

BPS Technology Limited

Appendix 4D

Half-Year Report for the Period Ended 31 December 2016



1. Results for announcement to the market

BPS Technology Group	Half-year ended 31 December			
	2016	2015	Movement	
	\$m	\$m	\$m	%
Revenue from ordinary activities - continuing operations	55,910	25,048	30,862	+123
Profit from ordinary activities after tax attributable to members	5,559	3,511	2,048	+58

Commentary

Further details of the results for the half-year can be found in the 'review of operations' section of the Directors' Report in the attached half-year financial report

2. Dividend information

BPS Technology Group		Amount per share	Franked amount per Share
		cents	cents
Final dividend FY16 (paid October 2016)	Ordinary shares	2.00	2.00
Interim dividend	Ordinary shares	2.25	2.25
Dividend dates:			
Record date for determining entitlements to the dividend:		24-March-2017	
Payment date of dividend:		12- April - 2017	

Refer to note 3 of the half-year financial statements for further dividend-related disclosures.

There was no conduit foreign income during the period.

3. Earnings per share

BPS Technology Group	As at 31 December	
	2016	2015
	Cents	Cents
Basic earnings per share	7.1	6.0
Diluted earnings per share	7.0	5.6

4. Control gained or lost over entities in the half-year.

On the 15th of September 2016, the company acquired 100% of the issued capital of Entertainment Publications of Australia Pty Ltd and 100% of the issued capital of Entertainment Publications Limited in New Zealand (jointly known as EPANZ). EPANZ contributed \$2.95 million profit to the Group's consolidated profit from ordinary activities during the period.

5. Net tangible assets per security information

BPS Technology Group	As at 31 December	
	2016	2015
	Cents	Cents
Net tangible assets per security	-9.0	2.0

The NTAV has declined due to the acquisition of Entertainment Publications which assets are predominantly classified as intangible assets.

6. Audit qualification or review

The half-year report has been subject to review and the independent auditor's review report attached as part of the half-year financial report.

Attachment

The remainder of the information requiring disclosure to comply with ASX 4.2A3 is contained in the attached half-year financial report.



BPS

Technology

BPS TECHNOLOGY

ABN 43 167 603 992

FINANCIAL REPORT

For the half year ended
31 December 2016

2016

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The Directors present their report on the consolidated entity BPS Technology Limited and its controlled entities (BPS) for the financial period ended 31 December 2016.

Directors

The following persons were Directors of BPS Technology Limited during or since the end of the financial year up to the date of this report:

- Murray d'Almeida
- Trevor Dietz
- Anthony Lally (retired 18 November 2016)
- Antonie Wiese
- Brian Hall (appointed 20 February 2017)
- Garth Barrett (appointed 20 February 2017)

Information Relating to Directors and Company Secretary

Murray H d'Almeida	Non-executive Chairman, Director
Qualifications	Accountant
Experience	<p>Murray has over 35 years of diverse national and international business experience. Murray began his career as an accountant in Perth. He founded Retail Food Group Limited (ASX: RFG) and led its global expansion.</p> <p>Murray's current board roles include:</p> <ul style="list-style-type: none"> - Chairman of Management Resource Solutions Plc; - Chairman of Barrack Street Investments Ltd; - Director of Pacific Environment Ltd; - Member Gold Coast Light Rail Business Advisory Board; - Councillor Southern Cross University; - Director of Tasmania Magnesite NL; - Trustee of Currumbin Wildlife Foundation; - Chairman of the Bartercard Charity Foundation.
Interest in Shares and Options	5,000 ordinary shares in BPS Technology Ltd
Special Responsibilities	<p>Chair of the Remuneration and Nomination Committee</p> <p>Member of the Audit and Risk Committee</p>
Directorships held in other listed entities during the three years prior to the current year	<p>Pacific Environment Limited</p> <p>Barrack Street Investments Limited</p> <p>Management Resource Solutions Plc</p>

Trevor Dietz

Executive Director, Chief Executive Officer

Qualifications	Fellow of the Institute of Public Accountants Master of Science (HRM)
Experience	<p>Trevor is 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.</p> <p>Trevor is the Non-Executive Director of the Institute of Business Leaders and Deputy Chair of the Advisory Board to the School of Business at Bond University and a Founder and Director of the Bartercard Charity Foundation.</p>
Interest in Shares and Options	10,504,000 ordinary shares in BPS Technology Ltd
Special Responsibilities	Chief Executive Officer
Directorships held in other listed entities during the three years prior to the current year	None

