



**BPS Technology Limited** 

ACN: 167 603 992

Prospectus Replacement

Lead Manager:





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# **Important Notice**

#### LODGEMENT AND LISTING

This Prospectus is dated 5 August 2014 and a copy was lodged with ASIC on that date. It is a replacement prospectus which replaces the Prospectus dated 25 July 2014 and lodged with ASIC on that date. ("Original Prospectus")

The Prospectus expires on 24 August 2015, 13 months after the date of this Prospectus (Expiry Date). No Shares will be issued on the basis of this Prospectus after the Expiry Date.

BPS Technology Limited (BPS Technology or Company) has applied to the ASX within seven days of the date of this Prospectus for admission to the official list of ASX and for official quotation on ASX of the Shares issued under the Offer and all other Shares on issue as at the date of this Prospectus.

Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

#### **NOTE TO APPLICANTS**

This Prospectus does not provide investment advice. You should seek your own financial The Offer contained in this Prospectus does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in full before deciding to invest in the Company. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the financial performance of BPS in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding to

Section 6 outlines some significant risk factors that may impact on the prospects of the Company. Further, any number of known and unknown risks, uncertainties and other factors could have material adverse effects on the actual results, performance or achievements of the Company. Section 4 details the assumptions underlying the Forecast Financial Information.

#### DISCLAIMER

No person named in this Prospectus, nor any other person, guarantees the performance of BPS, the repayment of capital or the payment of a return on the Shares. No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by BPS or the Directors.

This Prospectus contains forward looking statements, which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties. In addition, financial forecasts have been prepared and included in this Prospectus in Section 4.

Other than as set out in this Prospectus, and as otherwise required by law or the Listing Rules, the Company has no intention to update forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

### INVESTMENT RISKS AND FINANCIAL INFORMATION PRESENTATION

This Prospectus does not take into account your investment objectives, financial situation or particular needs. Before deciding to invest in the Company, it is important that you read the entire Prospectus and consider both the risk factors that could affect the financial performance of the Company and the assumptions underlying the Forecast Financial Information.

#### NO OVERSEAS REGISTRATION

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus (including in electronic form) outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the applicable securities laws.

This Prospectus may not be distributed to or relied upon by persons in the United States or who are US persons (as described in Regulation S under the US Securities Act 1933) unless accompanied by an institutional offering memorandum as part of the institutional Offer.

#### NO OVERSEAS REGISTRATION

The Offer to New Zealand Investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and its Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities

(Mutual Recognition of Securities Offerings - Australia) Regulations 2008.

This Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and its Regulations (Australia) set out how the Offer must be made

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are not certain whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

This Offer may involve a currency exchange risk. The currency for the Securities is not New Zealand dollars. The value of the Securities will go up or down according to the changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the Securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the Securities are able to be traded on a securities market and you wish to trade the Securities through that market, you will have to make arrangements for a participant in that market to sell the Securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the Securities and trading may differ from securities markets that operate in New Zealand.

#### **ELECTRONIC PROSPECTUS**

An electronic version of this Prospectus appears at the following website: www. bpstechnology.com. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus

in electronic form within Australia or New Zealand. Persons having received a copy of this Prospectus in its electronic form may, during the period the Offer is open, obtain a paper copy of this Prospectus (free of charge within Australia) by contacting either the Share Registry or the Lead Manager whose details are both contained in the Corporate Directory. Applications for Shares may only be made on the Application Form attached to or accompanying this Prospectus. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of the Prospectus or a complete and unaltered electronic copy of this Prospectus.

#### **EXPOSURE PERIOD**

The Corporations Act prohibits BPS from processing Applications in the seven day period after the date of lodgement of the Original Prospectus (Exposure Period). This period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable the Original Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

#### **PHOTOGRAPHS**

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by BPS.

#### FINANCIAL AMOUNTS

All financial amounts referred to in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

Fees disclosed in this Prospectus are quoted exclusive of GST.

#### **GLOSSARY**

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary of this Prospectus.

#### **PRIVACY**

By filling out an Application Form to apply for Shares, you are providing personal information to BPS through its service provider, the Share Registry. BPS, and the Share Registry on its behalf, collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, BPS and the Share Registry may not be able to process or accept your Application. Your personal information may also be used from time to time to inform you about other products and services offered by BPS which it considers may be of interest to you.

Your personal information may also be provided to agents and service providers of BPS on the basis that they deal with such information in accordance with the privacy policy of BPS. Agents and service providers of BPS may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- the Lead Manager in order to assess your Application;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail:
- market research companies for the purpose of analysing the Shareholder base of BPS and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by (or on behalf of) BPS. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

#### **Link Market Services Limited**

Level 15 324 Queen Street Brisbane QLD 4000 Phone: 1300 554 474

If any of your information is not correct or has changed, you may require it to be corrected.

#### **CONTACTS**

If you require assistance to complete the Application Form, require additional copies of this Prospectus, or have any questions in relation to the Offer you should contact the Share Registry on 1300 554 474, or go to the Company's website at www.bpstechnology.com.

If you are uncertain as to whether the Company is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser



#### **KEY DATES**

Offer opens	5 August 2014
Offer closes and Applications due	5pm on 28 August 2014
Allotment Date	29 August 2014
Completion of Transaction	29 August 2014
Shareholding and Transaction Confirmation Statements expected to be dispatched	1 September 2014
Trading on normal settlement basis commences on ASX	4 September 2014

- 1. This timetable is indicative only
- The Company, in conjunction with the Lead Manager, reserves the right to vary the times and dates of the Offer without prior notice, including to close the Offer early or to accept late Applications.
- 3. Investors are therefore encouraged to submit their Application Forms as early as possible after the Opening Date.
- 4. All times are Sydney time.

#### **KEY OFFER STATISTICS**

Offer Price	\$	1.00
Total proceeds under the Offer	\$	28.0m
Total number of Shares available under the Offer		28.0m
Number of Shares controlled by Founders after the Offer	\$	28.5m
Market capitalisation at the Offer Price <sup>1</sup>	\$	58.5m
Enterprise Value / FY15 forecast EBITDA <sup>2,3</sup>	х	5.4
Enterprise Value / FY15 forecast EBIT <sup>2,3</sup>	х	5.8
Price Earnings Ratio <sup>2,4</sup>	х	9.0
Implied forecast dividend yield for FY15 dividend at the Offer Price	%	7.25

#### **KEY FINANCIALS**

	\$000s
FY15 forecast revenue	51,565
FY15 forecast EBITDA	9,893
FY15 forecast EBIT	9,281
FY15 forecast net profit after tax	6,497
Pro forma net cash upon Listing	4,844

- 1. Market capitalisation is based upon the number of Shares after close of the Offer multiplied by the Offer Price
- 2. Based on Forecast Financial Information which reflects a number of estimates, assumptions and pro forma adjustments. These are subject to business, economic and competitive uncertainties and contingencies, which are subject to change and in many cases are outside the control of BPS. The Forecast Financial Information presented in this Prospectus may vary from actual financial results and these variations may be material. Details of the Forecast Financial Information, the assumptions on which it is based and the Directors' discussion and analysis of them together with associated risk factors are set out in Sections 4 and 6.
- 3. Enterprise Value has been calculated based upon the Market capitalisation plus debt less cash and cash equivalents
- 4. Offer Price/FY15 forecast net profit after tax per share.

# **Chairman's Letter**





Dear Investor

On behalf of the Directors, it gives me great pleasure to offer you this opportunity to become a shareholder in BPS

On Listing BPS will own Bartercard, the Tess Platform and the Bucqi Platform. As a result, BPS will control the world's largest Trade Exchange, be positioned to become the global software provider to Trade Exchanges as well as a leading global payments and loyalty business. BPS will be represented through 75 offices across 7 countries.

BPS will have three divisions, Bartercard, Tess and Bucqi. These are complementary to each other. Their key purpose is to drive customers to merchants through proven management systems and advanced technology in mobile and online transactional platforms, BPS will earn fees on each and every transaction.

It is the combination of the established Bartercard business, the roll out of the proven Tess Platform and the launching of the Bucqi Platform, an innovative loyalty and payment technology, that the Directors believe positions BPS as an exciting opportunity and underpins the financial forecasts for FY15 which include a net profit after tax of \$6.5million and

The Bartercard brand has been operating for 23 years. BPS will manage, operate or license the Bartercard Trade Exchanges, which collectively comprise the world's largest Trade Exchange for SMEs trading their goods and services. Trade Exchanges provide their members with an additional sales channel through which to sell their goods and services. Based on existing levels of activity, Bartercard is expected to facilitate and process over \$600 million of transactions per annum between 24,000 local and overseas merchants with 54,000 cardholders across Australia, NZ, UK, USA, Thailand, United Arab Emirates and Cyprus. Bartercard will be primarily focused on business to business ("B2B") transactions and loyalty programs.

The Tess Platform, which currently powers Bartercard, is a sophisticated cloud based software that allows Trade Exchanges to provide their local SME members with the ability to trade goods and services securely on any mobile device or PC connected to the internet. BPS plans to roll out this software to Other Trade Exchanges globally. In June 2014, the International Reciprocal Trade Association ("IRTA" - the global association for Trade Exchanges) recognised the quality of the Tess Platform and contracted to use and promote the platform as the preferred technology for use by its members. All Trade Exchanges adopting the Tess Platform will have the ability to trade across exchanges. This is expected to expand the market for individual exchange members and to expand the value of barter trade globally.

The Bucqi Platform is a secure cost effective loyalty program and mobile payments system for SMEs. It is designed to assist merchants to attract customers via sophisticated loyalty offerings and receive payment for goods and services in an efficient manner. Consumers can download the free Bucqi App on any mobile device which connects them with the best on offer from Bucqi Merchants. The Bucqi Platform is currently being rolled out across Australia with other countries to follow. Bucqi will leverage off the substantial merchant base of the Bartercard network in each market. Bucqi is primarily focused on business to consumer (B2C) transactions "B2C". The adoption of the Bucqi Platform should be aided by an innovative payment commission structure, which pays any customer or merchant a commission for originating new merchants and new

The BPS business model is to charge a fee on every transaction generated by Bartercard, Tess and Bucqi. In FY15 BPS expects to generate revenue of \$51.6 million, net profit after tax of \$6.5 million and a dividend yield of 7.25%.

BPS' experienced leadership team has a long history with Bartercard and in the payments, loyalty and the Trade Exchange industries generally. The Board includes directors who have owned and operated Bartercard's activities in Australia for more than 20 years as well as the previous managing director of PayPal Australia. The Board has three Non-Executive Directors who also bring extensive domestic and international experience in payments systems, franchising and financial services.

The purpose of the Offer is to raise capital to bring Bartercard into the listed environment, provide BPS with funds to acquire Bartercard NZ, provide working capital to assist in the roll out of the Tess and Bucqi Platforms and exploit the considerable

global growth opportunities available to BPS after Listing. The Founders intend to hold their Shares and will enter into escrow agreements, which will preclude them dealing with their

This Prospectus contains detailed information about the Offer, BPS and its forecast financial performance as well as the risks Shares for two years from the date of Listing. associated with an investment in BPS. I encourage you to read this document carefully and in its entirety before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a shareholder of BPS.

Yours sincerely

Murray d'Almeida Chairman

ТОРІС	SUMMARY	FOR MORE INFORMATION
WHO IS THE ISSUER OF THIS PROSPECTUS?	SSUER OF THIS	
WHAT IS BPS' BUSINESS?	BPS' business is to provide technology platforms that drive customers to merchants and generate fees for BPS on each and every transaction.	Section 4
	BPS will be the owner of Bartercard, which controls the largest Trade Exchange in the world. Processing over 1.8 million transactions with a value of over \$600 million per annum between 24,000 merchants and 54,000 cardholders across 7 countries.	
	BPS' wholly owned subsidiary Tess, will offer the Tess Platform (the core software technology that powers the Bartercard Trade Exchange), as a cloud based software service, to other Exchange Operators who collectively trade more than US\$20 billion in value per annum.	
	BPS' wholly owned subsidiary Bucqi Australia, is a merchant centric mobile loyalty, rewards and payments application. Bucqi allows merchants to operate, and consumers to participate in loyalty programs and make payments by scanning a QR code using their mobile device. In the near term the roll out of the Bucqi Platform will be aided by Bartercard's existing large merchant base and an innovative user origination commission structure.	
WHAT IS THE BARTERCARD TRADE EXCHANGE?	Like all Trade Exchanges, the Bartercard Trade Exchange is a closed proprietary monetary system whose member businesses trade goods and services with each other using a digital currency known as a Trade Dollar. A Trade Dollar has the same face value and purchasing power as an ordinary dollar. For tax and accounting purposes it is treated in all respects as an ordinary dollar.	Section 2 & 3
	All Trade Dollars are supported by the underlying value of the goods or services which are traded. Trade Dollars stored within a member's account can only be paid or redeemed by trading within the Trade Exchange.	
	At Listing, BPS will control the Bartercard Trade Exchanges through various management deeds between BPS entities and the Exchange Companies. The Exchange Companies will retain ownership of the Bartercard Trade Exchanges.	
WHY DO	To generate new or additional sales.	Section 2 & 3
MERCHANTS TRADE ON THE BARTERCARD TRADE	Merchants use the Bartercard Trade Exchange to trade their excess capacity of goods or services, without having to heavily discount, for other goods or services they would otherwise have to buy with cash. This helps preserve the cash reserves.	
EXCHANGE?	Historically, Bartercard has found that Trade Exchanges account for less than 5% of a participating merchant's turnover.	
	Trading on the Bartercard Trade Exchange is often preferable to some alternatives like mass discounting, or online sites because margins are maintained and core sales channels are not polluted.	
IS BPS PROFITABLE?	BPS Technology is a new holding company established for the purpose of the ASX listing and as such has no trading history.	Section 4
	The Bartercard Trade Exchange has been operating for 23 years and the BF Group has a history of profitability. In FY15 BPS is forecast to generate \$51.6 million in revenue, \$6.5 million in net profit after tax and provide a dividend yield of 7.25% based on the Offer Price of \$1.00.	

TOPIC	SUMMARY	FOR MORE INFORMATION
WHAT IS THE BPS	BPS will generate revenue from each of its three divisions:	Section 3
REVENUE MODEL?	<ul> <li>Bartercard charges a joining fee for a merchant to join the Bartercard Trade Exchange, a monthly marketing and support fee plus a transaction fee for every trade on the Bartercard Trade Exchange linked to the value of the trade (collectively the "Bartercard Platform Revenue").</li> </ul>	
	<ul> <li>At a corporate level, Bartercard also operates a franchise and license model.         Under the franchise model, it generates revenue from selling franchise territories         to franchisees who share in the underlying Bartercard Platform Revenue. Under         the license model, Bartercard receives a license fee based on the size and         number of businesses in the country or region and the period of the licence Plus         a share of the Bartercard Platform Revenue.</li> </ul>	
	• Tess will charge Other Trade Exchanges a monthly software fee plus a transaction fee linked to the value of every trade on the platform.	
	<ul> <li>Bucqi charges merchants a monthly marketing and support fee plus a transaction fee. The size of the transaction fee depends on whether the merchant originally introduced the customer to the Bucqi Platform or whether the customer was introduced by another party.</li> </ul>	
WHAT ARE BPS' BUSINESS	BPS seeks to generate revenue from a large number of transactions, by driving customers to SMEs.	Section 3
OBJECTIVES?	Bartercard seeks to increase its cardholders to 100,000 by FY16 as a result of growth planned for the business in the USA and UK. See Section 3.9.	
	The Tess business seeks to be the global standard software platform for the Trade Exchange industry.	
	The Bucqi business seeks to be a global leading merchant centric mobile loyalty and payment application widely adopted in the market place by merchants and consumers.	
HOW WILL BPS GROW?	The Bartercard business expects to grow via (1) Organic underlying merchant participation (2). Expansion into new identified territories and (3) Acquisition of other Trade Exchanges.	Section 3.9
	The Tess business expects to grow via new sales into the approximately 2,000 Trade Exchanges currently in operation, utilising the exclusive endorsement of the global association for trade exchanges (IRTA) to promote the Tess Platform as the preferred technology for use by its members.	
	The Bucqi business expects to grow by signing up new merchants initially based on existing Bartercard relationships. These merchants are expected to drive consumer adoption by offering their customers discounts and rewards based on use of the Bucqi App. Both merchant and consumer growth is expected from the innovative payment commission structure, which pays a cash commission for originating new merchants and new customers.	
HOW DOES BPS MANAGE ITS	BPS will manage its business from its global head-quarters in Southport, Queensland, through its three key divisions.	Section 3
BUSINESS?	Bartercard, Tess and Bucqi will manage their businesses through 75 offices across 7 countries. Each country has a national head-office that supports the offices in that country. All technology platforms are housed at the BPS head-quarters in Southport, Queensland.	
WHAT WILL BPS OWN AFTER COMPLETION OF THE OFFER?	After completion of the Offer, BPS will own:  * Bartercard which compromises operations in Australia, New Zealand, USA and the United Kingdom, as well as the intellectual property, licensing and trademarks.	Section 3
	<ul> <li>All technology and intellectual property rights associated with the Tess Platform and the Bucqi Platform.</li> </ul>	

TOPIC SUMMARY FOR MORE INFORMATION

WHO ARE THE FOUNDERS AND WHAT WILL BE THEIR INTEREST AFTER CLOSE OF THE OFFER? The Founders of BPS are Trevor Dietz, Brian Hall and Tony Wiese. At the date of this Prospectus, the Founders control all of the Shares in BPS Technology. The Shares controlled by the Founders and new Investors before and after the Offer are set out in the table below.

Section 9

SHAREHOLDER	% CONTROLLED BEFORE THE OFFER	SHARES CONTROLLED BEFORE THE OFFER <sup>1</sup>	% OF SHARES CONTROLLED AFTER CLOSE OF THE OFFER	SHARES CONTROLLED AFTER CLOSE OF THE OFFER
Trevor Dietz <sup>2</sup>	33.33	9,500,000	16.24	9,500,0001
Brian Hall <sup>2</sup>	33.33	9,500,000	16.24	9,500,0001
Tony Wiese <sup>2</sup>	33.33	9,500,000	16.24	9,500,0001
Philip Scott	0	0	3.42	2,000,0001
New Investors	0	0	47.86	28,000,000
Total	100	28,500,000	100	58,500,000

- 1. These Shares will be subject to Restriction Agreements which are further described in Section 9.8
- 2. Founders Shares are held by entities controlled by the Founders.

Directors (and their associates) may participate in the Offer.



**FOR MORE** TOPIC SUMMARY INFORMATION INVESTMENT HIGHLIGHTS LEADING MARKET The Bartercard Trade Exchange is the world's largest Trade Exchange. Section 3 POSITION, The Bartercard Trade Exchange has been operating for 23 years and has 54,000 **ESTABLISHED PROFITABLE** cardholders across 7 countries, with an annual trading value of over \$600 million. BUSINESS Bartercard has a long and consistent track record of strong cashflow generation. Mature operations, strong cashflows. **FULLY** The Tess and Bucqi Platforms are fully developed technologies. Section 3 **DEVELOPED** The Tess Platform has been powering the Bartercard Trade Exchange for several **TECHNOLOGY** years, processing over 1.8 million transactions per annum. The Tess Platform has been recognised as the world's leading barter trade software platform by the Tess and Bucgi global association for trade exchanges, IRTA. Platforms built and in the market Tess has already gained traction by signing contracts with IRTA and a Trade Exchange in India. The Bartercard mobile application, reached number 3 in the Apple App Store and remained in the top 100 of both Google Play and Apple App Store in Australia for a month. The Bucqi Platform and App are fully developed and are currently being rolled out in Australia through Bartercard's merchant base. **CLEARLY** Funds raised in the Offer will assist BPS to execute its growth strategies. These Section 3 **IDENTIFIED** include: **GROWTH**  Acquire the profitable Bartercard NZ business STRATEGY IN 2. Expand Bartercard franchise territories (and therefore merchants) in the LARGE MARKETS United Kingdom and the United States of America Addressing the 3. Rollout the Tess Platform in a co-ordinated effort with IRTA to establish it as billion dollar Trade the global Trade Exchange software platform enabling seamless trade across Exchange industry Trade Exchange communities globally 4. Rollout the Bucgi App to clearly identified merchant and consumer bases 5. Bolt on acquisition opportunities of smaller Trade Exchanges for accelerated arowth. IRTA states that the Trade Exchange industry is estimated to generate transactions worth US\$20 billion per annum and growing at 15% per annum. **FINANCIAL** • BPS has forecast revenue of \$51.6 million and net profit after tax of \$6.5 million Sections **PROFILE** 4.5 & 9.10 Expected dividend yield of 7.25% in FY15 based on the Offer Price. Highly scalable financial model, · BPS' product offerings do not require substantial further capital expenditure, nor is it anticipated that they will require large marketing budgets. The FY15 top line and forecast for capital expenditure is less than \$1.5 million and the marketing bottom line growth budget is less than \$500,000. opportunities · Bartercard is profitable with established revenues from a large customer base exceeding 24,000 merchants. At Listing, BPS Technology will have net assets (excluding goodwill) of \$15 million and is forecasting strong operating cash flows in FY15. The first interim dividend is not expected to be franked, however, subsequent dividends will be franked to the fullest extent possible. **EXPERIENCED**  The Directors and the management team are experienced in the Trade Exchange Sections 5 industry, cash and digital payment systems, software design and implementation **MANAGEMENT** and international licensing. AND BOARD A co-founder of the Bartercard Trade Exchange as well as the previous Paypal Track record in Australia Managing Director are on the Board. building global The Board has three Non-Executive Directors who also bring extensive domestic trading platforms and international experience in payments systems, franchising and financial and payment systems All Founder Shares will be subject to Restriction Agreements for 2 years.

TOPIC SUMMARY

FOR MORE INFORMATION

#### **KEY RISKS**

Investors should consider all of the risks set out in Section 6 before deciding whether or not to apply for Shares.

# WHAT ARE THE KEY OPERATING RISKS?

• Bartercard revenue - Revenue received by Bartercard is dependent upon the volume and value of transactions settled by Bartercard, its licensees and franchisees and the arrangements with the relevant Bartercard Trade Exchange remaining on foot. A deterioration in the Bartercard business in any country in which it operates would result in the Bartercard revenue falling below existing levels.

Sections 6.2

- Bucqi revenue There has been some early acceptance of the Bucqi Platform however, it remains a largely new loyalty and payments platform that will rely upon acceptance of the product by a wide user base in any market in which it competes.
- New Tess sales The Tess Platform has a track record of operating stability and successful trading. It has been developed with and used by Bartercard and Bartercard's existing licensees for several years. However, until now it has been a captive technology platform used only by the Bartercard Trade Exchange and not by third parties. Tess has signed a new software service agreement with an Indian client and IRTA is contracted to promote it as its platform of choice to its members, however there is no certainty that BPS will be successful in licencing the Tess Platform to other Trade Exchanges.
- Competition / new technology BPS is a technology business. New technologies
  are constantly emerging in each of the areas in which BPS will operate. The cost
  of developing, launching and bringing to market these competing technologies
  continues to fall. The payments sector is particularly competitive with many
  well-funded international competitors. Failure to compete successfully in other
  countries against current or future competitors would limit new sales of the Tess
  Platform and / or the Bucgi Platform and may materially impact BPS' business.
- Exchange rate risk BPS is forecast to derive income from operations in other countries and this may increase as the Company expands its international operations. Strengthening of the Australian dollar against other currencies in which BPS operates may have a material negative impact on the Company's earnings.
- Changes in law and government policy With the rise in alternative and digital currencies like bitcoin, there is increasing risk of changes to laws and regulations in relation to digital currencies. While this may work in BPS' favour (as the Tess Platform is a longstanding, well established software platform of a Trade Exchange using digital currencies), there is a risk such changes could impact BPS' ability to offer its platforms or result in penalties and other liabilities in the event that BPS fails to take account of such laws and regulations. BPS has developed a strategy to ensure it places its concerns in front of any government body seeking to implement changes that may adversely affect the Company's operations. BPS could also be negatively impacted by any failure to gain approval from the regulatory authorities in foreign countries to allow the Tess or Bucqi platforms to operate in the relevant country.
- Trade Exchange industry BPS' major division will be Bartercard and other proposed customers of the Tess Platform who operate in the Trade Exchange industry. As such, the performance of BPS will be influenced by the prevailing economic conditions in the Trade Exchange industry. A reduction in the value or volume of transactions settled in the Trade Exchange industry, to the point that there is a consolidation of, or reduction in, the number of Trade Exchanges resulting in a reduction in the value of goods and services traded on Trade Exchanges, may reduce the overall demand for the Tess Platform. This may have an adverse effect on the financial performance and/or financial position of BPS.

TOPIC SUMMARY FOR MORE INFORMATION

#### **KEY RISKS**

# WHAT ARE THE KEY OPERATING RISKS?

- Personnel BPS' success, in part, depends upon the continued performance, efforts, abilities and expertise of its key management personnel, (particularly its Chief Executive Officer, Managing Director, Chief Financial Officer, Head of Software Innovation and Development, General Manager Digital Strategy Implementation and the General Manager, Mobile Payments Systems) as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of certain of these key personnel, without replacement, could have an adverse impact on the Bartercard business, the Tess Platform and/or the Bucqi Platform and the marketing of their services. Further, a substantial increase in labour costs for employees or contractors may have an adverse impact on the financial performance and/or financial position of BPS.
- Intellectual Property Risk Whilst every effort has been made to secure the technology supporting Bartercard, the Tess Platform and the Bucqi Platform, BPS does not intend to apply to register patents for all of the intellectual property associated with Bartercard, Tess and Bucqi Platforms. Other parties may claim infringement of patents or alternatively other parties may develop and patent other very similar, potentially substitutable products, processes or technologies.

#### WHAT ARE THE GENERAL RISKS RELATING TO THE OFFER?

- Offer External market forces or unforseen events or factors within BPS could delay or cause the cancellation of the Offer. If the Offer does not proceed or is delayed more than three months from the date of this Prospectus you will be entitled to a full refund of Application Monies.
- Share price Once Shares are quoted on the ASX the Share price might rise or fall and they may trade at prices either above or below the Offer Price. This could be caused by factors unrelated to the performance of BPS.
- Liquidity It is also possible that an active trading market may not develop for Shares making it difficult to buy or sell Shares quickly or at the desired price.
   This risk may be reduced if BPS issues more Shares and if the Shares controlled by the Founders are sold after their release from escrow 2 years after Listing.
- Service delivery failure BPS relies on its intellectual property to provide its customers with its services. There may be a failure to deliver the services as a result of numerous factors including human error, power loss, improper building maintenance of landlords in leased or licensed premises after earthquake, flood and other natural disasters, industrial disruption, sabotage, vandalism and other factors. Any material failure in service delivery will have a material adverse effect on the business of BPS.

Section 6.2

Section 6.3

ТОРІС	SUMMARY	FOR MORE INFORMATION	
OFFER HIGHLI	GHTS		
WHAT IS THE OFFER?	The Offer is an initial public offering of 28 million fully paid ordinary shares in BPS Technology. The Shares being offered will represent approximately 48% of the issued capital of the Company on completion of the Offer. The remaining 52% of the issued capital of the Company will be controlled by the Founders and Mr Philip Scott.		
WHAT IS THE OFFER PRICE?	\$1.00 per Share.	Section 7	
WILL THE SHARES BE LISTED?	BPS Technology will apply to the ASX for its admission to the official list of the ASX and quotation of Shares on the ASX (expected to be under the code BPS) within seven days of the date of this Prospectus.	Section 7	
WHY IS THE	The Offer is being conducted to:	Section 3 & 7.3	
OFFER BEING CONDUCTED?	bring Bartercard to the listed environment		
	<ul> <li>effect the completion of the Transaction, including the acquisition of Bartercard NZ</li> </ul>		
	<ul> <li>provide working capital to assist in the roll out of the Tess Platform and Bucqi Platform;</li> </ul>		
	<ul> <li>exploit the considerable global growth opportunities available to BPS after Listing including expansion of Bartercard and acquisition opportunities of Trade Exchanges; and</li> </ul>		
	• pay the costs of the Offer.		
WHO CAN APPLY UNDER THE OFFER?	The Offer is open to residents of Australia and New Zealand.	Section 7	
WHAT IS THE MINIMUM AND	Applicants must apply for a minimum value of \$2,000 and in multiples of \$500 thereafter.	Section 7	
MAXIMUM APPLICATION SIZE UNDER THE OFFER?	The value of Shares that may be applied for under the Offer is not subject to a maximum amount. However, the Lead Manager, in consultation with the Directors, reserves the right to reject any Application or to allocate a lesser amount of Shares than that applied for, in their absolute discretion.		
IS THERE ANY		Section 7	
BROKERAGE, COMMISSION OR STAMP DUTY PAYABLE BY THE APPLICANTS?	No brokerage, commission or stamp duty is payable by Applicants on Shares allotted under the Offer.		
HOW CAN I	You may apply for Shares under the Offer by completing a valid Application Form.	Section 7	
APPLY?	To the extent permitted by law, an application by an Applicant under the Offer is irrevocable.		
CAN THE OFFER BE WITHDRAWN?	BPS Technology reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants.	Section 7	
	If the Offer does not proceed, Application Monies will be refunded in full. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.		

TOPIC	SUMMARY	FOR MORE INFORMATION
IS THE OFFER UNDERWRITTEN?	No, the Offer is not underwritten. Patersons Securities Limited has been appointed by the Company as Lead Manager to the Offer.	Section 9.10
WILL DIVIDENDS BE PAID ON THE SHARES?	The payment of a dividend by BPS Technology is at the discretion of the Directors and is subject to a number of factors such as cash flows and available distributable profits and any other factors the Directors consider relevant.	Section 4
	It is the current intention of the Board to pay interim dividends in April and final dividends in October each year.	
	The Board's current intention is to pay the first dividend in April 2015.	
	Beyond FY15, BPS Technology's dividend policy is to distribute up to 70% of net profit after tax. The first interim dividend is not expected to be franked, however, subsequent dividends will be franked to the fullest extent possible.	
	Notwithstanding BPS Technology's intentions, no guarantee can be given about future dividends, or the level of franking or imputation of such dividends or the payout ratios as these matters depend upon the future profits of BPS Technology and its financial and taxation position at the time.	
WHAT IS THE EXPECTED DIVIDEND YIELD ON THE SHARES?	In respect of FY15, the Directors expect to declare an annualised dividend of 7.25 cents which equates to a 7.25% yield based on an Offer Price of \$1.00 per Share. Payment of this dividend is subject to a number of factors which are discussed in Section 4.	Section 4
WHAT ARE THE TAX IMPLICATIONS OF INVESTING IN THE SHARES?	A discussion of certain Australian tax consequences of participating in the Offer and investing in Shares for Australian tax residents is set out in Section 9.13. Investors should consider the tax consequences of the Offer and investing in Shares in light of their own particular circumstances and seek advice from their tax adviser.	Section 9.13



#### 2.1 TRADE EXCHANGES

#### **2.1.1 INDUSTRY BACKGROUND**

There are over 2,000 Trade Exchanges globally transacting more than US\$20 billion per year in goods and services. IRTA estimates that the transaction value is growing at 15% per annum.

Trade Exchanges have been around for decades and are typically highly community centric.

The key drivers of a successful Trade Exchange are member numbers, member diversity, geographic reach and the average total transaction volume and value per member.

The Bartercard Trade Exchange is the largest participant in a market of many small Trade Exchanges which will provide a competitive advantage to BPS. Other competitive advantages include strong management systems, effective member engagement and a world class software platform in Tess. Smaller Trade Exchanges generally cannot afford the complex and necessary software development programs required to remain competitive in a digital environment.

The popularity of Trade Exchanges has recently been enhanced with the general awareness of alternate and digital currencies such as bitcoin and the enhancement of Trade Exchange delivery to merchants facilitated by global cloud computing and smart phone adoption.

#### 2.1.2 WHAT IS A TRADE EXCHANGE?

A Trade Exchange provides merchants with an additional sales channel and allows them to sell excess capacity of goods or services without having to heavily discount. Merchants trade their goods and services, for goods and services that they would otherwise have to buy with cash.

Trade Exchanges are, in essence, a closed proprietary monetary system whose member businesses trade goods and services with each other using a digital currency known as a Trade Dollar. A Trade Dollar has the same face value and purchasing power as an ordinary dollar.

Importantly, a member:

- does not have to purchase goods or services from the same business that purchases from that member;
- can purchase from any member in the network whether locally, nationally or internationally; and
- can trade at any time as value can be stored for use at a later time.

The sale value of the goods or services is set by the selling merchant in the same way as it would if it had been transacted for cash. There is no specific opportunity to inflate the value of goods and services sold on a Trade Exchange, as there is no reason or incentive for buyers to buy overpriced goods and services.

In all countries in which a Bartercard Trade Exchange operates, Trade Dollars are treated in all respects as an ordinary dollar for tax and accounting purposes. All Trade

Dollars are supported by the underlying value of the goods or services which are traded. Trade Dollars stored within a member's account can only be paid or redeemed by trading within the Trade Exchange.

The operator of the Trade Exchange holds no liability for any merchant credit or debit balances. The Exchange Operator acts as the record keeper and trusted administrator working for the benefit of all the members.

