

Appendix 4E
Incentiapay Limited (INP or the Company)
(ABN 43 167 603 992)

Results for announcement to the market

This Appendix 4E of IncentiaPay Limited is provided to the Australian Securities Exchange (**ASX**) under ASX Listing Rule 4.3A.

1. Reporting period details

Current reporting period: Financial year ended 30 June 2019 (**FY2019**)
 Previous corresponding period: Financial year ended 30 June 2018 (**FY2018**)

2. Results

Unaudited Results	Direction	% Change	FY2019	FY2018***
Revenue from continuing operations**	Down	15%	64,572	75,809
Revenue from discontinued operations^	Down	58%	14,391	34,314
Revenue (\$'000's)^	Down	28%	78,963	110,124
Underlying EBITDA (\$'000's) *	Down	503%	(7,422)	1,842
(Loss)/profit from ordinary activities after tax (\$'000's)**	Down	33%	(28,153)	(21,197)
Net (loss)/profit after tax attributed to members (\$'000's)	Up	39%	(37,904)	(62,183)
Basic earnings per share (NPAT) (cents)**	Down	34%	(12.1)	(18.2)
Net tangible assets per share (cents)	Down	800%	(4.5)	(0.5)

* Non-AIFRS item - see section 3 below

** Excludes discontinued operations

*** FY2018 figures are provided for comparison purposes

^ FY2018 figures are restated to include discontinued operations previously reported as Available for Sale

Note:

Please refer to the commentary set out in the Operating Results Overview included in the attached Preliminary Unaudited Financial Report.

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3. Summary of FY2019 Operational Results

Performance	Ref	FY2019 \$'000
Fee income - Paid advertising and Travel booking		3,274
Fee income - Consulting and media		2,097
Membership subscriptions		28,611
Corporate sales		3,283
Gift card sales		27,307
Total Gross Sales Revenue		64,572
Underlying EBITDA*		(7,422)
Depreciation & amortisation		(2,015)
EBIT Before significant items*		(9,437)
Net interest expense		(346)
Profit/(loss) before tax and significant items*		(9,783)
Significant items*		
Impairments	4.1	(14,554)
Discontinued operations	4.2	(9,751)
Restructure costs	4.3	(464)
Acquisition costs	4.4	(551)
Divestment costs	4.5	(282)
Provision for onerous Leases	4.6	(635)
Recapitalisation costs	4.7	(630)
Other significant items	4.8	(468)
Profit/(loss) before tax		(37,118)
Income tax benefit/(payable)		(786)
Net profit/(loss) after tax		(37,904)

* Non-AIFRS items

4. Significant items

4.1. Impairments (\$14,554)

Goodwill is assessed for impairment annually. In making their assessment this year, the Board have considered recent trading results for the Entertainment business and have applied considerably more conservative growth assumptions than that which has been used in the prior years. This conservative assessment has led to an impairment charge against goodwill for the Entertainment business. See note 10 of the attached Preliminary Unaudited Financial Report for further details.

4.2. Discontinued operations (\$9,751)

During the year, the Group divested the Bartercard and Gruden businesses, as part of the restructure previously announced. The Group identified "Entertainment" as the core business and there was a stated intention to close non-core businesses and reallocate capital and

resources to focus on longer-term opportunities. See note 17 of the Preliminary Unaudited Financial Report for further details.

4.3. Restructure costs (\$464)

	FY2019 \$'000
Termination payout	(217)
Recruitment costs	(123)
Other professional costs	(124)
Total	(464)

Restructure costs were predominantly incurred in the first half of the financial year and include expenditure related to staff redundancies, and professional fees for services associated with planned restructure deliverables.

4.4. Acquisition costs (\$551)

	FY2019 \$'000
Legal and Professional Fees	(551)
Total	(551)

The Group embarked on identifying other strategic businesses to enhance the core Entertainment business and investigated further potential acquisitions. These costs relate to legal and professional expenses incurred during the preliminary stages of these activities and were predominantly incurred in the first half of the financial year.

4.5. Divestment costs (\$282)

	FY2019 \$'000
Bartercard business	(199)
Gruden – Government business	(19)
Gruden – Performance Marketing business	(17)
Now Book It	(47)
Total	(282)

As part of the restructuring activities identified in FY2018, certain entities and business were divested during FY2019. Costs were incurred, predominantly of a legal nature, in finalising these divestments during FY2019.

4.6. Provision for onerous leases (\$635)

The Group currently has leases for office space in numerous locations in Australia and New Zealand. As a result of recent decisions to streamline the operations of the business, certain of those leases have become surplus to requirements. For those locations the Group will vacate the premises and attempt to sublease the space. See note 13 of the Preliminary Unaudited Financial Report for further details.

4.7. Recapitalisation costs (\$630)

	FY2019 \$'000
Due diligence	(341)
Corporate advisory	(289)
Total	(630)

During the year the Group identified the need to raise new capital and explored a rights issue to existing shareholders. Following advice from the Company's advisers and potential underwriters, this did not ultimately proceed, and funding was provided by a significant shareholder to support transformation and short-term operational requirements. The above costs represent charges from third party consultants and advisory firms to support these funding and recapitalisation activities.

4.8. Other significant items (\$468)

	FY2019 \$'000
Termination costs related to KMP	(352)
Other	(116)
Total	(468)

The largest component of this expense item is the termination costs associated with the departure of Key Management Personnel after 30 June 2019.

5. Significant post year end events

On 9 of August 2019 the Group entered into a loan deed with Suzerain Investment Holdings Limited for funding of an additional \$15.0 million to support working capital requirements and to restructure the business. The restructure is designed to remove an estimated \$10.0 million in operational cost from the business.

On 22 July 2019 the Performance Rights Equity Plan (established on 24 May 2017) was wound up. The Board is assessing the options available to it in establishing a replacement program, which has not yet been determined.

See note 20 of the Preliminary Unaudited Financial Report for further details.

6. Dividends

No dividend was or is intended to be declared in relation to the FY2019 results.

7. Control gained or lost over entities during the year

See note 16c and 17 of the Preliminary Unaudited Financial Report for details relating to acquisitions and divestments.

8. Progress of audit

The FY2019 accounts are currently in the process of being audited. As such, the information set out in this Appendix 4E, and the attached Preliminary Financial Report is unaudited.

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Although the FY2019 audit is not yet complete, the Company's auditors (KPMG) have noted the recent trading history of the Company, as well as the various factors set out in the going concern discussion included at Note 1 of the preliminary financial statements. KPMG have advised that they expect their audit opinion to include an emphasis of matter paragraph to draw attention to the factors outlined in Note 1 and therefore the existence of a material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

The Board of Directors direct the attention of all readers to the matters described in Note 1 to the Preliminary Unaudited Financial Accounts and note that the results disclosed in this release should be read in the context of that disclosure.

Signed:

Date: 30 August 2019



Stephen Harrison

Chair

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2019

**PRELIMINARY UNAUDITED
FINANCIAL REPORT**

For the year ended 30 June 2019

incentia pay

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INCENTIAPAY IS AN INTEGRATED LOYALTY SOLUTIONS PROVIDER USING DIGITAL AND MARKETING PROGRAMS THAT ENABLE BUSINESSES TO ATTRACT AND ENGAGE CONSUMERS ACROSS MULTIPLE OUTLETS.

IncentiaPay has several associated lifestyle brands offering savings across dining, travel, leisure, retail and services. Memberships are sold through its primary channel – fundraisers, and secondary channels – direct or affiliate, that all contribute a portion of membership sales to fundraisers. It is also sold to corporate organisations as a loyalty offering, via its Frequent Values program.



Entertainment Publications has a 25-year history and is a fundraising tool for more than 16,000 community organisations. It is a unique word of mouth marketing tool for the hospitality industry, and a way for consumers to experience new lifestyle opportunities through valuable offers. Entertainment creates value via a unique three-way relationship between consumers, fundraiser groups and lifestyle merchants. Entertainment offers promotions and incentives for dining, travel, leisure activities, retail and services.



My Bookings brings hotels, resorts, airlines, rental car companies and cruises, a closed end user group of influential and travel oriented consumers. Over 30 countries are featured; with more than 2,000 hotels and resorts profiled online; 10% off the best available online promotional rates for flights; and 100% of payments made directly with the hotel.