Brian Hall

Executive Director, Managing Director

Qualifications	Bachelor of Commerce (Business)
Experience	<p>Brian is a cofounder and has been the Chief Executive Officer of Barter Futures Group.</p> <p>With over 26 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.</p> <p>Over the past 24 years Brian has been hands-on developing the technology for the sales and trading systems and franchise model of Bartercard both domestically and internationally.</p>
Interest in Shares and Options	9,504,000 ordinary shares in BPS Technology Ltd
Special Responsibilities	CEO of Bartercard
Directorships held in other listed entities during the three years prior to the current year	None

Antonie Wiese

Executive Director and Company Secretary

Qualifications	Bachelor Commerce Bachelor of Accounting Honours Chartered Accountant
Experience	Tony is a Chartered Accountant with 25 years in financial and executive management - 15 years as Executive Director of listed public Companies. He co-founded BPS Technology Limited in 2014 after 7 years as Executive Director and CFO of Bartercard International Group. Prior to moving to Australia, Tony was co-founder and CEO for 3 years of Onelogix Group Limited, 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, for 10 years.
Interest in Shares and Options	10,000,000 ordinary shares in BPS Technology Ltd
Special Responsibilities	Chief Financial Officer and Company Secretary
Directorships held in other listed entities during the three years prior to the current year	None

Garth Barrett

Non-Executive Director

Qualifications	B.Com, F.C.A. Chartered Accountant Registered Company Auditor
Experience	Garth has more than 40 years' experience in strategic planning, merger 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.
Interest in Shares and Options	None
Special Responsibilities	Chair of the Audit and Risk Committee Member Remuneration and Nomination Committee
Directorships held in other listed entities during the three years prior to the current year	None

Review of Operations

BPS Technology Limited "BPS" or "the Company", a leading provider of transactional platforms that enable businesses to attract customers across multiple sales channels, recorded a strong half with the successful acquisition and integration of complementary Deals and Loyalty platform Entertainment Publications of Australia and New Zealand "EPANZ" or "Entertainment".

BPS recorded revenues of \$55,910m (H1FY16:\$25,048m), profit after tax of \$5,559m (H1FY16: \$3,511m) and earnings per share of 7.1 cents (H1FY16: 6.0 cents). The results include for the first time a full period contribution from EPANZ, which met the expectations of the Board.

Following the acquisition, BPS now serves 36,000 businesses, 600,000 paying customers and 20,000 Not for Profit groups over its various transactional and marketing platforms, giving it a reach exceeding 2 million consumers.

During the period BPS made progress in extending and developing its transactional marketing and rewards platforms across the key operations of Bartercard, Entertainment, TESS and Bucqi Pay.

Specifically, BPS has:

- embarked on a go-digital strategy to accelerate the conversion of Entertainment consumers from printed publication to digital app which has already resulted in increased digital subscriptions from 25% to 30% of total publication sales, which was in line with expectations, and lead to savings in printing costs of circa \$200k;
- implemented a 30-point efficiency improvement plan to improve Entertainment's revenues and to reduce costs with the aim of achieving a ~10% improvement in profitability for FY17;
- improved BPS' global reach from 74 to 95 branches, improving penetration and service;
- grown the Bartercard USA operation from 10 to 20 franchises, increasing US revenue by 89%;
- sold a TESS software license for commencement of Bartercard France;
- acquired two key metro Bartercard franchises in Australia, resulting in 76% of members now under Company control; and
- launched its merchant finance product in partnership with Get Capital with first transactions settled in December 2016.

The existing Bartercard Group performed stable against the previous period and overall in line with expectations. The expansion in the USA and signing of the France licence were highlights.

As forecast, Entertainment generates the bulk of its cash receipts during April to July when it launches, at various events throughout Australia and New Zealand, the annual Entertainment publication in book and digital format through the network of 18,000 Not for Profit groups. Consequently the second half cash generated from operations will be significantly higher than the first half. The group generated operating cash flows of \$1.02m which was in line with the seasonal nature of Entertainment.

The tax rate for the half year is lower than the normal company tax rate due to taxable income of Entertainment being heavily weighted to the second half, foreign jurisdiction transactions,

timing differences of capitalised development costs as well as deductible sponsorship trade transactions for members by Bartercard.