Trade Dollars cannot be specifically redeemed for cash, they must be traded for goods and services. However, in the event of a merchant defaulting or going bankrupt the Exchange Operator acting on behalf of the members of the Trade Exchange, may recover debit balances for cash settlement utilising standard court recovery and bankruptcy proceedings in the applicable country.

#### 2.1.3 WHY DO MERCHANTS PARTICIPATE?

Merchants participate to generate new or additional sales.

Merchants use Trade Exchanges to trade their excess capacity of goods or services, without having to heavily discount for other goods or services they would otherwise have to buy with cash. This helps preserve the cash reserves.

Historically, Bartercard has found that Trade Exchanges account for less than 5% of a participating merchant's turnover. Trading on a Trade Exchange is often preferable to some alternatives like mass discounting or online sites because margins are maintained and core sales channels are not polluted.

Members of a Trade Exchange can access a captive audience of willing buyers and sellers who accept Trade Dollars. Once a trade sale is made the merchant holds Trade Dollars and is incentivised to spend that Trade Dollar before spending cash. A merchant should seek first to source needed goods and services from other members of the Trade Exchange. This provides members with a competitive advantage to competing merchants who are not members of the Trade Exchange or do not accept Trade Dollars.

The Trade Exchange model can provide participants with other competitive advantages. In particular, businesses can:

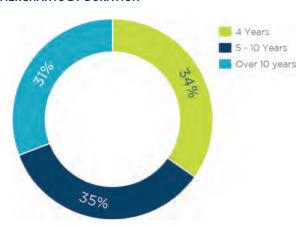
- pay for goods and services with their own goods and services rather than cash, thereby retaining the cash in their business
- utilise the Trade Exchange to move excess stock or idle inventory and fill downtime or excess capacity
- retain existing clients and win additional contracts by accepting payment in goods and services as opposed to wholly in cash
- reduce bad debt exposure by accepting payment in goods and services when cash is not available.

## 2.1.4 WHO IS INVOLVED IN THE BARTERCARD TRADE EXCHANGE?

One of the keys to a successful Trade Exchange is the diversity and breadth of merchants and industries represented that is the goods and services available.

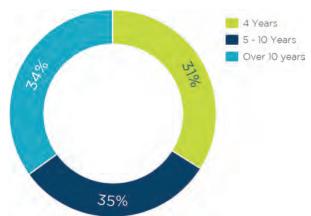
Bartercard has been able to form deep relationships with its merchants and become an integral part of their business. The trusted relationship and strong loyalty to Bartercard is demonstrated by the fact that 66% of merchants have been trading on the Bartercard Trade Exchange for more than five years. As illustrated in the pie chart below 31% of members have traded on the Bartercard Trade Exchange for more than ten years.

#### **MERCHANTS BY DURATION**



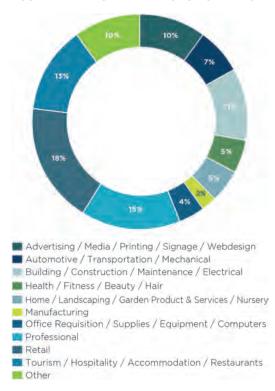
The power of the Bartercard Trade Exchange and its relevance to merchants is further evidenced by the fact that merchants continue to consistently trade on the exchange. As highlighted in the pie chart below, members that have been with Bartercard for less than four years, between five and ten years and more than ten years trade approximately the same amount.

#### 12 MONTH TRANSACTION VALUE BY MERCHANTS DURATION



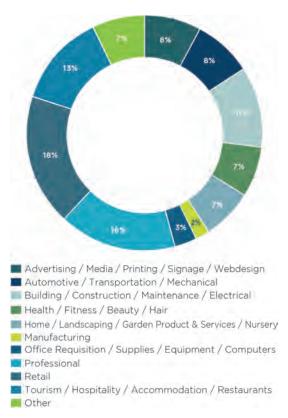
As the world's largest Trade Exchange, the Bartercard Trade Exchange has more than 24,000 members which represents a wide and diverse range of industries.

#### **INDUSTRY BREAKUP BY TRANSACTION VALUE**



Additionally, no single industry sector dominates the value of transactions across the Bartercard Trade Exchange.

#### INDUSTRY BREAKUP BY MEMBER NUMBERS



The combination of the diversity of the membership base and the variety of the transactional value provides Bartercard with a stable revenue stream not reliant on or impacted by any particular member or any particular industry segment.

## 2.1.5 HOW DO THE BARTERCARD TRADE EXCHANGES WORK?

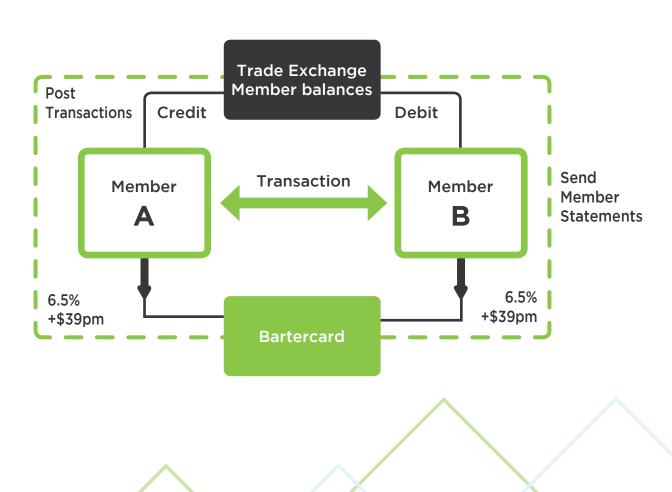
Bartercard's business systems, protocols and operating procedures are proprietary and have been honed over 23 years of practical experience.

The Bartercard Trade Exchange operates in the following manner:

- Upon joining, merchants sign a membership agreement. Based on the financial strength of their business, the merchant can qualify for a small initial, interest free line of credit in Trade Dollars which enables a merchant to immediately trade on the exchange.
- When a merchant buys goods or services its trade account is debited and the seller's trade account is credited.

- **3.** Trade transactions are priced at the value agreed between the purchaser and seller the same as if the transaction had been done for cash.
- 4. A merchant in debit owes that value (in their goods or services) to all other members of the Trade Exchange. If a merchant is in credit all members of the Trade Exchange collectively owe that merchant that value in their own goods or services.
- At the end of each month, Bartercard sends each merchant a Statement detailing every transaction including Bartercard's fees.
- Bartercard's fees which are payable in cash can be debited directly from merchants' bank accounts or paid in the ordinary manner.
- Each merchant has direct access to an account manager to assist with a merchant's requests and promote trading between merchants.

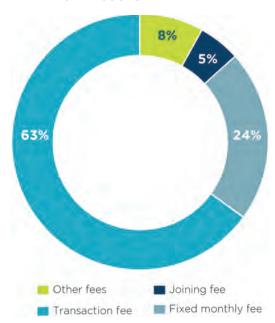
The following diagram represents how a transaction occurs within the Bartercard Trade Exchange.



#### 2.1.6 ECONOMICS

Bartercard principally earns revenue from joining fees, transaction fees, fixed monthly marketing and support fees and other fees, as demonstrated by the pie chart below.

#### **FY 14 REVENUE BY SOURCE**



Bartercard charges both buyer and seller 6.5% of the value of all their transactions (i.e. both sides of the transaction). Some merchants, including charities, community organisations and sporting organisations, may from time to time receive a discount on this rate.

- Bartercard charges a joining fee and fixed monthly marketing and support fee
- The more trading that occurs on the Bartercard Trade Exchange the more money Bartercard makes
- Bartercard has operated through several up and down economic cycles over many years
- Bartercard has no liability for any merchant credit or debit balance.

#### 2.1.7 INDUSTRY OVERVIEW

The world of commerce experiences well publicised peaks and troughs impacted by events including natural disasters, civil unrest, changes in political leadership and associated policies and the introduction of disruptive technologies. However, the role of the SME business owner remains important. This group forms the financial backbone of many developed nations.

The SME market is one which is regularly renewing as business owners enter and leave the market-place.

SMEs often seek to retain existing customers, gain new business and to offset cash expenses. Many SMEs have

excess capacity which if not used is wasted and the earning potential from that excess capacity is lost.

One of the purposes of Trade Exchanges is to take up the excess capacity that exists in SME businesses. Direct barter trade is very difficult for most SMEs. Trade Exchanges solve the problems associated with direct barter transactions. Trade Dollars are regarded as stored value that can be exchanged with other merchants in the same Trade Exchange. SMEs are able to trade (barter) with confidence as Trade Exchanges document each transaction for legal and taxation purposes.

Most Trade Exchanges are restricted to a local area (city or state). Few have a national reach and even fewer have international reach.

A successful Trade Exchange will generally have:

- excellent software to underpin its record keeping and management systems;
- an excellent Customer Relationship Management (CRM) system; and
- a dedicated team of highly trained personnel to provide support to, and trading opportunities between, its SME members.

The correct combination of software, sound management systems, excellent training standards and a commitment to customer service can make the difference between an average Trade Exchange and a successful and growing Trade Exchange.

The growth drivers across the industry are several fold. Trade Exchanges best operate in countries and locations that enjoy political and civil stability, where there is an established legal system, good telecommunications, an established banking system and where commerce and business ownership is encouraged and freely practiced.

To be successful, a large Trade Exchange should have quality software offering its members methods to find deals and to transact in a manner that is no different from the cash world. An active referral campaign from existing members helps a Trade Exchange grow by introducing new SMEs into the market. Every SME member should be supported and have a dedicated account manager to assist the member to trade at their optimum level. Successful Trade Exchanges often hold regular member events such as trade shows, conferences and awards nights designed to create a business community of like-minded people interested in maximising the potential of their business.

Trade Exchanges are not overly sensitive to economic cycles. In downturns, exploiting surplus capacity becomes critically important while in upturns, trade volume increases, so there can be positive features from different stages of the economic cycle. Trade Exchanges typically have a large number of SME members and do not tend to be dependent on the continued membership of a few key customers or overly exposed to any one particular industry.

#### 2.1.8 TRADE EXCHANGE PLATFORM PROVIDERS

There are several software providers to the Trade Exchange industry. Most software has been created by individuals associated with a Trade Exchange owner who could not find software fit for purpose and therefore commissioned their own. Software created in this manner is typically remarketed without customisation or modification to other Trade Exchange owners who are experiencing their own challenges.

Current software offerings in the industry generally lack multi-site, multi-currency, multi-national and multi-lingual capabilities. Fewer still use cloud based technology and very few host the member and transactional data related to the Trade Exchange.

The Tess Platform provides scalable software solutions for small, medium and large Trade Exchanges as well as enterprise level Trade Exchanges such as the Bartercard Trade Exchange. The software and the associated data is hosted in the cloud and data, which is vital to an Exchange Operators' business, is professionally managed and backed up. This reduces the need for the Exchange Operator to have their own high cost facilities and off-site disaster recovery centre. Nor does the Exchange Operator have to maintain a suite of applications for various mobile platforms used in the business.

The Tess Platform was developed by Bartercard reflecting many years of experience managing, operating and licensing the largest multi-site, multi-national, multi-currency Trade Exchange in the world. Bartercard has a dedicated inhouse team of experienced software developers and I.T infrastructure specialists who seek to continually refine and further develop the software to maintain its industry leading performance.

#### 2.1.9 REGULATION OF TRADE EXCHANGES

In Australia, Trade Dollars are accounted for in the same way as cash for income tax and GST purposes. The Australian Taxation Office has issued an Income Tax Ruling (IT 2668) which confirms this position. The Trade Exchange industry is also subject to the Corporations Act and the Competition and Consumer Act.

Internationally, in all the countries in which the Tess Platform operates, the income taxation and national company regulators account for barter similar to cash or property. Trade Exchanges exist and operate in most developed countries in the world and no existing material regulatory constraints for the planned international expansion are currently foreseen. Generally the Trade Exchange industry is not regulated however IRTA promotes just and equitable standards of practice and operation within the Trade Exchange industry.

#### 2.1.10. BARTERCARD AND OTHER TRADE EXCHANGES

Bartercard commenced operations in Australia in February 1991. Bartercard has grown and now operates in more than 75 offices across 7 countries involving more than

24,000 members and approximately 54,000 cardholders. Members' transactions are currently in excess of \$600 million per annum and Bartercard settles more than 1.8 million transactions annually. Bartercard seeks to increase its cardholders to 100,000 by FY16 as a result of growth planned for the business in the USA and UK. See Section 3.9.

The Bartercard Trade Exchange is the largest multi-site, multi-national and multi-currency Trade Exchange in the world. Its members undertake more transactions with a combined value greater than any other Trade Exchange.

IRTA estimates there are more than 2,000 Trade Exchanges globally which collectively trade in excess of US\$20 billion per annum.

Members of the Bartercard Trade Exchange have the opportunity to trade in more countries than members of any other Trade Exchange in the world. The historical records of the Bartercard Trade Exchange show that the average transaction value of a member is \$25,000 per annum.

The industry currently has no software or payment interchange standards and this has hampered growth across the industry. Further, unlike the "payment rails" created by Visa Card International and MasterCard International, there is no equivalent system in the Trade Exchange industry.

IRTA has recognised this fact and has taken the view that an industry standard platform should be developed. BPS and IRTA have entered into a five year agreement for IRTA to use the Tess Platform in its Universal Currency Exchange business and to exclusively promote the Tess Platform as the preferred technology to its Trade Exchange members worldwide.

#### 2.2 LOYALTY PROGRAMS

#### 2.2.1 OVERVIEW OF LOYALTY PROGRAMS

Generally, loyalty programs are used as a means to bring consumers to merchants, particularly in the SME sector. Most SMEs do not have, or cannot afford to administer their own sophisticated loyalty programs. SMEs have limited capacity to invest in the design, deployment and continued innovation required to compete with online and "deals of the day" sites.

Various franchise chains have been successful in developing "Apps" that keep track of things such as ordering a pizza and tracking its delivery to give them a market edge.

Many SMEs are looking for a solution to level the playing field and allow them to offer "deals of the day" relative to their business and manage a loyalty and reward program for their customers.

The market comprises:

 major corporations - like banks, supermarkets and airlines which offer integrated loyalty programs using enterprise systems developed in-house or from third parties SMEs - traditional loyalty programs are typically paper or card based solutions. This does not always provide the merchant with any data or means of consumer engagement and may not be linked to any payment capability. Customers are increasingly reluctant to add yet another card to their wallet or purse and can be unwilling to go on-line to complete screens of information for a limited return.

By downloading the free Bucqi App and providing relevant details, a consumer is able to:

- receive real time details of special offers from any merchant on the Bucqi Platform on their smart phone or mobile device
- order and pay for items from catalogues without having to go to a merchant's website and send delivery instructions and without having to enter further data
- receive or send electronic gift cards and vouchers for any merchant on the Bucqi Platform
- redeem special offers and loyalty points or find the best "deal of the day" from Bucqi Merchants in any locality they may be visiting
- reduce cards and paper vouchers from their wallets
- safely and securely store up to five credit and/or debit card details
- easily choose which credit or debit card to use for the transaction

#### 2.3 MOBILE PAYMENT SOLUTIONS

#### 2.3.1 OVERVIEW OF MARKET FOR MOBILE PLATFORMS

Mobile payments is an emerging sector in the large global payments market. A multitude of companies are seeking to find their niche in this market. The table right provides a sample of market participants and the Directors' understanding of their respective technology.

#### Well established global provider developed to support eBay trading community **PayPal** Primarily a payment solution Does not have a loyalty program, smart vouchers or ability to purchase directly off printed catalogues MasterCard/ Visa Card contactless system for chip cards Only for transactions under \$100 Paypass/ **Paywave** Less secure as no PIN Requires countertop device and credit/debit card Limited to payment solutions offered by the relevant bank Bank-led solutions Most focus on peer-to-peer payments among the bank's customers (E.g. ANZ, NAB, CBA) Only NAB and CBA use QR codes in Australia Typically require a card reader to Device

based solutions (e.g. Square, Mint Wireless)

- be attached to smart phones
- Square currently limited to magnetic strip cards
- Mint Wireless supports chip cards
- Consumer still required to present a card to make a payment



#### 2.3.2 BUCQI PLATFORM'S MARKET POSITION

It is the combination of features of the Bucqi Platform that BPS believes distinguishes it from the companies and market participants referred to above and will make it appealing to both SME merchants and the consumer. The Bucqi Platform is aimed at the SME market and is designed to drive consumers to merchants and encourage repeat business by using loyalty offers. The Bucqi App also makes it easy for the consumer to buy and pay for goods and services.

There are many payment gateway solutions in the market place but in most cases there is a cost to the merchant that may render using those solutions unprofitable for micro payments. Online ordering off a merchant's web site can be more time consuming as the consumer has to add the item to a shopping cart and complete detailed delivery instructions. The processing of the payment may then require a consumer to leave a merchant's website to enter payment details.

The Bucqi Platform eliminates much of that work. When a consumer downloads the Bucqi App they can enter up to five different credit or debit card details together with delivery details for all items purchased which require delivery. A consumer simply has to scan the relevant Bucqi QR code, choose the card from which to make the payment and enter their PIN. Payment and delivery instructions are automatically sent. The Bucqi QR code can be scanned from a web site, billboard, printed advertisement or at the business' point of sale.

Additionally, Bucqi Merchants have direct access to Bucqi App consumers. Merchants can notify consumers of one off, deal of the day, short time specials, track loyalty points or make special offers.

Consumers can create electronic gift certificates for any amount from any Bucqi Merchant and electronically send them to any person stored in the address book of their mobile device. A consumer can pay a friend, split a bill at a restaurant, redeem a gift certificate in full or in-part or pay using loyalty points in full or with some cash on the Bucqi App.

For consumers, the Bucqi App is free and they get the benefit of not having to keep multiple loyalty and payment cards and gift vouchers in their wallets or purses. A consumer can look in the Bucqi App for the best deal of the day offered by Bucqi Merchants in the area in which they prefer to shop.

Bucqi Merchants pay a fixed monthly marketing and support fee plus a percentage of the value of the transaction. This is generally considered by the merchant to be a marketing expense rather than a transaction fee as the consumer came to that particular merchant through the Bucqi Platform.

Any Bucqi Merchant or consumer who "originates" a consumer receives a commission of 1.0% of each transaction completed by that consumer with other

merchants on the Bucqi Platform. This feature will be especially useful to large community groups, sporting clubs, charities and schools as the 1.0% commission will provide these groups with additional revenue.

Any Bucqi Merchant who "originates" a merchant receives a commission of 0.5% of each transaction completed by a consumer with that merchant.



#### 3.1 HISTORY

BPS Technology was incorporated by the Founders in January 2014 as the vehicle to bring Bartercard, Tess and Bucqi into a listed environment. BPS will achieve this through the Transaction, further explained in Section 9. At Listing, BPS will have three key divisions:

- Bartercard;
- Tess; and
- Bucqi

#### **3.1.1 BARTERCARD**

The Bartercard Trade Exchange has been operating for 23 years and has expanded globally through franchise, license and corporate owned store models. Bartercard operates through 75 offices across 7 countries.

At the date of this Prospectus, the business operations of Bartercard in Australia, USA and the United Kingdom together with the Bartercard Management Systems are owned by the BF Group. These assets will be acquired as part of the Transaction.

The BF Group borrowed approximately \$34 million to finance a series of acquisitions in 2007 and 2012 which make up a material portion of Bartercard. Through strong cashflow generation, the BF Group has repaid approximately \$21 million of this principal debt. At the date of this Prospectus, the outstanding debt owed by the BF Group in connection with these acquisitions is approximately \$13 million. This will be repaid by the BF Group from proceeds received by it as part of the Transaction.

The business of Bartercard in New Zealand is currently owned by the NZ Sellers! It is currently independent of the BF Group but operates under an international licence arrangement from the BF Group. BPS sees a significant opportunity in the acquisition of Bartercard NZ. At Listing, Bartercard NZ will substantially add to the operating capability of BPS.

Currently, restrictive debt covenants prohibit the BF Group from providing its software as a white label product. The BF Group will use the proceeds paid to it under the Transaction, to repay debt and therefore remove these restrictive debt covenants. This creates an opportunity for BPS to provide the Tess Platform as a white label product to the Trade Exchange industry. This white label product will be branded the Tess Platform. BPS has received the endorsement of IRTA for the Tess Platform as the industry standard platform for Trade Exchanges. IRTA, as a result, has entered into a contract for the exclusive distribution of the Tess Platform to its worldwide audience of Trade Exchanges. BPS views this as a significant opportunity for growth in one of its core businesses.

After completion of the Offer, BPS will acquire Bartercard and the Tess Platform in a series of transactions disclosed in Section 9.10. In addition, 2 million Shares will be issued to settle BPS' obligations in respect of the Bucqi Transaction. The balance of the Offer proceeds of \$4 million will be used to further the strategic objectives of BPS.

 BCIB owns 0.5% of Bartercard NZ. This holding will be acquired by BPS as part of the Transaction, refer to Section 9.10.6

#### **3.1.2 TESS PLATFORM**

The Tess Platform was developed to service the Bartercard Trade Exchange which is now the world's largest multinational Trade Exchange. The technology has been used exclusively by the Bartercard Trade Exchange for several years. After Listing, BPS intends to offer the white label version of the technology as the Tess Platform to other Trade Exchanges in international markets, other than Australia and New Zealand.

#### 3.1.3 BUCQLPLATFORM

In January 2014 BPS acquired 66% of the shares in Bucqi Australia, the entity which holds all the rights and intellectual property associated with the Bucqi Platform. At Listing BPS will own 100% of Bucqi Australia.

The Bucqi Platform was originally developed by Philip Scott over a period of approximately 2 years as a base platform for a loyalty and mobile payments system. Following the acquisition, further development and beta testing has been undertaken by BPS to advance the potential of the business model. The Bucqi Platform is now being rolled out in Australia through the Bartercard merchant base.

#### 3.2 RELATIONSHIP WITH THE BF GROUP

The Founders control 100% of the issued ordinary shares in Barter Futures. Under the Transaction, BPS will acquire the businesses of Bartercard in Australia, USA and the United Kingdom, the Bartercard Management Systems and the Tess Platform from the BF Group.

As set out in Section 9.11, at the date of this Prospectus Trevor Dietz, Tony Wiese and Brian Hall are directors of Barter Futures and BPS Technology.

On completion of the Offer:

- Brian Hall, currently the CEO of Barter Futures, will become Managing Director of BPS;
- Trevor Dietz, currently the COO of Barter Futures, will become CEO of BPS; and
- Tony Wiese, currently the CFO of Barter Futures, will become the CFO of BPS

As part of the Transaction, BPS will offer employment to all BF Group employees.

BPS will after the Transaction, control and manage the Bartercard Trade Exchanges through the various management deeds between BPS entities and the Exchange Companies.

#### 3.3 BPS TECHNOLOGY DIVISIONS

At Listing, BPS will have three complementary technology offerings which seek to drive customers to merchants and allow BPS to earn a fee on each and every transaction.

Strategically, BPS starts with the business of Bartercard, which provides the operating system, experience and roll out execution capabilities to Tess and Bucqi. It also provides the initial merchant base for the Bucqi Platform to grow.

The Tess Platform roll out connects other Trade Exchanges to the Bartercard Trade Exchange allowing Bartercard

members the ability to trade with members of Other Trade Exchanges enhancing the merchant trade volume. As the Bucqi Platform is pre-installed in all Tess Platforms it provides an expanded captive merchant base for the Bucqi Platform expansion.

Bucqi will provide both Bartercard Trade Exchanges and Other Trade Exchanges with an expanded technology offering and the Bartercard network with a future outlet for use of Trade Dollars.

The below diagram shows the inter-relationship between the three divisions of BPS:



#### 3.4 BARTERCARD TRADE EXCHANGE

The Bartercard Trade Exchange is the world's largest Trade Exchange with 24,000 merchants and 54,000 cardholders across 7 countries, with an annual trading value of over \$600 million.

#### BARTERCARD TRADE EXCHANGE'S GLOBAL FOOTPRINT AT LISTING



#### 3.5 TESS PLATFORM

The technology platform which will be acquired from the BF Group on completion of this Offer will be branded the Tess Platform. It is currently the exclusive platform used by Bartercard. The platform currently facilitates trade in excess of \$600 million of goods and services each year, with more than 1.8 million transactions in Australia, New Zealand, United Kingdom, Thailand, USA, United Arab Emirates and Cyprus.

The Tess Platform enables participants to pay internationally in country denominated trade currency. Participants are able to trade their goods and services at any time of the day or night, 365 days a year using mobile, desktop or other internet enabled devices.

The Tess Platform comprises a number of applications. BPS will have 20 in-house staff handling software and hardware associated with the Tess Platform. The Tess Platform provides 4 key applications to support Bartercard's 75 offices across 7 countries. Some key attributes are as follows:

 the Administration application is a Windows desktop application written in Microsoft's Visual Basic;

- the Customer Relationship Manager Application is a website running on top of a Microsoft Internet Information Server utilising Microsoft Application Service Pages to present HTML content to users. This website will interact with the specific trade exchange database:
- the country to country payment clearance house is a Windows application written in Microsoft's Visual Basic which synchronizes transactions between countries of the same Trade Exchange.
- the Customer Portal is a website which is comprised of a number of sub websites all running on the Microsoft's Internet Information Server. The websites utilise a variety of technologies from Microsoft ASP, Microsoft ASP.Net, Windows Communication Foundation and jQuery. All websites that make up the portal interact with a global Microsoft SQL Server database.

Tess is committed to remaining at the leading edge of software development and this commitment has led to IRTA contracting to promote the Tess Platform for use by all Trade Exchanges. Future software releases by Tess (due to be deployed in late 2014) will take an even more modern approach to its presentation as there will be only

one web location that both staff and members of a Trade Exchange will be required to use. This web location will be presentable on multiple devices irrespective of size or operating system.

The new Tess software features a rich client website (better known as a Single Page Application) that is hosted within Microsoft's Azure cloud solution.

When launched in late 2014 the newly featured Tess website will utilise modern HTML5 browser capabilities and the rich nature of JavaScript built into modern browsers by building upon the popular AngularJS framework developed by Google.

The back end REST services that provide the application programming interface (API) will continue to utilise the Microsoft.NET technology stack by building upon Microsoft ASP.NET Web API framework.

The sophisticated functionality of the Tess Platform is illustrated in the table below.

The Tess Platform will be marketed to other Trade Exchanges in international markets, other than Australia and New Zealand. Other Trade Exchanges are expected to pay a monthly fee appropriate to their size in addition to a 0.5% transaction fee on billable transaction value. Given that the marginal cost of providing the platform to additional customers is very low, the potential for high margins and increased profitability from Other Trade Exchanges and increased scale is significant.

Tess will have a sales commission structure under which Tess will pay an approved originating entity 20% of the transaction fee of a new Trade Exchange in the first year and 5% thereafter for the life of the contract with the Trade Exchange.

There are a number of platforms that are currently used by Trade Exchanges internationally. However, as discussed in the Industry Overview above (Section 2), these platforms invariably have a small user base.

The Tess Platform has a number of additional or superior features which distinguish it:

- Functionality it is one of the most comprehensive platforms available in the Trade Exchange market
- Global Platform it is the only platform that supports
   Trade Exchange communities trading in several countries across the globe
- Endorsement it is the only Trade Exchange platform endorsed by IRTA
- Multi-currency it has a proven multi-currency functionality which enables parties to trade goods and services in several countries across the globe
- Support Tess offers full enterprise level support and a development team with a proven ability to support multi-site and multi-national operations
- Experience Tess is supported by an experienced team with a track record of developing the world's leading Trade Exchange
- Scale it currently settles more than 1.8 million transactions per year with a billable transaction value in excess of \$600 million across 7 countries
- Resources BPS will have greater financial resources compared with most competitors.

EXCHANGE	SALES	TRADE	MEMBER	MOBILE
MANAGEMENT	MANAGEMENT	MANAGEMENT	WEBSITE	APPLICATION
<ul> <li>New member processing and control</li> <li>CRM</li> <li>Multiple transaction processing methods</li> <li>Invoicing and payment processing</li> <li>Recoveries and debt collection</li> <li>Audit trail of changes and charges</li> </ul>	<ul> <li>New member processing and control</li> <li>CRM</li> <li>Detailed new member data analysis reporting</li> </ul>	<ul> <li>Trading CRM system</li> <li>Transaction status reports</li> <li>Trading commission outstanding reports</li> <li>Account Manager</li> <li>Activity analysis</li> <li>Member directory descriptions</li> <li>Internal trading competition program</li> <li>Member trading histories</li> </ul>	<ul> <li>24/7 access to trading opportunities for clients</li> <li>Fully secure with password access</li> <li>Instant electronic transactions</li> <li>Online directory complete with mapping capability</li> <li>Online marketplace for buying, bidding, and selling</li> <li>Online member statements</li> <li>Tourism section</li> <li>Real Estate section</li> <li>Electronic client form</li> </ul>	<ul> <li>24/7 access         to trading         opportunities         for clients</li> <li>Instant electronic         transactions</li> <li>Online promotions</li> <li>Online directory         complete with         mapping capability</li> </ul>

Exchange Operators are expected to gravitate towards the Tess Platform as its core functionality seeks to:

- simplify operations:
- reduce operating costs: and
- allow the membership base to trade with Other Trade Exchanges thereby enhancing their offering in the market place.

## 3.6 EXTERNAL RECOGNITION OF THE TESS PLATFORM

In March 2014, IRTA recognised the strength of the platform and the superior functionality that it offers and is contracted to promote the software as the preferred technology to the Trade Exchange industry worldwide. Tess acknowledges that Exchange Operators are free to choose whatever software they feel best suits their circumstances.

The Franchise Council of Australia awarded its Innovation Award 2013 for the mobile application associated with the Tess Platform.

The same application was a finalist in the Australian Mobile Payments Awards for 2013.

#### 3.7 BUCQI PLATFORM

The Bucqi Platform is a comprehensive loyalty and mobile payments platform which is an ideal complement to the Tess Platform for SMEs.

The Bucqi Platform and Bucqi App has been in development for approximately 2 years.

The core back-end services are built as a Microsoft IIS (Internet Information Services) extension built in a development platform called Delphi, originally by Borland, now an Embarcadero product.

Delphi is a Pascal language based system with very strong type checking and exceptional native coding performance. All the Bucqi Platform back-end services are built using Delphi.

The consumer Bucqi App as well as the merchant POS app were both built using the Telerik Platform system which is based on the Cordova platform. It uses HTML5, CSS3, jQuery and Kendo Professional with native hardware extensions to provide a cross platform app with native-like performance. This allows the development of one app that can be distributed across the iPhone, Android and Windows platforms.

#### **CONSUMERS**

Consumers can easily download the application onto any internet connected mobile device and pay merchants by scanning a QR code. The download and use of the Bucqi App is free for all consumers.

Consumers are expected to adopt the Bucqi Platform for the following reasons:

- they receive offers and rewards from Bucqi Merchants on the Bucqi Platform that are relevant to them:
- the Bucqi Platform is convenient, secure, flexible and fun to use; and
- they can receive a financial benefit by earning a commission for introducing new consumers to the Bucqi Platform.

#### **BUCQI FOR CONSUMERS**

#### Free & Easy to Use

- Simply download the Bucqi App
- No cards required, operates on a QR code scan platformQ
- Can make full or part payment
- Delivery details are automatically shared with vendor where appropriate

#### Versatile

- Ideal for micro payments
- Purchase and send mobile e-gift vouchers

#### Convenient

- Easy to use merchant directory and directional mapping
- Compatible with multiple credit and debit cards
- PIN Code and "Scan & Scoot" option



#### Management & Rewards

- One place to store all your rewards
- Easy to see what you have
- No cards to lose or store
- Automatically finds your vouchers and rewards

#### **Special Offers From Merchant**

- Rewards in various forms
- Great deal and discount offers
- Buy direct from magazines, billboards, websites, shops, etc (QR Code)

#### **Better Security**

- No sensitive information transmitted
- More secure than a credit card
- Flexible security settings at your finger tips

Consumers are also expected to be driven to the Bucqi Platform by merchants who provide them with special offers and reward programs only available via the Bucqi Platform. Consumers may also be drawn to the Bucqi Platform by community based groups (e.g. sports teams, schools, churches etc.) which are expected to promote the Bucqi Platform to generate a financial gain from the commission structure.

#### **MERCHANTS**

The Bucqi Platform allows merchants to directly administer and manage consumer offers, rewards and loyalty programs. The Bucqi Platform also has a built-in alternative payment function, which doesn't require the Bucqi Merchant to buy any new hardware to administer the payment.

Merchants are expected to adopt the Bucqi Platform because:

- it may assist in attracting new customers and retaining existing customers
- merchants can tailor their loyalty, offers, and vouchers specifically to meet their requirements (e.g. time sensitive sales, specific product targeting etc.) without the costs associated with developing and managing vanilla loyalty and special offer programs.
- it is easy to use
- it doesn't require merchants to buy new hardware at the point of sale
- it allows them the opportunity to receive commission in respect of all of the sales that their originated customers make with other merchants on the Bucqi Platform.

Initially, Bucqi Merchants are expected to come from existing Bartercard relationships and include merchants associated with Other Trade Exchanges. A further roll out of the Bucqi Platform is expected to be generated from clusters of local Bucqi Merchants seeking to originate other merchants to realise the benefits of the commission arrangements. It is also anticipated that growth will come from consumer demand as customers come to expect convenient and efficient loyalty and reward programs and the easy secure payment methods available from the Bucqi Platform. Local merchants are also expected to become Bucqi Merchants due to the demand of customers in their local area who expect this service level.