Entertainment Traveller provides all inclusive Fly, Stay, Eat, Play, travel packages with both local Australian and international offers, across Hawaii, Fiji, Bali, Samoa, Maldives, Vanuatu and more. These are available to Entertainment Members and Frequent Values Members.

corporate marketing solutions

The Corporate Marketing Solutions group delivers bespoke marketing and value add solutions to help corporate clients drive customer acquisition, retention and engagement. Corporate Marketing Solutions provides tailored incentive offerings to closed loop consumer groups for dining and travel programs. Included in the Corporate Marketing Solutions group is the Frequent Values™ program, offering white labelled solutions to large corporates in the form of books or a mobile app. Also included is the Entertainment Corporate Platform that sells gift cards from major business chains.

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Operating Results Overview

OPERATING RESULTS OVERVIEW

IncentiaPay has continued to undergo significant change during FY2019, with the Company restructuring to focus on the Entertainment business.

In November 2018, we completed the sale of Bartercard including all its wholly owned subsidiaries. In September 2018, we divested our minority stake in Now Book It Pty Ltd, and in December 2018 completed the sale of non-core assets from the Gruden acquisition. With that, the Company moved to a single operating division – Entertainment. These divestments simplified the Group's corporate structure, removing 15 entities.

Within the Entertainment business, the Company operates in two main product groupings; Memberships (sold via the fundraising channel) and Corporate. These product groupings are supported by central functions, including merchant acquisition, production, marketing, product development, finance, human resources and legal.

MEMBERSHIPS

We have continued to see a shift of customer preference to the Entertainment Digital Membership, reporting at 57 per cent of purchases versus 52 per cent at the same time last year (16/08/2019). Noting this trend, and our continued drive to reduce operating costs, the Company decided to trial a digital-only approach within a test market, forgoing the printing of Entertainment books. Given the City of Darwin's #SmartDarwin initiative, it was the obvious choice as the test market for the 2019|20 membership season. Being a business that runs to an annual cycle, the learnings from Darwin are currently assisting with our planning for future markets and their digitisation in the next fundraising season.

For the 2019|20 membership sales season, the Company transitioned to a new Entertainment website. Over the coming twelve months, we will be undertaking additional development to better utilise this channel. The intention is to create a personalised member experience, delivering offers that are more closely aligned, and better resonate with individual members.

The Company has also taken a new approach to the management of smaller fundraising groups this season. The creation of a phone based inside sales model saw 4,900 of our smaller fundraisers being supported by inside sales executives, rather than

field account managers. This resulted in fewer field account managers and provided us with learnings to better manage fundraisers under this revised approach. In addition, with smaller fundraisers no longer taking book inventory on consignment, it de-risked the business in terms of book returns and provided those fundraisers with an improved level of service. This model will be further refined and rolled out for the 2020|21 membership season.

During the year, we also improved operational efficiencies across the business through the automation of several manual processes. Stock management and publishing were the two areas that saw the greatest improvements, with many more projects in the pipeline.

As we move forward into the 2020|21 membership season and beyond, our strategy is to focus on our members, offering them an improved user experience and hyper personalisation enabled via technology. While this has taken us longer than originally anticipated, we are confident that we are now focussed on the right initiatives to support product evolution in the digital world, as well as revenue growth.

These initiatives for growth include:

- Continuing to evolve our digital marketing capabilities, both for our fundraising channel, and for our direct channel and prospect funnel.
- A focus on generating incremental revenue within our existing product set, by finding new and innovative ways to combine and sell our existing product capabilities, for example, by launching our Explorer Membership in 2019, which allows members to access all our offers across Australia, New Zealand and Bali. Further product research and development is currently under way.

CORPORATE

FY2019 saw the Corporate area focus on several initiatives to help build longer-term relationships with our corporate partners. The Corporate team have:

- Created an internal "customer success" team, focussed on assisting corporate loyalty partners to effectively embed our Frequent Values product within their loyalty solution, and drive their customers to use the product. This drives further loyalty from both the customer and the corporate partner.
- Developed an API solution to deliver our Frequent

Values product to corporate partners in a manner that allows them to control the end user experience. Our corporate partners can now obtain a feed of offers from Entertainment's Frequent Values database and display them within their own UI/UX/App experience.

During FY2020, the business intends to continue to iterate its API model, to create opportunities with blue chip clients who want to control what their end user sees, and their brand experience. We will continue to work closely with our core corporate partners to ensure that our loyalty solution provides measurable value to their customers, helping to further drive business loyalty.

M&A ACTIVITY

FY2019 saw a significant level of M&A activity across IncentiaPay, as the Company worked to create a more focussed business with the best possible chance of creating long-term value for shareholders. Whilst this has been a challenging exercise at times, and the work that has gone into this is yet to be reflected in the Company's share price, the leadership team strongly believe that creating this focus has resulted in a stronger business over the medium to long term.

DIVESTMENT OF BARTECARD

In December 2017, IncentiaPay announced its intention to sell non-core operations. On 14 September 2018, IncentiaPay entered into a binding Share Sale Agreement with TCM Investments Australia Pty Ltd relating to the sale of the Company's Bartercard business. The transaction was by way of a sale of all the shares held in Bartercard Group Pty Ltd, Trade Exchange Software Services Pty Ltd, BPS Financial Limited and Bucqi Australia Pty Ltd, and all their wholly owned subsidiaries (the "Sale Entities"). In total 13 entities were divested as part of the transaction.

The Sale Entities were sold for a total consideration of \$5.0 million, made up of \$2.0 million cash payable on completion and a further \$3.0 million of cash payable over a 30-month period – with no performance hurdles related to receipt of this \$3.0 million.

GRUDEN

On 11 May 2018, IncentiaPay acquired Gruden, a marketing and transactional payment company that operated across four business streams: Performance Marketing, Government Services, Digital Services and MobileDEN.

On 19 November 2018, at the AGM, the Company announced its intention to divest non-core portions of this asset. On 12 December 2018, IncentiaPay completed the sale of the Gruden Government Services business stream for a total consideration of \$1.65 million in cash to a wholly owned subsidiary of The Citadel Group Limited (ASX:CGL) by way of the sale of all the shares in Gruden Pty Ltd. On completion, 75 per cent was paid, with the balance paid subject to a working capital adjustment.

Subsequently, on 12 April 2019, IncentiaPay announced the sale of the Performance Marketing business stream to OpenDNA Limited (ASX:OPN). The sale was structured as a share sale of all the shares in Blackglass Pty Ltd and was sold for a total consideration of \$0.3 million with \$0.1 million payable on completion, and the balance subject to a working capital adjustment. The transaction completed on 23 April 2019.

During the period, the Digital Services business was wound down, and the MobileDEN team utilised as an internal development arm for the Entertainment division. Prior MobileDEN contracts continue to be serviced, and the MobileDEN technology is being assessed for integration into the Entertainment digital experience.

FINANCIAL RESULTS OVERVIEW

Gross revenue for FY2019 was \$64.6 million, Underlying EBITDA for FY2019 was a loss of \$7.4 million, with \$7.1 million of this amount realised in the second half of the financial year, and negative operating cash flow was \$13.3 million. Net loss after tax (NLAT) from ordinary activities in FY2019 was \$37.9 million, compared to a NLAT from ordinary activities of \$62.2 million in FY2018. One of the main reasons for the decrease in NLAT was the reduction of impairment charges in FY2019 compared to FY2018 of \$31.6 million. Due to the decision to divest certain parts of the business during FY2019, impairment charges booked in FY2018 for those entities disposed of in FY2019 have been reclassified in the FY2018 comparative figures and are now included in the line item described as "Loss for the period from discontinued operations". In addition, there was a \$5.6 million or 14.9 per cent decline in Entertainment membership subscriptions and corporate sales revenue, from \$37.5 million in FY2018 to \$31.9 million in FY2019.

This consisted of \$28.6 million of membership sales revenue and \$3.3 million in corporate sales revenue

(2018:\$32.8 million membership and \$4.7 million corporate).