The Board has declared an interim dividend of 2.25 cents per share payable on 12 April 2017 for shareholders registered by 24 March 2017.

BPS strengthened its Balance Sheet during the period by completing a successful capital raising for the Entertainment acquisition, obtaining a new \$10m term loan from the CBA, redeeming the existing convertible note and issuing a new convertible note on significantly more favourable terms. These capital management initiatives resulted in cash on hand of \$11.5m.

Based on a satisfactorily first half the Company reconfirms its previously stated guidance for the full year being revenue of \$109.1m, net profit after tax of \$10.6m, and earnings per share of 11.8 cents.

The first half financial results for the BPS group are disclosed in the attached financial statements.

ASIC Instrument 2016 / 191 Rounding in Financials/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.

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 on page 5.

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

Dated this 21st day of February 2017

Director



Antonie Wiese

Director



Murray d'Almeida

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

BPS Technology Limited

I declare that to the best of my knowledge and belief, during the year ended 31 December 2016, 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
Chartered Accountants



MICHAEL TRAYNOR
Partner

Signed on 21 February 2017

Level 10
1 Eagle Street
Brisbane Qld 4000

BPS TECHNOLOGY LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2016

CONSOLIDATED GROUP

		HALF-YEAR ENDED 31 DEC 2016 \$'000	HALF-YEAR ENDED 31 DEC 2015 \$'000
	NOTE		
REVENUE	2	55,910	25,048
Direct expenses of providing services		(20,022)	(3,305)
Building occupancy expense		(2,364)	(1,294)
Employee expenses		(21,344)	(12,787)
Depreciation and amortisation expense		(715)	(438)
Finance costs		(320)	(110)
Other expenses		(5,278)	(3,013)
PROFIT BEFORE INCOME TAX		5,867	4,101
Tax expense		(308)	(590)
NET PROFIT FOR THE PERIOD		5,559	3,511
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,559	3,511
Net profit attributable to:			
- Members of the parent entity		5,559	3,511
		5,559	3,511
Earnings per share			
Basic earnings per share (cents)		7.1	6.0
Diluted earnings per share (cents)		7.0	5.6

BPS TECHNOLOGY LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

CONSOLIDATED GROUP			
	NOTE	AS AT 31 DEC 2016 \$'000	AS AT 30 JUNE 2016 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		11,508	906
Trade and other receivables		10,913	10,409
Inventories		6,362	5,793
Other assets		4,991	696
TOTAL CURRENT ASSETS		33,774	17,804
Non-Current Assets			
Trade and other receivables		1,191	1,906
Property, plant and equipment		2,948	958
Deferred tax assets		7,011	742
Intangible assets		72,934	32,206
Other financial assets		1,500	1,500
TOTAL NON-CURRENT ASSETS		85,584	37,312
TOTAL ASSETS		119,358	55,116
LIABILITIES			
Current Liabilities			
Trade and other payables		9,975	4,148
Borrowings	6	6,186	3,613
Current tax liabilities		215	814
Deferred revenue		13,715	646
Provisions		1,871	1,603
TOTAL CURRENT LIABILITIES		31,962	10,824
Non-Current Liabilities			
Trade and other payables		-	2,278
Provisions		573	289
Deferred tax liability		3,686	-
Borrowings	6	14,000	5,000
TOTAL NON-CURRENT LIABILITIES		18,259	7,567
TOTAL LIABILITIES		50,221	18,391
NET ASSETS		69,137	36,725
EQUITY			
Issued capital		54,589	26,227
Reserves		(34)	(349)
Retained earnings		14,582	10,847
TOTAL EQUITY		69,137	36,725

BPS TECHNOLOGY LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED GROUP	ORDINARY SHARE CAPITAL	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	26,167	6,573	(9)	32,731
Comprehensive income				
Profit for the period	-	3,511	-	3,511
Total comprehensive income for the period	-	3,511	-	3,511
Transactions with owners, in their capacity as owners and other transfers				
Dividends for the period	-	(1,884)	-	(1,884)
Movements during the period	-	-	(38)	(38)
TOTAL TRANSACTIONS WITH OWNERS AND OTHER TRANSFERS		(1,884)	(38)	(1,922)
BALANCE AT 31 DECEMBER 2015	26,167	8,200	(47)	34,320

