InPayTech

Integrated Payment Technologies Limited

ACN. 611 202 414

ASX IP1

Financial Report for the half-year ended 31 December 2018

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Integrated Payment Technologies Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors
The following persons were directors of Integrated Payment Technologies Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Don Sharp - Executive Chairman
Robin Beauchamp - Chief Executive Officer
Paul Collins (appointed 19 October 2018)
Jonathon Wynne (resigned 19 October 2018)

Principal activities
The principal activities of the Group are:
- ClickSuper, which provides clearing house services for both large employers with 20 or more employees and SMEs with less than 20 employees.

- Payment Adviser, which facilitates payments and communication of data concerning the payment between the payer/provider and payee/recipient using the Patents pending or granted to Jagwood.

- PayVu, incorporating Clicksuper and Payment Adviser functionality which is integrated with accounting cloud based software to give a seamless way to make payments and record the transactions in accounting system.

- Jagwood, which has patents granted in Asia (i.e. Japan, Hong Kong, Singapore and China) and the Western World (South Africa and New Zealand) in addition to patents pending in the USA, Canada and Australia.

Review of operations
The Group generated a net loss after tax attributed to members of Integrated Payment Technologies Limited of $8,413,461 (including $6,755,549 impairment of goodwill) for 1HFY19. This compares to a net loss after tax attributed to members of Integrated Payment Technologies Limited of $1,273,843 for 1HFY18.

The earnings before interest, tax, depreciation and amortisation (EBITDA) for 1HFY19 was a net loss of $780,376 compared to a net loss of $707,915 for 1HFY18.

ClickSuper Superannuation Service
ClickSuper operates a clearing house and SuperStream messaging gateway for:

Superannuation Contributions	The service transfers data and money from employers to super funds, and where a super fund is unable to allocate a contribution to an account the service transfers data and money from the super fund to the employer.
Superannuation Rollovers	The service transfers data and money between super funds and data between the ATO and super funds.

Both services offer functionality beyond superannuation contributions and rollovers. The contributions service can process salary payments and all payroll deductions (e.g. PAYG, union fees, garnishee orders etc.). The rollover service includes super fund reporting to the Australian Taxation Office (ATO) (e.g. Fund Validation Service, Member Account Attribute Service).

The recently introduced Federal Government initiative Single Touch Payroll (STP) requires employers with 20 or more employees to report staff salaries and wages, PAYG and superannuation to the ATO at the same time salaries are paid. STP reporting functionality was made available to employers and super funds via ClickSuper in August 2018. Participation in STP has been slow due to the implementation deferments granted to employers by the ATO however all employers with 20 or more employees need to be STP compliant by 30th June 2019.

Payment Adviser
PayVu links cloud based accounting systems to internet banking portals and is the first retail offering using Jagwood’s patented process. PayVu manages all accounts payable; salaries, Pay As You Go tax, superannuation, invoices, GST, and payroll tax. Accounts payable items are extracted from the accounting system for review by the accountant/bookkeeper. When items are recommended for payment the business owner receives a mobile phone notification allowing them to review, reject/pay items via the PayVu phone app.

PayVu manages all the SuperStream compliance requirements for superannuation and reduces the time required to pay suppliers, salaries and other payments from a number of hours to a few minutes. Supplier payments contain a payment reference indicating the payer and an instruction in the remitter name to go to payvu.com.au to retrieve the full payment remittance data if required.

Payment Adviser's existing clients include a disruptor in the peer-to-peer business lending space and one of Australia's top four accounting firms who use it in their SME service.

Jagwood
Jagwood has been apparently approved a patent in the United States and consequently only the patent applications in Canada and Australia remain pending.

ClickSuper Superannuation Service

Competitors
The majority of employers elect to use a free service offered by their default super fund to contribute to their employee's choice super funds. The default super funds generally outsource the choice super fund processing to a Clearing House. The Clearing House manages the transmission of data via their Gateway and the payment of money to the choice super funds.