GROSS REVENUE

Restated gross revenue went from \$106.8 million in FY2018 to \$75.8 million in FY2018 due to the removal of discontinued operations. Overall gross revenue for FY2019 was \$64.6 million, a 14.8 per cent decrease from FY2018. This included \$5.4 million, or 8.3 per cent from fee income (restated 2018:\$3.7 million), \$28.6 million, or 44.3 per cent from membership sales (restated 2018:\$32.8 million), \$3.3 million or 5.1 per cent from corporate sales (restated 2018:\$4.7 million) and \$27.3 million, or 42.3 per cent from gift card sales (2018:\$34.6 million).

The overall decrease of \$11.2 million or 14.8 per cent was due to a decline in both membership renewals and corporate sales revenue, as well as a \$7.3 million or 21.1 per cent decrease in gift card sales. Gift card sales declined mainly due to the move away from offering David Jones gift cards, which were not providing a positive return on capital. Corporate sales revenue decreased principally due to a change in the revenue recognition assumptions in 2019.

GEOGRAPHIC REVENUE

Australian revenue accounted for \$59.2 million, or 91.8 per cent and New Zealand revenue accounted for \$5.3 million, or 8.2 per cent. With the gift card sales and the impact of the corporate revenue amendments being predominantly related to Australia, revenue for Australia decreased from FY2018 by 16.0 per cent, whereas New Zealand remained unchanged.

NET LOSS AFTER TAX AND IMPAIRMENTS

Reported net loss after tax (NLAT) from ordinary activities in FY2019 was \$37.9 million compared to a net loss after tax from ordinary activities in FY2018 of \$62.2 million. The net loss was predominantly attributed to a reduction in underlying revenue of \$11.2 million (as discussed above), impairments of \$14.6 million related to non-cash assets on the balance sheet and losses from discontinued operations of \$9.8 million. In addition, significant costs were incurred: restructure, acquisition and divestment activities (\$1.3 million), provision for onerous leases relating to branches and head office locations (\$0.6 million), recapitalisation of the Group (\$0.6 million), and other one-off expenses (\$0.5 million).

During FY2019, and in the months since 30 June 2019, the Group completed a key organisational restructure of the business and secured the necessary funding to ensure appropriate support of operations in the short term. This funding was secured with a view to transform the business through a structured and dedicated transformation program, focused on achieving revenue growth and increased profitability through cost reduction. The outcome of this transformation is expected to result in increased revenue from product innovation, changes in product distribution channels and a reduced cost base structured around productivity and efficiency. The removal of the printed product offering is a key part of this transformation program.

In finalising FY2019 results, the Directors have assessed the future profitability of the business using conservative revenue growth predictions and the necessary costs of implementing a transformation program. An impairment charge against goodwill has therefore been taken.

TRANSACTION, INTEGRATION AND RESTRUCTURING COSTS

During the year several entities within the Group were disposed of as part of the restructure program that commenced in 2018. The entities disposed of were predominantly part of the Bartercard businesses, but also included the Government and Performance Marketing businesses of the Gruden group of companies. Costs incurred during FY2019 amounted to \$0.7 million for restructure and divestment activities, and \$0.6 million for acquisition related initiatives.

In the second half of the year, the Group commenced a series of activities related to recapitalisation of the business. Ultimately this recapitalisation did not proceed and was replaced with shareholder loan funding from a significant shareholder. Costs associated with recapitalisation and new funding, amounted to \$0.6 million.

The Group currently has leases for office space in various towns and cities across Australia and New Zealand. As a result of the recent decisions made by the Board to streamline the operations of the business, certain leases have become surplus to requirements. The Group has assessed those leases to be onerous and has recognised an additional cost of \$0.6 million in FY2019.

DISCONTINUED OPERATIONS

As previously noted, the Bartercard business and divisions of the Gruden business were exited during

the year. As required by the Australian Accounting Standards, the results of these discontinued operations have been reported separately within the FY2019 result.

DEBT MANAGEMENT AND BANKING COVENANTS

During FY2019, IncentiaPay continued to review, assess and manage its funding and capital requirements. This has been a particular focus for both the Board and management, given the divestment of various parts of the business, as well as the focus on rebuilding the operating results of the core business over the medium term.

In December 2018, IncentiaPay signed a Deed with its senior financier, the Commonwealth Bank of Australia (CBA), whereby the CBA agreed to amend the repayment terms of the Group's debt facilities, with agreed principal repayments to be made between 31 March and 28 June 2019. This Deed also amended the Group's debt covenants and demonstrated the lender's support of IncentiaPay, allowing the Company to focus on production of its 2019|20 Entertainment membership.

In April 2019, an updated repayment schedule was agreed whereby, with lender consent, IncentiaPay made its first repayment under the revised schedule on 29 March 2019 with an agreement to repay all outstanding amounts by 30 June 2019.

IncentiaPay entered into a binding agreement with New Gold Coast Holdings Pty Ltd on 28 February 2019, to issue 14,425,000 fully paid ordinary shares at 8 cents per share and in doing so, raised \$1.154 million. The placement completed 1 March 2019. This holding was subsequently transferred to Suzerain Investments Holdings Limited (Suzerain).

In May this year, IncentiaPay executed a loan agreement for short-term funding with Suzerain, its largest shareholder. This agreement provided the Group with a \$4.0 million unsecured debt facility. This loan has been used to assist with the repayment of the Company's term debt and overdraft facilities from the CBA. The CBA term and overdraft debts were fully repaid before 30 June 2019.

Although the Company announced a proposed pro-rata rights issue in May 2019, following ongoing conversations with major shareholders and advisers IncentiaPay resolved not to pursue the rights issue, but to continue to assess the future capital requirements of the Company. Subject to the achievement of certain milestones, Suzerain has agreed to fund the short-term strategies and value creation initiatives for the Company.

DIVIDENDS

No dividend has been declared in relation to the FY2019 results. The Board of Directors of IncentiaPay do not expect to declare any dividends from the Company during the next financial year.

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Preliminary Unaudited
Financial
Statements

INCENTIAPAY LTD AND CONTROLLED ENTITIES

PRELIMINARY UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

		CONSOLIDATED GROUP	
	NOTE	FY2019 \$'000	FY2018 RESTATED* \$'000
Revenue	2	64,572	75,809
Direct expenses of providing services	3	(41,919)	(44,972)
Impairments	3	(14,553)	(11,929)
Employee expenses	3	(19,141)	(23,910)
Depreciation and amortisation expense	3	(2,015)	(3,981)
Building occupancy expense	3	(2,943)	(1,995)
Finance costs	3	(346)	(1,101)
Legal and professional costs		(2,622)	(1,320)
Website and communication		(2,419)	(1,763)
Other expenses		(6,581)	(8,035)
Operating loss before income tax		(27,967)	(23,197)
Gain on disposal of equity accounted investment		600	-
Loss before income tax		(27,367)	(23,197)
Tax (expenses)/benefit		(786)	2,000
Loss for the period		(28,153)	(21,197)
Loss for the period from discontinued operations	17	(9,751)	(40,986)
Net profit attributable to			
Members of the parent entity		(37,904)	(62,183)
Other comprehensive income			
Gain arising from translating foreign controlled entities from continuing operations		399	883
Transfer of foreign currency translation reserve to loss from discontinued operations	17	(208)	-
Total comprehensive income/(loss) for the period		(37,713)	(61,300)
Earnings/(loss) per share	4		
Basic earnings/(loss) per share (cents)			
Loss from continuing operations		(12.1)	(18.2)
Loss from discontinued operations		(4.2)	(35.3)
Total		(16.3)	(53.5)
Diluted earnings/(loss) per share (cents)	4		
Loss from continuing operations		(12.1)	(17.4)
Loss from discontinued operations		(4.2)	(33.7)
Total		(16.3)	(51.1)

*See note 17 for details about restatements as a result of the divestments.

The accompanying notes form part of these preliminary unaudited financial statements.