CONSOLIDATED GROUP	ORDINARY SHARE CAPITAL	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	26,227	10,847	(349)	36,725
Comprehensive income				
Profit for the period	-	5,559	-	5,559
Total comprehensive income for period	-	5,559	-	5,559
Transactions with owners, in their capacity as owners and other transfers				
Shares issued during the period	30,713	-	-	30,713
Transactions costs	(2,351)	-	-	(2,351)
Dividends for the period	-	(1,824)	-	(1,824)
Movement during the period	-		315	315
TOTAL TRANSACTIONS WITH OWNERS AND OTHER TRANSFERS	28,362	(1,824)	315	26,853
BALANCE AT 31 DECEMBER 2016	54,589	14,582	(34)	69,137

BPS TECHNOLOGY LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

		CONSOLIDATED GROUP	
	NOTE	HALF-YEAR ENDED 31 DEC 2016 \$'000	HALF-YEAR ENDED 31 DEC 2015 \$'000
Cash Flows From Operating Activities			
Receipts from customers		66,110	22,643
Interest paid		(320)	(110)
Payments to suppliers and employees		(64,056)	(21,884)
Tax paid		(716)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	10	1,018	649
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(584)	(63)
Purchase of intangibles		(1,830)	(2,712)
Acquisition of subsidiaries net of cash acquired	5	(23,509)	-
NET CASH USED IN INVESTINE ACTIVITIES		(25,923)	(2,775)
Cash Flows From Financing Activities			
Net proceeds from issue of shares		25,862	-
Repayment of loans		(957)	(1,233)
Repayment of convertible notes		(5,000)	-
Net proceeds from borrowings		12,426	-
Net proceeds from convertible notes		5,000	4,925
Dividends paid		(1,824)	(1,884)
NET CASH PROVIDED BY FINANCING ACTIVITIES		35,507	1,808
Net increase/(decrease) in cash held		10,602	(318)
Cash and cash equivalents at beginning of financial period		906	2,743
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		11,508	2,425

Note 1 | Summary of Significant Accounting Policies

Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard 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 BPS Technology Limited and its controlled entities (referred to as the "consolidated group" or "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 2016, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 21 February 2017.

(a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent BPS Technology Limited 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.

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 remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured 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.

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:

- i) the consideration transferred;
- ii) any non-controlling interest (determined under either the full

goodwill or proportionate interest method); and

- iii) 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 remeasurements 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.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment annually 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 are included in intangible assets.

(b) Income Tax

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.

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.

(c) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and

where significant, are detailed in the respective note to the financial statements.

(d) Inventories

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

Other inventories are valued at the lower of cost and net realisable value

(e) Property, Plant and Equipment

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 (refer to note 1(h) for details of impairment).

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. The expected net cash flows have been 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.

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 assets' 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.

(f) 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.

(g) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

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. This amount is then 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. It is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over 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.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the

amortisation process and when the financial liability is derecognised.

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 remeasurements 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.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that a debtor(s) will enter bankruptcy or other financial reorganisation; and changes in arrears or

economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses if after having taken all possible measures of recovery, management establishes that the carrying amount cannot be recovered by any means, the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) 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.

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

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

(i) Intangibles Other than Goodwill

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 10 years.

These assets are tested for impairment at least annually.

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 cash generating unit.

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.

(j) 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 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.

(k) 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 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 remeasurements 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 in the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. 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 guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee 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.

(l) 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.

(m) Cash and Cash Equivalents

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.

(n) Revenue and Other Income

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

- Revenue from Entertainment Publications membership sales is recognised on a straight-line basis as services are rendered over the period of membership. A liability is recognised for unearned revenue for performance obligations to members that have not yet been satisfied. Payment for membership is made prior to the commencement of membership. There is an obligation to refund memberships in full for the first 90 days following payment.
- 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 sale of vouchers on behalf of businesses to members is recognised when the gift card is provided to the customer.
- Revenue from commission receivable for bookings are recognised when the bookings are made.

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).

(o) Trade and Other Receivables

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. Refer to note 1(h) for further discussion on the determination of impairment losses.

(p) Trade and Other Payables

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 30 days of recognition of the liability.

(q) Transactions in Trade

In addition to its cash revenue, the Bartercard businesses also receive additional fees in trade dollars. These businesses operate as Managers of the respective Trade Exchange and as such, also 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.