#### **MERCHANT FEE & COMMISSION STRUCTURE**

Bucqi Merchants are charged \$39 per month as a marketing and support fee. Additionally, a transaction fee of either 1.5% or 6.5% of the transaction value of any trade on the Bucqi Platform will be charged to the Bucqi Merchant, The fee will depend on whether the merchant originally introduced the customer (1.5%), or whether the customer was introduced by another party (6.5%).

On any transaction by a customer with a Bucqi Merchant other than the originating merchant (i.e. new business via the Bucqi Platform), BPS will receive a commission of 6.5% of which:

- 1.0% is passed back to the person or entity originating the consumer: and
- 0.5% is passed back to the person or entity originating the merchant.

#### **BUCQI FOR MERCHANTS**

#### 'No terminal or card needed'

#### **Real Time Payments**

- Cash currency
- Digital currency
- Combination of both
- Part or full payment

#### **New Customers**

- Merchant directory
- Use e-vouchers
- · Take part in promotions

#### **Powerful Marketing Tool**

- M-commerce platform
- · Gift certificate coupons
- Smart e-vouchers
- · Special offer applications



#### **Own Loyalty Program**

- Automatically builds the program
- · No cards to find or handle

#### Commission Income

· Merchant commission income

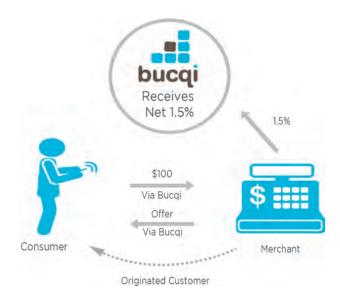
#### **Customer Metrics**

- Smart campaign tracking
- Advanced sales tracking

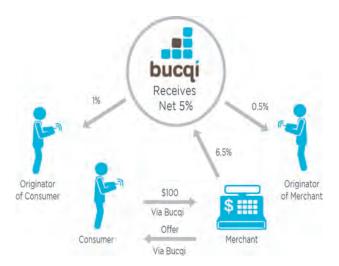
#### Improved Security

- No transfer of sensitive data
- No cash handling
- Reduced possibility of fraud

The following diagram represents the fee & commission flow where a merchant originally introduced a consumer to the Bucqi Platform and subsequently completes a transaction with that consumer:



The following diagram shows fee and commission flow where both the consumer and the merchant were originated by a third party and that consumer completes a transaction using the Bucqi Platform:



#### SECURITY

In an environment where consumers are concerned about privacy and fraud control, the Bucqi Platform is well positioned to be a secure, easy payment system of the future for several reasons:

- The Bucqi Platform is not a "pay wave" payment system and thus not susceptible to the types of fraud that are prevalent in these PIN-less systems
- All transactions carried out on the Bucqi Platform are completed using industry standard encryption technology

- The Bucqi Platform splits credit card details, with half kept on the mobile device and the other half kept on its servers. Both systems must connect to allow a transaction to occur. The user needs only to use their Bucqi App PIN to effect a payment from their chosen account. This means they do not have to remember multiple PINs associated with different cards loaded onto the mobile device
- No credit card data is given to merchants, this reduces the potential for misuse or fraud
- Users can set their own maximum payment limit for Bucqi's "Scan and Scoot" feature - just like "tap and go" on Near Field Communications "NFC" enabled cards but more secure
- If the mobile device is lost or stolen users have the protection of both the PIN and their pre-set payment limit
- The Bucqi Platform is PCI (Personal Card Information compliant).

#### **DIFFERENTIATION**

Mobile payment platforms currently available generally suffer from one or more flaws:

- they are tied to one bank or merchant;
- they require a hardware solution;
- they require physical access to a credit or debit card;
- they do not have an integrated loyalty program; or
- they do not have access to a broad market to commercialise the application.

The Bucqi Platform has none of these shortcomings. It has several superior features that differentiates the platform:

- No single competitor offers all the features of the Bucqi Platform
- Simple to use and rewards loyal consumers
- Full marketing matrix reporting
- To be rolled out via trusted relationship with Bartercard's 24,000 merchant base across 7 countries.
- It is not restricted to single card type or bank
- Commission payments to merchants and special interest groups
- In most instances, there is no additional need for point of sale equipment or upgrades.

#### ABILITY TO EXECUTE MASS ROLL OUT

BPS through the relationships established by Bartercard will have the ability to roll out new software to a wide and diverse range of merchants across the globe. It will have the necessary systems, procedures and in-house capabilities to navigate the complex legal and financial frameworks required to expand the offering. BPS will also have an experienced management team to support and manage continued merchant engagement with the offering.

#### 3.8 BPS STRATEGY AND ECONOMIC MODEL

#### 3.8.1 STRATEGY

BPS will charge merchants a fee for each transaction on the Bartercard Trade Exchange, the Tess Platform or Bucqi Platform based on the value of the transaction.

BPS' strategy is to increase the volume of transactions that take place on these platforms. It aims to achieve this in a number of ways:

- Grow Bartercard expand internationally with a particular focus on the United Kingdom and in the USA.
   The Trade Exchange industry is fragmented. Growth by acquisition presents BPS with numerous opportunities to rapidly expand its operations in targeted regions
- Growth in participants grow the number of participants on the Tess Platform by marketing the platform to Trade Exchange communities across the globe
- Better technology invest in technology to ensure that its platforms continue to provide industry leading functionality, ease of use, reliability and security
- Experienced staff BPS will maintain an experienced team of business analysts, software engineers, developers, testers and I.T. hardware specialists to ensure that all software including the Tess Platform and Bucqi Platform reflect industry best practice and are responsive to changes in the markets in which they operate
- Leveraging off Bartercard BPS will, through its ownership of Bartecard after completion of the Transaction, have access to more than 24,000 merchants and approximately 54,000 cardholders to assist with the roll out the Bucqi Platform. These merchants are predominantly SMEs who already pay similar monthly support and transaction fees to participate in the Bartercard Trade Exchange. The Bucqi App will enable Bucqi Merchants to attract and retain business as well as allowing them to offer and manage their own loyalty programs many for the first time
- Target sporting and charity groups BPS will offer the Bucqi Platform to sporting clubs and charity groups some of whom are currently members of the Bartercard Trade Exchange. Many of these sporting clubs have extensive membership bases in the tens of thousands.
- Leveraging off the Tess Platform following launch of the Bucqi Platform to Bartercards' customers, BPS will introduce the Bucqi App to Other Trade Exchanges
- Innovative marketing Bucqi Australia will offer a number of "treasure hunts" and "rewards" to both merchants and consumers in various areas as it seeks to build up its merchant base and consumer base. The Directors believe that viral marketing can yield major growth using the above methods and that the need for television, radio and print media campaigns can be kept to a minimum.

In addition to BPS' objective to increase transaction volume and value across its platforms, it is investigating commercialising certain data opportunities. Following the roll out of the Bucqi Platform, BPS expects to be well positioned to control a large data base of information about the purchasing and trading history of its consumer base. BPS will also be well positioned via the Tess and Bucqi Platforms to expand its data collection activities.

BPS is exploring a range of commercialisation opportunities for this potentially valuable information including but not limited to advertising data and bulk buying and selling campaigns.

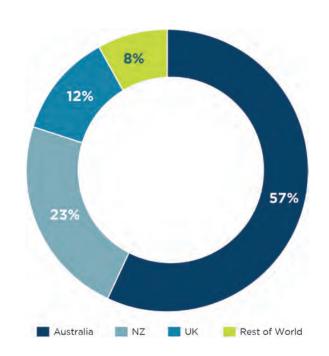
#### 3.8.2 ECONOMIC MODEL

Following completion of the Transaction BPS will have forecast revenue in FY15 of \$51.6 million and EBITDA of \$9.9 million achieving a 19% EBITDA margin.

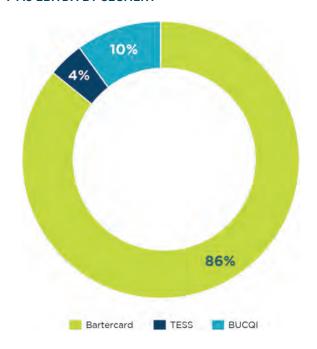
BPS's forecast does not include any further substantial capital expenditure other than the \$1.5 million estimated to be spent in FY15 on customisation and IRTA application of the Tess Platform. Forecast for FY15 allows less than \$500,000 in marketing expenditure across the group and this is expected to be sufficient to achieve the objectives of BPS.

Each of BPS's three divisions is expected to be profit centres with strong cash generating properties.

#### **FY15 REVENUE BY GEOGRAPHY**



# **FY15 EBITDA BY SEGMENT**



#### BARTERCARD:

Bartercard will generate revenue by charging members an initial upfront joining fee, \$39 per month as a monthly marketing and support fee and 6.5% of the value of their transaction as a transaction fee to both the buyer and the seller. Other administrative fees and charges may be applicable. Historically, in FY14 the Bartercard revenue split (not including Bartercard NZ) has been approximately 63% in transaction fees, 24% in monthly fees and the balance in joining and other administrative fees. Further, 55% of this revenue came from franchise operations. Under the franchise model, the franchisor directly receives all member revenue and pays the franchisee network commissions. The average transactional value of a member exceeds \$25,000 per annum.

The primary costs associated with this division are expected to be franchise commissions and general administrative costs. In FY14, 39% of costs of the BF Group were franchise commissions and the balance were general administrative costs including staffing and occupancy costs.

Bartercard is forecast in FY15 to operate at a 20.3% EBITDA margin. This forecast includes the acquisition of Bartercard NZ, which is expected to contribute \$10.86 million in revenue and \$1.39 million in EBITDA.

#### TESS:

Tess will generate revenue by charging Exchange Operators a monthly fee based on the size of the relevant Trade Exchange and a 0.5% transaction fee on all billable transaction value.

The primary costs of Tess will come from the sales commission structure under which Tess will pay an approved originating entity 20% of the transaction fee of a new Trade Exchange in the first year and 5% thereafter for the life of the contract with the Trade Exchange. The

delivery of the Tess Platform as a cloud based software service has minimal administrative and general costs.

Tess is forecast in FY15 to operate at a 56% EBITDA margin. The calculations and assumptions used in deriving this forecast are disclosed in Sections 4.6 and 4.7.

#### **BUCQI:**

Bucqi generates revenue by charging merchants \$39 per month as a marketing and support fee. Additionally, a transaction fee of either 1.5% or 6.5% of the transaction value of any trade on the Bucqi Platform will be charged to the merchant, depending on whether the merchant originally introduced the customer (1.5%), or whether the customer was introduced by another party (6.5%). It is expected that the transaction fees will make up a large portion of Bucqi's revenue.

Bucqi's primary costs will come from the payment of commissions, general administrative and staffing costs.

Bucqi is forecast in FY15 to operate at a 42% EBITDA margin. The calculations and assumptions used in deriving this forecast are disclosed in Sections 4.6 and 4.7.

#### 3.9 FUTURE GROWTH

# **3.9.1 BARTERCARD GROWTH**

Bartercard seeks to increase its cardholders to 100,000 by the end of FY16. Over the next five years BPS intends to expand Bartercard organically and by acquisition.

The inclusion of Bartercard NZ within Bartercard will, in FY15 contribute \$10.86 million in revenue and \$1.39 million in EBITDA. BPS believes there are considerable top-line growth opportunities for the Bartercard NZ business as well as considerable cost saving opportunities.

Significant growth is planned in the Bartercard business over the next 5 years. Most of this growth is expected to arise as a result of developing the USA and UK businesses. The growth plans described below have been devised following a detailed analysis of the market in the USA and UK. The underlying assumptions around these growth expectations have been developed based on the prior historical experience of Bartercard roll outs in new territories. History has shown that each franchisee needs approximately 500,000 people in a territory in order to generate the optimal number of merchants. The rollout timetable for the USA has been based on the experience of the actual roll outs in Australia and New Zealand. A demographic analysis has been completed of the UK and USA and it has been broken into operating regions based upon that analysis.

In addition to underlying member activity growth, organic growth is expected to result in the:

- opening of 20 new franchises in the United Kingdom;
- opening of 300 new franchises (20 regions with 15 franchise per region) in the USA; and
- appointment of additional licensees in Asia, Europe, Africa and South America.

Historically, each merchant on the Bartercard Trade Exchange, trades, on average, approximately \$25,000 per annum. Bartercard charges a fee of 6.5% on this transaction value.

#### **BARTERCARD USA FRANCHISE GROWTH PATH:**

#### **5 YEAR GROWTH TARGET**

=	150,000	New merchants
Х	500	merchants per franchise
Х	15	franchises per region
	20	new regions <sup>1</sup>

# CURRENTLY: 200 MERCHANTS ACQUISITION OPPORTUNITIES



1. 20 new regions shaded on the map above.

# **BARTERCARD UK GROWTH PATH:**

#### **5 YEAR GROWTH TARGET**

=	10,000	New merchants
Х	500	merchants per franchise
	20	new regions <sup>1</sup>

# **CURRENTLY: 2,300 MERCHANTS**



1. 20 new regions shaded on the map above.

The Trade Exchange industry is highly fragmented, with approximately 2,000 Trade Exchanges globally. After completion of the Transaction, Bartercard will control and manage Bartercard Trade Exchange, the world's largest Trade Exchange. BPS sees considerable opportunity for expansion by acquisition, particularly in the USA. Upon Listing and with a strong balance sheet, BPS will be well positioned to execute its acquisition strategy.

#### **3.9.2 TESS GROWTH**

Upon completion of the Offer BPS will be positioned to roll out the Tess Platform to existing 2,000 Exchange Operators, excluding the Bartercard Trade Exchange. Tess has already signed its first licensing agreement with an Indian Trade Exchange which will commence in January 2015.

The Tess Platform has been powering the Bartercard Trade Exchange for a number of years and this provides substantial market credibility to the Tess Platform as a premium software. This, coupled with the exclusive endorsement from IRTA, leaves Tess well positioned to capture a significant share of the Trade Exchange market. Tess seeks to become the world's dominant Trade Exchange technology platform connecting the entire Trade Exchange industry, which currently transacts US\$20 billion per annum and is growing at 15% per year.

The following chart shows a theoretical calculation of the revenue that Tess may be able to generate assuming its current revenue model, various market penetration rates and market growth assumptions. For example if we assume a market share of 20%, and growth of 10%, potential transaction revenue is \$22 million per annum. This chart is not a forecast but rather an indicator of the potential of Tess within its defined market segment and under theoretical market conditions. For details of the forecast revenue from Tess operations refer to Section 4.

# TRANSACTION REVENUE POTENTIAL (\$MILLION)

NOIL		5%	10%	15%	20%
ETRA	5%	\$5	\$6	\$6	\$6
PENE	20%	\$21	\$22	\$23	\$24
ÆT	50%	\$53	\$55	\$58	\$60
MARI	75%	\$79	\$83	\$86	\$90

#### 3.9.3 BUCQI GROWTH

Unlike many loyalty and payment businesses which are focused on consumers, Bucqi is focused first on merchants. The fees payable by Bucqi Merchants are a cost of customer acquisition for the merchant not a transaction cost. Bucqi Merchants are encouraged to use the Bucqi Platform to:

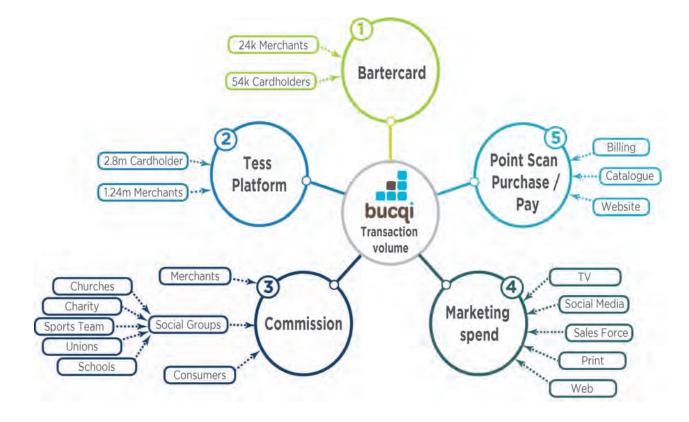
- attract new consumers:
- retain existing consumers; and
- expand transaction volume and value with all consumers.

Now in roll out phase, Bucqi's expansion is expected to be fuelled by a commission structure, which pays a customer or merchant a commission for originating new merchants and new customers.

There are several factors which should drive growth in the use of the Bucqi Platform:

- Bartercard will market the Bucqi Platform to its community of approximately 54,000 cardholders worldwide.
- The Bucqi Platform will be bundled with all licences of the Tess Platform to Other Trade Exchanges as a feature open to merchants on those exchanges.
- The commission strategy outlined above should encourage merchants, sporting bodies and charity groups to bring new customers onto the Bucqi Platform.
- A concentrated social media campaign to ramp up merchant and consumer adoption as well as a traditional media campaign and direct sale force activities.
- The Bucqi Platform has considerable application in point, scan, purchase and pay commerce in print media, billing and direct from websites.

The following illustration represents the five growth paths for Bucqi.



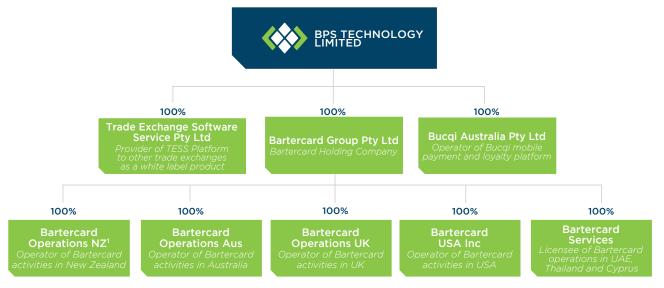
# 3.10 BUSINESS STRUCTURE AND OPERATIONS

Following completion of the Transaction and Offer, the principal assets of BPS will be Bartercard, the Tess Platform and the Bucqi Platform.

BPS' head office will be in Southport in Queensland. BPS will employ 76 people at its head office and 240 other staff in Australia branches, New Zealand, the United Kingdom and the USA.

BPS will maintain relationship managers and I.T. hardware specialists to help support its global I.T. infrastructure in Australia, New Zealand, United Kingdom and the USA.

BPS will operate Bartercard through wholly owned subsidiaries, as illustrated below:



1. The operations in New Zealand will be conducted through a partnership structure by Bartercard Operations NZ and Bartercard New Zealand GP Ltd.

# 3.11 FINANCING OPERATIONS

On completion of the Offer, BPS will have strong cash flows from the existing Bartercard business and approximately \$4.8 million in cash. These resources will enable BPS to provide sufficient working capital to fund the further roll out of the Bucqi Platform, which is not yet profitable, and to roll out the Tess Platform.

40



#### 4.1 INTRODUCTION

The Financial Information of BPS contained in this Section has been approved by the Directors.

The Financial Information includes:

- i. the pro forma consolidated balance sheet of BPS effective as at 1 July 2014 (Pro forma Consolidated Balance Sheet);
- ii. the forecast consolidated income statement of BPS for the year ended 30 June 2015 (Forecast Consolidated Income Statement); and
- iii. the forecast consolidated cash flow statement of BPS for the year ended 30 June 2015 (Forecast Consolidated Cash Flow Statement).

Pilot Advisory has reviewed the Financial Information. The Independent Accountant's Report is included at Section 8.

# 4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

The Financial Information has been prepared in accordance with Australian Accounting Standards and the Company's adopted accounting policies.

The Financial Information is presented in this Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the Corporations Act.

#### PREPARATION OF FORECAST FINANCIAL INFORMATION

Forecast Financial Information comprises of:

- the forecast Consolidated Income Statement (section 4.3); and
- the forecast Consolidated Cash Flow Statement (section 4.4).

BPS has based the Forecast Financial Information upon various assumptions. Due care and attention has been given in the preparation of the Forecast Financial Information and the assumptions represent the Directors' best estimate of anticipated future transactions and events based on the information and documents available at the date of issue of this Prospectus. The Directors consider the Forecast Financial Information to be reasonable and that there is a reasonable basis for the preparation of the Forecast Financial Information.

Investors should appreciate that forecasts by their very nature are subject to uncertainties, which may be outside of the control of BPS, or may not be capable of being foreseen or accurately predicted. As such, actual results may differ from the Forecast Financial Information and such differences may be material.

The Forecast Financial Information has been reviewed by Pilot Advisory but has not been audited. Investors should note the scope and limitations of the Investigating Accountant's Report (refer to Section 8). The Forecast Financial Information should be read in conjunction with the general assumptions and the specific assumptions set out in the Section 4.7, the sensitivity analysis set out in Section 4.8, the risk factors set out in Section 6 and other information in this Prospectus.

# 4.3 FORECAST CONSOLIDATED INCOME STATEMENT<sup>1</sup>

	SIX MONTHS ENDING 31 DECEMBER 2014	SIX MONTHS ENDING 30 JUNE 2015	YEAR ENDING 30 JUNE 2015
AUSTRALIAN \$'000S	FORECAST	FORECAST	FORECAST
Revenue <sup>2</sup>	24,749	26,816	51,565
Direct expenses of providing services <sup>4</sup>	6,546	7,679	14,225
Employee expenses	9,977	9,800	19,777
Building occupancy expenses <sup>3</sup>	1,029	1,102	2,131
Other expenses	2,801	2,738	5,539
Total expenses	20,353	21,319	41,672
EBITDA	4,396	5,497	9,893
Depreciation <sup>5</sup>	306	306	612
Profit before tax/EBIT <sup>6</sup>	4,090	5,191	9,281
Income tax expense <sup>7</sup>	1,227	1,557	2,784
Profit after tax	2,863	3,634	6,497

#### Notes:

- 1. Refer to Section 4.7 for information on key assumptions used in preparing the Forecast Consolidated Income Statement.
- 2. Detailed analysis of revenue by segment and geographical location is disclosed in Section 4.6.
- **3.** This expense represents the rent, car-parking, outgoings and utilities for all of the office space used by BPS throughout the world.
- **4.** These costs are primarily commissions payable to Bartercard franchisees as well as payments to Bucqi Merchants and fees to financial institutions on the transactions processed through the Bucqi Platform.
- 5. Fixed assets and software have been depreciated in accordance with the accounting policy detailed at Section 4.12.
- **6.** BPS expects to have sufficient cash flows from operations to meet its requirements and therefore the Forecast Consolidated Income Statement does not include interest expense.
- 7. Income tax expense has been estimated at 30% of profit before tax as Directors believe there will be no material differences between tax and accounting profits.

# 4.4 PRO FORMA CONSOLIDATED BALANCE SHEET

The following statement sets out the adjustments which have been made to the Balance Sheet of BPS as at 30 April 2014 to prepare the Pro forma Consolidated Balance Sheet.<sup>1</sup>

	30 APRIL 2014 <sup>1</sup> \$000'S	IMPACT OF THE OFFER <sup>2</sup> \$000'S	ACQUISITIONS 3, 4 \$000'S	PRO FORMA \$000'S
CURRENT ASSETS				
Cash and cash equivalents	1	25,004	(20,161)	4,844
Trade and other receivables			4,732	4,732
Inventories <sup>6</sup>			3,560	3,560
Other current assets			335	335
Total current assets	1	25,004	(11,534)	13,471
NON-CURRENT ASSETS				
Property plant and equipment			1,706	1,706
Technology & software assets	550		2,527	3,077
Brand name & international rights			2,000	2,000
Goodwill on acquisition	1,500		11,415	12,915
Deferred tax asset		899	1,289	2,188
Total non-current assets	2,050	899	18,937	21,886
Total assets	2,051	25,903	7,403	35,357
CURRENT LIABILITIES				
Trade and other payables	(50)		(4,087)	(4,137)
Lease liabilities			(159)	(159)
Employee entitlements			(523)	(523)
Other liabilities			(300)	(300)
Total current liabilities	(50)	-	(5,069)	(5,119)
NON-CURRENT LIABILITIES				
Employee entitlements			(200)	(200)
Other liabilities			(2,134)	(2,133)
Other non-current liabilities	(2,000)		2,000	-
Total non-current liabilities	(2,000)	-	(334)	(2,334)
Total liabilities	(2,050)		(5,403)	(7,453)
Net assets	1	25,903	2,000	27,904
EQUITY				
Issued share capital <sup>5</sup>	1	25,903	2,000	27,904
Total equity	1	25,903	2,000	27,904

# Notes:

- 1. BPS Technology was established in January 2014. The Company owns 66% of the ordinary share capital of Bucqi Australia which it acquired in a transaction in January 2014. Settlement was on a deferred basis. Between January 2014 and April 2014 Bucqi Australia's activities were limited to the test marketing and development of the Bucqi Platform. At completion of the Offer BPS will purchase the remaining 34% of the ordinary share capital of Bucqi Australia. The total purchase price of the shares in Bucqi Australia is an amount of \$2 million to be satisfied by the allotment of 2 million Shares at completion of the Offer to Virpaysol. BPS has recognised the Bucqi Platform at its fair value of \$500,000 and recognised goodwill on acquisition at \$1.5 million.
- 2. This represents the net proceeds raised from the Offer of \$25 million after deducting Offer costs of \$3 million. These Offer costs are expected to be deductible for tax purposes over a five year period and therefore give rise to a deferred tax asset of \$0.9 million.

**3.** As disclosed in Section 7.3 the net proceeds of the Offer will be used as follows:

	MATERIAL CONTRACTS	\$000'S
Purchase of Bartercard brand name and international rights	Section 9.10.2	2,000
Purchase of the Tess Platform	Section 9.10.3	2,000
Purchase of Bartercard Australia Business	Section 9.10.4	9,000
Purchase of Bartercard UK Business	Section 9.10.5	2,500
Purchase of Bartercard NZ	Section 9.10.6	5,500
Cash retained for Working Capital		4,004
Total acquisition costs		25,004

The net assets acquired as a result of the above transactions are as follows:

AUSTRALIAN \$000'S	BARTERCARD AUS	BARTERCARD UK	BARTERCARD NZ	BCIB	BCIA	TOTAL
CURRENT ASSETS						
Cash	183	19	637			839
Trade and other receivables	3,075	320	1,337			4,732
Inventories	3,560					3,560
Prepayments & other assets	150	66	119			335
<b>Total Current Assets</b>	6,968	405	2,093	-	-	9,466
NON CURRENT ASSETS						
Property, plant & equipment	419	47	1,240			1,706
Technology & software assets*	289	238			2,000	2,527
Brand name & international rights*				2,000		2,000
Goodwill*	5,592	2,356	3,467			11,415
Deferred Tax Asset	1,289					1,289
<b>Total Non Current Assets</b>	7,590	2,640	4,707	2,000	2,000	18,937
Total Assets	14,558	3,045	6,800	2,000	2,000	28,403
CURRENT LIABILITIES						
Trade & other payables	2,317	470	1,300			4,087
Lease liabilities	84	75				159
Employee entitlements	523					523
<b>Total Current Liabilities</b>	2,924	545	1,300	-	-	4,769
NON CURRENT LIABILITIES						
Employee entitlements	200					200
Other liabilities	2,434					2,434
<b>Total Non Current Liabilities</b>	2,634	-	-	-	-	2,634
Total Liabilities	5,558	545	1,300	-	-	7,403
Net Assets	9,000	2,500	5,500	2,000	2,000	21,000

<sup>\*</sup>The Directors consider that the transaction has been done on an arms length basis. For further discussion refer to Section 9.11.

**<sup>4.</sup>** The acquisition column above also recognises the settlement of the Bucqi Australia obligation of \$2 million by issuing 2 million Shares in accordance with the scrip exchange agreement as described in Section 9.10.13.

5. The Share Capital adjustment as a result of this Offer is as follows:

	\$000'S
28,000,000 Shares issued at \$1	28,000
Less: Offer costs	(2,996)
Add: Deferred Tax Asset - Offer costs	899
	25,903

6. Inventories represent franchise territories which have been purchased from franchisees that are intended to be resold. As the business of a franchisor involves the buying and selling of franchises, these assets are recorded as inventories. The balance represents 8 franchises which are being made available for sale. These assets are recorded at the lower of cost and net realisable value in accordance with the accounting policy disclosed in Section 4.12.7.

# 4.5 FORECAST CONSOLIDATED CASH FLOW STATEMENT<sup>1</sup>

	SIX MONTHS ENDING 31 DECEMBER 2014	SIX MONTHS ENDING 30 JUNE 2015	TWELVE MONTHS ENDING 30 JUNE 2015
AUSTRALIAN \$'000S	FORECAST	FORECAST	FORECAST
CASH FLOWS FROM OPERATING ACTIVITIES <sup>2</sup>			
Receipts from customers	27,959	29,546	57,505
Payments to suppliers	(11,552)	(14,183)	(25,735)
Payments to employees	(10,101)	(9,926)	(20,027)
Income tax payable <sup>3</sup>	-	-	-
Net cash flows from operating activities	6,306	5,437	11,743
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for office equipment <sup>4</sup>	(151)		(151)
Payment for development costs <sup>5</sup>	(1,335)	(50)	(1,385)
Stamp duty paid <sup>6</sup>	(498)	-	(498)
Dividends paid <sup>7</sup>	-	(1,316)	(1,316)
Net cash flows from investing activities	(1,984)	(1,366)	(3,350)
CASH FLOWS FROM FINANCING ACTIVITIES	-		
Franchise vendor loan	(150)	(150)	(300)
Net cash flows from financing activities	(150)	(150)	(300)
Net cash flows	4,172	3,921	8,093

# Notes:

- 1. The Forecast Consolidated Cash Flow Statement does not include the proceeds of the Offer, nor the disbursement of these proceeds. Full details of the Offer and the expected disbursement are disclosed in Sections 7.2 and 7.3.
- 2. Refer to Section 4.7 for information on key assumptions used in preparing the Forecast Consolidated Cash Flow Statement.
- 3. This forecast assumes no tax will be payable during the Forecast Period. The Company's income tax return will not be due for lodgement until FY16.
- 4. Payments for equipment represent the acquisition of hardware and software licenses necessary for the roll out of the Tess Platform into overseas Trade Exchanges.
- 5. This refers to payments to external suppliers for development of enhancements to the Tess Platform.
- 6. This represents stamp duty payable upon the completion of the Transaction.
- 7. The dividend is anticipated to be paid in April 2015 at a rate of 2.25 cents per share.

# **4.6 SEGMENT ANALYSIS**

#### **OPERATING SEGMENT ANALYSIS - FY15 FORECAST**

The Company has identified its operating segments as described below. The Company will be managed primarily on the basis of service category as the risk profile is different for each service. Operating segments are therefore determined on this basis.

	BARTERCARD \$000'S	TESS \$000'S	BUCQI \$000'S	CORPORATE <sup>2</sup> \$000'S	TOTAL \$000'S	PERCENTAGE OF REVENUE \$000'S
Transaction Value	635,000	57,900	43,000	-	735,900	
Revenues <sup>1</sup>	48,009	710	2,846	-	51,565	100
Direct expenses	(13,067)	(142)	(1,016)	-	(14,225)	28
Employee expenses	(18,193)	(168)	(366)	(1,050)	(19,777)	38
Building occupancy <sup>3</sup>	(1,991)	-	(70)	(70)	(2,131)	4
Other expenses <sup>4</sup>	(5,011)	-	(199)	(329)	(5,539)	11
EBITDA	9,747	400	1,195	(1,449)	9,893	19
Depreciation <sup>5</sup>	(394)	(200)	(18)	-	(612)	1
Profit before tax	9,353	200	1,177	(1,449)	9,281	18
Income tax expense	(2,806)	(60)	(353)	435	(2,784)	5
Profit after Tax	6,547	140	824	(1,014)	6,497	13

#### Notes:

- 1. Operating segment revenue has been determined based upon individual forecast assumptions for each operating segment. Details of these assumptions are disclosed in Section 4.7.
- 2. Corporate expenses are head office expenses appropriate to the overall management and governance of the organisation and therefore have not been allocated to an operating segment.
- **3.** Building occupancy costs have been allocated to operating segments based upon the Directors' estimate of the space requirements of each segment.
- 4. All other expenses have been allocated between operating segments based upon the Directors' estimate of use.
- 5. Depreciation has been charged to operating segments based upon their specific usage of assets.

#### **REVENUE BY GEOGRAPHICAL REGION - FY15 FORECAST**

BPS will trade in a number of countries throughout the world. Bartercard's intellectual property and the software associated with the Tess and Bucqi Platforms will be held in Australia, although there are some ancillary software licences that will be held in the United Kingdom. Property, plant and equipment is held across Australia and New Zealand. Some plant and equipment is also held in the United Kingdom but this is not considered material.

	TOTAL <sup>2</sup> \$000'S	PERCENTAGE <sup>1</sup> %
Forecast Revenues from:	<u> </u>	
Australia	29,360	57
New Zealand	11,603	23
United Kingdom	6,039	12
Rest of World	4,563	8
Forecast Revenues Total	51,565	100

#### Notes:

- 1. Geographical segment revenue has been determined based upon individual forecast assumptions for each geographical segment. Details of these assumptions are disclosed in Section 4.7.
- 2. All forecast revenues have been translated into Australian dollars at the rates disclosed at Section 4.7.2.

# 4.7 FORECAST ASSUMPTIONS

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by BPS which are in accordance with Australian Accounting Standards and are disclosed in Section 4.12. It is assumed that there will be no changes to these accounting standards, the Corporations Act or other financial reporting requirements that may have a material effect on the Company's accounting policies during the Forecast Period.

