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Impelus HY1 FY2019 Report

Digital Customer Acquisition company Impelus Limited (**ASX: IMS**) (**IMS, Impelus** or **Company**) provides this HY1 FY2019 Report to shareholders.

Financial performance summary

- HY1 FY2019 operating revenue of $6.1 million and normalised EBITDA[1] of $0.29 million (reported EBITDA loss $0.37 million), reflecting, as anticipated, the impact of factors on trading as previously announced (see ASX announcement 30 November 2018).

- UK business continued its profitable performance in HY1 FY2019. HY2 FY2019 has started well.

- AU business rebuild is progressing well. Premium Lead Generation (PLG) revenue component grew in seven months from zero in March 2018 to a $1.5 million annualised total revenue run rate based on October 2018 PLG revenue. AU PLG revenue has improved further this current quarter.

- Based on February 2019 PLG revenue, the annualised AU PLG revenue run rate now exceeds $3.0 million.

- HY2 FY2019 focus on key growth areas in the Digital Performance Marketing (DPM) business in both Australia and the UK with an expanding client base, growing product portfolio and increased performance projected.

Financial discipline

- During HY1 FY2019 Impelus pinpointed more savings with the monthly cost base being progressively reduced by $153,000 per month. The benefits of these reductions will become apparent this half.

- A component of this is the contribution by the senior management and the board who volunteered to take pay reductions (board 10%, senior management 15%), and chairman Brendan Birthistle who volunteered initial remuneration of zero, all in support of the Company

[1] Normalised EBITDA is EBITDA adjusted for one off restructuring and other one off costs.

and enabling the most flexible platform for accelerating new business development and growing revenue.

- Balance sheet strengthened. Bank debt has decreased to $5.07 million (as at end of February 2019) from $7.97 million at 31 December 2017. with a favourable restructuring of the debt which provides for a period of reduced monthly repayments.

- Cash and cash equivalents as at 31 December 2018 at $1.12 million.

- The combination of external factors and roll on effects has impacted FY2019 cashflows as outlined in the 30 November ASX announcement, in HY1 FY2019 by a total of $2.2 million. Operating cashflows are improving and are projected to further improve throughout 2HY FY2019 recouping some of the HY1 FY2019 shortfall. A $500,000 loan facility has been put in place to assist the Company with its cashflow management needs.

- Direct Carrier Billing **(DCB)** activities continue in run-off with HY1 FY2019 revenues of $710,000 (HY1 FY2018 $4.5 million).

- Divestment of the non-core Clipp business completed for $300,000 (ASX announcement 20 October 2018). Funds were used in part to reduce debt. A disposal of asset write down of $1.55 million has been included in the 1HY FY2019 accounts.

- Further balance sheet restructure undertaken on auditor advice incurring impairment of $5.35 million. comprising of a $2.85 million provision against the IT platform (in consideration of the HY1 FY2019 decrease in revenue), and a further write down of $2.5 million relating to acquisitions. This restructuring of the balance sheet positions the business for a healthier future.

- The $490,000 owed to the Company from a major Australian carrier that ceased DCB operations in August 2018 is being vigorously pursued. These funds, upon receipt, will be applied to organic growth and further improving the balance sheet.

HY2 FY2019 Outlook

- A much stronger HY2 FY2019 performance is anticipated driven by:
    - Increased AU Premium Lead Generation business activity;
    - A stronger UK operation with expanded revenue streams; and
    - Benefits of cost reductions being realised.

- The marked increased in performance from Q2 FY2019 to this current quarter is very encouraging. Subject to further performance and run rate increases in Q4 FY2019 positive HY2 FY2019 earnings are projected.

- Operating cashflows are projected to improve throughout this half.

- Significant progress has been made delivering the DPM business strategy. The Company's products have gained strong traction with clients through proven quality performance. This is giving Impelus significant positioning as a market leader and a robust platform to drive future growth.

