deferred taxes receivable	(1,712)	(1,362)
Increase/(decrease) in trade payables and accruals	969	(96)
Increase/(decrease) in deferred income	(915)	7,212
Increase/(decrease) in income taxes payable	(868)	(47)
Increase/(decrease) in deferred taxes payable	-	2,087
Increase/(decrease) in provisions	3,892	(1,322)
Cash flow from /(used in) operating activities	(2,913)	12,752

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

RECONCILIATION OF LIABILITIES ARISING FROM CASH FLOWS FROM FINANCING ACTIVITIES

	FY2017 \$'000	REPAYMENT \$'000	INTEREST PAID \$'000	INTEREST EXPENSES \$'000	FY2018 \$'000
Convertible notes	5,000	(5,000)	(375)	375	-
Bank term loan	10,000	(10,000)	(550)	550	-
Overdrafts	3,000	(3,000)	(165)	165	-
Vendor loans	2,238	(1,438)	(126)	126	800
Total	20,238	(19,438)	(1,216)	1,216	800

NOTE 8 | TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

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

Trade and other receivables are initially recognised at fair value, less any provision for impairment.

		CONSOLIDATED GROUP	
		FY2018 \$'000	FY2017 \$'000
Current			
Trade receivables	9,150	14,589	
Provision for impairment	(2,287)	(4,285)	
Net trade receivables	6,863	10,304	
Other receivables	2,812	2,076	
Total current trade and other receivables	9,675	12,380	
Non-current			
Other receivables	141	-	
Total non-current trade and other receivables	141	-	

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

	OPENING BALANCE 1 JULY 16 \$'000	CHARGE FOR THE YEAR \$'000	AMOUNTS WRITTEN OFF \$'000	CLOSING BALANCE 30 JUNE 17 \$'000
Current trade receivables	(1,702)	(3,195)	612	(4,285)
Total	(1,702)	(3,195)	612	(4,285)
	OPENING BALANCE 1 JULY 17 \$'000	CHARGE FOR THE YEAR \$'000	AMOUNTS WRITTEN OFF \$'000	CLOSING BALANCE 30 JUNE 18 \$'000
Current trade receivables	(4,285)	(301)	2,299	(2,287)
Total	(4,285)	(301)	2,299	(2,287)

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

CREDIT RISK

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within note 8. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group. No collateral is held in respect of these exposures and there are no other credit enhancement arrangements. All trade receivables have been investigated and other than those which have been written off or provided, there are no indicators of poor credit quality for trade receivables. Securities in the form of personal guarantees from directors, or registered mortgages are regularly taken to support customer trading activities.

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Gross amount	9,150	14,589
Impaired (past due)	(2,287)	(4,285)
	6,863	10,304
Within initial trade terms	2,653	5,509
Past due not impaired - 30 days	396	1,055
60 days	555	314
90 days	63	522
90 days +	3,196	2,904
Total	6,863	10,304

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GEOGRAPHICAL CREDIT RISK

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

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Australia	6,645	6,951
New Zealand	218	1,916
United Kingdom	-	949
United States of America	-	436
Other	-	2,128
Total	6,863	12,380

NOTE 9 | INVENTORIES

ACCOUNTING POLICY

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

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Franchises held for re-sale	3,432	1,892
Less amount impaired	(3,432)	-
Held at fair value	-	1,892
Finished goods and gift cards held for sale	350	3,377
Total inventories	350	5,269

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 10 | OTHER ASSETS

ACCOUNTING POLICY

Other assets primarily relate to prepaid sales commissions paid for the sale of memberships and costs incurred for the development of the following year's membership package. (See note 3).

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Current		
Short term investments	1,267	-
Current loans receivable	1,598	-
Prepayments	9,321	9,800
Total current other assets	12,186	9,800

NOTE 11 | PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

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

PLANT AND EQUIPMENT

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

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

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

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

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

DEPRECIATION

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

Estimated useful life for each class of depreciable assets are:

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

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

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

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

LEASES

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

Finance leases are capitalised by recognising an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

INCENTIAPAY LTD AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Plant and equipment		
At cost	2,395	3,423
Accumulated depreciation	(1,262)	(1,747)
	1,133	1,676
Leasehold improvements		
At cost	2,042	1,887
Accumulated depreciation	(977)	(423)
	1,065	1,464
Leased plant and equipment		
At cost	246	172
Accumulated depreciation	(78)	(17)
	168	155
Total plant and equipment	2,366	3,295

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

MOVEMENTS IN CARRYING AMOUNTS

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

	PLANT AND EQUIPMENT \$'000	LEASEHOLD IMPROVEMENTS \$'000	LEASED PLANT AND EQUIPMENT \$'000	TOTAL \$'000
Balance as at 1 July 2016	486	372	100	958
Additions	1,012	18	-	1,030
Disposals	(25)	(5)	(2)	(32)
Transfers	113	(174)	61	-
Addition through business combinations	456	1,231	-	1,687
Depreciation expense	(366)	22	(4)	(348)
Balance as at 30 June 2017	1,676	1,464	155	3,295
Balance as at 1 July 2017	1,676	1,464	155	3,295
Additions	197	67	75	339
Disposals	(109)	-	-	(109)
Transfers	-	-	-	-
Addition through business combinations	67	56	-	123
Depreciation expense	(698)	(522)	(62)	(1,282)
Balance as at 30 June 2018	1,133	1,064	168	2,366

NOTE 12 | INTANGIBLE ASSETS

ACCOUNTING POLICY

GOODWILL

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

- the consideration transferred;
- any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- the acquisition date fair value of any previously held equity interest.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the financial statements. Fair value re-measurements in any pre-existing equity holdings are recognised in the profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

Goodwill on the acquisition of franchises which are not held for re-sale is included in intangible assets and tested for impairment at least annually.

