

Rule 4.3A



Appendix 4E

Preliminary Final Report

BPS Technology Limited ABN 43 167 603 992	
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1.	Financial year ended ('reporting period')	30-Jun-16
	Financial year ended ('previous corresponding period')	30-Jun-15

2. Results for announcement to the market

\$A'000

	Movements from previous corresponding period			
		2016	2015	Change
2.1	Revenues from ordinary activities (<i>item 3.1</i>)	50,172	48,157	4.2%
2.2	Profit from ordinary activities after tax (<i>item 3.6</i>)	7,345	7,889	-6.9%
2.3	Net profit for the period attributable to owners of the parent entity (<i>item 3.13</i>)	7,345	7,889	-6.9%

Dividends paid and proposed

2.4		Amount per Security	Franked Amount per Security at 30% of Tax
	Ordinary Shares		
	2015 final - paid 23 October 2015	3.25c	0
	2016 interim - paid 22 April 2016	2.00c	0
	2016 final - declared	2.00c	100%

There was no conduit foreign income

2.5 Record date for determining entitlements to the final dividend

Ordinary Shares

03-October-2016

2.6 Explanation of items 2.1 to 2.4 above:

Revenues grew 4% to reach \$50m for the first time. This was achieved mainly through an investment in a bolstered salesforce and an increase in trading income from the previous year.

At the start of the financial year BPS replaced the upfront joining fees with a larger monthly fee to reduce the friction for members joining in larger numbers. The Company also acquired a number of franchisee operations which are now company owned assets. This new sales model and company owned operations created an opportunity to enlarge the salesforce which directly contributed to a 25% increase in new members joining. This new investment in the enlarged salesforce caused an increase in employee costs resulting in the 6.9% decline in profits.

Management expects that the larger monthly fees of \$99 and the enlarged salesforce will yield attractive returns in the medium to long term.

3. Statement of Profit or Loss and Other Comprehensive Income

	Reporting period - \$A'000	Previous corresponding period - \$A'000
3.1	Revenues from ordinary activities (<i>see items 3.14 - 3.15</i>)	48,157
3.2	Expenses from ordinary activities (<i>see item 3.16</i>)	(38,724)
3.3	Finance costs	(77)
3.4	Profit from ordinary activities before tax	9,356
3.5	Income tax expense on ordinary activities	(1,467)
3.6	Profit from ordinary activities after tax	7,889
3.7	Other comprehensive income	
3.8	Net gain on revaluation of assets	-
3.9	Exchange differences on translating foreign controlled entities	-
3.10	Income tax on other comprehensive income	-
3.11	Total comprehensive income	7,889
3.12	Profit attributable to non-controlling interest	-
3.13	Profit attributable to members of the parent entity	7,889

Notes to the Statement of Profit or Loss and Other Comprehensive Income

Revenue and expenses from ordinary activities

3.14	Revenue from sales and services		
	- Sales	-	-
	- Services	50,158	48,072
3.15	Other revenue		
	- Rental income	-	52
	- Interest	14	33
3.16	Details of expenses	41,504	38,724
	- Depreciation and amortisation	802	619
	- Costs of services	11,571	10,586
	- Employee benefits expense	20,417	19,896
	- Insurance	191	208
	- Lease rental expense – operating leases	2,108	2,438
	- Legal expenses	214	267
	- Non-executive directors fees	245	150
	- Payroll Tax	501	374
	- Other	5,455	4,186
4	Statement of Financial Position	Reporting period - \$A'000	Previous corresponding period - \$A'000
	Current assets		
4.1	Cash	906	2,743
4.2	Receivables	10,409	6,287
4.3	Other		
	- Prepayments	696	383
	- Other	5,793	5,762
4.4	Total current assets	17,804	15,175
	Non-current assets		
4.5	Receivables	1,906	485
4.6	Plant and equipment	958	1,160
4.7	Deferred tax assets	2,575	2,840
4.8	Intangibles	32,146	26,416
4.9	Investments	1,500	-
4.10	Total non-current assets	39,085	30,901
4.11	Total assets	56,889	46,076
	Current liabilities		
4.12	Payables	4,794	6,680
4.13	Current tax payable	814	1,456
4.14	Short-term borrowings	3,613	-
4.15	Short-term provisions	1,603	1,433
4.15	Total current liabilities	10,824	9,569
	Non-current liabilities		
4.16	Deferred tax liability	1,833	931
4.17	Other payables	2,278	2,567
4.18	Long-term borrowings	5,000	-
4.19	Long-term provisions	289	288
4.20	Total non-current liabilities	9,400	3,786
4.21	Total liabilities	20,224	13,355
4.22	Net assets	36,665	32,721
	Equity		
4.23	Share capital	26,167	26,167
4.24	Retained profits	10,847	6,573
4.25	Foreign currency translation reserve	(349)	(9)
4.26	Total equity	36,665	32,731

5	Statement of Cash Flows	Reporting period - \$A'000	Previous corresponding period - \$A'000
	Cash flows from operating activities		
5.1	Receipts from customers	49,886	47,131
5.2	Payments to suppliers and employees	(44,713)	(41,079)
5.3	Interest received	14	33
5.4	Income taxes paid	(55)	-
5.5	Net operating cash flows	5,132	6,085
	Cash flows from investing activities		
5.7	Proceeds from sale of plant and equipment	-	338
5.8	Purchases of plant and equipment	(182)	(165)
5.9	Purchase of intangibles and technology	(6,476)	(8,614)
5.10	Purchase of investments	(1,500)	-
5.11	Investment in developing new territories	(1,375)	-
5.12	Acquisition of subsidiaries net of cash	-	(16,110)
5.13	Net investing cash flows	(9,533)	(24,551)