- The UK operations have a strong base of valuable Company-owned publishing properties (websites). These sites generate large amounts of quality consented consumer data and supply large volumes of Digital Leads for UK clients every month. These leads are all compliant with the EU's General Data Protection Legislation (GDPR). New developments in this area are expanding the UK operations revenue generation capacity and will enable it to service a broader range of clients.

- The UK operations have a deep client base with some highly respected brands. Soon to launch, greater emphasis on selling premium, higher revenue per lead Customer Acquisition/Lead Generation offerings (powered by Impelus' technology) will further drive growth and profitability.

- Key personnel hires have been completed to ramp up sales activity in line with the increasing product / technology roll-out.

- New products / technology and partnerships in development will significantly expand the Company's addressable growth market and new business opportunities.

In summary we expect a steady and gradual improvement in performance to 30 June 2019 with an accelerated improvement thereafter as management's technology-led growth initiatives fully bite.

On behalf of the Board

Brendan Birthistle

Non-executive Chairman

DISCLAIMER

Forecasts and estimates may be materially different and may be affected by many factors such as the timely release of products and services, dependencies on third parties, the overall global economy, competition in the industry and other events beyond the control of or unforeseen by Impelus Limited and its subsidiaries.

Appendix 4D

Half Year Report

31st December 2018

Impelus Limited

ABN: 24 089 805 416

Appendix 4D Half Year Report
For the period 1 July 2018 to 31 December 2018

Appendix 4D

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

This Appendix 4D covers the reporting period from 1 July 2018 to 31 December 2018. The previous corresponding period is 1 July 2017 to 31 December 2017.

Results for Announcement to the Market

	FHY19 $	FHY18 $	Change $	Change %
Revenue from ordinary activities	**6,117,374**	**15,460,270**	**(9,342,896)**	**(60%)**
Impairment	(5,354,922)	(20,056,664)	14,701,742	(73%)
Disposal of Asset - Clipp	(1,553,895)	-	(1,553,895)	100%
Net Profit/loss before tax including depreciation and impairment	(9,260,145)	(20,240,119)	10,979,974	(54%)
Exchange difference on translating foreign operations*	(6,092)	(299,559)	293,467	(98%)
Total comprehensive Profit/Loss for the half year	(8,479,185)	(19,991,072)	11,511,887	(58%)
Profit/loss from ordinary activities (EBITDA)	**(368,944)**	**2,164,502**	**(2,533,446)**	**(117%)**

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

Dividends

No dividend has been proposed or declared in respect of the period ended 31 December 2018.

Capital

Total issued and paid up ordinary shares: 670,174,882.

Comments

EBITDA from ordinary activities is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash and non-ordinary items. The directors consider EBITDA from ordinary activities to reflect the core earnings of the consolidated group.

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

	FHY19 $ million	FHY18 $ million
Performance Marketing Revenue	**4.7**	8.4
DCB Revenue	**0.7**	4.6
Clipp Revenue	**0.7**	2.5
NP before tax	(9.3)	(20.2)
Add: Restructuring Cost	(0.6)	-
Add: Depreciation and Amortisation	(1.8)	(2.2)
Add: Impairment	(5.4)	(20.1)
Add: Loss on Disposal of Asset - Clipp	(1.5)	-
Add: Finance Costs	(0.2)	(0.1)
Normalised Profit/Loss from ordinary activities (EBITDA)	**0.3**	**2.2**

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

Details of entities over which control has been gained or lost during the period

On 31 Aug 2017, the consolidated group announced Clipp was non-core and did not fit with the future direction, thereby exploring options including divestment of its operations in Clipp.

Clipp was sold on 22 Oct 2018.

Directors' Report

Your directors submit the financial report of the consolidated Group for the half year ended 31 December 2018.