TECHNOLOGY, SOFTWARE AND DATABASE ASSETS

Technology and software assets acquired separately are capitalised at cost. Where the technology and software asset has been acquired as part of a business acquisition, these assets are recognised at fair value as at the date of acquisition.

The useful lives of these assets are then assessed to be either finite or indefinite. Assets with a finite life are amortised over that life with the expense being recognised in the Profit and Loss. Expenditure on the development of technology and software assets are capitalised until the software is ready for use and then amortised over their expected useful life of four to five years (FY2017: 10 years).

BRAND NAMES AND INTERNATIONAL RIGHTS

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

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

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

DEVELOPMENT COSTS

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

IMPAIRMENT OF ASSETS

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

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

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

		CONSOLIDATED GROUP	
		FY2018	FY2017
		\$'000	\$'000
Goodwill			
Cost	56,310	52,425	
Accumulated impairment losses	(26,969)	-	
	29,341	52,425	
Technology and software			
Cost	22,625	15,180	
Accumulated amortisation and impairment losses	(8,037)	(1,595)	
	14,588	13,585	
Purchased brand names and international rights			
Cost	6,610	6,610	
Accumulated impairment losses	(2,951)	-	
	3,659	6,610	
Development costs			
Cost	6,792	5,628	
Accumulated impairment losses	(6,792)	(273)	
	-	5,355	
Other intangibles			
Cost	1,729	-	
Accumulated amortisation	(37)	-	
	1,692	-	
Total intangibles	49,280	77,975	

INCENTIAPAY LTD AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	GOODWILL \$'000	TECHNOLOGY AND SOFTWARE \$'000	BRAND NAME & INTERNA- TIONAL RIGHTS \$'000	DEVELOP- MENT COSTS \$'000	OTHER INTANGIBLES \$'000	TOTAL \$'000
Balance as at 1 July 2016	21,063	6,366	2,976	1,801	-	32,206
Additions	-	3,684	-	3,827	-	7,511
Acquisition of franchises	3,813	-	-	-	-	3,813
Disposals	-	-	-	-	-	-
Additions through business combinations	27,549	4,500	3,634	-	-	35,683
Amortisation charge	-	(965)	-	(273)	-	(1,238)
Balance as at 30 June 2017	52,425	13,585	6,610	5,355	-	77,975
Balance as at 1 July 2017	52,425	13,585	6,610	5,355	-	77,975
Additions	-	4,809	-	1,164	37	6,010
Acquisition of franchises	93	-	-	-	-	93
Disposals	-	(335)	-	-	-	(335)
Additions through business combinations	3,792	2,971	-	-	1,692	8,455
Amortisation charge	-	(4,737)	-	-	(37)	(4,774)
Impairment	(26,969)	(1,705)	(2,951)	(6,519)	-	(38,144)
Balance as at 30 June 2018	29,341	14,588	3,659	-	1,692	49,280

The recoverable amount of the CGU'S is determined based on a value-in-use calculation, covering a detailed four-year forecast, followed by an expected cash flow for the units' remaining useful lives using the growth rates determined by management. Where appropriate the value of any proposed sale of CGU's has been considered and the model includes a sensitivity analysis allowing for a range of growth rates.

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

2019- 2021	GROWTH RATES 2019-2020	GROWTH RATES 2021 ONWARD	DISCOUNT RATE/WEIGHTED AVERAGE COST OF CAPITAL
Bartercard	(7.0%) to (5.0%)	2.5%	14.5%
Entertainment Publications	5.0%	FY2021 at 5.0% FY2022 onward at 2.5%	12.0%

Cash flows used in the value-in-use calculations are based on forecasts produced by management. These forecasts use growth rates consistent with historical performance and take into account cost growth assumptions and inflation expectations appropriate to the locations in which the Group operates.

On 14 September 2018, the Company announced the signing of a contract for the sale of the Bartercard business. The sale price set out in that contract has also been considered in assessing the impairment charge taken in respect of that business. (See note 31).

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The CGU for recently acquired Gruden entities included provisional amount of goodwill of \$3,791,656 and indefinite life intangible assets of \$4,663,361. (See note 23c) Based on the recent valuation, management have taken an impairment against the intangibles in that business. (See note 3)

\$9.8 million of the impairment expense for FY2018 relates to discontinued operation.

NOTE 13 | OTHER FINANCIAL ASSETS

ACCOUNTING POLICY

AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

FINANCIAL ASSET IMPAIRMENT

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

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

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Non-current		
Available-for-sale financial assets		
Unlisted investment (2017 at fair value)	1,500	1,500
Less, amount impaired	(1,500)	-
Total available-for-sale financial assets	-	1,500

See note 3 for commentary.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 14 | TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 60 days of recognition of the liability. The non-current part of payables are amounts not expected to be settled within the next 12 months.