**INCENTIAPAY LTD AND CONTROLLED ENTITIES PRELIMINARY UNAUDITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

		CONSOLIDATED GROUP		
		FY2019	FY2018	
		\$'000	RESTATED* \$'000	
	Current assets			
	NOTE			
	Cash and cash equivalents	5	3,460	11,130
	Deferred consideration	17	695	-
	Trade and other receivables	6	2,728	9,675
	Inventories	7	96	350
	Other assets	8	7,853	12,186
	Assets disposal group classified as held for sale		-	1,596
	Total current assets		14,832	34,937
	Non-current assets			
	Deferred consideration	17	2,414	-
	Trade and other receivables	6	-	141
	Property, plant and equipment	9	2,383	2,366
	Deferred tax assets		3,717	4,773
	Intangible assets	10	22,507	49,280
	Total non-current assets		31,021	56,560
	Total assets		45,853	91,497
	Liabilities			
	Current liabilities			
	Trade and other payables	11	5,941	11,949
	Borrowings	12	4,169	-
	Vendor loans		-	800
	Current tax liabilities		186	169
	Deferred revenue		21,394	22,001
	Provisions	13	1,833	5,643
	Liabilities included in disposal group held for sale		-	777
	Total current liabilities		33,523	41,339
	Non-current liabilities			
	Trade and other payables	11	-	851
	Borrowings	12	466	-
	Provisions	13	217	1,131
	Total non-current liabilities		683	1,982
	Total liabilities		34,206	43,321
	Net assets		11,647	48,176
	Issued capital	14	96,006	94,892
	Reserves	15	1,136	875
	Retained earnings		(85,495)	(47,591)
	Total equity		11,647	48,176

*See note 17 for details about restatements as a result of the divestments.

The accompanying notes form part of these preliminary unaudited financial statements.

**INCENTIAPAY LTD AND CONTROLLED ENTITIES PRELIMINARY UNAUDITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
30 JUNE 2019**

	ORDINARY SHARE CAPITAL	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE-BASED PAYMENTS RESERVE	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	54,554	17,258	(668)	-	71,144
Comprehensive income					
Loss for the period	-	(62,183)	-	-	(62,183)
Other comprehensive income					
Exchange differences on translation of foreign operations	-	-	883	-	883
Total comprehensive loss for the period	-	(62,183)	883	-	(61,300)
Transactions with owners, in their capacity as owners and other transfers					
Shares issued during the period	41,689	-	-	-	41,689
Transaction costs	(2,041)	-	-	-	(2,041)
Other equity movement	690	-	-	-	690
Dividends for the period	-	(2,666)	-	-	(2,666)
Movement during the period	-	-	-	660	660
Total transactions with owners and other transfers	40,338	(2,666)	-	660	38,332
Balance at 30 June 2018	94,892	(47,591)	215	660	48,176

The accompanying notes form part of these preliminary unaudited financial statements.

**INCENTIAPAY LTD AND CONTROLLED ENTITIES PRELIMINARY UNAUDITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
30 JUNE 2019**

		ORDINARY SHARE CAPITAL	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE-BASED PAYMENTS RESERVE	TOTAL
	NOTE	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018		94,892	(47,591)	215	660	48,176
Comprehensive income						
Loss for the period		-	(37,904)	-	-	(37,904)
Other comprehensive income						
Exchange differences on translation of foreign operations		-	-	399	-	399
Transfer of foreign currency translation reserve to loss from discontinued operations	17	-	-	(208)	-	(208)
Total comprehensive loss for the period		-	(37,904)	191	-	(37,713)
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the period	14	1,155	-	-	-	1,155
Transaction costs	14	(41)	-	-	-	(41)
Movement during the period	15	-	-	-	70	70
Total transactions with owners and other transfers		1,114	-	-	70	1,184
Balance at 30 June 2019		96,006	(85,495)	406	730	11,647

The accompanying notes form part of these preliminary unaudited financial statements.

**INCENTIAPAY LTD AND CONTROLLED ENTITIES PRELIMINARY UNAUDITED
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	NOTE	CONSOLIDATED GROUP	
		FY2019 \$'000	FY2018 \$'000
Cash flows from operating activities			
Receipts from customers		86,175	120,003
Payments to suppliers and employees		(99,591)	(123,020)
Interest received		78	-
Tax paid		-	(580)
Net cash from/(used in) continuing operations		(13,338)	(3,597)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,597)	(339)
Purchase of intangibles		(1,878)	(6,103)
Proceeds from sales of businesses	17	2,058	-
Acquisition of subsidiaries net of cash acquired	16(c)	-	297
Proceeds from sale of unlisted equity investment	16(b)	600	-
Net cash from/(used in) investing activities		(817)	(6,145)
Cash flows from financing activities			
Net proceeds from issue of shares	14	1,114	30,241
Proceeds of loan repaid from external parties		800	-
Repayment of borrowings		(4,000)	(14,439)
Repayment of convertible note		-	(5,000)
Proceeds from borrowings		8,635	-
Interest paid		(221)	(1,216)
Loan to external parties		-	(1,000)
Dividends paid		-	(2,666)
Net cash from financing activities		6,328	5,920
Net increase/(decrease) in cash held		(7,827)	(3,822)
Cash and cash equivalents at beginning of financial period		11,508	15,330
Cash and cash equivalents at the end of the financial period in continuing operations		3,681	11,508
Cash held in discontinued operations	17	-	(378)
Effects of exchange rate changes on cash and cash equivalents		(221)	-
Cash and cash equivalents at the end of the financial period in continuing operations	5	3,460	11,130

The accompanying notes form part of these preliminary unaudited financial statements.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30

NOTE 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These general-purpose financial statements for the year ended 30 June 2019 have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. IncentiaPay Ltd is a listed public Company incorporated and domiciled in Australia. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

These preliminary unaudited consolidated financial statements were authorised for issue on 30 August 2019.

GOING CONCERN

The consolidated financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

During the year the Group divested its Bartercard business, government division and performance and marketing business and received \$3.6 million in cash consideration (with deferred consideration of \$3.1 million yet to be collected).

On 28 February 2019, the Group successfully completed a placement of 14,425,000 ordinary shares to its two largest shareholder groups, raising approximately \$1.15 million.

On 16 May 2019, the Group entered into a short-term loan agreement with Suzerain Investment Holdings Limited, a major shareholder of the Company, for

\$4.0 million. The loan attracts interest at 10 per cent per annum and was originally repayable on 30 September 2019 however the maturity date of the loan was amended subsequent to year end and has now been extended to 30 September 2020.

At 30 June 2019 the Group had cash on hand of \$3.5 million, net assets of \$11.6 million and a net current asset deficiency of \$18.7 million (\$13.5 million of which will not crystallise as a cash outflow in the next 12 months as it relates to revenue received in advance (liability) and prepaid production and commission expenses (asset)). During the year ended 30 June 2019, the Group incurred a net loss before tax from continuing operations of \$27.4 million, including impairment of \$14.6 million, and incurred net cash outflows from operating activities of \$13.3 million.

Subsequent to year end, on 9 August 2019 the Group entered into a loan deed with Suzerain Investment Holdings Limited, a major shareholder of the Company, for \$19.0 million. This includes the \$4.0 million already provided to the Group in May 2019. The additional \$15.0 million is to be provided to support the working capital requirements of the Group and to restructure the business. The receipt of funds will occur in four separate tranches which are dependent upon certain conditions being met (refer to note 20).

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections assume the Group will satisfy all conditions to enable the drawdown of all four tranches under the loan deed.

The ongoing operation of the Group is dependent upon the Group satisfying the conditions required to enable the funding under the loan deed to be granted and/or the Group reducing expenditure in-line with available funding and/or the Group raising additional debt or equity funding, the achievement of which are inherently uncertain until realised.

These conditions give rise to material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

IncentiaPay Ltd and all of its subsidiaries (also referred to as “the Group”). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation.

Accounting policies of subsidiaries have been adjusted where necessary to ensure uniformity of the accounting policies adopted by the Group.

B) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

FUNCTIONAL AND PRESENTATION CURRENCY

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

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income. Otherwise the exchange difference is recognised in profit or loss.

GROUP COMPANIES

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

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the Statement of Financial Position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the Group disposes of the operation.

C) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant taxation authority.

Receivables and payables are stated exclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the relevant taxation authority are presented as operating cash flows included in receipts from customers or payments to suppliers.