Directors

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

Brendan Birthistle *(appointed 04 December 2018)*	Non-executive Chairman
Neil Wiles *(appointed 18 July 2017)*	Chief Executive Officer & Managing Director
David Andrew Haines	Non-executive Director
Maureen Smith *(appointed 16 Nov 2018, ceased 30 Nov 2018)*	Executive Director
Ian Elliot *(appointed 29 November 2017, resigned 12 November 2018)*	Non-executive Chairman

Review of Operations

Impelus Limited posted a Normalised Profit/Loss from ordinary activities (EBITDA) of $0.3 million and an NPAT (including provisions for impairment) of ($8.48) million for the half year end results.

The principal activities of the consolidated entity are technology led Digital Customer Acquisition utilising its Digital Performance Marketing (DPM) infrastructure.

The consolidated entity helps businesses to cost effectively find customers through digital channels, at scale, globally. For more information please see: www.impelus.com.

During the half year the consolidated entity had non-core activities that are in the process of divestment or run-off (Clipp and Direct Carrier Billing). The sale of non-core activity Clipp has been completed and funds received have been used in part to further reduce debt.

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

	FHFY19 **$ million**	**FHFY18** **$ million**
Performance Marketing Revenue	4.7	8.4
DCB Revenue	0.7	4.6
Clipp Revenue	0.7	2.5
Total Sales Revenue	**6.1**	**15.5**
Total comprehensive income	(8.48)	(19.99)
Add: Restructuring Cost	(0.62)	-
Add: Depreciation and Amortisation	(1.82)	(2.20)
Add: Impairment	(5.35)	(20.06)
Add: Disposal of Asset - Clipp	(1.55)	-
Add: Exchange difference on translating foreign operations	(0.01)	(0.30)
Add: Finance Costs	(0.22)	(0.16)
Less: Tax Benefit	0.79	0.55
Less: Interest Income	0.007	0.005
Normalised Profit/Loss from ordinary activities (EBITDA)	**0.29**	**2.2**

The Company

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

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

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

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

Legal Proceedings

As announced in the Company's 2018 annual statutory accounts *(refer Post Balance Date events and Note 29)* contained within the 2018 Annual Report. The company has commenced proceedings in the Federal Court of Australia Against the vendors (and associated parties) of C2B Solutions Pty Ltd for various matters relating to the acquisition of C2B. Based on legal advice, the Board is highly confident of success.

Impairment

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits.

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

Cash

The Company's Cash at Bank was $1.12 million as at 31 December 2018 compared to $3.28 million as at 31 December 2017.

Financial Position

Capital raised: The company completed its capital raising program announced to the ASX on 19 Nov 2018. Under the capital raising a total of $1.5m convertible notes have been issued and subsequently $1,257,542 has been converted into 114,322,000 fully paid ordinary shares. The remaining $242,458 was given the approval of shareholders to be converted at an extraordinary general meeting that was held on 22 February 2019.

The directors believe the Group is in a stable financial position to expand and grow its current operations being able to fund future operations through share issues, debt instruments, control of costs and the continued commercialisation of its business-to-business activities.

Outlook

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

In a rapidly changing marketing landscape, leading companies and brands are demanding better outcomes from their promotional partners, including delivery of more qualified customer leads, improved customer lifetime value, and greater cost effectiveness. Impelus' platforms are now doing this. In H2FY2019 the Company will focus on the further development and on building scale of its higher value lead generation capability.

The Company will increase its investment in the growth and development of the new DPM assets throughout H2FY2019, given they are expected to generate higher average revenue per transaction, and stronger global demand is anticipated, and will lessen activity on lower value, lower average revenue per transaction products where there is stronger demand in the UK market than in the Australian market.

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

After Balance Date Events

To assist with cashflow management and the funding of HY2 FY2019 growth opportunities IMS Chairman Brendan Birthistle has provided the Company with a $500,000 loan.

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 5 for the half year ended 31 December 2018.

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

Neil Wiles
CEO & Managing Director
28 February 2019

IMPELUS LIMITED ABN 24 089 805 416
AND CONTROLLED ENTITIES

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2018 there have been no contraventions of:

a. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

b. any applicable code of professional conduct in relation to the review.