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Current		
Unsecured liabilities		
Trade payables	6,169	4,279
Sundry payables and accruals	5,780	5,292
Total current unsecured liabilities	11,949	9,571
Non-current		
Unsecured liabilities		
Trade payables	-	-
Sundry payables and accruals	851	822
Total non-current unsecured liabilities	851	822

NOTE 15 | BORROWINGS

ACCOUNTING POLICY

COMPOUND

Derivative loans and borrowings are compound financial instruments which comprise of two components; a financial liability and an equity instrument.

The fair value of the liability component of a convertible loan is determined using a market interest rate for an equivalent non-convertible loan. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the loan. The remainder of the proceeds are allocated to the equity component. This is recognised and included in shareholders' equity.

NON-DERIVATIVE

Non-derivative loans and borrowings are financial liabilities with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

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

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Current		
Secured liabilities		
Bank overdraft	-	3,000
Bank term loan	-	2,000
Total current borrowings	-	5,000
Non-current		
Unsecured liabilities		
Convertible notes	-	5,000
Secured liabilities		
Bank term loan	-	8,000
Total non-current borrowings	-	13,000
Total borrowings	-	18,000

All bank loans, convertible notes and overdrafts were fully repaid during the year.

As at 30 June 2018, the company had access to unused loan facility of \$9 million with an expiry date of 18 November 2019 and unused overdraft facility of \$3 million which is payable and cancellable on demand.

INCENTIAPAY LTD AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 16 | VENDOR LOAN

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Current		
Vendor loan	800	2,238
Total vendor loan	800	2,238

NOTE 17 | DEFERRED REVENUE

ACCOUNTING POLICY

Deferred revenue relates to performance obligations to the members of Entertainment Publications that have not yet been satisfied. (See note 2)

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Current		
Deferred revenue	22,001	22,916
Total deferred revenue	22,001	22,916

NOTE 18 | PROVISIONS

ACCOUNTING POLICY

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

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

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

OTHER LONG-TERM EMPLOYEE BENEFITS

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

RETIREMENT BENEFIT OBLIGATIONS

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

PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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

	CONSOLIDATED GROUP		
	EMPLOYEE BENEFITS \$'000	RESTRUCTURING PROVISION \$'000	TOTAL \$'000
Year ended 30 June 2017			
Balance as at 1 July 2016	1,892	-	1,892
Additional provisions	990	-	990
Balance as at 30 June 2017	2,882	-	2,882
Year ended 30 June 2018			
Balance as at 1 July 2017	2,882	-	2,882
Additional provisions	1,292	2,600	3,892
Balance as at 30 June 2018	4,174	2,600	6,774

INCENTIAPAY LTD AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Analysis of total provisions		
Current		
Employee benefits	3,043	1,920
Restructuring provision	2,600	-
Total current provisions	5,643	1,920
Non-current		
Employee benefits	1,131	962
Total non-current provisions	1,131	962
Total provisions	6,774	2,882

In December 2017 IncentiaPay Ltd announced a restructure program in respect of geographical presence and the employee cost base. As at 31 December, a provision was raised for \$4.5 million, being for employee entitlements and occupancy costs. The Company has spent \$1.9 million of this provision during the six-month period ended 30 June 2018.

INCENTIAPAY LTD AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19 | ISSUED CAPITAL

	CONSOLIDATED GROUP			
	FY2018 SHARES	FY2017 SHARES	FY2018 \$'000	FY2017 \$'000
Ordinary shares - fully paid on issue	228,193,274	91,327,771	94,892	54,554

IncentiaPay Ltd has no limit to its authorised share capital.

Movements in ordinary share capital	DATE	NUMBER OF SHARES	ISSUE PRICE \$	\$'000
Ordinary shares at beginning of the year		58,559,615		26,227
Issues during the year:	17 August 2016	9,258,255	0.94	8,703
	15 September 2016	19,997,064	0.94	18,797
	15 September 2016	2,659,574	0.94	2,500
	23 September 2016	758,263	0.94	713
	12 April 2016	95,000	1.00	95
	Less costs of issues			(2,481)
Balance as at 30 June 2017		91,327,771		54,554
Ordinary shares at beginning of the year		91,327,771		54,554
Issues during the year:	19 September 2017	275,000	1.00	275
	19 September 2017	620,000	0.77	477
	27 November 2017	21,818,000	0.45	9,818
	15 December 2017	4,446,323	0.45	2,001
	2 March 2018	78,991,895	0.28	22,118
	5 April 2018 ¹	5,714,285	0.28	-
	11 May 2018	25,000,000	0.28	7,000
	Less costs of issues			(2,041)
	Tax related costs of issues			690
Balance as at 30 June 2018		228,193,274		94,892

1. Relates to loan funded shares issued to the CEO and COO/CFO, as approved by shareholders on 5 April 2018.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

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

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

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

Note that the shares issued on 5 April 2018 relate to Loan Funded Share arrangements with the CEO and COO/CFO. These shares are subject to various restrictions, as set out further in the Company's Remuneration report.