What Is Single Touch Payroll?
Single Touch Payroll (STP) is a regulation that changes how and when businesses report payroll activity to the ATO. In the past, at the end of the financial year, businesses have produced an annual payment summary report for the ATO stating how much they have paid in salary/wages, PAYG withheld, and superannuation contributions made. In addition, employees have received a payment summary stating how much they have received in wages/salary, the payroll taxes collected from their pay and the superannuation contributions made on their behalf.

STP requires the employer to notify the ATO every time an employee is paid which replaces the annual summary report. Additionally, the ATO are making the payment summary information available to employees via the MyGov web site, replacing the employer's payment summary.

ClickSuper is a conditional ATO whitelisted STP Sending Service Provider (SSP) which requires adherence to the security policies documented in the ATO's Operational Framework (OF). The OF requires SSP's to be compliant with ISO 27001 and ClickSuper is currently engaged in attaining this certification.

New Payment Platform
The Reserve Bank of Australia's New Payment Platform (NPP) has commenced and allows instant payment of cleared funds 24 hours a day 7 days a week. The NPP transfers 280 characters of remittance data with the payment and more data can be accommodated for an additional fee.

PayVu delivers same day payments with remittance data and also provides:
- Automatic update of the sender's accounting system;
- Salary and wage payments;
- Superannuation payments and other deductions; and
- Bank account reconciliation of aggregated payments.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial half-year.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Don Sharp
Executive Chairman

27 February 2019
Sydney

Grant Thornton

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Auditor's Independence Declaration

To the Directors of Integrated Payment Technologies Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Integrated Payment Technologies Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M R Leivesley
Partner – Audit & Assurance

Sydney, 27 February 2019

	Note	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Revenue			
Service fees		813,744	776,981
Other income		33,832	-
		847,576	776,981
Less transaction costs		(224,760)	(217,624)
Gross margin		622,816	559,357
Interest revenue calculated using the effective interest method		17,339	32,663
Expenses			
Employee benefits expense		(654,072)	(623,404)
Consulting fees		(144,404)	(84,567)
Depreciation and amortisation expense		(1,035,775)	(934,794)
Impairment of goodwill	6	(6,755,549)	-
Conference and marketing		(141,183)	(131,058)
Premises expense		(50,476)	(48,578)
Patents		(4,433)	(2,288)
Research and development costs		(44,290)	(48,614)
Share-based payments		(200,194)	(198,558)
ASX listing costs		(25,447)	(16,918)
Other expenses		(138,153)	(145,712)
Finance costs		(539)	(238)
Loss before income tax benefit		(8,554,360)	(1,642,709)
Income tax benefit		140,899	368,866
Loss after income tax benefit for the half-year attributable to the owners of Integrated Payment Technologies Limited		(8,413,461)	(1,273,843)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Integrated Payment Technologies Limited		(8,413,461)	(1,273,843)
		Cents	Cents
Basic earnings per share	11	(5.448)	(0.825)
Diluted earnings per share	11	(5.448)	(0.825)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Integrated Payment Technologies Limited
Statement of financial position
As at 31 December 2018

InPayTech
Integrated Payment Technologies Limited

	Note	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Assets			
Current assets			
Cash and cash equivalents		1,086,045	1,956,210
Trade and other receivables		235,045	543,632
Total current assets		1,321,090	2,499,842
Non-current assets			
Property, plant and equipment		28,190	27,297
Intangibles	6	6,944,765	14,072,817
Deferred tax		892,568	892,568
Total non-current assets		7,865,523	14,992,682
Total assets		9,186,613	17,492,524
Liabilities			
Current liabilities			
Trade and other payables		198,773	158,910
Deferred government grant		236,823	270,654
Employee benefits		210,778	168,555
Total current liabilities		646,374	598,119
Non-current liabilities			
Deferred tax		704,495	845,394
Total non-current liabilities		704,495	845,394
Total liabilities		1,350,869	1,443,513
Net assets		7,835,744	16,049,011
Equity			
Issued capital	7	20,056,507	20,056,507
Share option reserve		813,323	613,129
Accumulated losses		(13,034,086)	(4,620,625)
Total equity		7,835,744	16,049,011

The above statement of financial position should be read in conjunction with the accompanying notes