The Forecast Financial Information is based upon various best estimate assumptions concerning future events including those set out below. The Directors believe that the Forecast Financial Information has been prepared with due care and attention and considers all assumptions when taken as a whole, to be reasonable at the time of preparing this Prospectus.

However, actual results are likely to vary from those forecasted and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information are based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of BPS and the Directors and are not reliably predictable.

Accordingly, neither BPS and the Directors, nor any other person can give any assurance that the Forecast Financial Information or any prospective statement covered in the Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.8, the risk factors set out in Section 6 and the Investigating Accountant's Report set out in Section 8.

# **4.7.1 GENERAL ASSUMPTIONS**

In preparing the Forecast Financial Information, the following general assumptions have been adopted:

- BPS will have the benefit of the trading from operations for all acquired businesses from 1 July 2014 and not the date of settlement of the business acquisition contract;
- No significant change in the competitive environment in which BPS proposes to operate in the Forecast Period;
- No material changes in the government regulatory environment in the regions in which BPS proposes to operate in the Forecast Period;
- No material changes in the general level of economic activity in the markets in which BPS proposes to operate in the Forecast Period:
- No material changes in current income tax legislation;
- No material changes in Australian Accounting Standards, other mandatory professional reporting requirements or the accounting policies of BPS which would have a material impact on the financial results of BPS; and

 The Offer proceeds in accordance with the timetable set out in this Prospectus.

#### 4.7.2 SPECIFIC ASSUMPTIONS

The following pages detail the specific assumptions which have been used in preparing the Forecast Consolidated Income Statement for FY15. The Company has reviewed each of the assumptions and is satisfied that in all cases there is a reasonable basis for the use of the assumption.

a. Reasonable Basis for Bartercard Assumptions

The detailed assumptions disclosed below have been adopted for the Bartercard operations following an analysis of historical performance. All key fees and charge rates have been set at the historical levels achieved in the various markets in which the business operates. Transaction volumes and values have been based on the historical achievement of those business units. Member numbers have been set at the historical levels achieved in each of the markets in which the company operates.

Significant growth is anticipated in the USA. This growth has been forecast based on the experience of the Bartercard businesses in opening new areas of business and following an analysis of the USA market.

**b.** Reasonable Basis for Bucqi Assumptions

The forecast assumptions for Bucqi have been based upon the results of a Bucqi trial which operated from January 2014 to April 2014. The assumptions were further tested as a result of the initial marketing period from May to June 2014. All assumptions used are based upon that trial data.

c. Reasonable Basis for Tess Assumptions

Tess assumptions have been derived following an analysis of the Trade exchange market conducted by IRTA, the Industry body for Trade Exchanges. The Directors have used this analysis from IRTA given IRTA's significant experience in the Trade Exchange industry.

#### **REVENUE ASSUMPTIONS**

#### **BARTERCARD**

- **a.** Forecast revenue for the Bartercard operations consists of the following components:
  - Trading Fees Each Bartercard entity charges either 5.5% or 6.5% of the transaction value as a commission to both the buyer and seller for each transaction processed through the exchange.
  - Marketing & Support Fees Each member on the exchange is charged a fee per month in respect of marketing and support activities. This fee varies depending upon the exchange. The fees charged in each market are detailed following:

COUNTRY	MONTHLY FEE
Australia	A\$39
United Kingdom	£22
New Zealand	NZ\$25
USA	US\$29 to US\$69

 Membership Fees - All new members are required to pay an initial membership fee to join the exchange. The following new member fees have been applied in the model.

COUNTRY	NEW MEMBERS	JOINING FEES
Australia	1,800	A\$1,495
United Kingdom	700	£995
New Zealand	800	NZ\$1,495
USA	1,000	US\$795

The forecast assumes that there will be no material growth in member numbers, other than in the United States.

Licence Fees - The forecast includes income which will be generated from the sale of franchise licences, mostly within the United States, United Kingdom and South East Asia. The Forecast estimates that the following will be sold during the forecast period;

CLASS OF LICENCE	NUMBER
Regional	6
Local	44

- Other income This represents additional fees and charges which are levied in accordance with the standard fees and charges schedule agreed by members on entry as members of the Bartercard Trade Exchange.
- b. The various fees charged to members are charged in the currency of the country in which the Trade Exchange operates. These charges are then translated into Australian dollars and all invoices are payable in Australian dollars. The forecast assumes the following exchange rates:

COUNTRY	EXCHANGE RATE
New Zealand	1.0989
United Kingdom	0.5491
Thailand	32.467
USA	0.9328
UAE	3.3602
Cyprus	0.6536

The sensitivity analysis in Section 4.8 includes an analysis of the impact of movements in exchange rates.

#### **TESS**

The forecast revenue model is based upon an assumption regarding the number and size of Trade Exchanges that will be contracted to license the Tess Platform. Each Trade Exchange is categorised as either small, medium or large and priced accordingly. The model assumes the following metrics in respect of Trade Exchanges. IRTA has confirmed that it believes the assumptions used in the Forecast Financial Information are reasonable given their experience in the industry.

a. Trade Exchange metrics

SIZE	NUMBER OF MEMBERS	AVERAGE TRANSACTION VALUE PER MEMBER PER MONTH
Small	1 to 300	\$300
Medium	301 to 800	\$500
Large	801 +	\$1,200

The Forecast Financial Information assumes that of all the Trade Exchanges contracted during the Forecast Period, 50% will be small, 40% will be medium and 10% will be large. The revenue assumption is that 37 new Trade Exchanges will be contracted within the Forecast Period.

b. Revenue reflects two components, first a monthly support fee payable based upon the size of the exchange.

SIZE	SUPPORT FEE
Small	\$150
Medium	\$300
Large	\$500

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- **c.** The second component is a fee of 0.5% of billable transaction value of each Trade Exchange.
- **d.** The forecast revenue includes a customisation fee of \$375,000 in respect of the contract with a Trade Exchange in India. This revenue is payable as a lump sum when customisation is completed which is scheduled for January 2015.

#### **BUCQI ASSUMPTIONS**

a. The Bucqi Australia revenue assumption is that a fee of either 1.5% or 6.5% of the transaction value of any trade on the Bucqi Platform will be charged, depending on whether the merchant originally introduced the customer (1.5%) or whether the customer was introduced by another party (6.5%). In addition, each Bucqi Merchant will be charged a \$39 per month support fee.

- b. The Forecast Financial Information for the Australian operation assumes Bucqi Australia secures approximately 1,100 merchants by the end of FY15. Merchants are anticipated to be secured through an advertising and marketing campaign allied to the targeting of Bartercard's existing 15,000 Australian members. This campaign is forecast to generate 79% of new merchants in the FY15 forecast from this captive base. The forecast also assumes that Bucqi Australia will secure 674 merchants in New Zealand and 289 merchants in the UK by the end of FY15.
- c. The Forecast Financial Information for the Australian operation assumes approximately 9,700 consumers by the end of FY15. The total number of consumers are forecast to increase by 6.5 consumers for each new Bucqi Merchant. The forecast also assumes 1,680 consumers for New Zealand and 750 consumers for the UK at the beginning of November 2014 and also growing at 6.5 consumers for each Bucqi Merchant.
- **d.** The Forecast Financial Information assumes an average transaction value of \$32.

#### **COST ASSUMPTIONS**

- a. Employee expenses have been forecast based upon employment contracts agreed between BPS and transferring employees after allowing for payroll on costs such as superannuation, payroll tax, workers compensation insurance and employee entitlements.
- b. BPS' direct expenses are forecast to comprise the following expenses:

Bartercard Direct Costs	These represent commissions paid to franchisees in respect of income collected from members within the franchisees agreed customer list
Bucqi Platform merchant commission fees	1.5% of transaction value transacted by members introduced by the merchant
Bucqi Platform bank fees	1% of transaction value
Bucqi Platform gateway processing fee	\$0.28 per transaction paid to the financial institution processing the payment
Tess Platform referral commission	20% of Tess revenue from other Trade Exchanges referred by agents

- c. Building occupancy costs include rent, car-parking, outgoings and utilities to be incurred in respect of BPS leases around the world. The material lease and licence agreement is disclosed in Section 9.
- d. Depreciation has been calculated based upon the estimated useful life of assets being acquired. A detailed accounting policy in respect of depreciation is disclosed in Section 4.11.
- e. Income tax expense has been calculated at a rate of 30% of profit before tax.
- Indirect costs include Directors fees, marketing, meeting and conferences, telephone, information technology,

legal, equipment leases, training and other office expenses, accounting and audit fees, bank charges, licence and insurance costs as well as a provision for bad debts. These expenses have been included at either quoted cost from the various suppliers or are estimated by Directors based upon their experience.

#### 4.8 SENSITIVITY ANALYSIS

The Forecast Financial Information included in Sections 4.3 and 4.4 is based upon a number of estimates and assumptions as described in Section 4.7. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of BPS, the Directors and management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Set out below is a sensitivity analysis in relation to the Forecast Consolidated Income Statement summarising the impact of changes in a number of key assumptions.

This analysis is intended to provide a guide only and is not intended to be indicative of the complete range of variations that may be experienced.

Care should be taken in interpreting these sensitivities as they consider movements on an isolated basis, whereas in reality the effects of movements may be offset or compounded by movements in other variables. Furthermore in the normal course of business, management would be expected to respond to any changes in these key variables to minimise the net effect on financial performance.

ASSUMPTION	% INCREASE/ DECREASE	FY15 PRO FORMA PROFIT AFTER TAX (\$000'S)
BARTERCARD		
Transaction value <sup>1</sup>	+/- 5	+/- 672
Australian dollar exchange rate <sup>2</sup>	+/- 5	+/- 93
TESS		
Number of Trade Exchanges <sup>3</sup>	+/- 10	+/- 39
BUCQI		
Number of merchants at launch	+/- 5	+/- 46
Number of consumers at launch	+/- 5	+/- 7
Average transaction value	+/- 10	+/- 113

# Notes:

- Transaction value has been sensitised based on an increase or decrease of 5% applied to the billable trade value of the individual countries.
- 2. The exchange rates adopted for the purposes of the forecast has been sensitised based upon a 5% increase or decrease applied to income and expenses relating to customers located outside of Australia.
- This sensitivity refers to the impact of a 10% movement in the number of Other Trade Exchanges expected to license the Tess Platform.

#### 4.9 HISTORICAL PERFORMANCE

BPS was formed on 17 January 2014 for the purposes of completing the Transaction. It has not traded since formation and as a result, no historical information has been provided.

Barter Futures is the ultimate holding company of the group which owns BCA, BCUK, BCIA and BCIB. The businesses and assets of these companies are to be sold to BPS as part of the transaction. These companies have traded for many years and produce audited financial statements.

Barter Futures' consolidated financial statements were prepared as special purpose financial statements. They do, however, comply with all of the recognition and measurement requirements of the accounting standards. They have also been prepared on a basis which is consistent with the accounting polices adopted by BPS as discussed in Section 4.12.

The following table shows the consolidated financial statements of Barter Futures (the owner of BCA, BCUK, BCIA and BCIB) for the last two financial years.

INCOME STATEMENT AUSTRALIAN \$'000S	BARTER FUTURES <sup>1</sup> FY12 <sup>2</sup> FY13 <sup>2</sup> FY14 <sup>3</sup>		
Revenue	32,667	34,348	36,064
Direct expenses of providing services	14,705	13,285	12,983
Employee expenses	8,148	9,926	11,759
Building occupancy expenses	1,286	1,535	1,841
Other expenses	1,793	2,043	2,998
Total expenses	25,932	26,789	29,581
EBITDA	6,735	7,559	6,483
Depreciation	114	406	149
EBIT	6,621	7,153	6,334

# Notes:

- These figures represent the consolidated financial statements of Barter Futures, the ultimate holding company of BCA, BCUK, BCIA and BCIB.
- **2.** These figures have been extracted from the audited consolidated financial statements of Barter Futures.
- **3.** These figures have been derived by using the unaudited management accounts of the various entities for the 10 months to 30 April 2014 and adding the budgeted figures for the months of May and June.

# **BARTERCARD NEW ZEALAND**

The Bartercard NZ business has been operating for many years but as the business is not audited, no historical results have been disclosed.

# 4.10 LIQUIDITY AND CAPITAL RESOURCES

Following completion of the Offer, BPS' principal source of funds will be cash flows from operations.

BPS expects that it will have sufficient cash flows from operations and working capital acquired from the Transaction to meet its operational requirements during the Forecast Period. These cash flows will position BPS to grow its business organically and through future acquisitions.

# 4.11 DIVIDEND POLICY AND FORECAST DISTRIBUTION

The Company's dividend policy is to pay annual dividends of up to 70% of profit after tax. In determining whether to declare future dividends, the Directors will have regard to BPS' earnings, overall financial position and requirements, the outlook for the industries in which BPS operates, the taxation position of the Company and future capital requirements.

Dividends are anticipated to be paid as an interim dividend prior to 30 April each year and as a final dividend prior to 31 October each year. An interim dividend of \$1.3 million has been forecast for FY15. The final dividend will be determined after taking into account the final trading results for the year, the interim dividend and other considerations. No assurance or guarantee can be given about the future dividend policy, the extent of future dividends or the timing or franking of any dividend. The first interim dividend is not expected to be franked, however, subsequent dividends will be franked to the fullest extent possible.

#### 4.12 SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial information requires the application of accounting policies. The selection of accounting policies requires judgement and the application of those policies requires estimates and assumptions to be made.

# **4.12.1 REVENUE RECOGNITION**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

#### BARTERCARD

Transaction fees are recognised on an accruals basis in the month in which the trade transaction occurs.

Licence fees are recognised as income upon the settlement of the transaction at the value agreed in the contract.

Membership fees are recognised as income at the time the member signs the membership application agreeing to become a member of the exchange.

Other fees are recognised as income in the period in which they are earned.

# TESS

Fees are recognised on an accruals basis in the month in which the Trade Exchange transaction occurs.

#### BUCQI

Fees are recognised as the transaction occurs.

#### **4.12.2 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.

None of the trade transactions have been recorded in the Forecast Financial Information. Transactions in trade by the Manager do not meet the definition and recognition criteria as assets and liabilities within the Australian Accounting Standards and are therefore not recorded as such

#### **4.12.3 FOREIGN CURRENCY TRANSLATION**

The functional currency of BPS is the Australian dollar. Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At the balance sheet date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are included in earnings.

# 4.12.4 FOREIGN CURRENCY TRANSACTIONS AND BALANCES

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

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.

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

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the financial year;
- income and expenses are translated at average 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 are transferred directly to the group's foreign currency translation reserve in the Consolidated Balance Sheet. These differences are recognised in the Statement of Comprehensive Income.

#### **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/ (assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

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.

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

#### **4.12.5 CASH AND CASH EQUIVALENTS**

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

#### **4.12.6 TRADE AND OTHER RECEIVABLES**

Trade and other receivables include amounts due from customers in respect of fees. As receivables of this nature are all expected to be received within 12 months of the reporting date, they are classified as current assets.

Trade and other receivables are initially measured at fair value. All debts considered bad or doubtful are written off or provided against respectively.

# **4.12.7 INVENTORIES**

Franchises being held for resale are recognised as inventories. These are measured at the lower of the cost of acquisition from the previous owner and the expected net realisable value.

# 4.12.8 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.

Property, plant and equipment are depreciated over their useful lives.

Plant and equipment are measured on a cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event that 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. Impairment losses are recognised either in the profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

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

#### **4.12.9 TECHNOLOGY & SOFTWARE 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 Forecast Consolidated Income Statement.

These assets are tested for impairment at each reporting date. Useful lives are also reviewed on a regular basis and adjustments made where necessary.

#### **4.12.10 BRAND NAMES & INTERNATIONAL RIGHTS**

The brand names and international rights were acquired in a separate transaction. BPS has recognised the asset at cost. These assets will be recognised in future periods using the cost model, which required 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, based upon an analysis of all the relevant factors, 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.

#### 4.12.11 GOODWILL

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

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that there might be an impairment.

# **4.12.12 IMPAIRMENT OF ASSETS**

At the end of each reporting period, BPS assesses whether there is any indication that an asset may be impaired. The assessment will include considering both internal and external sources of information. 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 the profit and loss, unless the asset is carried

at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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

#### **4.12.13 TRADE AND OTHER PAYABLES**

Trade and other payables represent the liability 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 as the amount is expected to be settled in the ordinary course of business within 12 months of the reporting date.

#### **4.12.14 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 the BPS, are classified as finance leases.

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

# 4.12.15 EMPLOYEE EXPENSES

Provision is made for employee expenses arising from services rendered by employees to the end of the reporting period. Employee expenses that are expected to be settled within one year have been measured at the amount expected to be paid when the liability is settled. Employee expenses payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee expenses.





# **5.1 BOARD OF DIRECTORS**

The Directors bring to the Board relevant experience and skills including deep knowledge of the Trade Exchange, loyalty, transaction and payments industries, financial management and corporate governance experience.









# **MURRAY d'ALMEIDA**

# NON-EXECUTIVE CHAIRMAN

Murray has over 35 years of diverse national and international business experience. Murray began his career with a chartered accounting firm in Perth. He founded Retail Food Group Limited (ASX: RFG) and led its global expansion.

Murray's current board roles include as director of Beacon Hill Resources Plc., Chairman of Pacific Environment Limited, Chairman of Management Resource Solutions Plc., Chairman of Barrack Street Investments Limited, Gold Coast Light Rail Business Advisory board Member, non-executive director of the Institute of Business Leaders, Director of Tasmania Magnesite NL, councillor of Southern Cross University, trustee of Currumbin Wildlife Foundation and Chairman of the Bartercard Charity Foundation.

On completion of the Offer Murray will resign as a Director with BF Group and as the Non-Executive Chairman of BCA.

# **ANDREW PIPOLO**

# INDEPENDENT NON-EXECUTIVE DIRECTOR

Andrew has a long history of leadership in the payments space including with PayPal where he was the first Managing Director of Australian operations (2004 to 2009) and then Japan (2009 to 2011) where he established PayPal and led its entry into those markets. He was previously the head of eCommerce for MasterCard Europe and Country Manager Australia for MasterCard.

During his career, Andrew has developed relationships with local regulators and cemented alternate distribution alliances in domestic and overseas markets.

Andrew is a member of the Institute of Company Directors and is currently the regional director APAC of mobile payments operator LoopPay.

# **TONY LALLY**

# INDEPENDENT NON-EXECUTIVE DIRECTOR

Tony has 30 years Senior Executive experience in the financial services sector, most recently, as Chief Executive officer of Sunsuper, the third largest superannuation fund in Australia.

Tony has extensive experience in funds management and led Australia's largest retail funds management business at Commonwealth Bank (1993-2000), and was Head of Retail for Asia Pacific at Deutsche Asset Management, based in Tokyo (2000-2002). He was also a Partner at Deloitte (2003-2005). A key feature of his career has been building successful businesses.

Tony is on the Board of the Rothman International Centre for Pensions Management (ICPM), based in Toronto.

Tony is a Fellow of the Institute of Actuaries (Australia & UK).









# TREVOR DIETZ

# **CHIEF EXECUTIVE OFFICER**

Trevor has over 30 years' experience in retail, corporate and international banking, finance and human resource management. He was previously chief operating officer for the Bartercard International Group and Managing Director of Bartercard Australia from 2005 until 2009. Before joining Bartercard, Trevor was Chief Executive Officer of the Institute of Public Accountants.

Trevor is a Fellow of the Australian Institute of Company Directors, a Fellow of the Institute of Public Accountants, a Fellow of the Financial Services Institute of Australia, and a Chartered Member of the Australian Human Resources Institute. Trevor is the Non-Executive chairman of the Institute of Business Leaders and Deputy Chair of the Advisory Board to the Faculty of Business at Bond University and a Founder and Director of the Bartercard Charity Foundation.

# **TONY WIESE**

#### **CHIEF FINANCIAL OFFICER**

Tony Wiese is a Chartered Accountant with 24 years' experience in financial and executive management. He is currently the Chief Financial Officer of the BF Group.

Tony founded and listed the Onelogix Group Limited, a logistics and supply chain company in South Africa. Before that, he helped to build and became an Executive Director of the publicly listed South African transport group Super Group Limited and was the Managing Director of the Rental and Logistics Division, which included 12 subsidiary companies.

Tony is a member of the South African Institute of Chartered Accountants and of the Global Accounting Alliance (GAA).

# **BRIAN HALL**

#### **MANAGING DIRECTOR**

Brian was a co-founder of Bartercard and has been the Chief Executive Officer of the BF Group.

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.

Over the past 20 years Brian has been hands-on developing the technology for the sales and trading systems and franchise model of Bartercard both domestically and internationally.

# **5.2 SENIOR MANAGEMENT**

# TREVOR DIETZ

# **CHIEF EXECUTIVE OFFICER**

See Section 5.1

# **TONY WIESE**

# **CHIEF FINANCIAL OFFICER**

See Section 5.1

# **BRIAN HALL**

# MANAGING DIRECTOR

See Section 5.1



# SCOTT CHAPPEL

#### **HEAD OF SOFTWARE INNOVATION AND DEVELOPMENT**

Scott joined Bartercard in 2002 after completing a Bachelor of Applied Science (Computing) from Queensland University of Technology.

Scott's experience with various software development languages and methodologies gives him the ability to effectively work with all areas of the business to ascertain the requirements and delivery of quality technology products.



#### PETER FENTON

### GENERAL MANAGER, DIGITAL STRATEGY AND IMPLEMENTATION

Peter has more than a decade's experience at senior levels in the Trade Exchange Industry. Previously he was General Manager, Global Trading for the BF Group with responsibility for teams across 7 countries and 75 offices.

Prior to joining Bartercard in January 2005, Peter worked in the Trade Exchange industry for 9 years in Canada where he owned his own Trade Exchange.



# **PHILIP SCOTT**

# GENERAL MANAGER, MOBILE PAYMENT SYSTEMS

Philip is the creator of the Bucqi mobile payment system. His background is as a technology developer, both software (desktop and web based) and hardware (custom consumer and industrial electronic designs). He has substantial experience in software and web development using Delphi, jQuery, HTML, CSS and cross platform App development for iPhone/Android/ Windows mobile devices. Philip has over a decade's experience in marketing and technology development in the consumer space.

Philip graduated from the University of Pretoria in 1990 with a Bachelor of Engineering (Electronics), Electronic and Software Engineering.

#### **5.3 CORPORATE GOVERNANCE**

#### **5.3.1 SCOPE AND RESPONSIBILITY OF THE BOARD**

Responsibility for the proper corporate governance of the Company rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of BPS' Shareholders (with a view to building sustainable value for the Shareholders) and those of employees and other stakeholders.

The Board's broad function is to:

- chart strategy and set financial targets for the Company;
- monitor the implementation and execution of strategy and performance against financial and non-financial targets; and
- appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role.

Power and authority in certain areas is specifically reserved to the Board - consistent with its function as outlined above. These areas include:

- composition of the Board itself including the appointment and removal of Directors;
- overseeing the Company including its control and accountability system;
- appointment and removal of senior management including the Managing Director, Chief Executive Officer, Chief Financial Officer, Executive Directors and Company Secretary and certain other senior executives;
- reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliances;
- monitoring senior management's performance and implementation of strategy; and
- approving and monitoring financial, other reporting and the operation of committees.

#### 5.3.2 COMPOSITION OF BOARD

The Board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

- the Board should comprise at least three Directors with a maximum of nine Directors;
- where circumstances allow, to have a majority of independent Directors and an independent Chairman; and
- Directors will be elected for a three year term.

 $\ensuremath{\mathsf{BPS}}$  has 2 independent Non-Executive Directors, Andrew Pipolo and Tony Lally.

# **5.3.3 BOARD CHARTER**

The Board has recently adopted a Board Charter (which will be kept under review and amended from time to time as the Board may consider appropriate), the purpose of which is to give formal recognition to the matters outlined above. This charter sets out various other matters that are

important for effective corporate governance including the following:

- a detailed definition of "independence" for purposes of appointment of Directors:
- a framework for annual performance review and evaluation:
- approval of criteria for monitoring and evaluating the performance of senior executives;
- approving and monitoring capital management and major capital expenditure;
- frequency of Board meetings;
- ethical standards and values ensuring compliance with the Company's governing documents and code of conduct:
- risk management identifying risks, reviewing and ratifying the Company's systems of internal compliance and control;
- establishment of Board committees: audit and risk committee and remuneration and nomination committee.
- the implementation of a formal and detailed code for securities transactions designed to ensure fair and transparent trading by Directors, management, employees and others (the Board has implemented a separate securities trading policy); and
- communications with shareholders and the market.

These initiatives, together with other matters provided for in the Board's charter, are designed to "institutionalise" good corporate governance and generally build a culture of best practice in the Company's own internal practices and in its dealings with others.

#### **5.3.4 AUDIT AND RISK COMMITTEE**

The purpose of this committee is to monitor the integrity of the Company's financial statements, and monitor and review the effectiveness of the Company's internal financial control system and internal and external audit functions. The committee is to include at least 3 members, the majority of which are non-executive directors, including the chair who shall not be the chairperson of the Board. At least one member is to have significant, recent and relevant financial management experience. It is intended that the committee will comprise the following members:

- Tony Lally, as Chairman
- Murray d'Almeida
- Tony Wiese

The committee performs a variety of functions relevant to internal and external reporting and reports to the Board following each meeting. Among other matters for which the committee is responsible are the following:

- monitor the integrity of the financial statements of the Company and its subsidiaries, by reviewing significant financial reporting judgements
- review the effectiveness of the Company's internal financial control system and, unless expressly addressed by the Board itself, risk management systems

- monitor and review the effectiveness of the Company's internal audit function
- monitor and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services
- perform such other functions as assigned by law, the Company's constitution, or the Board
- approve the corporate governance section of the Company's Annual Report relating to the Committee and its responsibilities
- review compliance with legal and regulatory requirements
- to review and oversee management policies and profiles and the risk management and internal control system and to review effectiveness and compliance
- identifying material business risks and monitoring emerging risks
- reviewing legal matters, compliance and reporting issues
- reviewing the compliance function at least annually
- reviewing findings of any regulatory examinations and liaising with regulators
- consideration of the Company's official documents including media releases, ASX announcements and analyst information
- establishing a procedure for the receipt and treatment of complaints received regarding accounting and auditing matters
- reviewing corporate legal reports of evidence of violations of the Corporations Act, ASX Listing Rules or breaches of fiduciary duties, and
- evaluating its performance at least annually.

The committee meets at least four times per year, with further meetings to be convened as required or as requested by the chair of the committee or the Board. At the discretion of the chair of the committee, relevant members of management and the external auditor may be required to attend meetings.

# **5.3.5 REMUNERATION AND NOMINATIONS COMMITTEE**

The purpose of this committee is to assist the Board and make recommendations to it in relation to the appointment and remuneration of new Directors (both executive and non-executive) and senior executives. The committee is to have a minimum of 3 members. At any time the composition of the Board permits, the committee shall also consist only of non-executive directors, and a majority of independent directors, and will be chaired by an independent chairman appointed by the Board. Committee members will be appointed for periods of no more than one year, with members being generally eligible for re-appointment so long as they remain directors of the Board. It is intended that the committee will comprise the following members:

- Andrew Pipolo, as Chairman
- Murray d'Almeida
- Tony Lally

Functions performed by the committee will include the following:

- providing advice in relation to remuneration packages of senior executives, non-executive Directors and executive Directors, equity-based incentive plans and other employee benefit programmes
- reviewing the Company's recruitment, retention and termination policies
- reviewing the Company's superannuation arrangements
- reviewing succession plans of senior executives and executive Directors
- recommending individuals for nomination as members of the Board and its committees
- ensuring the performance of senior executives and members of the Board are reviewed at least annually
- considering those aspects of the Company's remuneration policies and packages, including equitybased incentives, which should be subject to shareholder approval
- monitoring the size and composition of the Board
- reviewing the Company's diversity policy and its effectiveness
- development of suitable criteria for the selection and appointment of Board candidates
- identification and consideration of possible candidates, and recommendation to the Board accordingly
- establishment of procedures, and recommendations for succession plans for the Board, and
- ensuring the performance of each Director and of senior management, is reviewed and assessed each year in accordance with procedures adopted by the Board.

The Remuneration and Nomination Committee will meet as often as necessary, but must meet at least twice a year and one of those meetings must take place at least 2 months prior to each annual general meeting. The Chairman may invite other persons to attend meetings if appropriate.

# **5.3.6 BEST PRACTICE COMMITMENT**

The Company is committed to achieving and maintaining the highest standards of conduct and has undertaken various initiatives, as outlined in this Section that are designed to achieve this objective. BPS' corporate governance objective is intended to "institutionalise" good corporate governance and, generally, to build a culture of best practice both in the Company's own internal practices and in its dealings with others.

The following are a tangible demonstration of the corporate governance commitment by BPS.

#### INDEPENDENT PROFESSIONAL ADVICE

With the prior approval of the Chairman, which may not be unreasonably withheld, each Director has the right to seek independent professional advice at the cost of the Company, concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors and to ensure independent decision making.

#### **CODES OF CONDUCT**

BPS has developed and adopted detailed codes of conduct to guide Directors, senior executives and employees in the performance of their duties.

#### SECURITIES TRADING POLICY

BPS has developed and adopted a formal code to regulate dealings in securities by Directors, officers, consultants and members of senior management and other employees. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

# COMPLIANCE WITH ASX CORPORATE GOVERNANCE GUIDELINES AND RECOMMENDATIONS

The Directors of BPS are responsible for the overall corporate governance practices of the Company and are committed to the implementation of the highest standards of ethical behaviour and accountability in its decision making and the Company's operations. In determining these standards the Board refers to and applies, to the greatest extent possible, the ASX Corporate Governance Council's (the Council) Corporate Governance Principles and Recommendations 3rd Edition (Principles).

In developing the Principles, the ASX understands that all companies and industries are different and require corporate governance frameworks that are appropriate for their business model. As such, the Principles are prescriptive and based on a "if not, why not" regime whereby companies may elect to deviate from the Council's recommendations provided they provide the reasoning behind the non-compliance.

The Company corporate governance practices are largely consistent with the ASX Principles as detailed in the Company's corporate governance policies located on the company's website at www.bpstechnology.com:

- Board Charter
- Audit and Risk Committee Charter
- Remuneration and Nomination Committee Charter -Code of Conduct - all employees
- Code of Conduct Directors and senior executives -Securities Trading Policy
- Shareholder Communication Policy
- Continuous Disclosure Policy
- Diversity Policy
- Privacy Policy
- Whistle-blowers Policy

However, where the Company has not applied a principle or recommendation the explanation for non-compliance is detailed below.

# PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is responsible for overall oversight of the management of the Company. In doing so, they are responsible for guiding and monitoring the activities of BPS on behalf of shareholders, determining the strategic direction and objectives of the Company and overseeing management's achievements against these.

The Board operates in accordance with the Board Charter which formalises the Board's roles and responsibilities. This is supported by two written Codes of Conduct for employees generally and Directors specifically. These Codes ensure that Directors, executives and employees act honestly, responsibly, legally and ethically and in the best interests of the Company.

The Board delegates specific responsibilities to various Board sub-committees. The Board has established:

- an Audit and Risk Committee, which is responsible for overseeing the external and internal auditing functions of the Company's activities and advising and assisting the Board in assessing risk factors associated with the operation of the Company
- a combined Remuneration and Nominations Committee, which is responsible for making recommendations to the Board on remuneration packages and nominations.

Through regular and frequent communication between the Board and management and by monitoring management's activities, reports and performance, the Board will ensure that management is aware of and responsive to the risks, opportunities and priorities recognised by the Board. As part of the overall structure, the Company has implemented a formal process to evaluate performance of Directors, the Board and senior executives.

# PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

The Board comprises of individuals with a range of knowledge, skills and experience that are appropriate to the Company's activities and objectives. The Board believes the Company as a whole benefits from the experience of its Directors who bring quality and independent judgement to all relevant issues falling within the scope of the role.

The Board considers that, fundamentally, the independence of Directors is based on their capacity to put the best interests of the Company and its Shareholders ahead of all other interests, so that the Directors are capable of exercising objective independent judgment. Given the size of the Company, the Board believes that it has an appropriate size and mix of skills to provide independent and transparent decisions for the benefit of the Company despite not having the recommended majority independent Directors as outlined in the Principles.

Instead, the Board has implemented several policies and practices to enable it to make transparent and independent

decisions. For example, Directors are not allowed to be present during discussions or decision making on matters in which they have or could be seen to potentially have a material conflict of interest. In addition, Directors are excluded from taking part in the appointment of third party service providers where the Director has an interest, which provides further separation and safeguards to independence.

The Principles particularly require the Chairman to be independent. Mr Murray d'Almeida is the Chairman and a Non-Executive Director. He is currently a director and chairman of Bartercard Australia and will resign from that position upon completion of the Offer. He does not have any material shareholding in BPS. While the Board recognises the principle that the Chairman should be an independent Director, the Board believes that Murray d'Almeida is the most appropriate person to lead the Board as Chairman given his long standing experience and business relationships. The Board is confident that he is able to bring quality and independent judgement to relevant issues falling within the scope of the role of Chairman.

The Company has, as disclosed above, developed a formal process for evaluating the effectiveness, process and structure of the Board, its committees and individual Directors. The Board is committed to regular assessment of its effectiveness and believes that the contribution of individual Directors is essential to improve the governance and guidance of the Company.