OPTIONS

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

Movements in options	DATE	NUMBER OF OPTIONS	EXERCISE PRICE \$	\$'000
Options at beginning of the year		300,000	1.15	345,000
Balance as at 30 June 2017		300,000		345,000
Options at beginning of the year		300,000		345,000
Options lapsed 8 September 2017		(300,000)	1.15	(345,000)
Balance as at 30 June 2018		-		-

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

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

PERFORMANCE RIGHTS

	DATE	NUMBER OF PERFORMANCE RIGHTS	ISSUED PRICE \$	\$'000
Performance rights at beginning of the year		-		-
Issued to staff ¹	23 May 2017	2,072,000	0.88	1,813,000
Balance as at 30 June 2017		2,072,000		1,813,000
Performance rights at beginning of the year		2,072,000		1,813,000
Balance as at 30 June 2018		2,072,000		1,813,000

1. Based on assumed vesting of the total 5,000,000 Performance Rights issued to employees.

Performance rights were issued to management and employees of Entertainment Publications entities in May 2017.

INCENTIAPAY LTD AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 20 | RESERVES

ACCOUNTING POLICY

SHARE BASED PAYMENTS

The fair value of unissued ordinary shares granted is recognised as a benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the recipients become unconditionally entitled to the equity based incentive.

FOREIGN CURRENCY TRANSLATION

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as a foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

	CONSOLIDATED GROUP		
	SHARE BASED PAYMENTS RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	TOTAL \$'000
Year ended 30 June 2017			
Balance as at 1 July 2016	-	(349)	(349)
Movement during the period	-	(319)	(319)
Amount contributed	-	-	-
Balance as at 30 June 2017	-	(668)	(668)
Year ended 30 June 2018			
Balance as at 1 July 2017	-	(668)	(668)
Movement during the period	660	883	1,543
Amount contributed	-	-	-
Balance as at 30 June 2018	660	215	875

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 21 | KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the Remuneration report in this Annual Report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the year ended 30 June 2018.

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

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Short-term employee benefits	2,110	1,944
Post-employment benefits	128	103
Long-term benefits	736	-
Share based payments	150	-
Total KMP compensation	3,183	2,047

NOTE 22 | AUDITOR'S REMUNERATION

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Auditing or reviewing the financial statements	306	309
Taxation services - compliance	103	230
Investigating Accountant's report	-	378
Other services	267	296
Total	676	1,213

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 23 | INTERESTS IN SUBSIDIARIES AND BUSINESS COMBINATIONS

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

		OWNERSHIP INTEREST HELD BY THE GROUP	
Name of entity	Principal place of business	FY2018 %	FY2017 %
a) Information about principal subsidiaries			
Bucqi Australia Pty Ltd	Australia	100	100
Bartercard Group Pty Ltd	Australia	100	100
Bartercard Services Pty Ltd	Australia	100	100
Bartercard Operations UK Ltd	United Kingdom	100	100
Bartercard Operations NZ Ltd	New Zealand	100	100
Bartercard Operations AUS Pty Ltd	Australia	100	100
Bartercard USA Inc	USA	-	100
Bartercard New Zealand GP Ltd	New Zealand	100	100
Bartercard New Zealand LP	New Zealand	100	100
Trade Exchange Software Services Pty Ltd	Australia	100	100
BPS Financial Ltd	Australia	100	100
Tindalls Dream Ltd	New Zealand	100	100
Valeo Corporation Ltd	New Zealand	100	100
Entertainment Publications of Australia Pty Ltd	Australia	100	100
Entertainment Publications Ltd	New Zealand	100	100
Gruden Pty Ltd	Australia	100	-
Mobile Den Pty Ltd	Australia	100	-
Blackglass Pty Ltd	Australia	100	-
b) Information about associated entity			
Now Book It Pty Ltd	Australia	33	33

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

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

ACCOUNTING POLICY

BUSINESS COMBINATIONS

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

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

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

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

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

ACQUISITION OF GRUDEN

On 14 May 2018, the Group acquired 100% of the equity instruments of three wholly owned subsidiaries of Gruden Group Limited, the subsidiaries are Gruden Pty Ltd, Mobile Den Pty Ltd and Blackglass Pty Ltd, thereby obtaining control. The acquisition was made to enhance the Group's commitment to becoming Asia Pacific's leading integrated loyalty and payment solutions provider, enabling merchants to attract and engage consumers across multiple platforms.

Preliminary goodwill of \$3.791 million is primarily related to growth expectations, expected future profitability, operational synergies and enablement of the Group to add a digital marketing and transactional payment platform division to its growing portfolio. Goodwill has been allocated to cash-generating units at 30 June 2018. Goodwill on acquisition is non-deductible for tax purposes.

The trade receivables comprise gross contractual amounts due of \$2 million, of which <5% was expected to be uncollectable at the date of acquisition.

The fair value of Gruden's intangible assets (patented technology and customer relationships) has been measured provisionally, pending completion of an independent valuation. Management has assumed immaterial adjustments are expected to other balance sheet items during the measurement period pending the independent valuation.