Integrated Payment Technologies Limited
Statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital $	Share option reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2017	20,056,507	216,013	(2,066,300)	18,206,220
Loss after income tax benefit for the half-year	-	-	(1,273,843)	(1,273,843)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,273,843)	(1,273,843)
Transactions with owners in their capacity as owners:				
Share-based payments	-	198,558	-	198,558
Balance at 31 December 2017	20,056,507	414,571	(3,340,143)	17,130,935

Consolidated	Issued capital $	Share option reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2018	20,056,507	613,129	(4,620,625)	16,049,011
Loss after income tax benefit for the half-year	-	-	(8,413,461)	(8,413,461)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(8,413,461)	(8,413,461)
Transactions with owners in their capacity as owners:				
Share-based payments	-	200,194	-	200,194
Balance at 31 December 2018	20,056,507	813,323	(13,034,086)	7,835,744

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Note	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,121,378	747,041
Payments to suppliers and employees (inclusive of GST)		(1,373,995)	(1,313,391)
		(252,617)	(566,350)
Interest received		15,734	32,663
Interest and other finance costs paid		(539)	(238)
Net cash used in operating activities		(237,422)	(533,925)
Cash flows from investing activities			
Payments for property, plant and equipment		(6,328)	-
Payments for intangibles	6	(626,415)	(556,304)
Net cash used in investing activities		(632,743)	(556,304)
Cash flows from financing activities			
Repayment of borrowings		-	(50,000)
Net cash used in financing activities		-	(50,000)
Net decrease in cash and cash equivalents		(870,165)	(1,140,229)
Cash and cash equivalents at the beginning of the financial half-year		1,956,210	3,953,470
Cash and cash equivalents at the end of the financial half-year		1,086,045	2,813,241

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Integrated Payment Technologies Limited as a Group consisting of Integrated Payment Technologies Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (together referred to in these financial statements as the 'Group'). The financial statements are presented in Australian dollars which is Integrated Payment Technologies Limited's functional and presentation currency.

Integrated Payment Technologies Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 1, Level 5
28 Margaret Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2019. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Significant accounting policies (continued)

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 9 Financial Instruments
The Group has adopted AASB 9 from 1 July 2018 using the modified retrospective approach. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers
The Group has adopted AASB 15 from 1 July 2018 using the modified retrospective approach. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise 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 those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Initial adoption of AASB 9
The Group adopted AASB 9 from 1 July 2018 but there was no impact on the financial statements on the basis that the main financial assets recognised represented cash and cash equivalents and trade receivables that do not carry a significant financing component and involve a single cash flow representing the repayment of principal, which in the case of trade receivables is the transaction price. Other financial asset classes are not material to the Group. Financial liabilities of the Group are not impacted as the Group does not carry them at fair value.

The following table and accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets as at 1 July 2018.

Financial assets	Original classification	New classification	Change in carrying amount
Cash and cash equivalents	Loans and receivables	Amortised cost	No impact on transition to AASB 9
Trade and other receivables	Loans and receivables	Amortised cost	No impact on transition to AASB 9

Impairment of receivables
The Group has elected to measure loss allowances on trade receivables using a life-time expected loss model. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. As the Group does not have a history of bad debts, the allowance has been calculated at $nil.

The Group has determined that the application of AASB 9's impairment requirement at 1 July 2018 did not result in a change.

Note 2. Significant accounting policies (continued)

Initial adoption of AASB 15
The Group has several revenue streams. Facility fees and transaction fees fall under AASB 15.

Under AASB 15, revenue is recognised when the performance obligation has been satisfied. Determining the timing of revenue recognition, at a point in time or over time, requires judgement.

The Group has determined that facility fees are recognised as revenue over time as the services are rendered based on a fixed price. Facility fees are support and infrastructure fees for access to ClickSuper support and infrastructure for clients and channel partners. Transaction fees are recognised as revenue at a point in time as the service is performed.

The Group has determined that the adoption of AASB 15 did not have any significant impact on the financial performance or position of the Group during the half-year ending 31 December 2018.

Revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as volume discounts, and rebates and refunds. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Facility fees and transaction fees
Fees for the provision of services are recognised as revenue at a point in time as the services are rendered based on a fixed price.

Float interest
Float interest income comprises interest income on funds held over the standard processing period. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Going concern
The financial statements has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. For the half-year ended 31 December 2018, the Group recorded a loss before income tax benefit of $8,554,360 (31 December 2017: loss of $1,642,709); showed net cash outflows from investing activities of $632,743 (31 December 2017: $556,304) and net cash outflows from operating activities of $237,422 (31 December 2017: $533,925). The net assets of the Group as of 31 December 2018 were $8,239,705 (30 June 2018: $16,049,011).

Note 2. Significant accounting policies (continued)

The ability of the Group to meet its commitments and to develop its projects or divest for a profit is dependent upon the Group to raise capital. The directors have considered that the Group plans to undertake capital raising to fund its medium term capital needs in their assessment of the future funding of the Group.

The directors are of the opinion that the Group will continue to obtain additional capital when business requires and accordingly have prepared the financial statements on a going concern basis.

In the unlikely scenario that the Group is not able to obtain additional capital as and when required, there is a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in these financial statements.

At the date of approval of these financial statements, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 31 December 2018. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classifications of liabilities that might be necessary.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

Note 4. Operating segments

Identification of reportable operating segments
The Group is organised into one operating segment relating to the commercialisation of the process underlying the patents granted and applied for to link data with payments services. It operates in the one geographical segment of Australia.

The operating segment information is therefore the same as the financial statements.

Note 5. Revenue

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 31 Dec 2018 $
Major product lines	
ClickSuper	808,367
Payment Adviser	5,377
	813,744
Timing of revenue recognition	
Goods transferred at a point in time	639,069
Services transferred over time	174,675
	813,744

AASB 15 was adopted using the modified retrospective approach and as such comparatives have not been provided for disaggregation of revenue.

Note 6. Non-current assets - intangibles

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Goodwill - at cost	6,755,549	6,755,549
Less: Impairment	(6,755,549)	-
	-	6,755,549
Patents - at cost	741,086	682,362
Less: Accumulated amortisation	(68,021)	(55,545)
	673,065	626,817
Software - at cost	3,331,702	3,331,702
Less: Accumulated amortisation	(1,665,851)	(1,332,681)
	1,665,851	1,999,021
Client relationships - at cost	5,123,600	5,123,600
Less: Accumulated amortisation	(2,561,800)	(2,049,440)
	2,561,800	3,074,160
PayVu - at cost	1,723,337	1,723,337
Less: Accumulated amortisation	(386,888)	(214,554)
	1,336,449	1,508,783
Assets under development - at cost	707,600	108,487
	6,944,765	14,072,817

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill $	Patents $	Software $	Client relation-ships $	PayVu $	Assets under develop-ment $	Total $
Balance at 1 July 2018	6,755,549	626,817	1,999,021	3,074,160	1,508,783	108,487	14,072,817
Additions	-	58,724	-	-	-	599,113	657,837
Impairment of assets	(6,755,549)	-	-	-	-	-	(6,755,549)
Amortisation expense	-	(12,476)	(333,170)	(512,360)	(172,334)	-	(1,030,340)
Balance at 31 December 2018	-	673,065	1,665,851	2,561,800	1,336,449	707,600	6,944,765

Impairment tests for goodwill
Goodwill acquired through business combinations have been allocated to and are tested at the level of their respective cash generating units (CGUs), for impairment testing.

For the purpose of impairment testing, ClickSuper, Payment Adviser and PayVu are assessed as one CGU due to the fact that the businesses utilises the same software and operate in the same premise where various resources and costs are shared. Therefore, they do not operate independently and are considered as one CGU (the ‘Payments’ CGU). Therefore, goodwill has been wholly allocated to the Payments CGU. There are no other indefinite life intangible assets.