D) COMPARATIVE FIGURES

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) Statement of Financial Position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented. See note 16(c) and note 17.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

E) ROUNDING OF AMOUNTS

The parent entity has applied the relief available to it under ASIC Instrument 2016 / 191. Accordingly, amounts in the financial statements and Directors' report have been rounded off to the nearest \$1,000.

F) NEW AND AMENDED ACCOUNTING POLICIES ADOPTED BY THE GROUP

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and Related Interpretations. AASB

16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 16: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening

equity on the date of initial application.

The Group has reviewed all the Group's leasing arrangements over the last year in light of the new lease accounting rules in AASB 16. The Standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$6.0 million.

Right-of-use assets for property leases will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). All other leases are identified as short-term leases or low value leases which will be recognised on a straight-line basis as expense in profit or loss.

The Group expects to recognise right-of-use assets of approximately \$5.6 million on 1 July 2019 and lease liabilities of \$5.6 million. There is no expected impact to the overall net assets, however net current assets will be \$1.9 million lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will increase by approximately \$0.054 million for 2020 as a result of adopting AASB 16. EBITDA is expected to increase by approximately \$1.9 million, as operating lease payments were previously accounted for as part of EBITDA, however, the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase, and financing cash flows decrease by approximately \$1.9 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group will apply the Standard from its mandatory adoption date of 1 July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

G) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors' estimates and judgments are incorporated into the financial statements and are based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

trends and economic data, obtained both externally and from within the Group.

KEY ESTIMATES AND JUDGEMENTS

Impairment – goodwill and other intangibles

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using the higher of fair value less costs of disposal or value-in-use calculations which incorporate various key assumptions.

Further details on the key estimates used in the impairment evaluation and the impairment recognised in respect of goodwill or other intangibles for the year ended 30 June 2019 can be found in note 10.

Impairment – cash debtor receivables

The Group assesses impairment of cash debtor receivables at the end of each reporting period by reference to the history of cash debtor collections.

H) CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

AASB 9 Financial Instruments, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The only financial assets expected to be impacted are trade receivables. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139.

The application of this new approach guidance has not had a significant impact on the classification and measurement of this provision, although it will result in an earlier recognition of credit losses.

The Group has initially adopted AASB 9 Financial Instruments from 1 July 2018. The adoption of this Standard did not have a material effect on the Group's opening retained equity or financial statements, see note 6.

NOTE 2 | REVENUE

ACCOUNTING POLICY

Other than for a limited number of exceptions, including

leases, the revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective AASB 15 provides the following five-step process:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

The membership year runs from 1 June to the following 31 May.

Entertainment Publications satisfies its obligations as services are rendered to members during the period of membership. Benefits must be provided constantly throughout the period and Entertainment Publications has concluded that a straight-line basis is the most appropriate method.

- Revenue from Entertainment Publications marketing and merchant support fees through the placement of advertisements and the distribution of offers and promotions on behalf of businesses to members is recognised when the advertisement or offer is placed, distributed and invoiced. Revenue from the successful promotion of merchant offers is recognised when the transaction occurs which evidences the take up of the promotion.
- Revenue from commission's receivable for bookings are recognised when the bookings are made, and it is paid for.
- On commencement of memberships, Entertainment Publications enters into a performance obligation to deliver benefits in the form of special offers, discounts, promotions and booking facilities to members during the period of membership. A liability is recognised for unearned revenue for performance

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

obligations to members that have not yet been satisfied. Payment for membership is made prior to the commencement of membership.

- Entertainment Publications enters into contracts with corporate customers to develop a program of special offers, discounts, promotions and booking facilities for their customers or employees during the period applicable in the contract. Entertainment Publications has taken the view that the performance obligations defined in the contract should be bundled into one performance obligation centred around access to the program of benefits. Revenue is therefore recognised evenly over the period of the agreement.
- Revenue from the sale of gift cards on behalf of businesses to members is recognised when the gift card is provided to the customer and it is paid for.

Payment terms are highly varied for the different sources of revenue, different customers and contract terms are individually negotiated.

All revenue is stated net of the amount of goods and services tax (GST).

	CONSOLIDATED GROUP	
	FY2019 \$'000	FY2018 \$'000
Sales revenue		
Fee income - Paid advertising and travel booking	3,274	2,963
Fee income - Consulting and media	2,097	764
Membership subscriptions	28,611	32,751
Corporate sales	3,283	4,724
Gift card sales	27,307	34,607
Total	64,572	75,809

NOTE 3 | EXPENSES

ACCOUNTING POLICY

DIRECT EXPENSES OF PROVIDING SERVICES

Sales commissions paid for the sale of memberships, being an incremental cost of obtaining contracts with customers, are recognised initially as prepayments. Subsequently, they are amortised as expenses through the income statement in line with the recognition of revenue from membership sales. These relate predominantly to commission paid to not for profit partners.

Costs incurred for the development of the following year's membership package are capitalised as costs incurred to fulfil a contract with a customer. They are recognised initially as an asset and subsequently amortised over the period of membership during which those benefits are delivered to members, see note 8.

Loss before income tax from continuing operations includes the following significant expenses:

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	CONSOLIDATED GROUP	
	FY2019	FY2018
	\$'000	\$'000
Direct expenses of providing services		
Membership book printing and production	12,558	9,174
Corporate book printing	1,943	1,243
Gift cards	26,706	34,406
Other	712	149
Total	41,919	44,972
Bad and doubtful debts		
Trade receivables	447	275
Rental expense on operating leases		
Minimum lease payments	2,943	1,995
Finance cost		
Finance cost paid or payable	346	1,101
Depreciation and amortisation expense		
Plant and equipment	325	1,282
Amortisation of intangibles	1,690	2,699
Total	2,015	3,981
Impairments		
Goodwill - Entertainment	14,553	11,929

See note 10 for the impairment of goodwill related to the Entertainment business.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4 | DIVIDENDS AND EARNINGS PER SHARE

	CONSOLIDATED GROUP	
	FY2019 \$'000	FY2018 \$'000
Dividends paid during the year		
2018 interim fully franked ordinary dividend of 2.25 cents (2017: 2.25 cents) per share paid 9 January 2018	-	2,666
Distributions paid	-	2,666
Total dividends for the period	-	2.25 cents
Franking account		
Balance of franking account at year end adjusted for franking credits arising from	6,493	6,506
Payments of income tax	-	(13)
Franking credits available for subsequent financial year	6,493	6,493

The Directors have advised that they do not intend to declare dividends for FY2019.

	CONSOLIDATED GROUP	
	FY2019 \$'000	FY2018 \$'000
a) Reconciliation of earnings to profit or loss		
Loss after tax	(28,153)	(21,197)
Loss attributable to non-controlled equity interest	-	-
Earnings used to calculate basic EPS	(28,153)	(21,197)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	233,011,438	116,182,656
Weighted average of dilutive convertible notes and equity instruments outstanding	-	5,520,548
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	233,011,438	121,703,204

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 5 | CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are reported within short-term borrowings in current liabilities in the Statement of Financial Position.

	CONSOLIDATED GROUP	
	FY2019 \$'000	FY2018 \$'000
Cash at bank and on hand	3,457	10,120
Short-term bank deposits	3	1,010
Total cash and cash equivalents	3,460	11,130
Reconciliation of cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows		
Cash and cash equivalents	3,460	11,130
Total cash and cash equivalents	3,460	11,130

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 6 | TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value, less any provision for loss allowance.

	CONSOLIDATED GROUP	
	FY2019 \$'000	FY2018 \$'000
Current		
Trade receivables	2,495	9,150
Provision for loss allowance	(580)	(2,287)
Net trade receivables	1,915	6,863
Other receivables	813	2,812
Total current trade and other receivables	2,728	9,675
Non-current		
Other receivables	-	141
Total non-current trade and other receivables	-	141

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 7 | INVENTORIES

ACCOUNTING POLICY

Inventories represent gift cards. These assets are valued at the lower of cost and net realisable value.

	CONSOLIDATED GROUP	
	FY2019 \$'000	FY2018 \$'000
Gift cards held for sale	96	350
Total inventories	96	350

NOTE 8 | OTHER ASSETS

ACCOUNTING POLICY

Other assets relate to prepaid sales commissions paid for the sale of memberships and costs incurred for the development of the following year's membership package (see note 3), and short-term investments that relate to security deposits for leased premises.