The review of the Board and its Directors is focused on matters such as the structure, effectiveness and contributions made by each Director and the progress towards the strategic objectives of the Company. The Chairman is responsible for conducting the annual review of the Board's performance which involves open and constructive dialogue between respective parties.

#### **PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY**

The Board acknowledges the need for the highest standards of corporate governance practice and ethical conduct by all directors, employees, consultants and contractors of the Company.

The Board has adopted two Codes of Conduct for employees generally and Directors and senior executives generally, which establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.

Recognising the increased role played by women and minorities in the workforce, the Company has also adopted a Diversity Policy which is managed by the Remuneration and Nomination Committee. Key to this policy is the establishment of measurable gender diversity objectives, against which the Board will report progress annually.

Recognising that individuals connected with the Company will sometimes be in possession of market-sensitive information the Company has adopted a Securities Trading Policy. Compliant with ASX Listing Rule 12.9, this policy also restricts any transactions in the Company's

Shares by Company directors, officers, consultants, senior management and other employees and related persons who in the course of their interactions with the Company, are in possession of such market-sensitive information.

# PRINCIPLE 4 - SAFEGUARD INTEGRITY IN CORPORATE REPORTING

The Company has established an Audit and Risk Committee to ensure the Company's corporate reporting is adequately reviewed and that the external auditors are independent. The Committee's structure, roles and responsibilities are detailed in the Audit and Risk Committee Charter.

Tony Lally is the independent Chairman of the Audit and Risk Committee being an independent Non-Executive Director applying the criteria published by the ASX Corporate Governance Council. The Board considers that Tony Lally holds the necessary experience and expertise to Chairman the committee.

The remaining members of the committee are Murray d'Almeida and Tony Wiese, whose experience and expertise are detailed earlier in this Section of the Prospectus. The charter of the committee will be reviewed from time to time taking into account the availability of independent directors.

The Board believes that the committee is constituted by members of the Board who possess the necessary experience and skills to competently fulfil the role of the audit and risk committee.

The Audit and Risk Committee members' attendance at meetings as compared to total meetings held will be detailed in the Directors' Report contained in the Company's Annual Report.

The external auditors will attend the committee meetings at least twice a year and on other occasions where circumstances warrant as well as being available at the Company's AGM to be available to answer shareholder's questions about the conduct of the audit and the preparation and content of the audit report.

The Audit and Risk Committee will keep minutes of its meetings and include them for review at the following Board Meeting.

# PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

The Company is committed to promoting investor confidence and ensuring that Shareholders and the market are provided with timely and balanced disclosure of all material matters concerning the Company, as well as ensuring that all Shareholders have equal and timely access to externally available information issued by the Company.

The Company has adopted a Continuous Disclosure Policy to outline responsibilities in relation to disclosing information to the market and shareholders, and to ensure compliance with the continuous disclosure regime under ASX Listing Rules and the Corporations Act 2001. A copy of this policy is available on the Company's website for download.

#### PRINCIPLE 6-RESPECT THE RIGHTS OF SHAREHOLDERS

The Company has adopted a Shareholder Communication Strategy to ensure that Shareholders have access to balanced and understandable information about the Company and its activities.

The Company will use its website www.bpstechnology. com as its primary communication tool for distribution of the annual report, market announcements and media disclosures. External communication which may have a material effect on the price or value of the Company's securities will not be released unless it has been announced previously to ASX.

Effective participation by Shareholders will be encouraged at general meetings and procedures will be designed to facilitate this.

# PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

The Company has established an Audit and Risk Committee that is focussed on ensuring that the Company maintains an effective system of internal control and risk management. The Committee's structure, roles and responsibilities are detailed in the Audit and Risk Committee Charter.

The Board has formed an Audit and Risk Committee which has the responsibility for identifying assessing, treating, monitoring and reporting in respect of identified risks and the management of these to the Board. The Committee shall comprise at least three members in total, one of which is the Chairman who also chairs the Committee.

The members of the Audit and Risk Committee are appointed by the Board and Company personnel are required to attend Audit and Risk Committee meetings as and when requested.

Specific functions of the Audit and Risk Committee are to review and report to the Board that:-

- The Company's ongoing risk management programme effectively identifies all areas of potential risk
- adequate policies and procedures have been designed and implemented to manage identified risks
- a regular programme of audits is undertaken to test the adequacy of, and compliance with, prescribed policies, and
- proper remedial action is undertaken to redress areas of weakness.

The Audit and Risk Committee meets whenever necessary but no less than four times a year and keeps minutes of its meetings which are included for review at the following Board Meeting.

#### PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration of Directors and members of senior management will be fully disclosed in the annual report and any changes announced in accordance with continuous disclosure principles.

The Remuneration and Nomination Committee has been established with its own charter. Andrew Pipolo is the independent Chairman of the Remuneration and Nomination Committee being an independent Non-Executive Director applying the criteria published by the ASX Corporate Governance Council. The Board considers that Andrew holds the necessary experience and expertise to chair the Committee. The remaining members of the committee are Murray d'Almeida and Tony Lally, whose experience and expertise are detailed earlier in this Section of the Prospectus.

The charter of the Committee will be reviewed from time to time.

The Committee is tasked with ensuring that the Company has remuneration policies and practices which enable it to attract and retain Directors and executives who will best contribute towards achieving positive outcomes for Shareholders.

The Company complies with the guidelines for executive remuneration packages and non-executive Director remuneration as recommended in the Principles. More detailed information will be presented in the annual report.



#### **6.1 INTRODUCTION**

By investing in BPS you will be exposed to a number of risks.

Risks that the Directors believe are key risks are described in Section 1. The key risks are risks that senior management and the Directors focus on when managing BPS' business and have the potential, if they occur, to result in significant consequences for BPS and an investment in it. The balance of risks regarded by the Directors as potentially material are described in this Section .

There are also risks that are common to all investments in shares and which are not specific to an investment in BPS; for example, the general volatility of share prices including as a result of general economic conditions (including monetary and fiscal policy settings as well as interest and exchange rates) in Australia and overseas and other events outside the usual course of BPS' business such as acts of terrorism or war.

Investors should note that the occurrence or consequences of some of the risks described in this Section of the Prospectus are partially or completely outside of the control of BPS, its Directors and senior management. Further, investors should note that this description focuses on risks referred to above and does not purport to list every risk that BPS may have now or in the future. It is also important to note that there can be no guarantee that BPS will achieve its stated objectives or that any forward looking statements or forecasts contained in this Prospectus will be realised or otherwise eventuate.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters, including the risks described in this Section of the Prospectus, and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares or not, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest.

# 6.2 RISKS SPECIFIC TO BPS

# **6.2.1 REVENUE FROM BARTERCARD**

Revenue to be received by Bartercard is estimated to be 93% of the forecast revenue of BPS. This revenue is dependent upon the value of transactions settled by Bartercard, its licensees and franchisees and the management arrangements with the relevant Exchange Company. A deterioration in the Bartercard business in any of its operations around the world would have a significant impact on the results and prospects of BPS.

# **6.2.2 BARTERCARD UNITED STATES**

Bartercard established a trading presence in the United States during FY14. The business in the United States is embryonic. The success of the operation in this country will depend upon the acceptance and continued use of the model by users in the United States.

#### **6.2.3 TRADE EXCHANGE INDUSTRY**

The Bartercard Trade Exchange has a long established history of operation within the Trade Exchange industry. Despite this, should the prevailing economic conditions in the industry change such that there is a significant reduction in the value or volume of transactions, there is likely to be an adverse impact upon the financial performance and/or financial position of BPS.

# **6.2.4 CHANGES IN LAW AND GOVERNMENT POLICY**

With the rise in digital currencies like bitcoin, there is increasing risk of changes to laws and regulations in relation to digital currencies. While this may work in BPS' favour (as the Tess Platform is a longstanding, well-established software platform of a Trade Exchange for digital currencies), there is a risk such changes could impact on BPS' ability to offer its platforms or result in penalties and other liabilities in the event that BPS fails to take account of such laws and regulations.

BPS has developed a strategy to ensure it places its concerns in front of any Government body seeking to implement changes which may adversely affect the Company's operations.

BPS could also be negatively impacted by any failure to gain approval from the regulatory authorities in foreign countries to allow the Bucqi mobile payment system to operate in the relevant country.

# 6.2.5 REVENUE FROM BUCQI

While there has been some early acceptance of the Bucqi Platform, it remains a largely new loyalty and payments platform that will rely for its success upon acceptance and continued use of the product by a wide user base in any market in which it competes.

# **6.2.6 NEW TESS PLATFORM SALES**

The Tess Platform has a track record of stability and success. It has been developed with and used by the Bartercard Trade Exchange for several years. Until 2014 the Tess Platform has been a captive technology platform used only by Bartercard, not by third parties. BPS has signed a new software service agreement with an Indian client and the Tess Platform has now been adopted by IRTA as its platform of choice, however there is no certainty that BPS will be successful in marketing the Tess Platform to other Trade Exchanges.

#### **6.2.7 COMPLETION OF TRANSACTION**

BPS has entered into various agreements to effect the Transaction under which BPS will acquire the technology supporting the Tess Platform, the Bartercard Management Systems, the businesses operated by BCA and BCUK, BCUS and Bartercard NZ as well as the remaining 34% shareholding in Bucqi Australia. These agreements are subject to successful completion of the Offer and will take effect from 1 July 2014.

It is intended that all business, assets and Shares being acquired as part of the Transaction will be acquired free of

any material encumbrance or security. Not withstanding amounts owing by the BF Group are intended to be satisfied, some counterparties to the security documentation may not provide a discharge of that security interest. This will have a materially adverse impact on BPS.

There is a possibility that completion may not occur or be delayed. If the relevant agreements are not completed for any reason this will have a materially adverse effect on BPS. If completion of the Offer does not occur, all Application Money will be refunded without interest.

Refer to Section 9.10 for a summary of the agreements.

### **6.2.8 COMPETITION - BPS IS A TECHNOLOGY BUSINESS**

New technologies are constantly emerging in each of the areas in which BPS operates and the cost of developing, launching and bringing to market these competing technologies continues to fall. The payments space is particularly competitive with many well-funded international competitors. Failure to compete successfully in other countries against current or future competitors would limit new sales of the Tess Platform and/or the Bucqi Platform and hence materially impact BPS' business.

BPS may not be able to efficiently upgrade the Tess Platform and the Bucqi Platform without incurring substantial expense that may not be able to be passed on to its customers. An inability to adapt to technological advancement may negatively impact the ability to attract retail customers and have a material adverse effect on the business of BPS.

#### **6.2.9 EXCHANGE RATE RISK**

BPS is forecast to derive substantial income from operations in other countries and this may increase as the Company expands its operations. Strengthening of the Australian dollar may have a material negative impact on the Company's earnings.

#### 6.2.10 PERSONNEL

BPS' success, in part, depends upon the continued performance, efforts, abilities and expertise of its key management personnel, (particularly its Chief Executive Officer, Managing Director, Head of Software Innovation and Development and the General Manager of Mobile Payment Systems) as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of certain of these personnel without replacement could have an adverse impact on the successful operation, management and promotion of the Bartercard Trade Exchanges, the development of the Tess Platform and its roll out to non-Bartercard trade exchanges and/or the development of Bucqi Platform and the marketing of those platforms.

Further, a substantial increase in labour costs for employees or contractors may have an adverse impact on the financial performance and/or financial position of BPS.

#### **6.2.11 INTELLECTUAL PROPERTY RISK**

Whilst every effort has been made to secure the technology supporting the Tess Platform and the Bucqi Platform, BPS does not intent to apply to register patents for all the intellectual property associated with Bartercard, Tess and Bucqi Platforms have developed. Other parties may claim infringement of patents or alternatively other parties may develop and patent other very similar, potentially substitutable products, processes or technologies.

#### **6.2.12 THIRD PARTY FAILURE**

BPS is reliant on a number of third party contractors. These third parties provide essential services on an outsourced basis including software and/or product development activities. Accordingly, BPS is reliant on contractors properly performing their contractual obligations and performance failures may have an adverse effect on BPS.

BPS is also an extensive user of third party provided I.T. hardware and software platforms, systems and infrastructure. BPS is reliant on these suppliers properly performing their contractual obligations, performance failures and unreasonable price increases may have a material adverse effect on BPS.

A failure by any of these suppliers to provide those services or a failure of their systems may adversely affect the Company's ability to provide services to its customers.

#### **6.2.13 SERVICE DELIVERY FAILURE**

BPS relies on its intellectual property to provide its customers with its service. There may be a failure to deliver the service as a result of numerous factors including human error, power loss, improper building maintenance of landlords in leased or licensed premises via earthquake, flood and other natural disasters, industrial disruption, sabotage, vandalism and other factors. Any material failure in service delivery will have a material adverse effect on the business of BPS.

# **6.2.14 INTERNET/HOSTING**

BPS is reliant on continued access to the internet and on the parties that host BPS' cloud based platforms. Accordingly should internet or hosting service be disrupted for prolonged periods, then the service that BPS provides to its customers will be compromised which in turn could impact BPS.

# **6.2.15 SECURITY AND UNAUTHORISED USE**

Security risks are a factor in all internet-based systems. Any breach of security in BPS' platforms could have several negative impacts including as a result of the non-performance of the platforms, the loss of confidential information and damage to the reputation of BPS' platforms.

BPS has invested significantly in acquiring the Bartercard brand name, the Tess Platform and the Bucqi Platform. The laws relating to trade secrets, copyright and trade marks assist to protect its proprietary rights. Despite these measures there can be no guarantee that unauthorised use

or copying of technology owned or developed by BPS will be prevented.

Any such claims could impact BPS' ability to license its platforms in their current forms or require BPS to pay damages and / or licence fees to the party claiming infringement.

#### **6.2.16 FUNDING**

At Listing, BPS will have no debt outside of the normal trade payables and loans to third party vendors arising from the acquisition of various franchises which are repayable over an extended period. There is however, no certainty that BPS will remain well funded, especially if existing financial resources are invested in growth or the development of BPS' technology platforms and that investment does not generate a timely return.

The Bucqi Platform does not currently generate a profit and the time taken before the platform generates a profit may prove longer and more costly than currently envisaged by senior management.

#### 6.2.17 INSURANCE

BPS has insurance including Directors' and Officers insurance, which it believes to be commensurate within industry standards and adequate having regard to the business activities of BPS. However, there is a risk that BPS' insurance coverage will be insufficient to meet a very large claim or a number of large claims, that BPS is unable to secure insurance to satisfactorily cover all anticipated risks or that the cost of insurance will increase beyond anticipated levels, Accordingly, BPS could be adversely impacted by increases in the cost of insurance premiums or an ability to access adequate insurance coverage.

# **6.2.18 LITIGATION RISK**

BPS is not currently involved in any material litigation and the Directors are not aware of any facts or circumstances that may give rise to any material litigation. However, given the scope of BPS' activities and the wide range of parties it deals with, BPS may in the future be exposed to potential litigation from third parties such as customers, regulators, employees and business associates.

# **6.3 GENERAL INVESTMENT RISK**

#### **6.3.1 ACCOUNTING STANDARDS**

Australian Accounting Standards are set by the Australian Accounting Standards Board (AASB) and are outside the control of the Directors and BPS. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and/or financial position of BPS.

### **6.3.2 GENERAL ECONOMIC CONDITIONS**

BPS' operating and financial performance will be influenced by a variety of general economic and business conditions including the level of inflation, foreign exchange rates, capital availability, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions may have an adverse impact on the volume or value of transactions on the BPS platforms and hence on BPS' operating and financial performance.

#### **6.3.3 SHARE MARKET INVESTMENTS**

It is important to recognise that, once the Shares are quoted on ASX, their price might rise or fall and they might trade at prices below or above the Offer Price. There can also be no assurance that an active trading market will develop for the Shares or that the price of the Shares will not fall.

Factors affecting the price at which the Shares are traded on ASX could include domestic and international economic conditions. In addition, the prices of many listed entities' securities are affected by factors which might be unrelated to the operating performance of the relevant company. Such fluctuations might adversely affect the price of the Shares.

#### **6.3.4 TAXATION AND STAMP DUTY RISKS**

A change to the current taxation regime may affect BPS and BPS' Shareholders. Personal tax liabilities are the responsibility of each individual Investor. BPS is not responsible either for taxation or penalties incurred by Investors.

The Financial Information provides for the payment of \$498,000 in stamp duty by the Company in connection with the Transaction Agreements. This payment relates to the business sale agreements summarised in section 9.10.2 - 9.10.7 of this Prospectus. This is an estimate of stamp duty only and the amount of duty may vary.

#### 6.3.5 LIQUIDITY

BPS Technology has no previous public market for its shares and once the shares are listed on the ASX there can be no guarantee that there will be an actively traded market for the stock. That is, there may be few buyers and sellers of the shares which may add to the volatility of the market price at which participants are able to transact.

Following completion of the Offer, the Founders will retain approximately 49% of the issued share capital in BPS Technology. This portion of the Shares will be subject to Restriction Agreements meaning that the Shares able to be traded on ASX will be reduced by this amount for a period of 2 years from listing. The Shares to be issued in relation to acquisition of the remaining 34% of Bucqui Australia will also be subject to a Restriction Agreements and restricted for 12 months from the Allotment date.

Following the end of the Restriction Agreement, there may be sales of these Shares or there may be the perception that such sales could occur both of which could have a material adverse effect on the Share price.

#### **6.3.6 RISK OF FUTURE SHAREHOLDER DILUTION**

In the future, BPS may wish to raise more share capital in order to fund the growth of the business. Such raising may have a dilutionary effect on existing Shareholders.

About the Offer and How to Apply

#### 7.1 IMPORTANT DATES

Offer opens	5 August 2014
Offer closes and Applications due	5pm on 28 August 2014
Allotment Date	29 August 2014
Completion of Transaction	29 August 2014
Shareholding and Transaction Confirmation Statements expected to be dispatched	1 September 2014
Trading on normal settlement basis commences on ASX	4 September 2014

This timetable is indicative only.

- 1. The Company, in conjunction with the Lead Manager, reserves the right to vary the times and dates of the Offer without prior notice, including to close the Offer early or extend the Offer to accept late Applications.
- 2. Investors are therefore encouraged to submit their Application Forms as early as possible after the Opening Date.
- 3. All times are Sydney time.

#### 7.2 THE OFFER

Under this Prospectus, BPS invites investors to subscribe for up to 28 million Shares at \$1.00 per Share to raise \$28 million.

The Offer comprises:

- a General Offer which is open to all residents of Australia and New Zealand;
- an Institutional Offer made to Institutional Investors under the Institutional Offering Memorandum as managed by the Lead Manager or the US Placement Agent.

The General Offer and the Institutional Offer will open on 5 August 2014 and close at 5.00pm (Sydney time) on 28 August 2014. The Company, in conjunction with the Lead Manager may vary the times and dates of the Offer without prior notice. This includes closing the General Offer or the Institutional Offer, or both early.

#### GENERAL OFFER

The General Offer is only open to Australian and New Zealand resident Retail Investors. Applicants under the General Offer should complete and lodge the Application Form in accordance with Section 7.5 and the instructions on the back of the Application Form. The Application Form, together with the cheque(s) for the Shares applied for, should be completed and returned to the Share Registry before the Closing Date. Alternatively applicants may apply online, see Section 7.5.

#### INSTITUTIONAL OFFER

The Institutional Offer is only open to Institutional Investors. The Institutional Offer is being managed by the Lead Manager or the US Placement Agent. Further details of how to participate will be provided to participants by the Lead Manager and the US Placement Agent.

The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold in the United States or to, or for the account or benefit of US Persons, except to QIBs in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and any other applicable securities laws. This Prospectus may not be distributed in the United States or to, or for the account or benefit of, US Persons, or elsewhere outside Australia or New Zealand unless it is attached to, or constitutes part of, the Institutional Offering Memorandum, and may only be distributed to persons to whom the Offer may be lawfully made in accordance with the laws of any applicable jurisdiction. The Offer is not an offer or invitation in any jurisdictions where, or to any person to whom, such an offer or invitation would be unlawful.

Each person to whom the Institutional Offer is made under this Prospectus will be taken to have represented, warranted and agreed as follows:

- It understands that the Shares have not been, and will not be, registered under the US Securities Act and may not be
  offered, sold or resold in the United States, or to or for the account or benefit of US Persons, except in transaction
  exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- It is not in the United States or a US Person, and is not acting for the account or benefit of a US Person;
- It has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States
  or to any person that is, or is acting for the account or benefit of, a US Person; and
- It will not offer or sell the Shares in the United States or to, or for the account or benefit of, any US Person or in any other
  jurisdiction outside Australia and New Zealand except in transactions exempt from, or not subject to, registration under
  the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

# 7.3 PURPOSE OF THE OFFER AND USE OF PROCEEDS

The purpose of the Offer is to:

- bring Bartercard to the listed environment
- effect the completion of the Transaction, including the acquisition of Bartercard NZ
- provide working capital to acquire the Tess Platform and assist with the roll out of the Tess Platform and Bucqi Platform
- exploit the considerable growth opportunities available to BPS after Listing, including expansion of Bartercard and acquisition opportunities of Trade Exchanges; and
- pay costs of the Offer.

The Offer proceeds will be applied as follows:

Total funds raised	28,000	100
Payment of Offer expenses (see Section 9.9)	2,996	11
General working capital	4,004	14
Payment for acquisition of the Bartercard Australia Business	9,000	32
Payment for acquisition of the Bartercard UK Business	2,500	9
Payment for acquisition of Bartercard NZ	5,500	20
Payment for acquisition of the Bartercard Management Systems	2,000	7
Payment for acquisition of the Tess Platform	2,000	7
USE OF PROCEEDS	\$000	%

The total purchase price for the businesses in Australia, New Zealand and United Kingdom includes the assumption of the employee entitlements of all transferring employees as well as other assets and liabilities as described in the Pro-forma Balance Sheet in Section 4.4 . Further, stamp duty of \$498,000 will also be payable in relation to the Transaction and is anticipated to be paid in September 2014.

The Directors are satisfied that after completion of the Offer the Company will be earning profits and will have sufficient working capital to carry out its objectives as described in this Prospectus.

# 7.4 SHAREHOLDING STRUCTURE

The following table shows the anticipated shareholding structure at the close of this Offer:

#### ANTICIPATED CAPITAL STRUCTURE POST IPO

SHAREHOLDER <sup>1</sup>	SHARES BEFORE THE OFFER <sup>3</sup>	% BEFORE THE OFFER	SHARES AFTER CLOSE OF THE OFFER	% AFTER CLOSE OF THE OFFER
Trevor Dietz <sup>2</sup>	9,500,000	33.33	9,500,000³	16.24
Tony Wiese <sup>2</sup>	9,500,000	33.33	9,500,000³	16.24
Brian Hall²	9,500,000	33.33	9,500,000³	16.24
Philip Scott <sup>2</sup>	Nil	Nil	2,000,000³	3.42
Subtotal	28,500,00	100%	30,500,000	52.14
Shares under this Offer	Nil	Nil	28,000,000	47.86
Total	28,500,000	100%	58,500,000	100%

- 1. Directors (and their associates) may participate in the Offer.
- 2. The Shareholders named above may hold Shares either directly, or Shareholdings may be of entities related to or controlled by those individuals.
- **5.** These Shares will be subject to Restriction Agreements which are further described at Section 9.8.1. For further details of interests held or controlled by Directors refer to Section 9.7.

## 7.5 HOW TO APPLY FOR SHARES

Applications for Shares must be made by completing and lodging a copy of the Application Form which is attached to or accompanied by this Prospectus. The Application Form attached to or accompanied by this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus before completing the Application Form.

Before making an investment, Applicants should read this Prospectus in its entirety. If you are uncertain as to whether the Company is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.

An Application to invest is an irrevocable offer by the Applicant to BPS Technology to purchase the Shares specified in the Application Form, on the terms and conditions set out in the Application Form.

The Application Form must be completed in accordance with the instructions on the Application Form. Once complete, your Application Form, together with the Application Monies must be received by the Share Registry before the close of the Offer, at 5.00pm (Sydney time) on 28 August 2014.

#### BY MAIL TO:

BPS Technology Limited c/ Link Market Services Limited Locked Bag A14 SYDNEY SOUTH NSW 1235

# BY HAND TO:

BPS Technology Limited c/ Link Market Services Limited 1A Homebush Bay Drive RHODES NSW 2138

Alternatively, you can apply online www.bpstechnology.com and pay your Application Monies by BPAY®.

#### PAYMENT BY CHEQUE, BANK DRAFT OR MONEY ORDER

For payment by cheque, bank draft or money order, you should complete the Application Form attached to or accompanied by this Prospectus in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order to the Share Registry before the Closing Date.

Your cheque, bank draft or money order must be:

- payable to "BPS Technology Limited"
- crossed "Not Negotiable"
- for an amount equal to the Offer Price multiplied by the number of Shares that you are applying for, and
- in Australian currency drawn on an Australian branch of a financial institution.

You should ensure that sufficient funds are held in the relevant account(s) to cover the Application Monies as your cheques will be processed on the day of receipt. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay for the number of Shares you have applied for in your Application Form in full, you will be taken to have applied for such lower number of Shares as your cleared Application Monies will pay for. Alternatively, your application will not be accepted and you will not receive any Shares.

Cash payments will not be accepted. Receipts for payment will not be issued

#### **APPLY ONLINE**

Australian investors may apply for Shares online and pay their Application Monies by BPAY®. For payment by BPAY®, please complete the online Application Form accompanying the electronic version of this Prospectus which is available at www.bpstechnology.com by following the instructions on the Application Form (which includes the Biller Code and your unique Customer Reference Number (CRN).

You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

When completing your BPAY® payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be accepted and you will not receive any Shares.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm (Sydney time) on the Closing date (subject to variation). You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment.

# 7.6 MINIMUM SUBSCRIPTION

Applications for Shares under the Offer must be for a minimum of 2,000 Shares, or a minimum investment of \$2,000 and then increasing in multiples of 500 Shares or \$500.

# 7.7 COMPANY DISCRETION

BPS Technology reserves the right to not proceed with the Offer at any time before the allotment of Shares to successful Applicants under the Offer. If the Offer does not proceed, Application Monies will be refunded in full (without interest).

### 7.8 COOLING OFF

Applicants should note there will not be a cooling off period in relation to Applications, because an application will be made to the ASX for listing of BPS Technology and quotation of the Shares.

Once an Application has been lodged, it cannot be withdrawn. Should quotation of the Shares be granted by ASX, Shareholders will have the opportunity to sell their Shares at the prevailing market price, which may be different to the Offer Price.

# 7.9 ALLOCATION POLICY

An Application Form represents an offer by the Applicant to acquire any or all of the Shares specified in the Application Form, on the terms and conditions described in this Prospectus (including any supplementary or replacement document). The Shares under the Offer will be allocated between the General Offer and the Institutional Offer at the discretion of the Company in consultation with the Lead Manager. BPS Technology, in conjunction with the Lead Manager may allocate all, or a lesser number, of Shares for which an Application has been made, accept a late Application or decline an Application. Where Applications are scaled back, there may be a different Application of the scale-back policy to each Applicant. BPS does not intend to scale back any individual applications of \$2,000.

All Application Money from Applicants will be held in trust for those Applicants until the relevant Shares are issued to them. Where no allocation is made to a particular Applicant or the number of Shares allocated is less than the number applied for by an Applicant, surplus Application Monies will be returned to that Applicant. No interest will be paid on refunded Application Monies. Any interest earned on Application Monies is the property of BPS. It is the responsibility of Applicants to confirm the number of Shares allocated to them prior to trading in Shares. Applicants who sell Shares before they receive notice of the Shares allocated to them do so at their own risk.

If BPS Technology's application for admission to the official list of the ASX is denied, or for any reason this Offer does not proceed, all Application Monies will be refunded in full without interest.

Successful Applicants will be notified in writing of the number of Shares allocated to them as soon as possible after the Closing Date.

# 7.10 ASX LISTING

An application will be made to the ASX not later than seven days after the date of this Prospectus for BPS Technology to be admitted to the ASX and for official quotation of the Shares issued under this Prospectus. Acceptance of the application by the ASX is not a representation by the ASX about the merits of the Company or the Shares. Official quotation of Shares, if granted, will commence as soon as practicable after the issue of initial shareholding statements are dispatched to successful Applicants. If official quotation of the Shares is not granted within three months after the date of this Prospectus, then none of the Shares offered under this Prospectus will be issued and

all Application Money from Applicants will be refunded to them (without interest).

Following the issue of Shares under the Offer (expected to occur on or about 29 August 2014 the Share Registry will send successful Applicants a holding statement detailing the number of Shares issued to them under the Offer. It is expected that holding statements will be dispatched on or about 1 September 2014. It is the responsibility of Applicants to confirm their allocation of Shares prior to trading in Shares. A Shareholder who sells Shares before they receive their holding statements does so at their own risk

It is expected that trading of the Shares on the ASX will commence on 4 September 2014.

### 7.11 REGISTRY

The Share Register of BPS Technology will be maintained by Link Market Services Limited.

#### **7.12 CHESS**

BPS Technology will apply for the Shares to participate in the security transfer system known as the Clearing House Electronic Sub register System (CHESS) in accordance with the Listing Rules and ASX Settlement Rules. On admission to CHESS, BPS Technology will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register.

Under CHESS, Applicants who are issued Shares under this Offer will receive shareholding statements in lieu of share certificates. The shareholding statement will provide details of the Shareholder's Holder Identification Number (HIN) (in the case of a holding on the CHESS sub register) or Shareholder Reference Number (SRN) (in the case of a holding on the issuer sponsored sub register).

In future, Shareholders need to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the Share Registry. Further statements will be provided to Shareholders showing changes in their shareholding during a particular month. Additional statements may be requested at any time, although BPS reserves the right to charge a fee.

# 7.13 TAXATION CONSIDERATIONS

The taxation consequences of an investment in BPS will depend upon your particular circumstances. You should make your own enquiries about the taxation consequences of an investment in BPS. If you are in doubt you should consult your accountant, stockbroker, lawyer or other professional adviser.

For general information in relation to the taxation consequences of the Offer please refer to Section 9.13.

# 7.14 FOREIGN SELLING RESTRICTIONS

No action has been taken to register or qualify the Shares or the Offer in any jurisdiction outside Australia and New Zealand, or otherwise to permit an offering of the Shares outside Australia and New Zealand, and the distribution of this Prospectus outside of Australia and New Zealand may be restricted by law. The Offer constituted by an electronic copy of this Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia and New Zealand.

This Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

In submitting an Application Form, each Applicant under the General Offer warrants and represents to the Company

- the Applicant is an Australian or New Zealand citizen or resident in Australia or New Zealand, is located in Australia or New Zealand at the time of the application and is not acting for the account or benefit of any person in the United States or any other foreign person
- if the Offer was constituted by an electronic copy of this Prospectus the Applicant received the electronic version of the Prospectus within Australia or New Zealand; and
- the Applicant will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia, or to a United States person, except in transactions exempt from registration under the US Securities Act 1933 as amended, and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

# 7.15 BROKERAGE, COMMISSION AND STAMP DUTY

No brokerage, commission or stamp duty is payable by Applicants for Shares under the Offer. The Directors and the Lead Manager may determine, in their absolute discretion, to pay brokerage, commission or stamping fees to brokers or other financial intermediaries under the Offer.

## 7.16 OFFER MANAGEMENT AGREEMENT

The Offer is being managed by Patersons Securities Limited. For details of the agreement, see Section 9.10.1.

# 7.17 ENQUIRIES

If you require assistance to complete an Application Form or require additional copies of this Prospectus, you should contact the BPS Offer Information Line on 1300 851 395.

The BPS Offer Information Line will be open on business days from 8.30am to 5.00pm Sydney time, until the Closing Date. If you require advice as to whether to invest in BPS, you should seek professional advice from your stockbroker, accountant or financial advisor.

Investigating Accountant's Report



# PILOT ADVISORY

Chartered Accountants

Level 10, Waterfront Place 1 Eagle St. Brisbane 4000

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P +61 7 3023 1300 F +61 7 3229 1227 pilotpartners.com.au

25 July 2014

The Board of Directors BPS Technology Ltd PO Box 582 SOUTHPORT QLD 4215

Dear Sirs.

# INVESTIGATING ACCOUNTANT 'S REPORT ON THE PRO FORMA BALANCE SHEET AND INDEPENDENT ACCOUNTANT 'S REPORT ON FORECAST FINANCIAL INFORMATION

# 1. INTRODUCTION

We have prepared this Independent Accountant's Report ("the Report") on the historical, pro forma and forecast financial information of BPS Technology Ltd ("BPS", "the Company") for inclusion in the Initial Public Offering Prospectus to be dated on or about 25 July 2014 and any replacement Prospectus ("Prospectus") and to be issued by the Company in respect of an Initial Public Offering of equity in the Company and listing of BPS shares on the Australian Securities Exchange ("ASX"). This is hereafter referred to as "the Proposed Offer".

Expressions defined in the Prospectus have the same meaning in this Report.

Pilot Advisory Pty Ltd ("Pilot Advisory") is an authorised representative of Nexia ASR Pty Ltd which holds an Australian Financial Services Licence (AFS Licence Number 247262). Michael Traynor is a Director and Authorised Representative of Pilot Advisory. A copy of our Financial Services Guide is attached as an Appendix to this report.