As the initial accounting for the business combination was incomplete as at the end of the period in which the combination occurred, the Group has reported in this report provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

If the acquisition occurred on 1 July 2017, the full year contributions would have been revenues of \$13.3 million and net loss after tax of \$2.1 million.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The details of the business combinations occurring during the financial year are as follows:

	GRUDEN PTY LTD	MOBILE DEN PTY LTD	BLACKGLASS PTY LTD	
c) Acquisition of controlled entities	PRELIMINARY FAIR VALUE \$'000	PRELIMINARY FAIR VALUE \$'000	PRELIMINARY FAIR VALUE \$'000	PRELIMINARY TOTAL \$'000
Recognised amounts of identifiable net assets				
Property, plant and equipment	80	42	1	123
Intangible assets	1,827	2,266	570	4,663
Total non-current assets	1,907	2,308	571	4,786
Trade and other receivables	1,728	289	457	2,474
Cash and cash equivalents	440	495	25	960
Assets-intercompany loans	2,908	-	1,920	4,828
Total current assets	5,076	784	2,402	8,262
Provisions	34	4	27	65
Total non-current liabilities	34	4	27	65
Provisions	468	68	58	594
Trade and other payables	2,154	520	678	3,352
Liabilities-intercompany loans	1,047	3,781	-	4,828
Total current liabilities	3,669	4,369	736	8,774
Identifiable net assets/(liabilities)	3,280	(1,281)	2,210	4,209
Purchase consideration				
Amount settled in cash				250
Amount settled in shares at fair value ¹				7,750
				8,000
Preliminary goodwill on acquisition				3,791
Consideration transferred settled in cash				(250)
Cash and cash equivalents acquired				960
Net cash inflow on acquisition				710
Acquisition costs charged to expenses				(413)
Net cash received relating to the acquisition				297

1. \$7 million of this amount was settled via the issuance of 25 million shares issued on 11 May 2018 (see note 19) and \$0.75 million was deferred to be settled via future share issuance on finalisation of the completion accounts.

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 24 | DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the year, the net loss and assets and liabilities classified as held for sale is summarised as follows:

Year ended 30 June 2018	FY2018 \$'000
Revenue	
Revenue from external customers	3,335
Total revenue	3,335
Expenses	
Direct expenses of providing services	(747)
Employee expenses	(2,186)
Depreciation and amortisation	(42)
Impairments	-
Interest	6
Other expenses	(1,204)
Total expenses	(4,173)
Segment loss before tax	(838)
Tax expense	-
Net loss after tax	(838)
Current assets	
Cash and cash equivalents	378
Trade and other receivables	1,122
Other assets	85
Non-current assets	
Property, plant and equipment	11
Assets classified as held for sale	1,596
Current liabilities	
Trade and other payables	777
Non-current liabilities	
Provisions	-
Liabilities classified as held for sale	777

During the year, the Group decided to discontinue the Bartercard operations in the UK and US. This decision was taken in line with the restructuring program announced on 22 December 2017 and the Group's strategy to focus on rationalising the Bartercard division to reduce costs and return to profit, and scale back investment in international operations.

Consequently, assets and liabilities allocable to Bartercard UK and US were classified as held for sale. Revenue and expenses, gains and losses relating to the discontinuation of Bartercard UK and US have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of profit or loss and other comprehensive income.

Included in the last year comparatives are a gain of \$303,000 relating to those operations which became discontinued in FY2018.

INCENTIAPAY LTD AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 25 | PARENT COMPANY INFORMATION

Information relating to IncentiaPay Ltd (the Parent Entity):

	FY2018 \$'000	FY2017 \$'000
Statement of profit or loss and other comprehensive income		
Total (loss)/profit	(36,262)	4,190
Total comprehensive income	(36,262)	4,190
Statement of financial position		
Assets		
Current assets	305	2,149
Non-current assets	56,711	73,249
Total assets	57,016	75,398
Liabilities		
Current liabilities		
Current liabilities	5,712	6,812
Non-current liabilities	3,902	13,891
Total liabilities	9,614	20,703
Equity		
Issued capital	94,892	54,554
Reserves	403	812
Retained earnings	(47,893)	(671)
Total equity	47,402	54,695

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 26 | SEGMENT INFORMATION

ACCOUNTING POLICY

Reportable segments are identified on the basis of internal reports on the business units of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and assess its performance. Since the acquisition of the Gruden entities, the Gruden business formed part of the Entertainment Publications business. IncentiaPay Ltd managed the Group as two separate segments, being the Bartercard business and the Entertainment Publications business.

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

A) REVENUE BY BUSINESS UNITS

Year ended 30 June 2018	BARTERCARD \$'000	ENTERTAINMENT \$'000	CORPORATE \$'000	TOTAL \$'000
Revenue				
Revenue from external customers	29,385	77,404	-	106,789
Revenue from discontinued operations	3,335	-	-	3,335
Total revenue	32,720	77,404	-	110,124
Expenses				
Direct expenses of providing services	(4,176)	(45,661)	-	(49,837)
Employee expenses	(19,862)	(20,706)	(4,308)	(44,876)
Depreciation and amortisation	(1,995)	(1,828)	(2,232)	(6,055)
Impairments	(35,125)	(2,596)	(11,333)	(49,054)
Interest	(110)	(25)	(1,081)	(1,216)
Other expenses	(5,759)	(7,202)	(6,135)	(19,096)
Expenses from discontinued operations	(4,173)	-	-	(4,173)
Total expenses	(71,200)	(78,018)	(25,089)	(174,307)
Segment profit/(loss) before tax	(38,480)	(614)	(25,089)	(64,183)
Segment assets	6,365	42,897	42,235	91,497
Segment liabilities	6,042	32,750	4,529	43,321