MNSA Pty Ltd
MNSA Pty Ltd

Sam Danieli
Director

Sydney
Dated this 28th day of February 2019

MNSA Pty Ltd
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Consolidated Statement of Profit or Loss and other comprehensive income for the half year ended 31 December 2018

	Notes	Consolidated Group 31.12.18	31.12.17
		$	$
Continuing Operations			
Revenue from Continuing Operations rendered		5,372,683	12,922,828
Cost of sales		(2,732,727)	(4,555,108)
		2,639,956	8,367,720
Interest income		7,393	5,046
Service providers and commissions		(9,995)	(563,969)
Administration expenses		(48,530)	(136,090)
Advertising and marketing expenses		(132,050)	(164,647)
Finance costs		(217,868)	(154,865)
Depreciation and amortisation expense		(1,810,593)	(1,847,713)
Impairment of other intangible assets		(2,854,922)	-
Impairment of Goodwill		(2,500,000)	(20,056,664)
Loss on Disposal of Assets		-	-
Employee benefits expense		(1,919,517)	(4,181,721)
Legal expenses		(110,464)	(92,298)
Occupancy expenses		(136,435)	(279,911)
Operational expenses		(305,574)	(309,357)
Other expenses from ordinary activities		(307,651)	(284,242)
(loss)/Profit before income tax		(7,706,250)	(19,698,710)
Income tax benefit/(expense)		787,052	548,606
Net (loss) from continuing operations		(6,919,198)	(19,150,104)
Discontinued operations			
Net (Loss) from discontinued operations after tax	6	(1,553,895)	(541,409)
Net (Loss) for the period		(8,473,093)	(19,691,513)
Other comprehensive income		-	-
Exchange differences on translating foreign operations		(6,092)	(299,559)
Income tax relating to other comprehensive income		-	-
		(6,092)	(299,559)
Outside Equity Interest			-
Other comprehensive income/(Loss) for the year net of tax		-	-
Total comprehensive income/(Loss) for the year		(8,479,185)	(19,991,072)
Basic loss per share (cents per share)		(0.01)	(0.05)
Diluted loss per share (cents per share)		(0.01)	(0.04)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position as at 31 December 2018

	Notes	Consolidated Group	
		31.12.18	30.06.18
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,120,704	3,334,276
Trade and other receivables		3,726,135	3,460,156
Other assets		1,734,387	3,043,733
TOTAL CURRENT ASSETS		6,581,226	9,838,165
NON-CURRENT ASSETS			
Trade and other receivables		252,992	252,992
Plant and equipment		651,535	822,649
Intangible assets	4	7,239,289	10,129,446
Deferred tax assets		35,406	572,219
Goodwill		-	2,500,000
Other non-current assets		6,300	6,300
TOTAL NON-CURRENT ASSETS		8,185,522	14,283,606
TOTAL ASSETS		14,766,748	24,121,771
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,059,940	1,847,589
Borrowings	7	1,785,816	2,727,490
Deferred tax liabilities		-	-
Income tax payable		81,100	80,131
Short-term provisions		581,131	753,037
TOTAL CURRENT LIABILITIES		3,507,987	5,408,247
NON-CURRENT LIABILITIES			
Borrowings	7	3,439,584	4,171,790
Provisions		38,843	36,617
TOTAL NON-CURRENT LIABILITIES		3,478,427	4,208,407
TOTAL LIABILITIES		6,986,414	9,616,654
NET ASSETS		7,780,334	14,505,117
EQUITY			
Issued capital		50,227,338	48,453,838
Reserves		38,887	98,222
(accumulated losses)		(41,857,025)	(33,377,840)
Parent interest		8,409,200	15,174,220
Foreign currency translation reserve		(628,866)	(669,103)
TOTAL EQUITY		7,780,334	14,505,117

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows for the half year ended 31 December 2018