# 2. SCOPE

Pilot Advisory has been requested to prepare this Report covering the following information:

#### HISTORICAL FINANCIAL INFORMATION

The Company was formed on 17 January 2014 for the purposes of completing this transaction. As a result no historical financial information has been provided.

#### PRO FORMA CONSOLIDATED BALANCE SHEET

The Pro Forma Consolidated Balance Sheet detailed in Section 4.4 of the Prospectus comprises the pro forma balance sheet as at the date of the transaction. (referred to as the "Pro Forma Consolidated Balance Sheet")

The Pro Forma Consolidated Balance Sheet assumes completion of the proposed transaction outlined in Sections 7.2 and 7.3 of the Prospectus.





#### **FORECAST FINANCIAL INFORMATION**

The Forecast Financial Information as detailed in Section 4.3 and Section 4.5 of the Prospectus comprises:

- Forecast Consolidated Income Statement for FY15; and
- Forecast Consolidated Cash Flow Statement for FY15.

(referred to as "Forecast Financial Information")

The Forecast Financial Information is presented in an abbreviated form in so far as it does not include all of the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports.

#### 3. REVIEW OF FINANCIAL INFORMATION

#### PRO FORMA CONSOLIDATED BALANCE SHEET

We have conducted an independent review of the Pro Forma Consolidated Balance Sheet in order to state whether, on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- a. The Pro forma transactions/assumptions do not provide a reasonable basis for the Pro Forma Consolidated Balance Sheet;
- **b.** The Pro Forma Consolidated Balance Sheet has not been prepared on the basis of the transactions/ assumptions set out in Sections 7.2, 7.3 and 4.4 of the Prospectus; and
- c. The Pro Forma Consolidated Balance sheet is not presented fairly at the date of the transaction.

Our independent review of the Pro Forma Consolidated Balance Sheet has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. We have made such inquiries and performed such procedures as we, in our professional judgement, consider reasonable in the circumstances, including:

- Analytical procedures on the financial performance of the company for the relevant period;
- A review of Company accounting records;
- A review of relevant legal documents;
- A review of the assumptions used to compile the proforma statement of financial position and statements of financial performance;
- A review of the adjustments made to arrive at the pro forma financial information;
- Enquiry of the Directors, management and other.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion on the Pro Forma Consolidated Balance Sheet.

### **FORECAST FINANCIAL INFORMATION**

We have conducted an independent review of the Forecast Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- **a.** The Directors' best-estimate assumptions do not provide a reasonable basis for the preparation of the Forecast Financial Information;
- b. The Forecast Financial Information was not prepared on the basis of the best-estimate assumptions;
- c. The Forecast Financial Information does not present fairly:
  - The Consolidated Income Statement of BPS for FY15; and
  - The Consolidated Cash Flow Statement of BPS for FY15



in accordance with the recognition and measurement requirements (but not all of the presentation and disclosure requirements) of Australian Accounting Standards as if the best-estimate assumptions set out in Section 4.7 of the Prospectus had occurred; and

d. The Forecast Financial Information is unreasonable.

The Forecast Financial Information has been prepared by the Directors to provide investors with a guide to the Company's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of Forecast Financial Information. Actual results may vary materially from this Forecast Financial Information and the variation may be materially positive or negative. Accordingly, investors should have regard to the Risk Factors set out in Section 6 of the Prospectus and Sensitivity Analysis set out in Section 4.8 of the Prospectus.

Our independent review of the Forecast Financial Information has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. Our procedures consisted of:

- Enquiry and comparison and other such analytical review procedures we considered necessary;
- Discussions with Directors, management and other;
- Review of legal documents;
- Review of transactions enacted on the three main trade exchanges and tracing through to receipt of fees.

The review is based on best estimate assumptions and is substantially less in scope than an audit examination. As such, these procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Forecast Financial Information.

# 4. CONCLUSION

#### **REVIEW CONCLUSION ON PRO FORMA CONSOLIDATED BALANCE SHEET**

Based upon our independent review, which is not an audit, nothing has come to our attention which causes us to believe that:

- a. The Pro forma transactions/assumptions do not provide a reasonable basis for the Pro Forma Consolidated Balance Sheet;
- b. The Pro Forma Consolidated Balance Sheet has not been prepared on the basis of the transaction/assumptions set out in Sections 7.2, 7.3 and 4.4 of the Prospectus;
- c. The Pro Forma Consolidated Balance Sheet is not presented fairly as at the date of the transaction; and
- **d.** In accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of Australian Accounting Standards as if the proforma transactions detailed in Section 4.4 of the Prospectus had occurred at the date of the transaction.

## **REVIEW CONCLUSION ON FORECAST FINANCIAL INFORMATION**

Based on our review of the Forecast Financial Information, which is not an audit, and based on an investigation of the reasonableness of the Directors' best-estimate assumptions underlying the prospective financial information, nothing has come to our attention which causes us to believe that:

- **a.** The Directors' best estimate assumptions, set out in Section 4.7 of the Prospectus, do not provide a reasonable basis for the preparation of the Forecast Financial Information;
- b. The Forecast Financial Information was not prepared on the basis of the Directors' best-estimate assumptions; and
- c. The Forecast Financial Information does not present fairly:
  - The Consolidated Income Statement of BPS for FY15; and
  - the Consolidated Cash Flow Statement of BPS for EY15



in accordance with the recognition and measurement requirements (but not all of the presentation and disclosure requirements) of Australian Accounting Standards and the accounting policies adopted by BPS as summarised at Appendix 4.11 of the Prospectus as if the best estimate assumptions set out in section 4.7 of the Prospectus, had occurred:

- d. The Forecast Financial Information is unreasonable; and
- e. The statement of financial position has not been properly prepared on the basis of the pro forma transactions.

The best estimate assumptions, set out in Section 4.7 of the Prospectus, are subject to significant uncertainties and contingencies often outside the control of BPS and the Directors. If events do not occur as assumed, actual results achieved and distributions provided by BPS may vary significantly from the Forecast Financial Information. Accordingly, we do not confirm or guarantee the achievement of the Forecast Financial Information. Future events, by their very nature, are not capable of independent substantiation.

We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which this Report relates, for any purpose other than the purpose for which it was prepared. This Report should be read in conjunction with the Prospectus.

#### **5. SUBSEQUENT EVENTS**

Apart from the matter dealt with in this report, and having regard to the scope of the Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary course of business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

# 6. INDEPENDENCE OR DISCLOSURE OF INTEREST

Pilot Advisory does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Pilot Partners, a related entity, will provide audit and other advisory services to the Company. Pilot Advisory will receive a professional fee for the preparation of this Report.

Yours faithfully

Pilot Advisory Pty Ltd

Michael Traynor

**Director and Representative** 



#### PILOT ADVISORY

Chartered Accountants

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PO Box 7095 Brisbane 4001 Queensland Australia

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# APPENDIX A | PILOT ADVISORY PTY LTD FINANCIAL SERVICES GUIDE

25 July 2014

# 1. PILOT ADVISORY PTY LTD

Pilot Advisory Pty Ltd ("Pilot Advisory") has been engaged by BPS Technology Ltd ("the Company") to provide a report in the form of an Investigating Accountant's Report in relation to the proposed initial public offering and listing of the Company on the Australian Securities Exchange ("the Report"). This report is to be included in the Prospectus dated on or about 25 July 2014.

Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

#### 2. FINANCIAL SERVICES GUIDE

This Financial Services Guide provides important information to help retail clients make a decision as to their use of the general financial product advice in the Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

# 3. FINANCIAL SERVICES WE OFFER

Pilot Advisory is an authorised representative of an Australian Financial Service Licence holder Nexia ASR Pty Ltd (AFS Licence Number 247262). This licence authorises us to provide general financial product advice in relation to interests in managed investment schemes excluding investor directed portfolio services, securities and superannuation to retail and wholesale clients.

## 4. GENERAL FINANCIAL PRODUCT ADVICE

In our Report we provide general financial product advice. The advice in the Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the Report having regard to your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relation to the financial produce and consider that document before making any decision about whether to acquire the financial product.

# 5. REMUNERATION FOR OUR SERVICES

Pilot Advisory charges fees to produce reports, including this Report. These fees have been agreed with, and will be paid by, the entity that engaged us to provide our Report. Our fees have been based on a time cost or fixed fee basis depending on the terms of the engagement.

The estimated fee for this report is \$125,000 (exclusive of GST).

Pilot Advisory is owned by Pilot Nexia Pty Ltd trading as Pilot Partners which is a professional advisory and accounting practice. Pilot Partners may provide professional services, including audit, tax and advisory service to the entity that engaged us and receive fees for those services.

The Directors and employees of Pilot Advisory and Pilot Partners or any other associated entity may receive distributions, salary or wages from Pilot Nexia Pty Ltd. No other fees or fees or benefits, whether directly or indirectly, will be received by these persons in connection with the provision of the Report.

# 6. ASSOCIATION WITH ISSUER OF FINANCIAL PRODUCTS

Pilot Advisory and its authorised representatives and related parties may from time to time provide professional services to the financial product issuer in the ordinary course of business, for which normal fees will be received.

# 7. COMPLAINTS PROCESS

If you have a complaint, please raise it with us first. All complaints must be in writing and addressed to the Complaints Handling Officer and sent to the address below. We will make every endeavour to satisfactorily resolve your complaint in a timely manner. Should the matter not be resolved to your satisfaction after 45 days from receipt of the complaint, you are entitled to have your matter referred to the Financial Ombudsman Service, an external complaints resolution service

# 8. CONTACT DETAILS

## **Pilot Advisory Pty Ltd**

The AFS Compliance Officer Pilot Partners Level 10, 1 Eagle Street Brisbane QLD 4000 T: (07) 3023 1300

# **Independent Dispute Resolution Service**

Financial Ombudsman Service Ltd GPO Box 3 Melbourne VIC 3001 T: 1300 78 08 08



9.0

This Section provides information about a number of other matters not covered elsewhere in this Prospectus.

# 9.1 CORPORATE HISTORY

The Company was incorporated in Queensland under the Corporations Act as a public company limited by shares on 17 January 2014.

# 9.2 COMPANY TAX STATUS

The Company will be taxed in Australia as a public company.

# 9.3 RIGHTS AND LIABILITIES ATTACHING TO SHARES

The rights attaching to ownership of the Shares arise from a combination of the Constitution, the Listing Rules, the Corporations Act and general law. A brief summary of certain provisions of the Constitution and the significant rights attaching to Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The Constitution may be inspected during normal business hours at the registered address of the Company.

**Shares -** The Shares in the capital of the Company can be issued with preferred, deferred or other special rights, obligations or restrictions in relation to dividends, voting, return of share capital, payment of calls or other matters, as determined by the Board from time to time. All unissued shares are under the control of the Board, which may grant options, issue option certificates, allot or dispose of the Shares on the terms and conditions and for consideration it thinks fit. This power is subject to contract or any contrary rules in the Constitution.

The Constitution permits the issue of preference shares on terms determined by the Board within the scope of the key terms contained in the Constitution.

**Alteration of rights -** The rights and restrictions attaching to any class of shares (unless provided by the terms of issue of the Shares of that class), can only be varied with the consent in writing of members with at least three-quarters of the votes in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

Calls - The Board may from time to time call upon Shareholders for unpaid monies on their Shares, although this will not be relevant to the (fully paid) Shares being issued under this Prospectus. If such a call is made, Shareholders are liable to pay the amount of each call in the manner and at the time and place specified by the Board. Such calls may be payable by instalments, as determined by the Board. When a resolution of the Board authorising the call is passed, the call will be deemed to have been made. It may be revoked or postponed at the discretion of the Board

**Forfeiture and lien -** The Company is empowered to forfeit shares in relation to any part of allotment monies, calls, instalments, interest and expenses which remains unpaid

following any notice sent to a Shareholder. Such forfeiture must occur in accordance with the Constitution, the Corporations Act and the Listing Rules. The Company has a first ranking lien or charge for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a Shareholder's Shares. The lien or charge extends to all dividends declared in respect of the Shares provided that, if the Company registers a transfer of any Shares subject to this lien or charge without giving the transferee notice of the claim it may have at that time, the Shares are freed and discharged from the Company's lien or charge in respect to that claim.

**Share Transfers -** Shares may be transferred in any manner required or permitted by the Listing Rules or the ASX Settlement Rules and by any instrument in writing in any usual or common form or in any other form that the Board approves. The Board may only refuse to register a transfer of securities of the Company as permitted by the Listing Rules or the ASX Settlement Rules.

**No share certificates -** Subject to the requirements of the Listing Rules and the Corporations Act, the Company need not issue share certificates.

**Meetings -** ASX and each Shareholder and Director of the Company is entitled to receive notice of and attend any general meeting of the Company. Three Shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting except the election of a Chairman and an adjournment, unless the quorum required is present at the start of the business. The Company is obliged to convene and hold an annual general meeting.

**Voting rights -** Each Shareholder has the right to receive notices of, and to attend, general meetings of the Company. Subject to restrictions on voting from time to time affecting any class of shares in the Company, and any restrictions imposed by the Corporations Act, the shares in the Company carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid share held, and for each partly paid share held, a vote having the same proportionate value as the proportion to which the Shares have been paid up. Voting may be in person or by proxy, attorney or representative.

**Remuneration of Directors -** see Section 9.7 for details relating to the remuneration of Directors.

**Interests of Directors -** A Director is disallowed from being present or voting on any matter in which he or she has a material personal interest, except where permitted by the Corporations Act.

**Election of Directors -** There must be a minimum of three Directors and a maximum number of twelve Directors (not including alternate Directors), which the Board may from time to time determine, but it may not reduce the number below the number of Directors in office at the time of the reduction. A Director must retire from office no later than the latter of the third annual general meeting or three years, after the date that he or she was last elected or re-elected.

**Indemnities for Directors -** The Company must indemnify current and past Directors and secretaries of the Company against any liability and legal costs incurred by them by

virtue of their holding office as, and acting in the capacity of, director or secretary to the extent permitted by law. See Section 9.7 for a summary of the Deeds of Access, Indemnity and Insurance entered into by the Company with each Director.

**Insurance for Directors -** The Company may also pay insurance premiums for current and past Directors and secretaries of the Company in certain designated circumstances to the extent permitted by law.

**Dividends -** If the Board determines that a dividend is payable to a class of shares, it will be paid on all shares of that class proportionate to the total amount for the time being paid on each Share. Such dividend payment is subject to the rights and restrictions on the holders of Shares created or raised under any special dividend arrangements.

The Board may establish and maintain a bonus share plan and a dividend reinvestment plan, which shareholders may elect to take up, in respect of some or all their shares subject to the rules of the plan. The Board has the power to decide whether to pay Shareholders an interim dividend. Any distribution may be paid otherwise than in cash as specified in the Constitution. No dividend or other monies paid in relation to a Share will carry interest as against the Company.

Capitalisation of profits - Subject to the Listing Rules, the Board has the power to capitalise and distribute the whole or part of the undivided profits of the Company or standing to the credit of any reserve or other account and which is available for distribution. Such capitalisation and distribution must be in the same proportions which the Shareholders would be entitled to receive if distributed by way of dividend or in accordance with the terms of issue of any Shares or terms of any plan for the issue of securities for the benefit of officers or employees.

**Partial takeover bids -** The Company must prohibit registration of transfers of Shares purporting to accept partial takeover bids unless a resolution of the Company has been passed approving the offers in accordance with the provisions of the Constitution.

# 9.4 OPTIONS

At the date of this Prospectus, the Company has granted, or agreed to grant, the following options:

OPTION HOLDER	NUMBER OF OPTIONS & SHARES TO WHICH THEY RELATE	EXERCISE PRICE	EXERCISE PERIOD	VESTING CONDITION	EXPIRY DATE
TMT Partners	300,000 options exercisable over 300,000 Shares	\$1.15	From vesting of the options to the 3rd anniversary of date of issue	None	3 years after Listing

# 9.5 DIVIDEND REINVESTMENT PLAN

BPS intends to establish a dividend reinvestment plan when the Board sees fit. The terms and conditions of this plan will be made clear by a Company announcement released to Shareholders

#### 9.6 EMPLOYEE INCENTIVE PLANS

BPS intends to establish an employee incentive plan when the Board sees fit. The terms and conditions of any employee incentive plans will be released to Shareholders.

#### 9.7 INTERESTS AND BENEFITS

Other than as stated in this Section and elsewhere in this Prospectus:

- no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or proposed Director to induce them to become, or to qualify as, a Director of the Company;
- none of the following persons:
  - a Director or proposed Director of the Company;
  - each person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus;
  - a promoter of the Company; or
  - an underwriter to the issue or sale of the Shares, or a financial services licensee involved in the issue or sale of the Shares and named in the Prospectus;

holds or has held at any time in the two years before lodgement of this Prospectus with ASIC, an interest in or was paid or given, or agreed to be paid or given, any amount or benefit for services provided by such persons in connection with the formation or promotion of the Company or the Offer of Shares.

### **DIRECTORS' INTERESTS IN SHARES**

Set out below are details of the interests of the Directors in Shares at allotment of Shares under the Offer. Interests include those held directly or otherwise.

DIRECTOR	SHARES	% POST LISTING
Murray D'Almeida	Nil	0
Trevor Dietz <sup>1</sup>	9,500,000	16.24
Tony Wiese <sup>1</sup>	9,500,000	16.24
Brian Hall <sup>1</sup>	9,500,000	16.24
Andrew Pipolo	Nil	0
Tony Lally	Nil	0

**1.** Shares controlled by the Founders will be Restricted Securities and subject to Restriction Agreements. Refer to Section 9.8.1.

Directors (and their associates) may participate in the Offer.

# **DIRECTORS' REMUNERATION**

BPS has entered into executive service agreements with Key Executives which contain standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The agreements will continue until terminated. Either party may terminate the executive services agreement by giving 6 months notice, or in the case of BPS,

by paying the relevant Key Executive an amount equivalent to his salary in lieu of notice for that period. BPS may also terminate the employment of a Key Executive at any time without prior notice or payment in lieu if he commits an act of serious misconduct or the Key Executive becomes permanently incapacitated.

The key executive service agreements are described in more detail below.

	TREVOR DIETZ - CEO	TONY WIESE - CFO	BRIAN HALL - MANAGING DIRECTOR
Term	Agreement will commence on Listing and will continue until terminated by either party (see below).	Agreement will commence on Listing and will continue until terminated by either party (see below).	Agreement will commence on Listing and will continue until terminated by either party (see below).
Base remuneration	\$350,000 per annum plus superannuation and car allowance.	\$350,000 per annum plus superannuation and car allowance.	\$350,000 per annum plus superannuation and car allowance.
Termination by executive	Mr Dietz may terminate his employment on the giving of six (6) months notice.	Mr Wiese may terminate his employment on the giving of six (6) months notice.	Mr Hall may terminate his employment on the giving of six (6) months notice.
Termination by BPS	The employment of Mr Dietz may be terminated by BPS giving six (6) months notice or by paying Mr Dietz an amount equivalent to his salary in lieu of notice for that period.	The employment of Mr Wiese may be terminated by BPS giving six (6) months notice or by paying Mr Wiese an amount equivalent to his salary in lieu of notice for that period.	The employment of Mr Hall may be terminated by BPS giving six (6) months notice or by paying Mr Hall an amount equivalent to his salary in lieu of notice for that period.
	BPS may terminate Mr Dietz's employment at any time without prior notice or payment in lieu if he commits an act of serious misconduct.	BPS may terminate Mr Wiese's employment at any time without prior notice or payment in lieu if he commits an act of serious misconduct.	BPS may terminate Mr Hall employment at any time without prior notice or payment in lieu if he commits an act of serious misconduct.
	BPS may also terminate Mr Dietz's employment with notice if Mr Dietz becomes permanently incapacitated.	BPS may also terminate Mr Wiese's employment with notice if Mr Wiese becomes permanently incapacitated.	BPS may also terminate Mr Hall employment with notice if Mr Hall becomes permanently incapacitated.
Restrictions	For a period of 12 months following the termination of Mr Dietz's employment he must not, without prior written consent, directly or indirectly:	For a period of 12 months following the termination of Mr Wiese's employment he must not, without prior written consent, directly or indirectly:	For a period of 12 months following the termination of Mr Hall's employment he must not, without prior written consent, directly or indirectly:
	a. be concerned, interested or employed in or manage or operate or participate in the management or operation of any trade or business in Australia which is in competition with BPS at the date of termination of employment;	a. be concerned, interested or employed in or manage or operate or participate in the management or operation of any trade or business in Australia which is in competition with BPS at the date of termination of employment;	a. be concerned, interested or employed in or manage or operate or participate in the management or operation of any trade or business in Australia which is in competition with BPS at the date of termination of employment;
	b. canvas, solicit, accept work from or endeavour to entice away from the Company any person who, or which within the 12 months prior to termination, were clients of the Company or BPS or in the habit of dealing with those companies;	b. canvas, solicit, accept work from or endeavour to entice away from the Company any person who, or which within the 12 months prior to termination, were clients of the Company or BPS or in the habit of dealing with those companies;	b. canvas, solicit, accept work from or endeavour to entice away from the Company any person who, or which within the 12 months prior to termination, were clients of the Company or BPS or in the habit of dealing with those companies;

#### **TREVOR DIETZ - CEO**

#### **TONY WIESE - CFO**

#### **BRIAN HALL - MANAGING** DIRECTOR

- c. solicit, interfere with or endeavour to entice away any employee, sub-contractor, or employee of any subcontractor of the Company or BPS who was not already an employee or relation of the employee before entering into the agreement; or
- **d.** counsel, procure or otherwise **d.** counsel, procure or otherwise **d.** assist any person to do any of the acts referred to in paragraphs (b) or (c) above.
- c. solicit, interfere with or endeavour to entice away any employee, sub-contractor, or employee of any subcontractor of the Company or BPS who was not already an employee or relation of the employee before entering into the agreement; or
  - assist any person to do any of the acts referred to in paragraphs (b) or (c) above.
- c. solicit, interfere with or endeavour to entice away any employee, sub-contractor, or employee of any subcontractor of the Company BPS who was not already an employee or relation of the employee before entering into the agreement; or
- counsel, procure or otherwise assist any person to do any of the acts referred to in paragraphs (b) or (c) above.

## **DEEDS OF ACCESS, INDEMNITY AND INSURANCE FOR DIRECTORS**

The Company has entered into deeds of indemnity, insurance and access with the Directors on standard terms for directors of public listed companies. Under each deed, the Company has undertaken, to the extent permitted by law, to indemnify each Director in certain circumstances and to maintain insurance cover in favour of the Director for seven years after the Director has ceased to be a Director. The Company has also agreed to provide access to records of the Company while the person is a Director and after they cease to be a Director, where such access is required in connection with potential or actual legal proceedings or regulatory action involving the Director.

# **OTHER INFORMATION - DIRECTORS**

BPS has determined that the Non-Executive Directors may be paid, as remuneration for their services, a sum set from time to time by Shareholders in general meeting, with that sum to be divided amongst the Directors as they agree.

The current maximum aggregate amount which has been approved by BPS Technology Shareholders for payment to the Non-Executive Directors is \$500,000 per annum.

BPS has appointed Murray d'Almeida as Non-Executive Director and Chairman on 25 July 2014. Under the terms of his engagement, Mr D'Almeida is entitled to payment of a Directors fee of \$90,000 per annum.

BPS has appointed Andrew Pipolo as a Non-Executive Director on 25 July 2014. Under the terms of his engagement, Mr Pipolo is entitled to payment of a Directors fee of \$75,000 per annum.

BPS has appointed Tony Lally as a Non-Executive Director on 25 July 2014. Under the terms of his engagement, Mr Lally is entitled to payment of a Directors fee of \$75,000 per annum.

Brian Hall, Trevor Dietz and Tony Wiese do not receive any monetary payment for their services as Directors other than in accordance with their respective Executive Service Agreements, described above in this Section.

#### INTERESTS OF ADVISERS

Clayton Utz has acted as the Company's Australian legal adviser in relation to the Offer. In respect of this work, Clayton Utz will be paid approximately \$220,000 (excluding disbursements and GST) for work performed by it in connection with the Prospectus until the date of the Prospectus. Further amounts may be paid to Clayton Utz in accordance with its time-based charges.

Patersons Securities Limited has acted as Lead Manager for the Offer. Chardan Capital Markets has acted as US Placement Agent for the Offer. In respect of this work, the Lead Manager and the US Placement Agent will be paid a total fee of up to 7% of the proceeds under the Offer. Refer to Section 9.10.1 for further details.

TMT Partners Limited has acted as corporate adviser to BPS in relation to the Offer, in respect of which it will receive fees of approximately \$300,000 payable upon the Listing plus \$300,000 in options exercisable over Shares, with a term of three years and an exercise price at 115% of the Offer Price.

Pilot Advisory have acted as BPS' investigating accountant in relation to the Offer. In respect of this work, Pilot Advisory will be paid approximately \$125,000 (excluding disbursements and GST) for work performed by them until the date of the Prospectus. Further amounts may be paid to Pilot Advisory in accordance with its time-based charges.

Pilot Advisory has acted as BPS' taxation advisers in relation to the Offer. In respect of this work, Pilot Advisory will be paid approximately \$25,000 (excluding disbursements and GST) for work performed by them until the date of the Prospectus. Further amounts may be paid to Pilot Advisory in accordance with its time-based charges.

# 9.8 RESTRICTION AGREEMENTS

## 9.8.1 FOUNDERS AND PHILIP SCOTT

In accordance with the requirements of the Listing Rules, the Founders and Philip Scott will enter into Restriction Agreements in relation to all of the Shares they control in BPS Technology at the completion of the Offer.

Under the Restriction Agreements;

- the Founders will agree to not sell, dispose of or encumber the Restricted Securities controlled by them until 24 months from the date of Listing
- Philip Scott will agree to not sell, dispose of or encumber the Restricted Securities controlled by him until 12 months from the Allotment Date.

The Restricted Securities may be disposed of when a takeover offer is made to acquire all of the Shares or there is a merger by way of scheme of arrangement.

Section 9.3 above sets out the rights attaching to Shares in greater detail.

The table below shows the number of Restricted Securities and the % of Issued Shares restricted assuming the Offer is fully subscribed.

RESTRICTED	ISSUED	% RESTRICTED	%
SECURITIES	SHARES <sup>1</sup>		FREE
30,500,000	58,500,000	52%	48%

1. Issued Shares includes Restricted Securities.

#### 9.8.2 TMT PARTNERS LIMITED

In accordance with the requirements of the Listing Rules, TMT Partners will enter into a Restriction Agreement in relation to all of the options they control in BPS Technology at the completion of the Offer.

TMT Partners are able to exercise the options in accordance with the terms of the options. Under the Restriction Agreement, TMT Partners agree to not sell, dispose of or encumber the Shares issued on exercise of those options until the expiry of 24 months from the date of Listing.

The Restricted Securities may be disposed of when a takeover offer is made to acquire all of the Shares or there is a merger by way of scheme of arrangement.

# 9.9 EXPENSES OF THE OFFER

The total estimated expenses for the Offer and for achieving a listing on the ASX payable by BPS including, advisory fees, legal fees, printing costs, public relations costs and other miscellaneous expenses are estimated to be \$2,996 million as per the table below.

EXPENSES OF THE OFFER	\$000
Brokers and advisers	2,485
Investigating accountants — Pilot Advisory	150
Legal — Clayton Utz	220
Other — including ASX, ASIC printing and share registry etc.	141
Total	2,996

#### 9.10 MATERIAL CONTRACTS

#### 9.10.1 OFFER MANAGEMENT AGREEMENT

The Offer is managed under an offer management agreement between BPS Technology, the Lead Manager and the Placement Agent (Offer Management Agreement).

The obligations of the Lead Manager and the Placement Agent are conditional upon:

- the Company implementing and completing due diligence investigations and verification to the satisfaction of the Lead Manager and the Placement Agent before the date of this Prospectus
- various other steps that, on lodgement of the Prospectus with ASIC and lodgement of an application to ASX for admission to the official list of ASX and quotation of the Shares, are satisfied.

Under the Offer Management Agreement, the Lead Manager and the Placement Agent represent and warrant to the Company that each of them are duly incorporated, have the requisite power and authorisations to enter into the Offer Management Agreement and comply with its terms and that the Offer Management Agreement is valid and binding upon them. The Company also gives these representations and warranties to each of the Lead Manager and the Placement Agent together with additional representations and warranties in relation to the issues of the Shares, the content of the Prospectus, the use of funds and completion of the Transaction. Each party further warrants that each of its warranties are true and correct on the date of the Offer Management Agreement and at all times before the Allotment Date.

# TERMINATION EVENTS

The Lead Manager or the Placement Agent may terminate the Offer Management by notice to the Company at any time before the Allotment Date if:

- (Indices fall): any of the All Ordinaries Index, Small Ordinaries Index or the All Industrial Index as published by ASX is, for 2 consecutive ASX trading days, at any time 10% or more below its level as at the close of business on the business day prior to the date of the Offer Management Agreement
- (Prospectus): the Company does not lodge the Prospectus or the Prospectus or the Offer is withdrawn by the Company
- (No Official Quotation): ASX does not grant, in writing, its unconditional approval or conditional approval, if such condition would not, in the opinion of the Lead Manager, have a material adverse effect for all of the Shares to be officially quoted on ASX

# - (Supplementary Prospectus):

 the Lead Manager, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Lead Manager may reasonably require; or

- the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Lead Manager
- (Non-compliance with Disclosure Requirements):
   it transpires that the Prospectus does not contain all
   the information that investors and their professional
   advisers would reasonably require to make an informed
   assessment of:
  - the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
  - the rights and liabilities attaching to the Offer Shares; or
- (Misleading Prospectus): there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of Sections 710, 711 and 716 of the Corporations Act) or if any statement in the Prospectus becomes or is misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive
- (Restriction on Allotment): the Company is prevented from allotting the Shares within the time required by the Offer Management Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority
- (Withdrawal of Consent to Prospectus): any person (other than the Lead Manager) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent
- (ASIC Application): an application is made by ASIC for an order under Section 1324B or any other provision of the Corporations Act in relation to the Prospectus, and that application has not been dismissed or withdrawn by 2 business days after closing
- (ASIC Hearing): ASIC gives notice of its intention to hold a hearing under Section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or ASIC makes an interim or final stop order in relation to the Prospectus under Section 739 of the Corporations Act
- (Hostilities): there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Japan, Russia, the United Kingdom, the USA, or the People's Republic of China, or any member of the European Union, or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world
- (Authorisation): any authorisation which is material to anything referred to in the Prospectus is repealed,

- revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Lead Manager
- (Indictable Offence): a director or senior manager of BPS is charged with an indictable offence.

The Lead Manager or the Placement Agent may also terminate the Offer Management Agreement by notice to the Company at any time before the Allotment Date if, in the reasonable opinion of the Lead Manager or the Placement Agent, the occurrence of any of the following events has or is likely to have a Material Adverse Effect (as that term is defined below) or could give rise to a liability of the Lead Manager under the Corporations Act or otherwise:

- (Default): default or breach by the Company under the Offer Management Agreement of any terms, condition, covenant or undertaking
- (Incorrect or untrue representation): any representation, warranty or undertaking given by the Company in the Offer Management Agreement is or becomes untrue or incorrect
- (Contravention of Constitution or Act): a contravention by BPS of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX
- (Error in Due Diligence Results): it transpires that any
  of the results of the due diligence or any part of the
  verification material was false, misleading or deceptive
  or that there was an omission from them
- (Public Statements): without the prior approval of the Lead Manager a public statement is made by the Company in relation to the Offer, the issue of Shares under the Prospectus or the Prospectus
- (Misleading Information): any material information supplied at any time by the Company or any person on its behalf to the Lead Manager or the Placement Agent in respect of any aspect of the Offer, the issue of Shares under the Prospectus or the affairs of BPS is or becomes misleading or deceptive or likely to mislead or deceive
- (Change in Act or Policy): there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy
- (Prescribed Occurrence): a Prescribed Occurrence (as that term is defined in the Offer Management Agreement) occurs
- (Suspension of Debt Payments): the Company suspends payment of its debts generally
- (Event of Insolvency): an event of insolvency occurs in respect of BPS

- (Judgment against BPS): a judgment in an amount exceeding \$25,000 is obtained against BPS and is not set aside or satisfied within 7 days
- (Litigation): litigation, arbitration, administrative or industrial proceedings are, after the date of the Offer Management Agreement, commenced or threatened against BPS
- (Board and Senior Management Composition): there
  is a change in the composition of the Board or a change
  in the senior management of the Company before the
  Allotment Date without the prior written consent of the
  Lead Manager
- (Change in Shareholdings): there is a material change in the major or controlling shareholdings of BPS or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to BPS
- (Timetable): there is a delay in any specified date in the timetable which is greater than 3 business days
- (Force Majeure): any act of God, war, revolution, or any other unlawful act against public order or authority, an industrial dispute, a governmental restraint, or any other event which is not within the control of the parties which affects the Company's business or any obligation under the Offer Management Agreement lasting in excess of 7 days
- (Certain Resolutions Passed): BPS passes or takes any steps to pass a resolution under Sections 254N, 257A or 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Lead Manager
- (Capital Structure): BPS alters its capital structure in any manner not contemplated by the Prospectus
- (Breach of Material Contracts): any of the material contracts described in Section 9.10 of the Prospectus is terminated or substantially modified
- (Investigation): any person is appointed under any legislation in respect of companies to investigate the affairs of BPS
- (Market Conditions): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

For the purposes of this Section, "Material Adverse Effect" means:

- a material adverse effect on the outcome of the Offer or on the subsequent market for the Shares (including, without limitation, matters likely to have a material adverse effect on a decision of an investor to invest in Shares offered under this Prospectus)
- a material adverse effect on the assets, condition, trading or financial position, performance, profits and losses, results, prospects, business or operations of the

- Company and its controlled entities either individually or taken as a whole
- the Lead Manager's obligations under the Offer Management Agreement becoming materially more onerous than those which exist at the date of that agreement, or
- a material adverse effect on the tax position of either BPS or an Australian resident Shareholder.