	CONSOLIDATED GROUP	
	FY2019 \$'000	FY2018 \$'000
Current		
Short-term investments	391	1,267
Current loans receivable	-	1,598
Prepayments	7,462	9,321
Total other assets	7,853	12,186

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 9 | PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Each class of property, plant and equipment is carried at cost or fair value (as indicated) less, where applicable, any accumulated depreciation and impairment losses.

PLANT AND EQUIPMENT

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

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

The cost of fixed assets constructed within the consolidated Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

DEPRECIATION

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated Group. Useful life is taken to commence from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

CLASS OF FIXED ASSET	ESTIMATED USEFUL LIFE
Leasehold improvements	10 - 40 years
Plant and equipment	3 - 5 years
Leased plant and equipment	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

LEASES

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership are transferred to entities in the consolidated Group, are classified as finance leases.

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

	CONSOLIDATED GROUP	
	FY2019 \$'000	FY2018 \$'000
Plant and equipment		
At cost	806	2,395
Accumulated depreciation	(490)	(1,262)
Net book value	316	1,133
Leasehold improvements		
At cost	2,970	2,042
Accumulated depreciation	(903)	(977)
Net book value	2,067	1,065
Leased plant and equipment		
At cost	-	246
Accumulated depreciation	-	(78)
Net book value	-	168
Total plant and equipment	2,383	2,366

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 10 | INTANGIBLE ASSETS

ACCOUNTING POLICY

GOODWILL

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

- the consideration transferred;
- any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- the acquisition date fair value of any previously held equity interest.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognised in the profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment at least annually and/or when other indicators of impairment exist and is allocated to the Group's CGUs or groups of CGUs, ("CGUs"). These CGUs represent the lowest level at which goodwill is monitored but are not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill of the entity that has been sold. Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

TECHNOLOGY, SOFTWARE AND DATABASE ASSETS

Technology and software assets acquired separately are capitalised at cost. Where the technology and software asset has been acquired as part of a business acquisition, these assets are recognised at fair value as at the date of acquisition.

The useful lives of these assets are then assessed to be either finite or indefinite. Assets with a finite life are amortised over that life with the expense being recognised in the profit and loss. Expenditure on the development of technology and software assets are capitalised until the software is ready for use and then amortised over their expected useful life of 4 - 5 years (FY2018: 4 - 5 years).

These assets are tested for impairment at least annually as part of the value in use analysis associated with the cash generating unit.

BRAND NAMES AND INTERNATIONAL RIGHTS

The brand names and international rights were acquired in a separate transaction. These assets are recognised using the cost model, which requires an intangible asset to be recorded at cost less any accumulated amortisation and any accumulated impairment losses.

These intangible assets have been assessed as having an indefinite useful life as neither brand names nor international rights are subject to contractual or statutory time limits. There is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. As a result, no amortisation will be charged.

These assets are tested for impairment at least annually, either individually or within a CGU.

DEVELOPMENT COSTS

Development costs consist of costs incurred in designing, developing and contracting new territories. Recognition of the development costs only occurs when feasibility studies confirm that franchise proliferation is expected to deliver future economic benefits, these benefits can be measured reliably and there are adequate resources

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

available to complete the development. The development costs are amortised over their useful life starting from the time the development of a territory is complete. The franchise agreements are for a term of 10 years and this will be used as the useful life for the purposes of amortisation.

IMPAIRMENT OF ASSETS

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

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

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	CONSOLIDATED GROUP	
	FY2019	FY2018
	\$'000	\$'000
Goodwill		
Cost	31,199	56,310
Accumulated impairment losses	(17,503)	(26,969)
Net book value	13,696	29,341
Technology and Software		
Cost	9,127	22,625
Accumulated amortisation and impairment losses	(4,068)	(8,037)
Net book value	5,059	14,588
Purchased brand names and international rights		
Cost	3,000	6,610
Accumulated impairment losses	-	(2,951)
Net book value	3,000	3,659
Development costs		
Cost	-	6,792
Accumulated impairment losses	-	(6,792)
Net book value	-	-
Other intangibles		
Cost	752	1,729
Accumulated amortisation	-	(37)
Net book value	752	1,692
Total intangibles	22,507	49,280

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	GOODWILL \$'000	TECHNOLOGY AND SOFTWARE RESTATED^ \$'000	BRAND NAME & INTERNATIONAL RIGHTS \$'000	DEVELOPMENT COSTS \$'000	OTHER INTANGIBLES RESTATED^ \$'000	TOTAL \$'000
Balance as at 1 July 2017	52,425	13,585	6,610	5,355	-	77,975
Additions	-	4,809	-	1,164	37	6,010
Acquisition of franchises	93	-	-	-	-	93
Disposals	-	(335)	-	-	-	(335)
Additions through business combinations	3,792	2,971	-	-	1,692	8,455
Amortisation charge	-	(4,737)	-	-	(37)	(4,774)
Impairment	(26,969)	(1,705)	(2,951)	(6,519)	-	(38,144)
Balance as at 30 June 2018	29,341	14,588	3,659	-	1,692	49,280
Balance as at 1 July 2018	29,341	14,588	3,659	-	1,692	49,280
Measurement period adjustment^	1,858	(2,317)	-	-	459	-
Balance as at 1 July 2018	31,199	12,271	3,659	-	2,151	49,280
Additions	-	1,877	-	-	-	1,877
Disposals*	(2,950)	(7,399)	(659)	-	(1,399)	(12,407)
Amortisation charge	-	(1,690)	-	-	-	(1,690)
Impairment	(14,553)	-	-	-	-	(14,553)
Balance as at 30 June 2019	13,696	5,059	3,000	-	752	22,507

^See note 16(c).

*See note 17.

At 30 June 2019, the market capitalisation of the Group was below the carrying value of the Group's net assets. Under the requirements of Australian Accounting Standards, this is a trigger event for assessing whether the carrying value of the Group's goodwill and other non-current assets may be impaired.

In line with this requirement, the recoverable amount of the CGU was determined based on a value-in-use calculation, covering a detailed five-year forecast, followed by an expected cash flow for the unit's remaining useful life using the growth rates determined by management. Where appropriate the value of any proposed sale of CGUs has been considered and the model includes a sensitivity analysis allowing for a range of growth rates.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The following assumptions were used in the value-in-use calculations:

2020 - 2024	GROWTH RATES 2020 - 2024	GROWTH RATES 2024 ONWARD	DISCOUNT RATE/WEIGHTED AVERAGE COST OF CAPITAL
Entertainment Publications	2%	2%	11%

Cash flows used in the value-in-use calculations are based on forecasts produced by management. These forecasts use conservative growth rates based on a proposed strategic repositioning of the core operations of the business focusing on long-term sustainability. Forecast for 2020 take into account expected strategic structural changes, which form the basis for forecast profitability from 2021 onwards. Costs have been adjusted to take into account growth assumptions and inflation expectations appropriate to the locations in which the Group operates.

The key assumptions to which the model is most sensitive include:

- Forecast revenue and expenditure (based on the proposed transformation program); and
- The discount rate of 11 per cent (post tax).

As at 30 June 2019 the estimated recoverable amounts determined using the method outlined above were found to be less than the carrying value of the net assets of the CGU and accordingly, an impairment adjustment was required.

NOTE 11 | TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 60 days of recognition of the liability. The non-current part of payables are amounts not expected to be settled within the next 12 months.