	Consolidated Group	
	31.12.18	31.12.17
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	5,882,390	16,410,028
Payments to suppliers and employees	(8,261,384)	(14,633,469)
Interest Received	7,406	5,046
Income tax Refund / (Paid)	194,470	(924,530)
Interest Paid	(195,430)	(155,174)
Net cash (used in) / provided by operating activities	(2,372,548)	701,910
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of Clipp	300,000	-
Payments for Acquisitions & Earn outs	-	(7,108,140)
Purchase of property, plant and equipment	(8,294)	(28,101)
Purchase of intangible assets	(205,718)	(751,344)
Net cash Provided by/(used in) investing activities	85,988	(7,887,585)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Borrowings	(1,696,512)	(141,066)
Proceeds from borrowings	-	1,533,550
Proceeds from Issue of capital	1,813,500	-
Costs of Issue of capital	(44,000)	-
Net cash provided by financing activities	72,988	1,392,484
Net (decrease) in cash held	(2,213,572)	(5,793,191)
Cash at beginning of half year	3,334,276	9,071,741
Cash at end of half year	1,120,704	3,278,550

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity for the half year ended 31 December 2018

Consolidated Group

	Issued Capital $	Accumulated Losses $	Reserves $	Foreign Currency Reserve $	Total Equity $
Balance 1 Jul 2017	**46,629,898**	**(4,366,894)**	**98,222**	**(383,283)**	**41,977,943**
Issued Capital	2,000,000	-	-	-	2,000,000
Profit for the half year	-	(29,010,946)	-	-	(29,010,946)
Share issued costs	(176,060)	-	-	-	(176,060)
Option reserve: options issued	-	-	-	-	-
Option reserve: options expired	-	-	-	-	-
Option reserve: options converting to capital	-	-	-	-	-
Foreign exchange (loss) / gain from OCI	-	-	-	(285,820)	(285,820)
Outside Equity Interest	-	-	-	-	-
Balance 30 Jun 2018	**48,453,838**	**(33,377,840)**	**98,222**	**(669,103)**	**14,505,117**
Balance 1 Jul 2018	**48,453,838**	**(33,377,840)**	**98,222**	**(669,103)**	**14,505,117**
Issued Capital	1,813,500	-	-	-	1,813,500
Loss for the half year	-	(8,479,185)	-	-	(8,479,185)
Share issued costs	(40,000)	-	-	-	(40,000)
Option reserve: options issued	-	-	-	-	-
Option reserve: options expired	-	-	(59,335)	-	(59,335)
Option reserve: options converting to capital	-	-	-	-	-
Foreign exchange (loss) / gain from OCI	-	-	-	40,237	40,237
Outside Equity Interest	-	-	-	-	-
Balance 31 Dec 2018	**50,227,338**	**(41,857,025)**	**38,887**	**(628,866)**	**7,780,334**

The accompanying notes form part of these financial statements.

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements for the interim half year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Impelus Limited and its controlled entities (referred to as the Consolidated Group or the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2018, together with any public announcements made during the following half year.

Going Concern

The interim financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the Recognition of assets and settlement of liabilities in the normal course of business.

As at 31 December 2018, the Group had net current assets of $3,073,239 (Dec 2017: $5,577,552). During the year the group cash at bank reduced by $2,213,572 (Dec 2017 reduced by: $5,793,191) due to the termination of direct carrier billing AU carrier and the impact of the royal commission into banking and insurance and roll on affects after incurring an operating loss (impact of cash) of ($368,944) (Dec 2017: $2,164,502) and a non-operating loss (Impairment charges) ($5,354,922) (Dec 2017: ($20,056,664) and loss on disposal of assets of ($1,553,895). The ability of the Company to continue as a going concern is dependent upon the Company being successful in: Increased revenue for the Australian operations, continued vigilance in relation to cost control, and capital raising. Across the reporting period the UK operations have continued to trade well and remain cash flow positive.