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Year ended 30 June 2017	BARTERCARD \$'000	ENTERTAINMENT \$'000	CORPORATE \$'000	TOTAL \$'000
Revenue				
Revenue from external customers	44,613	65,806	45	110,464
Total revenue	44,613	65,806	45	110,464
Expenses				
Direct expenses of providing services	(9,003)	(32,187)	-	(41,190)
Employee expenses	(20,907)	(16,358)	(1,886)	(39,151)
Depreciation and amortisation	(933)	(415)	(238)	(1,586)
Impairments	-	-	-	-
Interest	-	-	(766)	(766)
Other expenses	(530)	(11,248)	(4,644)	(16,422)
Total expenses	(31,373)	(60,208)	(7,534)	(99,115)
Segment profit/(loss) before tax	13,240	5,598	(7,489)	11,349
Segment assets	20,630	36,120	71,860	128,610
Segment liabilities	9,293	28,120	20,053	57,466

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

B) REVENUE BY GEOGRAPHIC REGION

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

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

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Year ended 30 June 2017	AUSTRALIA \$'000	NEW ZEALAND \$'000	OTHERS \$'000	TOTAL \$'000
Revenue				
Revenue from external customers	86,306	18,569	5,589	110,464
Total revenue	86,306	18,569	5,589	110,464
Expenses				
Direct expenses of providing services	(34,379)	(4,184)	(2,627)	(41,190)
Employee expenses	(28,987)	(8,543)	(1,621)	(39,151)
Depreciation and amortisation	(994)	(465)	(127)	(1,586)
Impairments	-	-	-	-
Interest	(755)	(9)	(2)	(766)
Other expenses	(11,727)	(3,985)	(710)	(16,422)
Total expenses	(76,842)	(17,186)	(5,087)	(99,115)
Segment profit/(loss) before tax	9,464	1,383	502	11,349

MAJOR CUSTOMERS

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

The total presented for the Group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

	FY2018 \$'000	FY2017 \$'000
Revenues		
Total reportable segment revenues	110,124	110,464
Discontinued operations	(3,335)	-
Group revenues	106,789	110,464
Profit or loss		
Segment profit before tax	(64,183)	11,349
Revenue from discontinued operations	(3,335)	-
Expenses from discontinued operations	4,173	-
Group operating profit/(loss)	(63,345)	11,349

INCENTIAPAY LTD AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 27 | CAPITAL AND LEASING COMMITMENTS

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Operating lease commitments		
Non- cancellable operating leases contracted for but not recognised in the financial statements		
Not later than 1 year	3,512	3,723
Between 2 and 5 years	6,954	11,676
Later than 5 years	1,454	1,520
	11,920	16,919

NOTE 28 | CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CONTINGENT ASSETS

The Bartercard businesses litigate customers for necessary recovery of unpaid amounts owing to the exchange and the operator in the ordinary course of business.

No asset is taken up by the Exchange Manager until a judgement is made and the Company believes there is a realistic expectation of recovery.

The total value of claims currently before the courts is approximately \$700,000.

INCENTIAPAY LTD AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 29 | FINANCIAL RISK MANAGEMENT

ACCOUNTING POLICY

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

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

	CONSOLIDATED GROUP	
	FY2018 \$'000	FY2017 \$'000
Financial assets		
Cash and cash equivalents	11,130	15,330
Trade and other receivables	9,816	12,380
Other financial assets	-	1,500
Total financial assets	20,946	29,210
Financial liabilities		
Trade and other payables	12,800	7,782
Borrowings	-	15,238
Convertible notes	-	5,000
Total financial liabilities	12,800	28,020

The fair value of financial assets and liabilities equate to the carrying value.

FINANCIAL RISK MANAGEMENT POLICIES

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

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

INCENTIAPAY LTD AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	WITHIN 1 YEAR		1- 5 YEARS		> 5 YEARS		TOTAL	
Maturity analysis	FY2018 \$'000	FY2017 \$'000	FY2018 \$'000	FY2017 \$'000	FY2018 \$'000	FY2017 \$'000	FY2018 \$'000	FY2017 \$'000
Financial assets								
Cash	11,130	15,330	-	-	-	-	11,130	15,330
Trade debtors	6,863	10,304	-	-	-	-	6,863	10,304
Other receivables	2,812	2,076	141	-	-	-	2,953	2,076
Other financial assets	-	-	-	-	-	1,500	-	1,500

Financial liabilities								
Trade and other payables	11,949	7,782	851	-	-	-	12,800	7,782
Bank overdraft	-	-	-	-	-	3,000	-	3,000
Term loan	-	2,000	-	8,000	-	-	-	10,000
Vendor loan	800	2,238	-	-	-	-	800	2,238
Convertible notes	-	-	-	5,000	-	-	-	5,000

SENSITIVITY ANALYSIS

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

SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

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

A. CREDIT RISK

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

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

CREDIT RISK EXPOSURES

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

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

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in note 8.

B. LIQUIDITY RISK

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

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from major financial institutions;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

C. FOREIGN EXCHANGE RISK

The Group is exposed to foreign currency risk on the sale of licences and transaction fee income from foreign entities and on the translation of its foreign subsidiaries. The Group had not hedged foreign currency transactions as at 30 June 2018. Senior management continue to evaluate this risk on an ongoing basis.