Cash flows from financing activities		
5.14	Dividends paid	(3,071) (1,316)
5.15	Net repayment of loans	(1,972) -
5.16	Interest paid	(534) -
5.17	Net proceeds from new borrowings	3,543 -
5.18	Proceeds from convertible notes	4,598 -
5.19	Proceeds from share issue net of costs	- 22,523
	Net financing cash flows	2,564 21,207
5.20	Net increase/(decrease) in cash held	(1,837) 2,741
5.21	Net cash at beginning of period	2,743 1
5.22	Net cash at end of period	906 2,742

5.23 Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows: None

5.24 Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Reporting period - \$A'000	Previous corresponding period - \$A'000
5.25 Cash on hand and at bank (<i>item 5.22</i>)	906	2,742

The difference between the profits after tax of \$7.345m and the cash generated by the operating activities of \$5.132m is \$2.2m. This difference in cash was predominantly due to the England master licence sale that was sold on terms and receivable over a period.

6 Statement of retained earnings

	Reporting period - \$A'000	Previous corresponding period - \$A'000
6.1 Retained profits (accumulated losses) at the beginning of the financial period	6,573	-
6.2 Net profit attributable to members (<i>item 3.13</i>)	7,345	7,889
6.3 Dividend paid	(3,071)	(1,316)
6.4 Asset revaluation reserve	-	-
6.5 Retained profits (accumulated losses) at end of financial period	10,847	6,573

7 Dividends

Ordinary Share Capital

Final dividend paid
Interim dividend paid

	2016 \$A'000	2015 \$A'000
Final dividend paid	1,901	-
Interim dividend paid	1,170	1,316

A final ordinary fully franked dividend was declared of 2.0c per share. The dividend is payable on 20 October 2016.

8 Dividend reinvestment plans

No dividend reinvestment plans were in operation during the reporting period or the previous corresponding period.

9 Net tangible Assets

Net tangible asset backing per ordinary share (cents)

Reporting period	Previous corresponding period
6.40	7.50

^a Based on 58,559,615 shares at 30 June 2016

^b Based on 58,509,615 shares at 30 June 2015

10 Gain or loss of control over entities

10.1 No acquisitions or disposals were made during the year.

11 Associates and joint venture entities

11.1 There were no associates or joint venture entities

12 Other significant information

12.1 None

13 Foreign entities

13.1 Not applicable

14. Commentary on results

14.1 Earnings per security (EPS)

	Reporting period	Previous corresponding period
Basic EPS	12.6 cents	14.88 cents
Diluted EPS	11.7 cents	14.88 cents

14.2 Significant features of operating performance.

Revenue increased to record levels, rising 4% to \$50.2 million — breaking the \$50 million threshold for the first time.

Gross profit grew by 3% to \$38.6 million, driven by development of new and existing Bartercard territories.

The introduction of a new sales model accelerating activity across the Bartercard network, with Australian new member growth of 25% year-on-year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$9.5 million, \$0.5 million lower than the previous period as a result of the Company's investment in bolstering its salesforce and optimising the Bartercard sales model.

Net profit after tax of \$7.34 million, \$0.5 million lower than the 2015 result (tracking the EBITDA outcome).

Bartercard USA has expanded to 10 franchised offices.

Bucqi has been launched in 3 Queensland regional centres as well as in Wellington New Zealand.

14.3 Returns to shareholders

A final dividend of 2.0 cents per share has been declared. The full dividend for the year is 4.0 cents per share.

14.4 Results of segments.

The Group has one industry segment.

The results of the geographical segments are as follows:

	Australia \$A'000	New Zealand \$A'000	UK \$A'000	USA \$A'000	Total \$A'000
Revenue					
Sales	35,021	11,826	6,150	1,251	54,248
Intersegment sales					-4,076
					<u>50,172</u>
Non Current Assets	<u>30,816</u>	<u>2,568</u>	<u>2,840</u>	<u>2,861</u>	<u>39,085</u>

14.5 Ratios

	Reporting period	Previous corresponding period
Profit before tax / revenue Consolidated profit from ordinary activities before tax (item 3.4) as a percentage of revenue (item 3.1)	16.21%	19.43%
Profit after tax / equity interests Consolidated net profit from ordinary activities after tax attributable to members (item 3.13) as a percentage of equity at the end of the period (item 4.29)	20.03%	24.10%

15. This report is based on accounts which are in the process of being audited.

16. These accounts are not likely to be subject to dispute or qualification.

17. Significant post year-end events

During August 2016, BPS successfully completed a \$27.5 million capital raising to institutional investors, fully underwritten by Moelis & Company Australia Pty Limited.

BPS utilized the funds from the capital raising to effect the acquisition of Entertainment Publications Pty Ltd in Australia and Entertainment Publications Limited in New Zealand "Entertainment". The acquisition is planned to complete on 15 September 2016 and is subject to shareholder approval. The purchase price was \$25million and is payable \$22.5million in cash and \$2.5million in BPS shares at 94 cents per share. Entertainment is a leading B2C deals platform that has been operating for 21 years with a network of 12,000 business customers, 18,000 Not for Profit distributors to 550,000 paying household members.

Signed:

Date: 18 August 2016