The directors believe the Group will be able to pay its debts as and when they fall due and to fund near term anticipated activities due to implementing the above strategies. The Company is also regularly considering whether it needs to undertake any fundraising initiatives in order to ensure that the Company has the financial capacity to progress its business activities at an appropriate rate.

Accordingly, in the Directors opinion, there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, and that it is appropriate to prepare these accounts on a going concern basis. As a result, the accounts have been prepared on the basis that the consolidated entity can meet its commitments as and when they fall due and can therefore continue business activities and can realise its assets and extinguish its liabilities in the ordinary course of business.

Accounting Policies

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

Principles of Consolidation

The consolidated financial statements incorporated all of the assets, liabilities and results of the parent Impelus Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of subsidiaries is provided in Note 3: Interest in Subsidiaries.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date on which that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Critical Accounting Estimates and Judgments

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

Adoption of new and revised Accounting Standards

The accounting policies applied by the Group in this Interim Report are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2018.

AASB 15: Revenue from Contracts with Customers.

The Group has adopted AASB15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognize 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 adoption of the standard has not resulted in any changes to the Group's accounting policies and has had no effect on the amounts reported for the current or prior periods.

AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019). When effective, this Standard will:

- replace AASB 117 Leases and some lease-related Interpretations;
- require all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases; and
- require new and difference disclosures about leases.

This Standard will require retrospective restatement, as well as new and difference disclosures. Although the directors anticipate the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

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

Note 2. Operating Segments

Segment Information

A. Identification of reportable segments

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

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

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

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

B. Types of products and services by segment

i. M Marketing

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

ii. Carrier Billing

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

iii. Clipp

Clipp is a bar tab and restaurant bill payment smart phone application. The application enables customers to open a bar tab via the Clipp smart phone application to purchase food and drink through the applications powerful functionality and point of sale (POS) integration. In the 2nd Half of FY2018, the operations of Clipp were merged with the Digital Performance Marketing business.

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

i. Accounting policies adopted

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

ii. Intersegment transactions

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

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

Note 2. Operating Segments (continued)

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

iii. Segment assets

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

iv. Segment liabilities

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

v. Unallocated items

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

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

Note 2. Operating Segments (continued)
D. Segment performance

31 December 2018	C Billing $	M Marketing $	Clipp $	Total $
REVENUE				
External sales	710,510	4,662,174	744,690	6,117,374
Interest revenue	3,613	3,780	13	7,406
Total segment revenue	**714,123**	**4,665,954**	**744,703**	**6,124,780**
Segment gross profit	714,123	1,933,226	11,117	2,658,466
Segment net profit / (loss) before tax	**296,586**	**1,049,983**	**(38,866)**	**1,307,704**
Reconciliation of segment result to group net profit / loss before tax				
Amounts not included in segment results but reviewed by the Board:				
Depreciation and amortisation and impairment	-	-	-	(7,164,643)
Loss on disposal of asset	-	-	-	(1,515,029)
Net Interest	-	-	-	-
Unallocated items:	-	-	-	-
Corporate charges	-	-	-	(1,888,177)
Net profit / (loss) before tax	**-**	**-**	**-**	**(9,260,145)**

Note: $490,000 Carrier Billing revenue owed to the Company from a major Australian carrier that ceased DCB operations in August 2018 is being vigorously pursued. These funds, upon receipt, will be applied to funding organic growth. (see ASX announcement 30 November 2018)