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

NOTE 30 | RELATED PARTY TRANSACTIONS

A) RELATED PARTIES

The Group's main related parties are as follows:

i. Key management personnel

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

Disclosures relating to key management personnel are detailed in note 21.

ii. Other related parties

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

B) TRANSACTIONS WITH RELATED PARTIES

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

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

Pursuant to its LFS Plan (refer to note 20) the Company loaned funds to Iain Dunstan and Darius Coveney in

respect to the shares issued to them during the year. The effect of the arrangement is akin to an option. Further details are provided in the Company's Remuneration report.

During the year certain remuneration entitlements of executive and non-executive directors were paid, upon request of the directors, to parties related or associated with those directors. The value of such payments have been included in the Remuneration report.

During the period, the Group received \$1.130 million in repayment of a loan to a related entity, Barter Futures Pty Ltd, an entity controlled by Antoine Wiese, Trevor Dietz and Brian Hall (who were directors during the period). As at 30 June 2018, an amount of \$0.186 million remained outstanding from Barter Futures Pty Ltd.

In addition, as at 30 June 2018 an amount of \$0.141 million remained receivable from BEL Marketing Pty Ltd, an entity controlled by Antoine Wiese, Trevor Dietz and Brian Hall.

NOTE 31 | EVENTS AFTER THE REPORTING PERIOD

On 14 September 2018 the Group announced the signing of the binding contract to divest the Bartercard business as part of the Group's previously announced restructure plans. A binding Share Sale Agreement has been signed providing for consideration of \$5 million to be paid in return for the sale of 100% of the share capital of the following subsidiary entities:

Bartercard Group Pty Ltd

Trade Exchange Software Services Pty Ltd

BPS Financial Ltd

Bucqi Australia Pty Ltd

Bartercard Operations AUS Pty Ltd

Bartercard Operations NZ Ltd

Bartercard Services Pty Ltd

Bartercard Operations UK Ltd

Bartercard New Zealand GP Ltd

Bartercard New Zealand LP

Tindalls Dream Ltd

Valeo Corporation Ltd

The transaction is subject to customary conditions precedent to completion including obtaining approval from the Group's shareholders and regulatory approval. See the ASX release dated 14 September 2018 for further information.

DIRECTORS' DECLARATION



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In accordance with a resolution of the directors of IncentiaPay Ltd, the directors of the Company declare that:

The financial statements and notes, as set out on pages 39 to 90, are in accordance with the Corporations Act 2001 and:

- a) Comply with Australian Accounting Standards, which, as stated in the notes to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
- b) Give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated Group;

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

Signed on behalf of the directors, in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'Naseema Sparks'.

NASEEMA SPARKS AM
CHAIR



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INDEPENDENT AUDITOR'S REPORT

incentiapay



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INCENTIAPAY LIMITED REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the financial report of IncentiaPay 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 and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

BASIS FOR OPINION

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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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.

Impairment Risk on Goodwill and Intangible Assets

Reason for significance:

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

How our audit addressed the matter:

Our audit considered whether the assumptions and methodology used by the Group in their impairment testing met the requirements of AASB 136 Impairment of Assets as follows:

- We obtained and evaluated the appropriateness of cash-generating units identified by management.
- We assessed management's basis for the valuation of recoverable amount in the Group's cash-generating units.
- We tested the mathematical accuracy of the Group's impairment modelling for 30 June 2018.
- We assessed the reasonableness of management forecasts and expectations given available data, including historical growth, current year performance and management's strategies and restructuring plans for the Group.
- We assessed the reasonableness of other variables, including discount rates and growth rates given available market data.
- We assessed the adequacy of disclosures in the financial report at 30 June 2018 given the impairments recognised during the year and the requirements of AASB 136 Impairment of Assets.



Acquisition of Subsidiaries

Reason for significance:

The acquisition of three subsidiaries during the year is a key audit matter as it has significant impact on the Group's financial statements and disclosures.

How our audit addressed the matter:

Our audit considered whether the acquisition of the subsidiaries was accounted for in accordance with AASB 3 *Business Combinations*. In doing so:

- We agreed the purchase to contract to confirm all relevant components under the acquisition method.
- We considered management's valuation of the components of consideration, including, but not limited to, the value of shares and deferred and contingent consideration.
- We obtained Gruden's balance sheet at acquisition date and evaluated management's process for assessing cut-off and provisional purchase price allocation including, but not limited to, the fair value of assets and liabilities, especially any previously unrecognised intangible assets and contingent liabilities, accrual of expenditure and allocation of revenue pre- and post-acquisition.
- We reviewed all acquisition consolidation journals and assessed them for accuracy.
- We considered the adequacy of the financial report disclosures, in particular the fact that the acquisition accounting as at 30 June 2018 is provisional.

Key Management Personnel Remuneration and Related Party Disclosures

Reason for significance:

The disclosure of Key Management Personnel ("KMP") remuneration and Related Party transactions is considered a key audit matter due to the identification of items that were omitted in prior period remuneration reports as reported to the ASX on 22 February 2018.

How our audit addressed the matter:

- We evaluated management's updated policy on KMP including their assessment of identifying KMP.
- We reviewed detailed representations from KMP during the period to identify related party transactions and balances for comparison with items disclosed in the notes to the financial statement and the Remuneration Report.
- We obtained copies of KMP agreements, including new share arrangements, and agreed relevant disclosures to those agreements.