Following that the release of the PayVu has been delayed, management has recalculated the recoverable amount of the Payment CGU as at 31 December 2018. An impairment loss of $6,755,549 was recognised for the Payment CGU, reducing the carrying amount of the goodwill for this Payment CGU to $nil. The recoverable amount of the Payment CGU at 31 December 2018 was $7,175,000.

Note 6. Non-current assets - intangibles (continued)

The recoverable amount of the Payment CGU was determined based on a fair value less cost of disposal, consistent with the methods used as at 30 June 2018.For details see note 10 of the Group's 30 June 2018 Annual report for details.

Key assumptions used in DCF calculations
The recoverable amount of the CGU is calculated as the higher of the CGU's value in use and its fair value less cost of disposal. Management has calculated the fair cost less cost of disposal of the Payment CGU. The primary valuation methodology was a discounted cash flow (DCF) analysis.

The calculation of fair value less cost of disposal in use for the Payments CGU was most sensitive to the following:
- Revenue growth from existing clients;
- Revenue growth from new service PayVu; and
- Discount rates.

Revenue growth is based on the forecast for years ending 30 June 2019 and 2020 financial year as well as management assessment over the forecast period to June 2023. The forecast has been updated in December 2018 as the PayVu revenue has been postponed for 6 months until April 2019, which is due to the PayVu release being delayed.

PayVu bookkeeper's service has forecast to have 1,600 users by June 2019 and 12,000 users by 2020. By comparison, the previous forecast had 11,000 users by June 2019 and 13,000 users by 2020.

For the years 2021 to 2023 the average annual revenue growth thereafter is assumed to average 10% p.a. with the exception of PayVu Bookkeepers which is budgeted to have 17,000 clients by 30 June 2023.

The PayVu pricing based on the number of users hasn't changed between periods.

The following table sets out the key assumptions for the Payment CGU where the impairment calculations were updated as at 31 December 2018.

Forecasts	31 Dec 2018	30 Jun 2018
Existing Clients	FY20 to FY23 is increased by 5% p.a.%	FY20 to FY23 is increased by 5% p.a.
PayVu – number of bookkeepers	FY19 is 1,600 FY20 is 12,000 FY21 is increased by 13% FY22 to FY23 is increased by 12% p.a.	FY19 is 11,000 FY20 is 13,000 FY21 is increased by 19% FY22 to FY23 is increased by 18% p.a.
Discount rates - weighted average cost of capital (WACC)	17.66%	17.66%

Note 7. Equity - issued capital

	Consolidated			
	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $	30 Jun 2018 $
Ordinary shares - fully paid	154,420,149	154,420,149	20,056,507	20,056,507

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 7. Equity - issued capital (continued)

Share buy-back
There is no current on-market share buy-back.

Note 8. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 9. Fair value measurement

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting their remaining contractual maturities at a current market interest rate that is available for similar financial liabilities.

Note 10. Contingent liabilities

The Group had no material contingent liabilities at 31 December 2018 or 31 December 2017.

Note 11. Earnings per share

	Consolidated	
	31 Dec 2018 $	31 Dec 2017 $
Loss after income tax attributable to the owners of Integrated Payment Technologies Limited	(8,413,461)	(1,273,843)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	154,420,149	154,420,149
Weighted average number of ordinary shares used in calculating diluted earnings per share	154,420,149	154,420,149
	Cents	Cents
Basic earnings per share	(5.448)	(0.825)
Diluted earnings per share	(5.448)	(0.825)

7,500,000 share options in respect to share-based payments have been excluded from the above calculation for diluted earnings per share at 31 December 2018 and 31 December 2017 as their inclusion would be anti-dilutive due to the loss for the half-year.

Note 12. Events after the reporting period

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Don Sharp
Executive Chairman

27 February 2019
Sydney

Grant Thornton

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Independent Auditor's Review Report

To the Members of Integrated Payment Technologies Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Integrated Payment Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Integrated Payment Technologies Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss before tax of $8,554,360; showed net cash outflows from investing activities of $632,743 and net cash outflows from operating activities of $237,422 during the half year ended 31 December 2018. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Integrated Payment Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M Leivesley

M R Leivesley

Partner – Audit & Assurance

Sydney 27 February 2019

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