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

Note 3. Interest in Subsidiaries

Controlled Entities Consolidated

Name of Entity	**Country of Incorporation**	**Ownership Interest 31.12.18 %**	**Ownership Interest** 31.12.17 %
Parent Entity:			
Impelus Limited	Australia		
Subsidiaries of Impelus Limited:			
Global One Mobile Entertainment Pty Ltd	Australia	**100**	100
Divolution Limited	Australia	**100**	100
Solvers Pty Ltd (formerly 1st Screen)	Australia	**100**	100
6G Pty Ltd	Australia	**100**	100
Lead Proof Pty Ltd (formerly 7A Pty Ltd)	Australia	**100**	100
8Z Pty Ltd	Australia	**100**	100
Convey Pty Ltd (formerly Level 3 Pty Ltd)	Australia	**100**	100
Mobipay Pty Ltd (formerly Convey Pty Ltd)	Australia	**100**	100
Convey Global Pte Ltd	Singapore	**100**	100
The Performance Factory Pty Ltd	Australia	**100**	100
Impelus EMEA Limited (formerly Eggmobi UK Limited)	UK	**100**	100
Addglu Pty Ltd (formerly Vizmond Pty Ltd)	Australia	**100**	100
Vizmond Media Pty Ltd	Australia	**100**	100
Marketing Punch Limited	UK	**100**	100
Impelus APAC Pty Ltd (formerly Marketing Punch Pty Ltd)	Australia	**100**	100
Clipp Pty Ltd	Australia	**-**	97

Note 4. Intangible Assets

	Consolidated Group Dec 2018 $	**Consolidated Group** Jun 2018 $
Software systems from acquisitions	8,973,654	10,877,208
Accumulated amortisation	(3,026,025)	(2,985,718)
Provision for Impairment	(1,046,972)	-
Net carrying value	4,900,657	7,891,490
Software development	11,666,655	12,121,345
Accumulated amortisation	(8,420,073)	(7,661,714)
Provision for Impairment	(907,950)	(2,221,675)
Net carrying value	2,338,632	2,237,956
Content and web development costs	74,649	74,649
Accumulated amortisation	(74,649)	(74,649)
Net carrying value	-	-
Total Intangibles	7,239,289	10,129,446

Note 4. Intangible Assets (Continued)

Movements in Carrying Amounts

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

Consolidated Group:	Software and Development $	Total $
Year ended 30 June 2018		
Balance at the beginning of the year	15,418,567	15,418,567
Additions: external acquired		
Software acquired through acquisition	-	-
Software	158,220	158,220
Additions: internally developed		
Software	550,770	550,770
Disposals	-	-
FX Difference	(2,042)	(2,042)
Amortisation / impairment	(5,996,069)	(5,996,069)
	10,129,446	**10,129,446**
Half Year ended 31 December 2018		
Balance at the beginning of the year	10,129,446	10,129,446
Additions: external acquired		
Software acquired through acquisition	-	-
Software	-	-
Additions: internally developed		
Software	205,718	205,718
Disposals of Clipp	(1,209,851)	(1,209,851)
FX Difference	24,522	24,522
Amortisation / impairment	(1,910,546)	(1,910,546)
	7,239,289	**7,239,289**

Note 5. Fair Value Measurement

The Group has a number of financial instruments which are measured at fair value in the statement of financial position. These had the following fair values as at 31 December 2018.

	31.12.2018	
	Carrying amount	**Fair value**
Current receivables		
• Trade and other receivables	3,726,135	3,726,135
	3,726,135	3,726,135
Current liabilities		
• Trade and other payables	1,059,940	1,059,940
• Borrowings	1,785,816	1,785,816
	2,845,756	2,845,756
Non-Current liabilities		
• Borrowings	3,439,584	3,439,584

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

Note 6. Assets Held for Sale and Discontinued Operations

Discontinued Operations

On 31 Aug 2017, the consolidated group announced Clipp was non-core and did not fit with the future direction, thereby exploring options including divestment of its operations in Clipp.

Clipp was sold on 22 Oct 2018.

Financial information relating to the discontinued operation to the date of sale is set out below.