(r) 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 Australian Taxation Office (ATO).

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

(s) 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.

(t) 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.

(u) 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.

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.

(v) 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 below:

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 2014-3: *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* (applicable to annual reporting periods beginning on or after 1 January 2016).

This Standard amends AASB 11: *Joint Arrangements* to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a

business, as defined in AASB 3: *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method per AASB 3.

The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 30 June 2016, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of AASB 2014-3.

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.

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. Although the Directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(w) 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 can be found in note 15 of the 30 June 2016 Financial Statements. No impairment has been recognised in respect of goodwill or other intangibles for the half year ended 31 December 2016

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

CONSOLIDATED GROUP		
	HALF-YEAR ENDED 31 DEC 2016 \$'000	HALF-YEAR ENDED 31 DEC 2015 \$'000
Fee income	18,754	18,198
Licence fees	1,365	2,292
Membership subscriptions	24,850	4,558
Gift card sales	10,503	-
Other	438	-
TOTAL	55,910	25,048

Note 3 | Dividends

CONSOLIDATED GROUP		
	HALF-YEAR ENDED 31 DEC 2016 \$'000	HALF-YEAR ENDED 31 DEC 2015 \$'000
DISTRIBUTIONS PAID		
2016 Final fully franked ordinary dividend paid 20 October 2016 of 2.00c per share	1,824	-
2015 Final unfranked ordinary dividend paid 23 October 2015 of 3.25c per share	-	1,814
TOTAL	1,824	1,814

Note 4 | Operating Segments

Reportable segments are identified on the basis of internal reports on the business units of BPS 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 Entertainment Publications businesses (EPANZ), BPS manages the Group as two separate segments, being the Bartercard business and the Entertainment Publications business and reports these separately to management.

a) Segment Performance

Half-Year Ended 31 December 2016

	BARTERCARD \$'000	EPANZ \$'000	CORPORATE \$'000	TOTAL \$'000
REVENUE	23,160	32,750	-	55,910
Direct expenses	(4,328)	(15,694)	-	(20,022)
Employee expenses	(9,176)	(10,404)	(1,764)	(21,344)
Building occupancy	(993)	(1,125)	(246)	(2,364)
Other Expenses	(1,839)	(2,574)	(865)	(5,278)
EBITDA	6,824	2,953	(2,875)	6,902
Depreciation	(423)	(177)	(115)	(715)
SEGMENT PROFIT BEFORE TAX	6,401	2,776	(2,990)	6,187
<i>Operating margin</i>	28%	8%	n/a	11%
Unallocated items				
Interest				(320)
NET PROFIT BEFORE TAX				5,867

Half-year ended 31 December 2015

For the half-year ended 31 December 2015 the Directors determined that there was only one operating segment in the Group and thereby no segment performance disclosures are required for this period.

b) Revenue by Geographical Location

	CONSOLIDATED GROUP	
	HALF YEAR ENDED 31-DEC-16 \$'000	HALF YEAR ENDED 31-DEC-15 \$'000
Australia	41,906	12,722
New Zealand	10,153	5,918
UK	2,515	3,918
USA	859	454
Others	477	2,036
Total	55,910	25,048

Note 5 | Business Combinations

During the period the group acquired 100% of the issued share capital of Entertainment Publications of Australia Pty Ltd and Entertainment Publications Limited in New Zealand, a leading B2C deals platform for \$33.7m. The purchase was satisfied by payment of \$31.2m in cash and the issue of shares to the value of \$2.5m at 94c per share.

The acquisition is designed to realise synergies and drive digital engagement strategies within the B2C consumer database acquired from Entertainment Publications.

Through acquiring 100% of the issued share capital of Entertainment Publications of Australia Pty Ltd and Entertainment Publications Limited, the Group has obtained control of the companies.