#### TRANSACTION AGREEMENTS

The agreements detailed below in Sections 9.10.2 - 9.10.8 describe the contracts under which Bartercard, the Tess Platform and the Bucqi Platform come under the ownership of BPS. These agreements settle after successful completion of the Offer and will take effect from 1.July 2014.

The table below provides a summary of the main purpose of these agreements. Further detail is provided in the subsections following the table.

#### **AGREEMENT MAIN PURPOSE** Bartercard intellectual property and management systems currently owned by BCIB and BCIA are **Deed of Purchase** assigned to BPS. This intellectual property is required for BPS to and Assignment grant licences to third parties to operate the bartercard model in various world wide locations. **Deed of Software** The Tess Platform currently owned Purchase by BCIA is assigned to BPS. The business of managing the **Business Sale** Bartercard Trade Exchange in Agreement Australia established by Bartercard - Australia Exchange Ltd is transferred to BPS. The business of managing Bartercard Trade Exchange in the **Business Sale** United Kingdom established by Agreement - UK Bartercard Exchange (UK) Limited is transferred to BPS. The entity that manages the Bartercard Trade Exchange in Sale Agreements New Zealand established by - New Zealand Bartercard Exchange (NZ) Limited is transferred to BPS. The entity that manages the **Share Sale** Bartercard Trade Exchange in the Agreement - USA USA established by Bartercard USA Exchange Inc. is transferred to BPS. The original developer of the Bucgi Platform is issued Shares to Scrip Exchange settle obligations relevant to the

by BPS.

Agreement

acquisition of the Bucgi Platform

#### 9.10.2 DEED OF PURCHASE AND ASSIGNMENT

BPS Technology, BCIB, BCIA and Barter Futures have entered into a Deed of Purchase and Assignment under which BCIB and BCIA will transfer to BPS Technology the Bartercard Management Systems including all copyright and trade secrets subsisting in the management systems, the trademarks owned by BCIB which relate to the 'Bartercard' brand (**BCIB Trademarks**) for the purchase price of \$2 million.

The key terms of the Deed (which is governed by Queensland law) are as follows:

- (Conditions precedent to closing) Closing of the Deed is subject to the satisfaction or waiver of:
  - the representations and warranties given by BCIB, BCIA and BPS Technology being true and correct;
  - BCIB and BCIA performing and complying with each of their respective obligations and covenants;
  - the successful close of the Offer on terms reasonably acceptable to BPS Technology; and
  - BCIB and BCIA having discharged all encumbrances relating to the Bartercard Management Systems.
- (Closing) The closing of the Deed will take place at 10.00am (Brisbane time) on a date specified by BPS Technology
- (Termination) The Deed may be terminated at any time prior to Closing:
  - by BPS Technology on notice to BCIB;
  - by mutual consent;
  - if Closing has not occurred on or before 31 August 2014.
  - if any law has been enacted or issued that has the effect of making the sale illegal or otherwise preventing consummation of the transaction; and
  - if there has been a breach of any representation, warranty, covenant or agreement.
- (Representations, Warranties and Covenants) BCIB represents and warrants that:
  - it is duly incorporated and has the requisite authority to carry on its business;
  - it has the necessary power to enter into the Deed;
  - there is no conflict with any memorandum of association, applicable law or order or consent or approval required;
  - there is no litigation pending or threatened;
  - there are no solvency issues;
  - it will not fail to take any action which would make any representation or warranty made materially untrue or incorrect;
  - together, they own all right, title and interest in all of the Bartercard Management Systems;

- to the extent that it owns the right, title and interest in the Bartercard Management Systems, it will not sell, license, encumber, transfer or otherwise dispose of any part of the Bartercard Management Systems; and
- to the extent that it owns the right, title and interest in the BCIB Trademarks, it will not do any act which might invalidate BPS Technology's title to the BCIB Trademarks, oppose any application for registration of the BCIB Trademarks or support an application to remove the BCIB Trademarks as registered trademarks.
- (Indemnity Limitations) BCIB and BPS Technology each indemnify the other from and against liabilities arising out of any inaccuracy or breach of any representation, warranty, covenant or agreement contained in the Deed. The limits of the indemnity include:
  - claims can only be made within 24 months of the Closing date;
  - claims can only be made by BPS Technology where the amount claimed is \$10,000 or more and until the aggregate of all claims under this Deed exceeds \$100,000 and then only for the amount in excess of \$100,000;
  - not liable for any special, incidental and punitive or similar damages; and
  - aggregate maximum liability of BCIB is limited to \$2 million.
- (Guarantee) Barter Futures guarantees to BPS Technology the due and punctual performance and observance of BCIB and BCIA of all of the obligations contained in the Deed.
- (Indemnity provided by Barter Futures) Barter Futures indemnifies BPS Technology against all losses and liabilities arising out of any breach or no observance by BCIB and BCIA of its obligations under the Deed up to a maximum of \$2 million.

# 9.10.3 DEED OF SOFTWARE PURCHASE

BPS Technology, BCIA, and Barter Futures have entered into a Deed of Software Purchase regarding the purchase of the following software used in the Tess Platform for the processing of trade transactions and the payment of transactions: Bartercard Admin App, Trade Management Console/Web Trader, Members Trading Portal, Bartercard Mobile App, Global Barter, EFTPOS host application software, BC Tracker, Utility applications (including Bulk Charge Import Wizard, Bulk Transaction Import Wizard and Commissions Export Wizard) and miscellaneous scripts (the Proprietary Software).

Pursuant to the Deed, BCIA will sell to BPS Technology all of its rights, title and interest in and to the Proprietary Software, including all rights in copyright and trade secrets subsisting in the Proprietary Software and all of the goodwill relating to the Proprietary Software for the purchase price of \$2 million.

The key terms of the Deed (which is governed by Queensland law) are as follows:

- (Conditions precedent to closing) Closing of the Deed is subject to the satisfaction or waiver of:
  - the representations and warranties given by BCIA and BPS Technology being true and correct
  - BCIA and BPS Technology performing and complying with each of their respective obligations and covenants
  - the successful close of the Offer on terms reasonably acceptable to BPS Technology, and
  - BCIA has discharged all encumbrances relating to the software.
- (Closing) The closing of the Deed will take place at 10.00am (Brisbane time) on a date specified by BPS Technology which shall be no later than seven business days after the satisfaction or waiver of the conditions precedent.
- (Termination) The Deed may be terminated at any time prior to Closing:
  - by BPS Technology on notice to BCIA;
  - · by mutual consent;
  - if Closing has not occurred on or before 31 August 2014;
  - if any law has been enacted or issued that has the effect of making the sale illegal or otherwise preventing consummation of the transaction; and
  - if there has been a breach of any representation, warranty, covenant or agreement.
- (Representations, Warranties and Covenants) BCIA represents and warrants that:
  - it is duly incorporated and has the requisite authority to carry on its business;
  - it has the necessary power to enter into the Deed;
  - there is no conflict with any memorandum of association, applicable law or order or consent or approval required:
  - there is no litigation pending or threatened;
  - there are no solvency issues;
  - it owns all right, title and interest in the Proprietary Software:
  - it will not fail to take any action which would make any representation or warranty made materially untrue or incorrect; and
  - it will not sell, license, encumber, transfer or otherwise dispose of any of the Proprietary Software.
- (Indemnity Limitations) BCIA and BPS Technology each indemnify the other from and against liabilities arising out of any inaccuracy or breach of any

representation, warranty, covenant or agreement contained in the Deed. The limits the indemnity include:

- claims can only be made within 24 months of the Closing date;
- claims can only be made by BPS Technology where the amount claimed is \$10,000 or more and until the aggregate of all claims under this Deed exceeds \$100,000 and then only for the amount in excess of \$100,000:
- not liable for any special, incidental and punitive or similar damages; and
- aggregate maximum liability of BCIA is limited to \$2 million.
- (Guarantee) Barter Futures guarantees to BPS
   Technology the due and punctual performance and
   observance of BCIA of all of the obligations contained
   in the Deed.
- (Indemnity provided by Barter Futures) Barter Futures indemnifies BPS Technology against all losses and liabilities arising out of any breach or no observance by BCIA of its obligations under the Deed up to a maximum of \$2 million.

### 9.10.4 BUSINESS SALE AGREEMENT - AUSTRALIA

Bartercard Aus and BCA have entered into a business sale agreement for the purchase of the business operated by BCA, including the management of the Bartercard Trade Exchange in Australia, the Bartercard Franchise system operating in Australia, BCA Trademarks, all corporate stores, all the assets and liabilities used in the business for a purchase price of \$9 million.

The key terms of the Agreement (which is governed by Queensland law) are as follows:

- (Conduct pending Completion) Until Completion, BCA must conduct the business with due care and in accordance with normal practice and notify Bartercard Aus of any material change to the business which must be on or before completion.
- (Completion) Completion will occur on the date specified in writing by Bartercard Aus which must be on or before 31 August 2014 and is conditional on successful completion of the Offer on terms reasonably acceptable to BPS Technology.
- (Employees) Bartercard Aus will make an offer of employment to all employees of the business before the date of completion. Bartercard Aus will be responsible for all salary, wages, accrued long service leave, accrued annual leave and accrued personal/ carer's leave of each employee who accepts an offer of employment, on and from completion.
- (Contracts) all Contracts material to the business, including but not limited to, equipment leases, premises leases and franchise agreements will be assigned or novated, as required, at Completion.

- (Premises Leases) if any premises leases are not able to be assigned, at Completion, the parties will use their reasonable endeavours to assign such leases as soon as possible after Completion.
- (Warranties) BCA provides warranties and representations including:
  - it is duly incorporated, authorised to do business, has full corporate power and authority and is not insolvent:
  - all information and acts are true, complete and accurate in all material respects;
  - it is the sole legal and beneficial owner of the business and the assets;
  - the assets are all the assets used in connection with the business and that all equipment is in good condition and fit for purpose;
  - the accounts fairly represent the financial position of the business;
  - there is no litigation pending and all laws have been complied with;
  - it has adequate insurance;
  - each contract is valid, binding and legally enforceable;
  - all intellectual property capable of registration is registered;
  - BCA is the sole legal and beneficial owner of all intellectual property and systems being acquired; and
  - all intellectual property licences are valid, binding and legally enforceable;
- (Indemnity Limitations) BCA indemnifies Bartercard Aus for any loss or claim that arises from a breach of warranty. The limits on this indemnity include:
  - the warranties and indemnities remain in force until 24 months after Completion;
  - the maximum liability for claims made is the purchase price; and
  - Bartercard Aus may not make a claim until the aggregate of those claims exceeds \$100,000 and then for only the amount in excess of \$100,000.
- (Restraint) BCA is restrained from carrying on any business which is the same or substantially similar to, or competitive with or likely to be competitive with the business it conducted before Completion in Australia up to a maximum period of 10 years.
- (**Termination**) Bartercard Aus may terminate the Agreement at any time before the completion date.
- (Costs and stamp duty) Bartercard Aus is responsible for all stamp duty associated with the Agreement.

#### 9.10.5 BUSINESS SALE AGREEMENT - UNITED KINGDOM

Bartercard UK and BCUK have entered into a business sale agreement for the purchase of the business operated by BCUK, including the management of the Bartercard Trade Exchange in the United Kingdom, the Bartercard Franchise operating in the United Kingdom, all corporate stores and all the assets and liabilities used in the business for a purchase price of \$2.5 million.

The key terms of the agreement (which is governed by English law) are otherwise similar to the terms of the business sale agreement between Bartercard Aus and BCA detailed above.

#### 9.10.6 SALE AGREEMENT - NEW ZEALAND

Bartercard NZ is a limited partnership between the NZ Partnership Trusts and Bartercard New Zealand GP Limited which manages, operates and administers the Bartercard Trade Exchange in New Zealand. The purchase of the business carried on by Bartercard NZ is documented in the following sale agreements:

- NZ Partnership Interest Purchase Agreement;
- NZ Share Sale Agreement;
- BCIB Partnership Interest Purchase Agreement; and
- BCIB Share Sale Agreement.

# NZ PARTNERSHIP INTEREST PURCHASE AGREEMENT

Bartercard Ops NZ has entered into an agreement with the NZ Partnership Trusts for the purchase of a 99.5% limited interest partnership in Bartercard NZ (**NZ Partnership Interest**) for a purchase price of NZ\$2 million.

The key terms of the agreement (which is governed by New Zealand law) are as follows:

- (Conditions Precedent to Completion) Completion of the Agreement is conditional on:
  - the transfer of the NZ Partnership Interest free of any encumbrance;
  - completion of the NZ Share Sale Agreement;
  - completion of the sale of Exchange Co NZ to an entity in the BF Group;
  - approval of the board of BPS Technology;
  - completion of an initial public offering by BPS Technology by 31 August 2014; and
  - all of the representations and warranties by the NZ Partnership Trusts being true and correct at the Completion date.
- (Completion) Completion will occur on or around 31 August 2014 or such other date agreed in writing.
- (Partnership) At Completion, Bartercard Ops NZ shall be admitted to the partnership as a limited partner.
- (Warranties) The NZ Partnership Trusts warrant and representations including:
  - each selling trust is duly organised and validly existing under the laws of New Zealand;

- the sellers have all necessary power and authority under the trust deed to enter into, execute and deliver the Agreement and the assignment of the NZ Partnership Interest;
- the NZ Partnership Interest has been duly and validly issued and on assignment will be free of any encumbrance:
- they are the record owner of and have valid title to the NZ Partnership Interest;
- the execution of the Agreement and assignment of the Partnership Interest will not conflict with or result in any breach of any provision to the trust deeds or any other agreement the NZ Partnership Trusts are a party to; and
- there are no actions, suits, proceedings, arbitrations or other litigation pending or threatened with respect to the NZ Partnership Interest.
- (Trustee Warranties) Each selling trustee gives standard warranties around the formation of their respective trust.

#### **NZ SHARE SALE AGREEMENT**

Bartercard Ops NZ has entered into an agreement with the NZ Shareholders to purchase 99.5% of the shares in Bartercard New Zealand GP Limited (**NZ Shares**).

The key terms of the agreement (which is governed by New Zealand law) are as follows:

- (Conditions Precedent to Completion) Completion of the Agreement is conditional on:
  - BCIB providing a waiver of any pre-emptive rights it may have in relation to the NZ Shares;
  - · approval of the board of BPS Technology;
  - completion of an initial public offering by BPS Technology by 31 August 2014;
  - completion of the NZ Partnership Interest Purchase Agreement; and
  - completion of the sale of Exchange Co NZ to an entity in the BF Group.
- (Completion) Completion will occur on or around 31 August 2014 or such other date agreed in writing.
- (Conduct pending Completion) Until Completion the business must be conducted with due care and in accordance with normal and prudent practice and the NZ Shareholders must use their best endeavours to maintain the profitability and value of the business.
- (Purchase Price) BPS Technology may elect to settle the Agreement by either:
  - paying to the NZ Shareholders NZ\$3.75 million in cleared funds on Completion; or
  - paying to the NZ Shareholders NZ\$4.25 million in instalments.
- (Warranties) The NZ Shareholders warrant and represent that:

- it has the power and authority to perform its obligations under the Agreement;
- there is no charge over or affecting any of the NZ Shares:
- all of the information given in the schedules of the Agreement are true, full, accurate, complete and not misleading; and
- the warranties are true and accurate in all respects.
- (Trustee Warranties) Each selling trustee gives standard warranties around the formation of their respective trust.
- (Indemnity) The NZ Shareholders indemnify Bartercard Ops NZ for any loss or claim that arises from a breach of warranty and for any loss or claim by reason of the NZ Shares being worth less as a result of that breach.
- (Limitations) No claim for a breach of warranty may be made unless:
  - it is made within 12 months of Completion;
  - the total liability of all warranty claims exceeds NZ\$10,000 and BPS Technology complies with the notice requirements in the Agreement.
- (Restraint) The NZ Shareholders and NZ Guarantors (and their affiliates) are restrained from:
  - carrying on, being engaged, concerned or interested in any business in New Zealand or Australia which is competitive with the business carried on by Bartercard NZ before Completion for a period of 3 years from Completion;
  - directly or indirectly soliciting, interfering with or endeavouring to entice away from Bartercard New Zealand GP Limited any person who is or has during the 3 years before Completion been a client, customer or employee of Bartercard New Zealand GP Limited for a period of 3 years from Completion; and
  - registering, purchasing or using any name similar to any of the domain names used by Bartercard New Zealand GP Ltd, its subsidiaries or Bartercard NZ or any similar domain name in a way that could devalue the domain names or adversely affect the business.
- (Guarantee) Anthony Edwin Falkenstein and Ian Donald Malcolm (NZ Guarantors):
  - guarantee the obligations of the NZ Shareholders and that the warranties are true and accurate; and
  - indemnify BPS Technology against any loss or liability arising from or connected with the obligations of the NZ Shareholders or any breach of warranty; and
  - gurantee obligations are a principal obligation and can be enforced without Bartercard Ops NZ first claiming against the NZ Shareholders.
- (Limitation) A claim against the Gurantors is subject to the same limitations as a claim for breach of warranty
  - Mr Tony Wiese is a director of Bartercard New Zealand GP Limited.

# BCIB PARTNERSHIP INTEREST PURCHASE AGREEMENT AND BCIB SHARE SALE AGREEMENT

Bartercard Ops NZ has entered into agreements with BCIB to purchase the remaining 0.5% limited interest partnership in Bartercard NZ (BCIB Partnership Interest) for a purchase price of NZ\$10,000 and to purchase the remaining 0.5% of the shares in Bartercard New Zealand GP Limited held by BCIB (being 2,500 shares) (BCIB NZ Shares) for a purchase price of NZ\$10,000.

The key terms of these agreements are similar to the terms of the agreements relevant to the acquisition of the NZ Partnership Interest and NZ Shares detailed above.

## 9.10.7 SHARE SALE AGREEMENT - USA

Bartercard Group Pty Ltd has entered into an agreement with Barter Futures to purchase all of the shares in Bartercard USA Inc (**US Shares**) for a purchase price of \$100,000.

The key terms of the Agreement (which is governed by Queensland law) are as follows:

- (Completion) Completion will occur on 31 August 2014 or such other date mutually agreed between the parties and is conditional on successful completion of the Offer on terms reasonably acceptable to BPS Technology
- (Warranties) Barter Futures provides warranties and representations including:
  - Bartercard USA Inc is duly organised, validly existing and in good standing under the laws of the State of Delaware and it has the power and authority to carry on its business as it is now being conducted;
  - it has full corporate power and lawful authority to execute and perform the Agreement;
  - the Agreement constitutes a legal, valid and binding obligation on it;
  - Bartercard Group Pty Ltd would not be prevented or restricted in any way from re-selling the US Shares, except as otherwise provided in the incorporating documents of Bartercard USA Inc or as otherwise indicated on the face of the certificate for the US Shares;
  - it is the legal owner of the US Shares and the US Shares are free of any lien, encumbrance, security interests, charges, mortgages, pledges or adverse claim or other restriction that would prevent the transfer of clear title to Bartercard Group Pty Ltd;
  - it is not bound by any agreement that would prevent any transactions connected with the Agreement;
  - there is no legal action or suit pending against any party, to the knowledge of Barter Futures, that would materially affect the Agreement.
- (Indemnity Limitations) Barter Futures Group Pty Ltd indemnifies Bartercard Aus for any loss or claim that arises from a breach of warranty. The limits on this indemnity include:
  - the warranties and indemnities remain in force until 24 months after completion;

- the maximum liability for claims made is the purchase price; and
- Bartercard Group Pty Ltd may not make a claim until the aggregate of those claims exceeds \$100,000 and then for only the amount in excess of \$100,000.
- (Termination) Barter Group Pty Ltd may terminate the Agreement at any time before completion.

#### 9.10.8 SHARE EXCHANGE AGREEMENT

Virpaysol has entered into a Share Exchange Agreement with BPS Technology whereby BPS Technology will issue 2 million Shares to Virpaysol in consideration to Virpaysol transferring the Bucqi Platform to Bucqi Australia and in exchange for 3,400 Shares in Bucqi Australia.

The key terms of the agreement (which is governed by Queensland law) are as follows:

- **(Warranties)** Virpaysol warrants and represents that:
  - the Bucqi Shares will be sold free from charges or other encumbrances;
  - no other person has any interest of right in respect of the Bucqi Shares;
  - all Bucqi Shares are fully paid ordinary shares in Bucqi Australia;
  - no option to take up or acquire the Bucqi Shares has been granted to any person;
  - there is no restriction or limitation on its power to sell the Bucgi Shares;
  - all consents and procedures under any shareholder's agreement and constitution have been obtained and followed;
  - there are no claims against Bucqi Australia;
  - Bucqi Australia has not breached any legislation, standards of practice, rules, codes or licences;
  - Bucqi Australia is solvent and no monies are owed by it to Virpaysol; and
  - it does not owe any money to Bucqi Australia.

**(Completion)** To take place on the date specified by BPS Technology which must be no later than seven business days after the completion of the Offer.

- (Termination) The Deed may be terminated prior to Completion by either party:
  - by mutual consent,
  - if Completion has not occurred before 31 August 2014; and
  - any governmental authority enacting or issuing any law or order which makes the transaction illegal or otherwise prevents consummation of the transaction.

# **OPERATIONAL AGREEMENTS**

The agreements detailed below in sections 9.10.9 - 9.10.15 describe relevant contracts under which BPS will carry on

its business going forward, including certain agreements under which BPS will receive revenue. These agreements are to either commence or be assigned to BPS after successful completion of the Offer.

The following table provides a summary of the main purpose of these documents. Further detail is provided in the sub-sections following the table.

AGREEMENT

**MAIN PURPOSE** 

Rules of Exchange	Each Bartercard Trade Exchange which Bartercard manages has rules which regulate the operation of the exchange. Members of the Bartercard Trade Exchange sign up to these rules when they become members. The rules may be altered by the manager (ie. Bartercard).	
Deeds of Management	Bartercard manages and effectively controls the Bartercard Trade Exchanges and receives fees. There is no right of termination for the Exchange Company other than where the Manager enters into a form of insolvency. Further, the Exchange Company provides negative pledges to not undertake certain acts without the consent of the Manager.	
Franchise Agreements	Bartercard entities in Australia, the United Kingdom and the USA offer a franchise model to third party franchisees. Fees are received from these franchisees.	
Contract of Service - UAE, Cyprus and Thailand	BPS provides a licence to third parties to operate the Bartercard model, including the Tess Platform, in the UAE, Cyprus and Thailand. Fees are paid by those third parties.	
IRTA Agreement	IRTA agrees to promote the Tess Platform.	

# 9.10.9 RULES OF A BARTERCARD TRADE EXCHANGE

Each Bartercard Trade Exchange in Australia, New Zealand, the United Kingdom and the USA operates under an agreed set of rules which regulate and facilitate the operation of the trading program by setting out the terms upon which members of the specific Bartercard Trade Exchange may trade and by promoting a system of good business practice.

The Manager and Exchange Company of the relevant Bartercard Trade Exchange, together with the members of that exchange, are legally bound by the Rules. The Manager has the full and unfettered management and control of the affairs of the relevant Exchange Company relating to the conduct and operation of the relevant Bartercard Trade Exchange. The Manager of the Bartercard Trade Exchange may amend the Rules in its sole discretion.

The members of the relevant Bartercard Trade Exchange agree to be bound by the Rules when they become members of the exchange. The Rules cover terms in

relation to member participation, trade procedure and conduct, advertising, member obligations, fees, breach of rules, cessation of participation, reversal of transactions, termination, disputes and liability.

On completion of the Transaction, the Rules of each Bartercard Trade Exchange in Australia, New Zealand, the United Kingdom and the USA will continue to operate under substantially the same terms.

#### 9.10.10 DEEDS OF MANAGEMENT

Under the deeds of management to be enetered into on completion of the Transaction, the Bartercard Trade Exchanges in Australia, New Zealand, the United Kingdom and the USA will be effectively controlled by Bartercard. The Bartercard Trade Exchanges are facilitated through the Exchange Companies, the ordinary shares of which are or will be owned by a member of the BF Group. In each jurisdiction the relevant Exchange Company engages a manager under a Deed of Management (that is the Manager) which sets out the relationship between the Manager and Exchange Company and the management of the affairs of the relevant Bartercard Trade Exchange.

The key terms of the proposed deeds are as follows:

- (Rules) The Manager is bound by the Rules and may amend the Rules at its discretion.
- (Manager) The Manager has full and unfettered management and control over the affairs of the Exchange Company relating to the conduct of the Bartercard Trade Exchange. The Manager has the following powers and duties:
  - invite and consider membership applications;
  - refuse non-shareholder participants in the Bartercard Trade Exchange;
  - maintain list of members, books and records;
  - establish and freeze trade accounts for each member;
  - reverse, alter or cancel trade account entries;
  - grant and review credit lines;
  - set and review fees;
  - publish a directory that contains names and other member information;
  - issue or refuse authorisation numbers;
  - issue transaction vouchers;
  - terminate membership; and
  - do all things necessary or incidental to the proper and efficient management and administration of the Exchange Company and the Bartercard Trade Exchange.
- (Remuneration) The Manager shall be paid a fee equal to the total of all application fees, transaction fees, directory fees and other fees payable by members under the Rules.

- (Liability and Indemnity) The Exchange Company indemnifies the Manager for any loss, liability or expense that arises in connection with its performance of its management duties, including for any credit or debit balances of members in the Bartercard Trade Exchange. This indemnity excludes any liability arising directly from wilful misconduct, bad faith or gross negligence.
- (Retirement and Replacement) The Manager must retire as manager if it goes into liquidation, ceases to carry on business or a receiver and manager is appointed. If no replacement manager is appointed within 90 days of the Manager retiring, the trading program will be dissolved.
- (Negative Pledge) The Exchange Company and the BF Group member that owns the ordinary shares in the Exchange Company agrees to not undertake certain actions without the consent in writing of the Manager.
- (Call Option) The BF Group member that owns shares in the Exchange Company grants the Manager a Call Option to acquire those shares in the event the Exchange Company is in breach of the agreement.

At the date of this Prospectus:

- BCA acts as manager and Bartercard Exchange Limited ACN 071 604 012 is the Exchange Company of the Bartercard Trade Exchange in Australia;
- Bartercard NZ acts as manager and Bartercard Exchange Limited, Company Number 1166 764 is the Exchange Company of the Bartercard Trade Exchange in New Zealand;
- BCUK acts as manager and Bartercard Exchange Limited, Company Number 03189919 is the Exchange Company of the Bartercard Trade Exchange in the United Kingdom; and
- BCUS acts as manager and Bartercard Exchange US Inc is the Exchange Company of the Bartercard Trade Exchange in the USA.
- On completion of the Transaction, each of the managers detailed above will be replaced by a wholly owned subsidiary of BPS Technology on the terms set out above. These BPS Technology subsidiaries are Bartercard Aus, Bartercard Ops NZ, Bartercard UK and Bartercard USA.

# 9.10.11 BARTERCARD FRANCHISES

The Bartercard Australia Business and the Bartercard UK Business are conducted as franchises. At the date of this Prospectus, BCA and BCUK, each as franchisor (Franchisor) grant to various franchisees (Franchisees) the right and licence to conduct the Bartercard Franchise within a specified territory (Territory).

The key terms of the template Franchise Agreements are set out below. Certain of the Franchise Agreements may have terms unique to that particular Bartercard Franchise.

 (Term) Franchise Agreements are for a term of 5 years with an option for the Franchisee to renew the agreement a further 5 years.

- (Intellectual Property) The Franchisor grants the Franchisee a non-exclusive licence to use the intellectual property necessary to conduct the Bartercard Franchise.
- (Franchisor's Obligations) The Franchisor shall provide the Franchisee with the following:
  - · pre-opening assistance in obtaining premises;
  - initial training services and manuals;
  - access to internet applications and toll free telephone lines;
  - appropriate accounting facilities;
  - promotional materials and a listing of all franchisees and local members;
  - a trade dollar, debt recovery and a personal account;
  - credit facility;
  - · on-site operational assistance; and
  - an annual conference.
- **(Franchisee's Obligations)** The Franchisee must represent the Bartercard System in the Territory, promote the sale of memberships in the relevant Bartercard Trade Exchange and actively facilitate and encourage trade activity amongst members. The Franchisee must:
  - maintain sufficient working capital;
  - not conduct any other business from the premises;
  - maintain accurate business records;
  - ensure the office is open to trade a minimum of 45 hours per week, five days per week, 52 weeks per year:
  - employ sufficient and competently trained staff;
  - comply with the building, decorating, plant and equipment requirements;
  - perform all services competitively; and
  - · comply with all laws and regulations.
- **(Franchisee Covenants)** The Franchisee must not:
  - transact business through a member's account;
  - deliver trade credits to a person or entity which is not a member;
  - divert funds from the normal recording procedure;
  - encourage or enter into dealings which are adverse to the interests of any member or contrary to the rules of the trading program or manuals;
  - make any changes to the membership agreement;
  - provide information to the Franchisor that is unethical, deceptive, defamatory, libellous, slanderous or contrary to any law or the right of any third party;
  - conduct transactions with members outside the Bartercard Trade Exchange or offer membership in another Trade Exchange.

- (Liabilities and Indemnities) The Franchisee indemnifies the Franchisor against all losses, expenses, damages, injuries, liabilities and claims which arise as a result of:
  - · the contravention of any law;
  - any act or omission of the Franchisee;
  - any breach of the Agreement;
  - non-compliance with the manuals provided; or
  - the operation of the Bartercard Franchise.
- (Payments and Fees) The Franchisor receives all monies from the members managed by the Franchisee. The Franchisor must pay to the Franchisee a percentage of certain fees collected by the Franchisor from the members managed by the Franchisee. In circumstances in which the Franchisor provides the Franchisee with further assistance the Franchisor may retain or charge certain fees.
- (Restrictive Covenants) Unless the Franchisor has consented, the Franchisee is restrained from carrying on, being employed by or having any interest in any business which is similar to, or in competition with the Franchisor for a period of up to 2 years following the expiration of the Franchise Agreement.
- (Assignment) The Franchisee requires the consent of the Franchisor to transfer, assign, sell or otherwise dispose of any interests in its shares/units to any person. The Franchisor has the first right of refusal to purchase the franchise or an interest in the Franchisee. If required, the Franchisee will execute a deed of surrender and a new franchise agreement or a deed of variation upon the assignment of the Franchise Agreement by the Franchisor to a third party.
- (Termination with Notice) The Franchisor may terminate the Franchise Agreement if the Franchisee fails to remedy a breach of the Agreement within 30 days or the Franchisee:
  - is convicted of an offence likely to adversely affect the Bartercard Trade Exchange;
  - misuses the intellectual property or does any act which harms the goodwill and reputation attached to the intellectual property;
  - is investigated by a regulatory body;
  - is unable to pay its debts as and when they become due;
  - has a form of security over its assets exercised or legal process levied upon it.
- (Immediate Termination) The Franchisor may immediately terminate the Agreement if the Franchisee:
  - fails to hold the required licence;
  - becomes insolvent.
  - discontinues or abandons the Bartercard Franchise;
  - is convicted of an offence, the maximum penalty for which is not less than five years imprisonment;

- operates the franchise in a way that endangers public health or safety;
- is fraudulent in connection with the operation of the Bartercard Franchise; or
- agrees to terminate the Franchise Agreement.
- Under the terms of the Transaction Agreements, the Franchise Agreements will be assigned to Bartercard Aus and Bartercard UK, as the case may be.

## 9.10.12 CONTRACT OF SERVICE - UNITED ARAB EMIRATES

BCIB and Bartercard Emirates LLC (**Bartercard Emirates**) have entered into a Contract of Service under which BCIB grants an exclusive licence to Bartercard Emirates to operate a Bartercard Outlet in the United Arab Emirates (the Territory) and to use such parts of the intellectual property as is necessary to operate the Bartercard System, including the management system, sales and trade protocols, Bartercard Trade Exchange and the applicable Rules.