The financial performance of the discontinued operation to the date of sale, which is included in profit/(loss) from discontinued operations per the statement of comprehensive income, is as follows:

	Clipp	
	31 Dec 2018	**31 Dec 2017**
Revenue	744,703	2,537,442
Expenses	(783,569)	(3,078,851)
(Loss) from discontinued operations before tax	(38,866)	(541,409)
Tax expense	-	-
Gain/(Loss) on disposal:		
(Loss) before tax on disposal	(1,515,029)	-
Total gain/(loss)	(1,515,029)	-
Loss for the year from discontinued operations	(1,553,895)	(541,409)

The net cash flows of Clipp, which have been incorporated into the statement of cash flows, are as follows:

Net cash inflow/(outflow) from operating activities	(25,789)	(799,850)
Net cash inflow/(outflow) from Investing activities	-	-
Net cash inflow/(outflow) from Financing activities	-	807,803
Net decrease in cash generated by Clipp	(25,789)	7,953

Note 7. Borrowings

	Notes	**31.12.18**	30.06.18
Current			
Bank Loan - Secured	1	285,816	327,490
Bank Facility – Secured	2	1,500,000	2,400,000
		1,785,816	2,727,490
Non-current			
Bank Loan - Secured	1	464,584	571,790
Bank Facility - Secured	2	2,975,000	3,600,000
		3,439,584	4,171,790

Notes

1. Loan: 5-year term, monthly payments expiring March 2021.
2. $7 million-dollar loan amortising over 3 years with monthly payments from the 22 January 2018.

Note 8. Earnings Per Share

		Consolidated Group	
A.	Reconciliation of earnings to profit or loss:	**HY2019** **$**	**HY2018** **$**
	(Loss) / Profit	(8,479,185)	(19,991,072)
	(Loss) / Profit attributable to non-controlling equity interest		
	Earnings used to calculate basic EPS	(8,479,185)	(19,991,072)
	Earnings used in the calculation of dilutive EPS	(8,479,185)	(19,991,072)
B.	Reconciliation of earnings to profit or loss from continuing operations:		
	Profit from continuing operations	(6,919,198)	(19,991,072)
	Profit attributable to non-controlling equity interest in respect of continuing operations		
	Earnings used to calculate basic EPS from continuing operations	(6,919,198)	(19,991,072)
	Earnings used in the calculation of dilutive EPS from continuing operations	(6,919,198)	(19,991,072)
C.	Reconciliation of earnings to profit or loss from discontinued operations:		
	Loss from discontinued operations	(1,553,895)	-
	Loss attributable to non-controlling equity interest	-	-
	Earnings used to calculate basic EPS from discontinued operations	(1,553,895)	-
		No.	No.
D.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	557,525,130	445,482,228
	Weighted average number of dilutive options outstanding	3,000,000	8,545,479
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	560,525,130	454,027,707

Note 9. Legal proceedings

As announced in the Company's 2018 annual statutory accounts *(refer Post Balance Date events and Note 29)* contained within the 2018 Annual Report. The company has commenced proceedings in the Federal Court of Australia Against the vendors (and associated parties) of C2B Solutions Pty Ltd for various matters relating to the acquisition of C2B. Based on legal advice, the Board is highly confident of success.

Note 10. After Balance Date Events

To assist with cashflow management and the funding of HY2 FY2019 growth opportunities IMS Chairman Brendan Birthistle has provided the Company with a $500,000 loan.

Directors' Declaration

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

1. The financial statements and notes, as set out on the pages 6 to 18, are in accordance with the Corporations Act 2001, including:

    a. Complying with Accounting Standards AASB 134 Interim Financial Reporting; and

    b. Giving a true and fair view of the consolidated entity's financial position as at the 31 December 2018 and of its performance for the half year ended on that date.

2. In the director's opinion there are reasonable grounds to that the company will be able to pay its debts as and when they become due and payable.

Neil Wiles
CEO & Managing Director
28 February 2019

IMPELUS LIMITED ABN 24 089 805 416
AND CONTROLLED ENTITIES

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

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Impelus Limited, which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

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

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

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MNSA

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

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

(i) giving a true and fair view of Impelus Limited's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001.*

MNSA Pty Ltd
MNSA Pty Ltd

Sam Danieli
Director

Sydney
Dated this 28th day of February 2019

MNSA Pty Ltd
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