	CONSOLIDATED GROUP	
	FY2019 \$'000	FY2018 \$'000
Current		
Unsecured liabilities		
Trade payables	2,172	6,169
Sundry payables and accruals	3,769	5,780
Total current unsecured liabilities	5,941	11,949
Non-current		
Unsecured liabilities		
Sundry payables and accruals	-	851
Total non-current unsecured liabilities	-	851

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12 | BORROWINGS

ACCOUNTING POLICY

NON-DERIVATIVE

Non-derivative loans and borrowings are financial liabilities with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Amortised cost is calculated as the amount at which the financial liability is measured at initial recognition less principal repayments, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

	CONSOLIDATED GROUP	
	FY2019 \$'000	FY2018 \$'000
Current		
Unsecured liabilities		
Lease incentive loan	140	-
Line of credit facility	4,029	-
Total current borrowings	4,169	-
Non-current		
Unsecured liabilities		
Lease incentive loan	466	-
Total non-current borrowings	466	-
Total borrowings	4,635	-

During the first half of the year, the Group drew down \$2.7 million of its \$3.0 million overdraft facility and borrowed an additional \$4.0 million to facilitate existing operations from its bank. The two facilities were fully repaid during the second half of the year from the share placement in February 2019 and supported by the new line of credit facility extended by a major shareholder.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Line of credit facility

A major shareholder has provided a \$4.0 million line of credit facility to the Group. During the period the Group drew down \$4.0 million of the line of credit facility on 9 August 2019 the term of this loan was extended to 30 September 2020. See note 20 for further details of the facility.

Lease incentive loan

As part of the new lease agreement for the new office in Sydney, the landlord has financed the new fitout with a lease incentive loan. The loan carries no interest component. If there is no default, the loan reduces by 20 per cent each year until nothing is owing at the end of the lease.

NOTE 13 | PROVISIONS

ACCOUNTING POLICY

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

EMPLOYEE BENEFITS

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled within 12 months after the end of the annual reporting period in which the employees render the related service. These benefits include wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits are recognised as a part of current trade and other payables in the Statement of Financial Position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the Statement of Financial Position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its Statement of Financial Position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period. In this case the obligations are presented as current provisions.

Retirement benefit contributions

All employees of the Australian entities and the majority of employees of foreign subsidiaries in the Group receive defined contribution superannuation entitlements, for which the Group pays a fixed superannuation contribution based on a percentage of the employee's ordinary salary. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

contributions at the end of the reporting period. All obligations for unpaid superannuation contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's Statement of Financial Position.

Onerous lease provision

The Group currently has leases for office space in numerous locations in key strategic Australian towns and cities. As a result of recent decisions made by the Board to streamline the operations of the business, certain of those leases have become surplus to requirements. For those locations the Group will vacate the premises and attempt to sublease the space. These leases have been determined to be onerous at the time the Group vacates the premises, and the provision has been calculated based on the present value of contracted obligations net of expected rental income.

	CONSOLIDATED GROUP			
	EMPLOYEE BENEFITS \$'000	RESTRUCTURING PROVISION \$'000	ONEROUS LEASE PROVISION \$'000	TOTAL \$'000
Year ended 30 June 2018				
Balance as at 1 July 2017	2,882	-	-	2,882
Additional provisions	1,292	2,600	-	3,892
Balance as at 30 June 2018	4,174	2,600	-	6,774
Year ended 30 June 2019				
Balance as at 1 July 2018	4,174	2,600	-	6,774
Released	-	(2,600)	-	(2,600)
(Released)/additional provisions	(1,506)	-	635	(871)
Disposals	(1,253)	-	-	(1,253)
Balance as at 30 June 2019	1,415	-	635	2,050

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	CONSOLIDATED GROUP	
	FY2019 \$'000	FY2018 \$'000
Analysis of total provisions		
Current		
Employee benefits	1,198	3,043
Restructuring provision	-	2,600
Onerous lease provision	635	-
Total current provisions	1,833	5,643
Non-current		
Employee benefits	217	1,131
Total non-current provisions	217	1,131
Total provisions	2,050	6,774

NOTE 14 | ISSUED CAPITAL

	CONSOLIDATED GROUP			
	FY2019 SHARES	FY2018 SHARES	FY2019 \$'000	FY2018 \$'000
Ordinary shares - fully paid on issue	242,608,274	228,193,274	96,006	94,892

IncentiaPay Ltd has no limit to its authorised share capital.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Movements in ordinary share capital	DATE	NUMBER OF SHARES	ISSUE PRICE \$	\$'000
Ordinary shares at beginning of the year		91,327,771	-	54,554
Issues during the year:	19 September 2017	275,000	1.00	275
	19 September 2017	620,000	0.77	477
	27 November 2017	21,818,000	0.45	9,818
	15 December 2017	4,446,323	0.45	2,001
	2 March 2018	78,991,895	0.28	22,118
	5 April 2018	5,714,285	0.28	-
	11 May 2018	25,000,000	0.28	7,000
	Less, costs of issues	-	-	(2,041)
	Tax related costs of issues	-	-	690
Balance as at 30 June 2018		228,193,274		94,892
Ordinary shares at beginning of the year		228,193,274		94,892
Issues during the year:	28 February 2019	14,415,000	0.08	1,155
	Less, costs of issues	-	-	(41)
Balance as at 30 June 2019		242,608,274		96,006

Ordinary shares participate in dividends and the proceeds on winding-up of the Parent Entity in proportion to the number of shares held. Shares have no par value.

At Shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

The entity manages its capital to ensure that it maximises the returns to shareholders as dividends and in capital value, whilst maintaining sufficient equity to ensure the Company can meet its business development objectives and continue as a going concern. The Group only has ordinary shares on issue and is not subject to any externally imposed capital requirements.

Capital is also managed having regard to the Group's long-term growth requirements.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

PERFORMANCE RIGHTS

Movements in performance rights	DATE	NUMBER OF PERFORMANCE RIGHTS	ISSUED PRICE \$	\$'000
Performance rights at beginning of the year				
Issued to staff	23 May 2017	2,072,000	0.875	1,813,000
Balance as at 30 June 2018		2,072,000		1,813,000
Performance rights at beginning of the year		2,072,000	0.875	1,813,000
Balance as at 30 June 2019		2,072,000		1,813,000

Performance rights were issued to management and employees of Entertainment Publications entities in May 2017.

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INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15 | RESERVES

ACCOUNTING POLICY

SHARE-BASED PAYMENTS

The fair value of unissued ordinary shares granted is recognised as a benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the recipients become unconditionally entitled to the equity based incentive.

Upon the issue of shares, the balance of the share-based payments reserve relating to those right is transferred to share capital.

FOREIGN CURRENCY TRANSLATION

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as a foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

	CONSOLIDATED GROUP		
	SHARE-BASED PAYMENTS RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	TOTAL \$'000
Year ended 30 June 2018			
Balance as at 1 July 2017	-	(668)	(668)
Amortised during the period	660	-	660
Movement during the period	-	883	883
Balance as at 30 June 2018	660	215	875
Year ended 30 June 2019			
Balance as at 1 July 2018	660	215	875
Amortised during the period	452	-	452
Unvested during the period	(382)	-	(382)
Movement during the period	-	191	191
Balance as at 30 June 2019	730	406	1,136

The shares issued on 5 April 2018 related to Loan Funded Share arrangements with the CEO and COO/CFO. These shares are subject to various restrictions, as set out further in the Company's Remuneration report. The departure or impending departure of key personnel to which the Loan Funded Shares relate has and will result in these shares not vesting. The portion of the share-based-payments reserve relating to these shares has been reversed to reflect this.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 16 | INTERESTS IN SUBSIDIARIES AND BUSINESS COMBINATIONS

The Subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each Subsidiary's principal place of business also reflects its country of incorporation.

Name of Entity	Principal Place of Business	OWNERSHIP INTEREST	
		FY2019 %	FY2018 %
a) Information about Principal Subsidiaries			
Bucqi Australia Pty Ltd	Australia	-	100
Bartercard Group Pty Ltd	Australia	-	100
Bartercard Services Pty Ltd	Australia	-	100
Bartercard Operations UK Ltd	United Kingdom	-	100
Bartercard Operations NZ Ltd	New Zealand	-	100
Bartercard Operations AUS Pty Ltd	Australia	-	100
Bartercard New Zealand GP Ltd	New Zealand	-	100
Bartercard New Zealand LP	New Zealand	-	100
Trade Exchange Software Services Pty Ltd	Australia	-	100
BPS Financial Ltd	Australia	-	100
Tindalls Dream Ltd	New Zealand	-	100
Valeo Corporation Ltd	New Zealand	-	100
Entertainment Publications of Australia Pty Ltd	Australia	100	100
Entertainment Publications Ltd	New Zealand	100	100
Gruden Pty Ltd	Australia	-	100
MobileDEN Pty Ltd	Australia	100	100
Blackglass Pty Ltd	Australia	-	100
b) Information about associated entity			
Now Book It Pty Ltd	Australia	-	33

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements, using the same accounting policies. There are no significant restrictions over the Group's ability to access or use the assets and settle liabilities of the Group.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

C) BUSINESS COMBINATIONS

ACCOUNTING POLICY

BUSINESS COMBINATIONS

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised.