The key terms of the contract (which is governed by Queensland law) are as follows:

- (Term) The contract is for a term of 10 years with two options, at the election of Bartercard Emirates to extend for a further 10 years each;
- (Benefits) BCIB will provide to Bartercard Emirates:
  - set up goods and services;
  - access to the Bartercard System;
  - · access to the operations manual;
  - membership to the Bartercard System; and
  - ongoing services including management, training, sales, marketing, ecommerce, and software support.
- (Covenants) Bartercard Emirates:
  - will confine its activities to the Territory;
  - will comply with the Bartercard System and the operations manual;
  - will not attempt to operate, deal with, affiliate or represent any other trade exchange;
  - will be sufficiently capitalised to fund its operation, growth and expansion;
  - act in good faith;
  - operate the business so that it can meet all its debts as and when they fall due; and
  - shall maintain a viable trade exchange in the Territory
- (Payments) Bartercard Emirates will pay to BCIB fees including, induction fees, ongoing service fees, publication fee, licensed outlet fee, ecommerce fee and new or varied products or services fee.
- (Competition) Bartercard Emirates is restrained for up to 2 years after the termination or expiration of the contract from:

- having an interest in any trade exchange business in the territory or any other business in competition with the business of the BF Group;
- diverting any business or customers to a competitor;
- performing any act injurious or prejudicial to the goodwill associated with BCIB's intellectual property;
- disclosing any confidential information or materials relating to the Bartercard System or Bartercard Software: or
- using or benefiting in any way from the intellectual property, Bartercard System, Bartercard Software or Bartercard Network.
- (Assignment) Bartercard Emirates requires the consent of BCIB to assign any part of its rights and obligations under the contract. BCIB has the first right of refusal to purchase Bartercard Emirates' interests. BCIB may assign its rights to any person or entity at any time.
- (Termination) BCIB may elect to terminate the contract if Bartercard Emirates fails to remedy a breach of the contract within 30 days. BCIB may terminate immediately if:
  - any sums due and payable remain unpaid for 30 days;
  - any breach of the terms and conditions and covenants of the contract which has not been remedied within 60 days;
  - a remedied breach recurs within 12 months;
  - · Bartercard Emirates is insolvent;
  - Bartercard Emirates permits any unauthorised use of the intellectual property;
  - Bartercard Emirates passes on its customer/ member database to any person;
  - · Bartercard Emirates exceeds its credit limit;
  - Bartercard Emirates attempts to reduce its capital other than by redemption of redeemable preference shares; and
  - the shareholder agreement is terminated.
- Bartercard Emirates may terminate the contract by no less than six months written notice to BCIB.
- Under the Transaction, the Contract of Service will be assigned by BCIB to Bartercard Services.

## 9.10.13 CONTRACT OF SERVICE - CYPRUS

BCIB and Bartercard (Cyprus) Ltd (**Bartercard Cyprus**) have entered into a Contract of Service under which BCIB grants an exclusive licence to Bartercard Cyprus to operate a Bartercard Outlet in Cyprus (the Territory) and to use such parts of the intellectual property as is necessary to operate the Bartercard System, including the management system, sales and trade protocols.

The key terms of the contract (which is governed by Queensland law) are as follows:

- **(Term)** The contract is for a term of 10 years with two options, at the election of Bartercard Cyprus to extend for a further 10 years each.
- (Benefits) BCIB will provide to Bartercard Cyprus:
  - · access to the Bartercard System;
  - · access to the operations manual;
  - initial set up, software, administration, management, training, sales, marketing support, franchise services and ongoing services.
- (Covenants) Bartercard Cyprus:
  - will confine its activities to the Territory;
  - will comply with the Bartercard System and the operations manual;
  - will not attempt to operate, deal with, affiliate or represent any other trade exchange;
  - will not offer any products or services from third parties to members; and
  - will be sufficiently capitalised to fund its operation, growth and expansion.
- (Payments) Bartercard Cyprus will pay to BCIB fees including, induction fees, ongoing service fees, subscription fee, ecommerce fee and new product fee.
- (Competition) Bartercard Cyprus is restrained for a period of 2 years after the termination or expiration of the contract from:
  - having an interest in any trade exchange business in the Territory or any other business in competition with the business of the BF Group;
  - diverting any business or customers to a competitor;
  - performing any act injurious or prejudicial to the goodwill associated with BCIB's intellectual property; or
  - disclosing any confidential information or materials relating to the Bartercard System or Bartercard Software
- (Assignment) Bartercard Cyprus requires the consent of BCIB to assign any part of its rights and obligations under the contract. BCIB has the first right of refusal to purchase Bartercard Cyprus' interests.
- (Termination) BCIB may elect to terminate the contract if Bartercard Cyprus fails to remedy a breach of the contract within 60 days. BCIB may terminate immediately if:
  - any sums due and payable remain unpaid for 30 days:
  - any breach of the terms and conditions and covenants of the contract which has not been remedied within 60 days;
  - · a remedied breach recurs within 12 months;
  - Bartercard Cyprus is not sufficiently capitalised;
  - there is a change of control;

- · Bartercard Cyprus is insolvent;
- Bartercard Cyprus permits any unauthorised use of the intellectual property;
- Bartercard Cyprus passes on its customer/member database to any person; or
- Bartercard Cyprus attempts to reduce its capital other than by redemption of redeemable preference shares; and
- Bartercard Cyprus may terminate the contract by no less than six months written notice to BCIB.
- Under the Transaction, the Contract of Service will be assigned by BCIB to Bartercard Services.

# 9.10.14 CONTRACT OF SERVICE - THAILAND

BCIB and Bartercard (Thailand) Ltd (**Bartercard Thailand**) have entered into a Contract of Service under which BCIB grants an exclusive authority and consent to Bartercard Thailand to trade and operate a Bartercard Trade Exchange using the Bartercard System and intellectual property within the Kingdom of Thailand (the Territory).

The key terms of the contract (which is governed by Thai law) are as follows:

- (Term) The contract is for a term of 10 years with four options, at the election of Bartercard Thailand to extend for a further 10 years each.
- (Services) BCIB will provide to Bartercard Thailand:
  - initial set up, software, administration, management, training, sales, marketing support and franchise services
  - ongoing services including management, training, sales and marketing support;
  - · a standard form of sub-licences/franchise.
- (Payments) Bartercard Thailand will pay to BCIB an initial fee and ongoing service fees and consideration of \$300,000.
- (Covenants) Bartercard Thailand:
  - will confine its activities to the Territory;
  - will not attempt to operate, deal with, affiliate or represent any other trade exchange;
  - will keep proper records and books and provide BCIB with quarterly profit and loss statements and balance sheets, monthly reports and the annual audited report;
  - shall permit BCIB to audit the management fee report;
  - will not compete with BCIB in the Territory in respect of the trade exchange industry during the term and for a period of two years from the date of termination;
  - shall obtain an undertaking from its directors, officers, employees and agents will not compete with BCIB or Bartercard Thailand during the term and for a period of two years from the date of cessation of employment; and

- will ensure it conforms in all respects with the laws and regulations of the Territory.
- (Competition) Bartercard Thailand is restrained for a period of 2 years after the termination or expiration of the contract from:
  - having an interest in any trade exchange business in the territory or any other business in competition with the business of the BF Group;
  - diverting any business or customers to a competitor;
  - performing any act injurious or prejudicial to the goodwill associated with BCIB's intellectual property; or
  - disclosing any confidential information or materials relating to the Bartercard System or Bartercard Software.
- (Termination) BCIB may elect to terminate the contract if Bartercard Thailand fails to remedy a breach of the contract within 60 days. BCIB may terminate the contract if:
  - any sums due and payable remain unpaid for 30 days;
  - any breach of the terms and conditions and covenants of the contract which has not been remedied within 60 days;
  - a remedied breach recurs within 12 months;
  - Bartercard Thailand is insolvent;
  - Bartercard Thailand fails to set up and operate the exchange for any period of six consecutive months;
  - there are repeated breaches of any terms, conditions or covenants of the contract or the joint venture agreement between the parties;
  - Bartercard Thailand permits any unauthorised use of the intellectual property; and
- Bartercard Thailand may terminate the contract by no less than six months written notice to BCIB.
- (Assignment) No party may assign their rights and obligations under the contract without the consent of the other party.
- Under the Transaction, the Contract of Service will be assigned by BCIB to Bartercard Services.

# 9.10.15 IRTA AGREEMENT

BPS, Tess, UCC and IRTA have entered into a Barter Software Agreement and Agreement for Leasing Barter Software to third parties for the development of a platform for the use of UCC and a white label software version similar to Batercard International's barter software (the software) for licensing to third party barter exchange users. This white label software version is the Tess Platform.

The key terms of the agreement (which is governed by the laws of the Commonwealth of Virginia) are as follows:

 (Condition Precedent) The agreement is conditional on the successful completion of the Offer.

- (Term) The agreement is for a term of 5 years with two options to extend for a further 5 years each.
- (Fees) No cash or trade fees will be charged by either party. Tess will, for 12 months, reimburse UCC the monthly \$500 leasing fee that UCC currently pays Global Exchange Trading Systems for the software platform currently used by UCC.
- (Revenue Share) Tess will pay to UCC or IRTA 20% of the first year's annual gross licence fees collected from third party licensees directly referred to Tess by either UCC or IRTA. From the second year of the Agreement, Tess will pay to UCC or IRTA 5% of the annual gross licence fees collected from third party licensees directly referred to Tess by either UCC or IRTA. A licensee will be directly referred by IRTA or UCC where they have pro-actively marketed the software or the licensee became aware of or mentions that they want to use the software as a result of UCC or IRTA.
- (Endorsement) UCC and IRTA will exclusively promote, recommend and endorse the Tess Platform as the best software in the Trade Exchange industry. This endorsement is subject to Tess continuing to enhance, improve and modernise the Tess Platform in a reasonable and prudent manner.
- (Warranty) Tess warrants that it has the right to grant the licences to the Tess Platform. This is a limited warranty which extends only for thirty days from the date that the software is delivered to UCC. Tess' entire liability for breach of warranty is for Tess to use commercially reasonable efforts to remedy any non-conformance. Tess will provide a warranty of merchantability and fitness for a particular purpose to the user leasing the software.
- (Warranty of Information) UCC and IRTA warrant that all information provided to BCIB and Tess is provided in good faith and that such information is accurate to the best of its knowledge.
- (Liability) Tess:
  - excludes all liability in respect of loss profits, loss of savings, loss of value, loss of sales, lost or corrupted software or data, loss of use of systems or networks, loss of business opportunity, business interruption or downtime, loss of goodwill or reputation, procurement of substitute software or any incidental, indirect, punitive, special or consequential damages
  - the liability of Tess under this Agreement is limited to the total amount received by Tess for the software licence during the 12 month period immediately preceding the date of the claim
- (Indemnity) UCC and IRTA indemnifies Tess in respect of any claim, debt or liability arising out of any transaction where a UCC member or affiliate is the buyer or seller.

#### 9.11 RELATED PARTY TRANSACTIONS

The Founders are currently directors and the major shareholders of Barter Futures, the ultimate holding company of the BF Group. As a result, the Directors consider that each of the agreements entered into between BPS and the BF Group are related party transactions.

The Directors are comfortable the Transaction is on an arms length basis as:

- **1.** the independent Non Executive Directors have approved the transactions with related parties;
- the Company has conducted a benchmark analysis of the price earnings multiples to be paid on all contracts to ensure the prices agreed are in line with market prices for similar assets; and
- the Company has conducted an impairment calculation of all assets acquired to ensure no assets are stated at a value in excess of the recoverable amount.

As a result of these procedures, the Directors are satisfied that the agreements are on an arms length basis. Refer Section 9.10

At the date of this Prospectus, the Board of BPS has approved the engagement of Christopher Dietz (son of Trevor Dietz, Chief Executive Officer) who will be employed by BPS Services on the same terms and conditions as other employees of the same level and experience. The Directors consider that the employment of Christopher Dietz is on arms length terms.

BPS is not a party to any related party transaction other than as set out in this Section.

# 9.12 LITIGATION

The Directors are not aware of any litigation of a material nature pending or threatened involving BPS.

# 9.13 TAXATION CONSIDERATIONS

The following comments provide an overview of the Australian taxation implications for Australian resident investors who acquire shares under the Offer. The scope of these taxation comments are as follows:

- The comments provided below are general in nature. They do not take into account the specific circumstances of each investor and as such do not constitute taxation advice to any particular investor. Investors should obtain separate advice that relates to their particular circumstances;
- 2. The comments are based on Australian income tax law current at the time of writing. However, they are summary in nature and are not intended to be a complete statement of the law as it stands relevant to all possible circumstances of any potential investor;

- 3. The comments provide information relevant to Australian resident taxpayers that are individuals, companies, partnerships, trusts and complying superannuation funds, other than those excluded below;
- 4. The comments do not consider the taxation implications for non-resident taxpayers, companies other than those taxed at a flat rate of 30%, Authorised Deposit-taking Institutions, limited partnerships, entities exempt from income tax and non-complying superannuation funds or any entity of a type not mentioned above. These investors should obtain their own advice as to the taxation implications of acquiring shares;
- 5. The information provided in these comments in relation to the disposal of shares is applicable to taxpayers holding the shares as capital assets and does not apply to investors carrying on a business of share trading or otherwise holding the shares on revenue account.

#### **TAXATION OF DIVIDENDS**

The shares to be issued by BPS will be equity interests for Australian taxation purposes. Any dividends paid in respect of these shares will generally constitute assessable income to Australian residents.

BPS may also choose to frank these dividends if it has franking credits available. To the extent that franking credits are attached to dividends paid, the franking credits will generally also constitute assessable income to the investors. The investor should then be entitled to an offset, equal to the amount of the franking credits. This would apply to reduce the amount of tax payable by the investor.

In order to be entitled to a franking credit offset, the investor must be a "qualified person". This would generally be the case if they hold the shares at risk for at least 45 days, or satisfies one of several other tests. Investors not entitled to the benefit of the franking credit offset in such circumstances would generally not include the amount of the franking credits in their assessable income. Investors should obtain advice particular to their circumstances on their eligibility to receive the benefit of franking credits.

On 14 May 2013, the Commonwealth Government announced changes to the "dividend washing" provisions that would change the operation of the above 45 day rule. To date, no legislation has been introduced to implement this proposed change.

In broad terms, if the effective tax rate of an entity is higher than 30%, they will usually be required to pay additional tax on the franked dividends. If their effective tax rate is less than 30%, the franking credits on a fully franked dividend would generally offset their other tax liabilities or they may receive a refund of the excess.

Individual and complying superannuation fund investors may be entitled to a refund if the franking credits exceed their tax payable. Corporate shareholders will generally not be entitled to a refund but may be able to convert any excess franking credits to carried forward losses. Company investors will also include any franking credits received in their own franking account.

In the case of trustees (except trustees of complying superannuation funds) of trusts where no beneficiary is presently entitled to all or part of a dividend in a given income year, the trustee will be liable to taxation on this amount. In these circumstances, the trustee will receive the benefit of any franking credits in reducing their tax payable, but will not be entitled to a refund of any excess franking credits.

Additionally, entities holding the shares as trustees (except as trustees for complying superannuation funds) will generally be able to attach the franking credits to distributions made to presently entitled beneficiaries if the trust has sufficient taxable income as well as income as defined by its trust deed, provided its trust deed allows this. Partners in partnerships holding the shares will receive a portion of the dividend and any attached franking credits in accordance with their partnership interest. The taxation treatment for beneficiaries and partners would then generally be as described above, depending on the entity type of the beneficiary or partner. Trustees should obtain taxation advice regarding this that is specific to their circumstances.

#### **TAXATION ON DISPOSAL OF SHARES**

Investors holding the shares in BPS who are not conducting a business of buying and selling shares will generally hold them as capital assets. Upon disposal, they will be taxed on any capital gain under the Capital Gains Tax ("CGT") provisions.

In broad terms, the capital gain is calculated as the proceeds from sale less the costs of acquiring the shares, certain other costs of ownership and incidental costs.

If investors have carried forward capital losses from previous capital transactions, they may be able to apply these to a capital gain from the disposal of BPS shares, in order to reduce their net capital gain.

If the costs of acquisition and certain other costs exceed the proceeds, a capital loss may arise. The investor is entitled to offset this loss against any capital gains crystallised in the current financial year. To the extent that a net loss still remains, the investor is entitled to carry this forward to future years to offset against other capital gains, subject to continuing to meet the relevant eligibility criteria.

Certain shareholders may be eligible to apply the CGT discount to reduce their taxable net capital gain. In order to apply this discount, the investors must hold the shares disposed of for longer than 12 months. The availability of the discount is also determined by the nature of the investor.

The following table shows whether the discount is available and what percentage it takes given the nature of the shareholder:

ENTITY TYPE	DISCOUNT AVAILABILITY/ PERCENTAGE
Individual	50%
Complying superannuation fund	33 1/3 %
Company	Not available
Trustee (not of a complying superannuation fund) where no beneficiary is entitled	Not available
Presently entitled beneficiary of a trust or partner in a partnership	As per the entity type of the beneficiary/partner above in this table

Trustees should seek their own tax advice if they seek to invest in BPS.

#### **TFN/ABN WITHHOLDING**

Investors may be asked to provide BPS with a Tax File Number or for business investors, an Australian Business Number. Shareholders are not required to provide a TFN or ABN, however if BPS has not received this information it may be required to withhold an amount from dividends paid to these investors and remit it to the Australian Taxation Office. This amount would then be offset against the investor's tax liability.

# **GOODS AND SERVICES TAX**

The supply of shares in Australia is an input taxed supply for Goods and Services Tax purposes. Accordingly there will be no GST charged on the issue of BPS shares and investors would not be required to apply GST to any subsequent sale. They would also not be entitled to claim any input tax credits for the acquisition of the shares.

Shareholders that are registered or required to be registered for GST should obtain taxation advice regarding the effect of investing on their ability to claim input tax credits on other acquisitions.

# **STAMP/TRANSFER DUTY**

All Australian states and territories have abolished stamp or transfer duty on the sale and purchase of shares in listed companies. As such, no duty will be payable in relation to the disposal or acquisition of BPS shares.

#### 9.14 CONSENTS

Clayton Utz has given, and has not withdrawn, its consent to be named in this Prospectus as legal adviser to BPS in relation to the Offer in the form and context in which it is named. Clayton Utz has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Patersons Securities Limited has given, and has not withdrawn, its consent to be named in this Prospectus as Lead Manager in relation to the Offer in the form and context in which it is named. Patersons Securities Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Chardon Capital Markets LLC has given, and has not withdrawn, its consent to be named in this Prospectus as US Placement Agent in relation to the Offer in the form and context in which it is named. Chardon Capital Markets has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

TMT Partners Pty Limited has given, and has not withdrawn, its consent to be named in this Prospectus as corporate adviser to BPS in relation to the Offer in the form and context in which it is named. TMT Partners Pty Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Pilot Advisory has given, and has not withdrawn, its consent to be named in this Prospectus as investigating accountant in relation to the Offer in the form and context in which it is named. Pilot Advisory has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

IRTA has given, and has not withdrawn, its consent to be named in this Prospectus in the form and context in which it is named. IRTA has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Each member of the BF Group has given, and has not withdrawn, its consent to be named in this Prospectus in the form and context in which it is named. No member of the BF Group has authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Each member of senior management has given, and has not withdrawn, his or her consent to be named in this Prospectus as a Director or member of senior management, in the form and context in which they are so named. Members of senior management (with the exception of Trevor Dietz, Brian Hall and Tony Wiese) have not authorised or caused the issue of this Prospectus and take no responsibility for any part of this Prospectus other than references to their names.

No person named in this Section (with the exception of Trevor Dietz, Brian Hall and Tony Wiese):

- has authorised or caused the issue of this Prospectus;
   nor
- makes any statement in this Prospectus other than a statement or report included in this Prospectus with their express consent.

Some laws impose obligations that cannot be excluded. To the maximum extent permitted by law, each person named in this Section expressly disclaims, and takes no

responsibility for, all parts of this Prospectus other than any statement or report attributed to them and included in this Prospectus with their express consent.

## 9.15 PRIVACY

If you apply for Shares under this Prospectus or exercise your voting rights, you will provide personal information to the Company (and its Share Registry). If you do not wish to provide this information, the Company may not be able to process your Application or accept your vote. Personal information is collected and used in order to process your Application or vote, comply with the Company's obligations under Part 2C of the Corporations Act and to administer your investment. In processing and administering your investment or voting information, the Company may disclose your personal information to related bodies corporate, potential purchasers of interests in the Company or its businesses, the Company's agents, contractors or third party advisers that provide financial, administrative or other services in connection with the Company's business. Furthermore, the Corporations Act requires the Company to allow anyone to inspect its public registers, including the Share Registry, which may (if required by law) contain your personal information. Under the Privacy Act, you may request access to your personal information that is held by, or on behalf of, the Company. You can do this by contacting the Company, or its Share Registry, details of which are set out elsewhere in this Prospectus.

# 9.16 ASX ADMISSION AND QUOTATION

The Company will apply to ASX for admission to the official list of ASX and quotation of the Shares on the exchange operated by the ASX within seven days of the date of this Prospectus.

# 9.17 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the laws applicable in Queensland and each Applicant submits to the exclusive jurisdiction of the courts of Queensland.

# 9.18 EXPIRY DATE

No Shares will be allotted or issued on the basis of this Prospectus later than the Expiry Date.

# 9.19 STATEMENT OF DIRECTORS

The Directors report that after due enquiries by them, in their opinion, since the date of the pro forma financial statements in Section 4, there have not been any circumstances that have arisen that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospectus of the Company, other than as disclosed in this Prospectus.

# 9.20 AUTHORISATION OF THIS PROSPECTUS

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC.



\$. A\$ Australian dollars

The date on which Shares are allotted under the Offer **Allotment Date Applicant** A person or entity who submits an Application Form

**Application** Lodgement of an Application Form for Shares under this Prospectus

**Application Form** An application form attached to this Prospectus

**Application Money** The money received by BPS Technology pursuant to the Offer, being the Offer Price multiplied by the

number of Shares applied for

**ASIC** Australian Securities and Investments Commission

ASTC ASX Settlement Pty Ltd ACN 008 504 532

**ASX Settlement Rules** The ASTC Settlement Rules, being the operating rules of the settlement facility for the purposes of

the Corporations Act

ASX ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the context requires)

**Barter Futures** Barter Futures Ptv Ltd ACN 125 407 472

**Bartercard** The Bartercard Australia Business, Bartercard NZ Business, Bartercard UK Business and Bartercard

USA Business, the Bartercard Management Systems together with all of the intellectual property,

systems, software, hardware necessary to carry on those businesses

**Bartercard Australia** 

**Business** 

The business carried on by BCA as at the date of this Prospectus, including the management of the Bartercard Trade Exchange in Australia, the Bartercard Franchise system operating in Australia, corporate owned stores and all other assets necessary to carry on the business, which is being

acquired under a business sale agreement as part of the Transaction

**Bartercard Aus** 

Bartercard Operations AUS Pty Limited ACN 168 816 135, a subsidiary of BPS Technology

**Bartercard Franchise** 

The rights granted to use the Bartercard System and intellectual property for the purpose of operating a franchise whereby the franchisee is to enrol businesses as members of the Bartercard Trade Exchange, provide approved services to members and provide and facilitate trade in an allocated

territory

**Bartercard Group** 

**Pty Limited** 

**Bartercard Management Systems** 

Bartercard Group Pty Ltd ACN 600 130 685, a subsidiary of BPS Technology

All intellectual property, trademarks, hardware, systems, business names and domain names, websites, manuals, videos, toolkits, copyright, trade secrets, the BCIB Trademarks, necessary to carry out on a business under the 'Bartercard' brand which are owned by or registered to BCIB or BCIA

**Bartercard Members** 

Members of the Bartercard Trade Exchange

**Bartercard Network** 

All people and businesses within a specific territory that have used, are using, or will use Bartercard Software or Bartercard Systems

**Bartercard NZ** 

A limited partnership in New Zealand between the NZ Partnership Trusts holding the limited partnership interest and Bartercard New Zealand GP Limited, general partner which carries on the Bartercard N7 Business

**Bartercard NZ** 

**Business** 

The business carried on by Bartercard NZ as at the date of this Prospectus, including the management of the Bartercard Trade Exchange in New Zealand, corporate owned stores, being acquired under various sale agreements set out in Section 9.10.6

**Bartercard Outlet** 

All licensed or franchised outlets and outlets operated within a specific territory

**Bartercard Ops NZ** 

Bartercard Operations NZ Ltd, Company Number 5152681

**Bartercard Services** 

Bartercard Services Pty Ltd ACN 168 815 638, a subsidiary of BPS Technology

**Bartercard Software** 

Includes administration software, trade management console, webtrader, Microsoft SQL database, global barter, PC anywhere, after hour application and any future developments and updates as appropriate

**Bartercard System** 

The reciprocal trade exchange program licensed and/or developed by Bartercard for operation in association with the intellectual property

**Bartercard Trade** 

**Exchange** 

The reciprocal trade exchange program, whereby Bartercard acts as a clearing house and a third party record keeper of trade transactions amongst its members and to direct its members to each

other for the purpose of trade

**Bartercard UK** Bartercard Operations UK Ltd, Company Number 9009873, a subsidiary of BPS Technology **Bartercard UK Business** 

The business carried on by BCUK, as at the date of this Prospectus, including the management of the Bartercard Trade Exchange in the United Kingdom, the Bartercard Franchise system operating in the United Kingdom, corporate owned stores and all other assets necessary to carry on the business, being acquired by Bartercard Group Pty Ltd under a business sale agreement as part of the Transaction

**Bartercard USA Business** 

The business carried on by BCUS, as at the date of this Prospectus, including the management of the Bartercard Trade Exchange in the USA, the Bartercard Franchise system operating in the USA and corporate owned stores, being acquired by Bartercard Group Pty Ltd through the purchase of all of the issued shares in BCUS under a share sale agreement as part of the Transaction

**BCA** Bartercard Australia Pty Ltd ACN 050 542 544

**BCA Trademarks** All the trademarks owned by or registered to BCA, including those set out in the business sale

agreement (refer to Section 9.10.4) to be acquired by BPS under that agreement.

BCIA Bartercard International Pty Ltd ACN 062 566 232

**BCIB** Bartercard International Limited EC 27608, an entity registered in Bermuda

All the trademarks owned by or registered to BCIB, including those set out in the deed of purchase **BCIB Trademarks** 

and assignment (refer to Section 9.10.2) to be acquired by BPS under that deed

**BCUK** Bartercard UK Limited, Company Number 4304392

**BCUS** Bartercard USA Inc, EIN 99-0380178 **BF Group** Barter Futures and its subsidiaries **Board** The board of Directors of BPS Technology **BPS** BPS Technology and its controlled entities

**BPS Technology** BPS Technology Limited ACN 167 603 992 or Company

**Bucqi App** The mobile application downloaded by both merchants and consumers and used as part of the Bucqi

Platform

**Bucqi Australia** Bucqi Australia Pty Ltd ACN 167 634 808, a subsidiary of BPS Technology

**Bucai Merchants** Merchants who use the Bucgi Platform

**Bucgi Platform** The loyalty program and mobile payments platform and management system for use by merchants

as described in Section 3.5 and owned and operated by Bucqi Australia

The date on which the Offer closes, being 28 August 2014, or another date nominated by BPS in **Closing Date** 

consultation with the Lead Manager

Constitution The constitution of BPS Technology as amended or replaced from time to time

**Corporations Act** Corporations Act 2001 (Cth) **Directors** The directors of BPS Technology

**FRIT** Earnings before interest and income tax expense

**EBITDA** Earnings before interest, income tax expense, depreciation and amortisation

Exchange Co N7 Bartercard Exchange Limited, Company Number 1166764

Exchange Co NZ, Bartercard Exchange Ltd ACN 071 604 012, Bartercard Exchange Limited, Company **Exchange Companies** 

An entity or organisation who operates and manages a Trade Exchange

Number 3189919 and Bartercard US Exchange Inc

**Expiry Date** 24 August 2015

**Financial Information** Has the meaning set out in Section 4.1 **Forecast Financial** Has the meaning set out in Section 4.2

Information

**Exchange Operator** 

**Forecast Period** The period from 1 July 2014 to 30 June 2015

**Founder Shares** The fully paid ordinary shares in the capital of the Company controlled by the Founders at the date

of this Prospectus as set out in Section 1

**Founders** Trevor Dietz. Brian Hall and Tony Wiese

FY Financial year ending 30 June GST Goods and services tax

**Institutional Investor** An investor to whom offers or invitations in respect of securities can be made without the need for a

lodged prospectus (or other formality, other than a formality which the Company is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (disregarding section 708AA), provided that such a person is not located in the United States and is not a US Person or acting for the account or benefit of a US Person unless it and any such underlying investor for whose account or benefit it is acting is a QIB or it is a dealer or professional fiduciary organised, incorporated or (if an individual) resident in the United States acting for an account (other than an estate or trust) held for the benefit or account of a non-US Person for which it has and is exercising investment discretion

Institutional Offer The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in

Section 7.2

**Institutional Offering** 

Memorandum

International offering memorandum under which the Institutional Offer will be made in certain

overseas jurisdictions, which consists of this Prospectus and a prospectus wrap

**Investors** Investors applying for or subscribing for shares under this Offer

IRTA International Reciprocal Trade Association, the global association of Trade Exchanges

**Issued Shares** Total number of Shares on issue

**Key Executives** Trevor Dietz, Brian Hall and Tony Wiese

**Lead Manager** Patersons Securities Limited ABN 69 008 896 311

**Listing** Admission to the official list of the ASX and quotation of Shares

**Listing Rules** Listing rules of ASX

NZ Partnership Trusts Melt Investments Limited as trustee of the Malcolm Education Lifestyle Trust; Anthony Edwin

Falkenstein and Ian Donald Malcolm as trustees of the Edwin Trust; Heather Jeanette Falkenstein and Ian Donald Malcolm as trustees of the Jeanette Trust and Yada Holdings No. 1 Limited as trustee of

the Leonard Trust

NZ Sellers NZ Partnership Trusts and NZ Shareholders

NZ Shareholders Total Records Management (NZ) Limited as trustee of the JEL BC Trust and Logicians Limited as

trustee of the Melt BC Trust together the BCNZ Holdings Partnership

Offer The offer of Shares under this Prospectus, including the General Offer and the Institutional Offer

Offer Price \$1.00 per Share

Opening Date The date on which the Offer opens, being 5 August 2014, or another date nominated by BPS (in

consultation with the Lead Manager)

**Option** An option to acquire a Share in BPS Technology

**Option Holder** The holder of an Option.

Original Prospectus The Prospectus issued by BPS Technologies dated 25 July 2014 which was lodged with ASIC on that

date and is replaced by this Prospectus

Other Trade Exchange A Trade Exchange licensed to use the Tess Platform other than a Bartercard Trade Exchange

Pilot Advisory Pty Ltd ACN 115 403 051

**Prospectus**This replacement prospectus dated 5 August (including the electronic form of this prospectus)

QIB Qualified institutional buyer, as such term is defined in the US Securities Act of 1933

Restricted Securities Shares controlled by the Founders, Philip Scott and Options controlled by TMT Partners which are

restricted from sale and subject to Restriction Agreements. See Section 9.8 for more information

Restriction Agreements

The restriction agreements as described in Section 9.8

**Rules** The rules of a Bartercard Trade Exchange which regulate the rights and obligations of members of

that Bartercard Trade Exchange

SaaS Software as a Service (technology software which is provided over the internet)

**Share Registry** Link Market Services Limited ACN 083 214 537

**Shareholders** Holders of Shares

Shares Fully paid ordinary shares in the capital of BPS Technology Limited ACN 167 603 992

**SME** Small to medium enterprises

Trade Exchange Software Services Pty Ltd ACN 168 815 647, a subsidiary of BPS Technology

**Tess Platform** A Trade Exchange reporting and management software and transaction processing platform for Trade

Exchanges as described in Section 3.3 and to be acquired by BPS under the Transaction Agreements

Trade Dollars Alternate digital currency other than cash, used to trade or barter goods and services

**Trade Exchange** An organised group of businesses managed by an Exchange Operator using a software as a platform

for the facilitation of the exchange or barter, and recording in an alternate digital currency other than cash (typically "trade dollars") the value of goods and services exchanged for which members of the

Trade Exchange pay fees to the Exchange Operator

Trademarks BCA Trademarks and BCIB Trademarks

Transaction The acquisition of Bartercard, the Tess Platform and the Bucqi Shares under the Transaction

Agreements. Refer to Sections 9.10.2 to 9.10.7 for more information

**Transaction** The deed of purchase and assignment, deed of software purchase, the business sale agreements and

**Agreements** share sale agreements as set out in Sections 9.10.2 to 9.10.7

UCC Universal Currency Clearinghouse Inc.

US Placement Agent Chardon Capital Markets LLC

Virpaysol Virpaysol Pty Ltd ACN 166 311 628

# **Corporate Directory**

# **REGISTERED OFFICE**

Level 10, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000

Web: www.bpstechnology.com Email: info@bpstechnology.com

# **LEAD MANAGER**

#### **PATERSONS SECURITIES LIMITED**

AFSL No. 239 052

Level 48, Australia Square 264 George Street Sydney NSW 2000

# **CORPORATE ADVISER**

# **TMT PARTNERS LIMITED**

AFSL No. 238 428 Level 8, 1 Alfred Street Sydney NSW 2000

# **LEGAL ADVISERS**

# **CLAYTON UTZ**

Level 28, Riparian Plaza 71 Eagle Street Brisbane QLD 4000

# **INVESTIGATING ACCOUNTANT**

# PILOT ADVISORY PTY LTD

Level 10, Waterfront Place 1 Eagle Street Brisbane QLD 4000

#### **AUDITOR**

# PILOT PARTNERS

Level 10, Waterfront Place 1 Eagle Street Brisbane QLD 4000

#### **SHARE REGISTRY**

#### LINK MARKET SERVICES LIMITED

Level 15 324 Queen Street Brisbane QLD 4000 Phone: 1300 554 474

# OFFER WEBSITE

www.bpstechnology.com









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