- We assessed the valuation, accounting treatment and disclosure of share-based payments against the requirements of AASB 2 Share-based Payments.
- We made enquiries on management's procedures and policies for identifying, approving and disclosing related parties.
- We performed searches of the accounting system of the Group to assess the risk of undisclosed potential related party transactions within the period to ensure related party transaction disclosures are materially free from omission.
- We considered the adequacy and accuracy of the financial report disclosures in accordance with AASB 124 Related Party Disclosures and section 300A of the Corporations Act 2001.
- We tested the mathematical accuracy of the related party disclosures and the Remuneration Report.
- We assessed the accuracy of the related party disclosures and the Remuneration Report by comparison with underlying records.

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 accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

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



In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of IncentiaPay 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.

Pilot Partners
PILOT PARTNERS
Chartered Accountants


DANIEL GILL
Partner

Signed on 28 September 2018

Level 10
1 Eagle Street
Brisbane Qld 4000



ASX ADDITIONAL INFORMATION



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ASX ADDITIONAL INFORMATION

As at 20 September 2018

DISTRIBUTION OF EQUITABLE SECURITIES

ANALYSIS OF THE NUMBER OF EQUITABLE SECURITY HOLDERS BY SIZE OF HOLDING

RANGE	TOTAL HOLDERS	SECURITIES	% ISSUED CAPITAL
1 to 1,000	132	38,770	.02
1,001 to 5,000	303	912,830	.40
5,001 to 10,000	166	1,332,720	.58
10,001 to 100,000	564	22,273,810	9.76
100,001 and over	167	203,635,144	89.24
Total	1,332	228,193,274	100.00

UNMARKETABLE PARCELS

The number of security investors holding less than a marketable parcel of 2,942 securities (\$0.170 on 19/09/2018) is 272 and they hold 291,314 securities.

SUBSTANTIAL HOLDERS

RANK	NAME	CURRENT BALANCE	% ISSUED CAPITAL
1	Sinotech Limited	24,667,439	10.8%
2	LHC Capital Partners Pty Ltd	23,601,591	10.3%
3	L1 Capital Pty Ltd	12,778,024	5.6%
4	CVC Limited	11,484,980	5.0%

TOP 20 HOLDERS OF FULLY PAID ORDINARY SHARES

The names of the twenty largest security holders of quoted equity securities are listed below:

ORDINARY/FULLY PAID ORDINARY SHARES			
RANK	INVESTOR	CURRENT BALANCE	% ISSUED CAPITAL
1	Sinotech Limited	24,677,439	10.8%
2	CS Third Nominees Pty Limited 2	22,653,024	9.9%
3	UBS Nominees Pty Ltd	18,581,868	8.1%
4	JP Morgan Nominees Australia Limited	13,561,241	5.9%

5	CVC Limited	11,484,980	5.0%
6	Everest MB Pty Ltd	7,518,000	3.3%
7	National Nominees Limited	7,409,771	3.3%
8	HSBC Custody Nominees	7,008,401	3.1%
9	HSBC Custody Nominees (Australia) Limited	6,797,233	3.0%
10	Kootenay Investments Pty Ltd	6,500,000	2.9%
11	Pershing Australia Nominees Pty Ltd	4,441,327	2.0%
12	BNP Paribas Nominees Pty Ltd	4,001,170	1.8%
13	Iain Dunstan	3,035,714	1.3%
14	Darius Coveney	2,678,571	1.2%
15	CM Investments Australia Proprietary Limited	2,658,385	1.2%
16	Sysuper Pty Ltd	2,500,001	1.1%
17	Bodyelectric Pty Ltd	2,500,000	1.1%
18	BNP Paribas Noms Pty Ltd	2,452,835	1.1%
19	Valamoon Pty Limited	2,330,000	1.0%
20	Quotidian No2 Pty Ltd	2,250,000	1.0%

VOTING RIGHTS

The Company has 222,478,989 fully paid ordinary shares on issue.

Each ordinary share is entitled to 1 vote when a poll is called, otherwise each member present at a meeting, or by proxy, has 1 vote by a show of hands.

There are no other classes of equity securities.

INCENTIAPAY CORPORATE DIRECTORY

Directors	Ms Naseema Sparks AM – Independent Non-Executive Chair Mr Chris Berkefeld – Independent Non-Executive Director Mr Iain Dunstan – Managing Director
Company Secretary	Ms Laura Newell of Boardroom Pty Ltd
Registered office	Level 10 220 George Street Sydney NSW 2000
Principal place of business	Level 10 220 George Street Sydney NSW 2000
Share registry	Link Market Services ACN 083 214 537 Level 21, 10 Eagle Street Brisbane QLD 4000 1300 554 474
Auditor	Pilot Partners Level 10, Waterfront Place 1 Eagle Street Brisbane QLD 4000
Solicitors	Gilbert + Tobin Level 35, Tower Two, International Towers Sydney 200 Barangaroo Avenue Barangaroo NSW 2000
Bankers	Commonwealth Bank of Australia Level 3, 240 Queen Street Brisbane Qld 4000
Stock exchange listing	IncentiaPay Ltd shares are listed on the Australian Securities Exchange (ASX code: INP)
Website	www.incentiapay.com.au

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