	ENTERTAINMENT PUBLICATIONS OF AUSTRALIA PTY LTD FAIR VALUE \$'000	ENTERTAINMENT PUBLICATIONS LIMITED FAIR VALUE \$'000	TOTAL \$'000
PURCHASE CONSIDERATION			
- Cash	26,074	5,144	31,218
- Shares	2,500	-	2,500
	28,574	5,144	33,718
Less:			
Cash	4,526	3,183	7,709
Other assets	2,175	-	2,175
Receivables (i)	9,047	751	9,798
Property, plant and equipment	1,509	178	1,687
Intangibles	8,133	-	8,133
Inventories	357	16	373
Payables	(6,814)	(1,188)	(8,002)
Deferred revenue	(12,951)	(2,753)	(15,704)
Identifiable assets acquired and liabilities assumed	5,982	187	6,169
GOODWILL (ii)	22,592	4,957	27,549
Net cash outflow on acquisition			23,509

- (i) The Directors believe that the receivables are fully recoverable and no further provision for impairment is required.
- (ii) The goodwill is attributed to the high profitability of the acquired businesses and the significant synergies that are expected to arise after the Group's acquisition of the two entities. No amount of the goodwill is deductible for tax purposes.

Profits and revenues resulting from the acquisitions are included in the consolidated statement of profit and loss and other comprehensive income for the half-year ended 31 December 2016 are as per note 4(a).

Note 6 | Borrowings and Repayment of Debt

Funding Activities

- a) During the half year ended 31 December 2016 BPS repaid debt of \$5.3m using existing cash balances and facilities. This consisted of:
 - \$5m convertible notes which were repaid on 13 December 2016.
 - \$374,000 repayment of loans relating to the purchase of franchises. These repayments were made in accordance with the agreed payment terms for these loans.
- b) A \$10m bank loan facility was drawn down in December 2016. The loan is repayable at \$2m per year with payments of \$1m on 1 July and 1 January of each year commencing on 1 July 2017.
- c) \$5m convertible notes were issued on 14 December 2016.

Note 7 | Equity

During the period the company issued 32.76m fully paid ordinary shares for a consideration of \$28.21m. The costs of the raising of \$2.35m have been offset against the share capital in accordance with accounting standards.

Note 8 | Fair Value Measurement

Financial assets and liabilities are measured at either fair value or amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There have been no changes in the nature of the financial assets or liabilities or changes to the way BPS measures fair value since 30 June 2016. Refer to the 30 June 2016 consolidated financial statements for further information. All of the carrying amounts of financial assets and liabilities recognised in the consolidated interim financial statements approximate their fair value.

Note 9 | Events after the end of the Interim Period

The Directors are not aware of any significant events since the end of the interim period other than as follows:

Since the end of the interim period the Directors have resolved to pay an interim fully franked dividend of 2.25 cents per share payable on 12 April 2017 to shareholders on the share register at 24 March 2017. This dividend will be recognised in shareholder's equity in the next financial statement.

Note 10 | Cash Flow Information

A) Non-cash Financing and Investing Activities

On 15 September 2016, BPS Technology issued \$2.5m fully paid ordinary shares in partial settlement of the acquisition of the Entertainment Publication entities.

B) Operating Cash Flows

The Group generated \$1m of net cash from operating activities off an EBITDA of \$6.9m. The reason for this disparity is because the acquired Entertainment Publications business generates the majority of its net cash inflow in the latter part of the financial year when the annual publication is launched.

Directors' Declaration

In accordance with a resolution of the directors of BPS Technology Limited the Directors of the company declare that:

1. 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.
2. The financial statements and notes, as set out on pages 6 to 27, are in accordance with the *Corporations Act 2001* and:
 - a) comply with Accounting Standard AASB 134: *Interim Financial Reporting*, and
 - b) give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of the performance for the half year ended on that date.

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

Dated this 21st day of February 2017

Director



Antonie Wiese

Director



Murray d'Almeida

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF

BPS Technology Limited

REPORT ON THE HALF YEAR FINANCIAL REPORT

We have reviewed the accompanying half year financial report of BPS Technology Limited ("the Company" and its subsidiaries ("the Group")), which comprises the consolidated condensed balance sheet as at 31 December 2016 and the consolidated condensed income statement, consolidated condensed statement of changes in equity and consolidated condensed cash flow statement for the half year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration.

DIRECTORS' RESPONSIBILITY FOR THE HALF YEAR FINANCIAL REPORT

The directors of Academies Australasia Group Limited are responsible for the preparation and fair presentation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and with 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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 financial position as at 31 December 2016 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 the Group, 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*. 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 provided to the directors as at the date of this auditor's review report.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



PILOT PARTNERS
Chartered Accountants



MICHAEL TRAYNOR
Partner

Signed on 21 February 2017

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