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is re-measured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

ACQUISITION OF GRUDEN

On 14 May 2018, the Group acquired 100 per cent of the equity instruments of three wholly owned subsidiaries of Gruden Group Limited, the subsidiaries are Gruden Pty Ltd, MobileDEN Pty Ltd and Blackglass Pty Ltd, thereby obtaining control.

On 14 May 2018, the Group acquired 100% of the equity instruments of three wholly owned subsidiaries of Gruden Group Limited, the subsidiaries were Gruden Pty Ltd, Mobile Den Pty Ltd and Blackglass Pty Ltd, thereby obtaining control. The acquisition was made to enhance the Group's commitment to becoming Asia Pacific's leading integrated loyalty and payment solutions provider, enabling merchants to attract and engage consumers across multiple platforms.

The fair value of the acquired intangible assets (patented technology and customer relationships) were presented as provisional in the 30 June 2018 financial statements.

During the year ended 30 June 2019, the Group engaged an independent valuer to complete an assessment over the identifiable intangible assets acquired as part of these acquisitions, using industry adopted valuation techniques. Determining the fair value of acquired intangible assets involved developing estimates and assumptions consistent with how market participants would price the identified assets. Where possible, assumptions were based on observable or benchmark data. The intangible assets are presented in note 10.

As a result of the above independent valuation, the fair value of the acquired intangible assets have been restated and are presented in the following tables.

See note 17 as Gruden Pty Ltd and Blackglass Pty Ltd were divested during the year.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The details of the business combinations were finalised and are presented in the following tables.

	GRUDEN PTY LTD	MOBILEDEN PTY LTD	BLACKGLASS PTY LTD		
	PROVISIONAL FAIR VALUE \$'000	PROVISIONAL FAIR VALUE \$'000	PROVISIONAL FAIR VALUE \$'000	ADJUSTMENTS TO PROVISIONAL FAIR VALUE \$'000	RESTATED FAIR VALUE \$'000
Recognised amounts of identifiable net assets					
Property, plant and equipment	80	42	1	-	123
Intangible assets	1,827	2,266	570	(1,859)	2,804
Total non-current assets	1,907	2,308	571	(1,859)	2,927
Trade and other receivables	1,728	289	457	-	2,474
Cash and cash equivalents	440	495	25	-	960
Assets-intercompany loans	2,908	-	1,920	(4,828)	-
Total current assets	5,076	784	2,402	(4,828)	3,434
Provisions	35	4	26	-	65
Total non-current liabilities	35	4	26	-	65
Provisions	468	68	58	-	594
Trade and other payables	2,154	520	678	-	3,352
Liabilities-intercompany loans	1,047	3,781	-	(4,828)	-
Total current liabilities	3,669	4,369	736	(4,828)	3,946
Identifiable net assets/(liabilities)	3,279	(1,281)	2,211	(1,859)	2,350

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	PROVISIONAL AMOUNT	ADJUSTMENTS TO PROVISIONAL AMOUNT	RESTATED* AMOUNT
Purchase consideration			
Amount settled in cash	250	-	250
Amount settled in shares at fair value	7,750	-	7,750
Total consideration	8,000		8,000
Goodwill on acquisition	3,791	1,859	5,650
Consideration transferred settled in cash	(250)	-	(250)
Cash and cash equivalents acquired	960	-	960
Net cash inflow on acquisition	710		710
Acquisition costs charged to expenses	(413)	-	(413)
Net cash received relating to the acquisition	297		297

	GRUDEN PTY LTD \$'000	MOBILEDEN PTY LTD \$'000	BLACKGLASS PTY LTD \$'000
Goodwill acquired	2,954	700	1,996
Written off in FY2018	(2,000)	-	-
Disposed as part of the divestments*	(954)	-	(1,996)
Total	-	700	-

*See note 17.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17 | DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

BARTERCARD BUSINESS

On 14 September 2018 the Group announced its intention to exit the Bartercard business. A binding Share Sale Agreement to divest the Bartercard business was signed on 14 September 2018 and the sale transaction closed on 19 November 2018. As such, this business is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below. The financial performance and cash flow information presented are for the period 1 July 2018 to 18 November 2018.

Statement of Profit or Loss and other Comprehensive Income	FY2019 \$'000	FY2018 \$'000
Revenue	8,887	32,719
Expenses	(8,271)	(71,275)
Intercompany loan payable written off	1,289	-
Profit before income tax	1,905	(38,556)
Income tax	-	75
Profit/(loss) after income tax of discontinued operation	1,905	(38,481)
Loss on sale of the subsidiary after income tax	(7,485)	-
Loss from discontinued operation	(5,580)	(38,481)
Exchange differences on translation of discontinued operations	(208)	-
Other comprehensive income from discontinued operations	(208)	-
Net cash inflow from operating activities	953	448
Net cash (outflow) from investing activities	(1,100)	(2,096)
Net cash inflow/(outflow) from financing activities	273	(104)
Net increase in cash generated by the division	126	(1,752)

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	FY2019 \$'000
Cash	2,000
Deferred consideration	2,878
Total disposal consideration	4,878
Carrying amount of net assets sold	(12,571)
Loss on sale before income tax and reclassification of foreign currency translation reserve	(7,693)
Reclassification of foreign currency translation reserve	208
Income tax expense on loss	-
Loss on sale after income tax	(7,485)

There is no 'earn out' clause in the sale agreement. Additional cash consideration of \$3.0 million is receivable over three years to November 2021. At the time of the sale the present value of the consideration receivable was determined to be \$2.9 million, bringing total disposal consideration to \$4.9 million in return for the sale of the share capital of the following subsidiary entities:

- Bartercard Group Pty Ltd
- Trade Exchange Software Services Pty Ltd
- BPS Financial Ltd
- Bucqi Australia Pty Ltd
- Bartercard Operations AUS Pty Ltd
- Bartercard Operations NZ Ltd
- Bartercard Services Pty Ltd
- Bartercard Operations UK Ltd
- Bartercard New Zealand GP Ltd
- Bartercard New Zealand LP
- Tindalls Dream Ltd
- Valeo Corporation Ltd

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The carrying amounts of assets and liabilities as at the date of sale (19 November 2018) were:

	19 NOV 2018 \$'000
Cash and cash equivalents	1,413
Trade and other receivables	7,583
Inventories	32
Other assets	313
Property, plant and equipment	1,124
Intangible assets	7,031
Total assets	17,496
Trade and other payables	3,437
Vendor loans	107
Deferred revenue	335
Provisions	1,046
Total liabilities	4,925
Net assets	12,571

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INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GOVERNMENT BUSINESS

On 19 November 2018 the Group announced its intention to exit the Government business. The business was sold on 13 December 2018 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The financial performance and cash flow information presented is for the period 1 July 2018 to 13 December 2018.

	FY2019 \$'000	FY2018* \$'000
Revenue	2,773	1,074
Expenses	(3,550)	(3,566)
Intercompany loan receivable written off	(1,496)	-
Loss before income tax	(2,273)	(2,492)
Income tax	-	399
Loss after income tax of discontinued operation	(2,273)	(2,093)
Gain on sale of the subsidiary after income tax	226	-
Loss from discontinued operation	(2,047)	(2,093)
Net cash outflow from operating activities	(489)	186
Net cash outflow from investing activities	(5)	-
Net decrease in cash generated by the division	(494)	186

Details of the sale of the subsidiary	FY2019 \$'000
Cash	1,238
Deferred consideration	411
Total disposal consideration	1,649
Carrying amount of net assets sold	(1,423)
Gain on sale before income tax	226
Income tax expense on gain	-
Gain on sale after income tax	226

There is no 'earn out' clause in the sale agreement, additional cash consideration of \$0.4 million will be receivable. At the time of the sale the present value of the consideration receivable was determined to be \$0.4 million.

*As the business was purchased on 14 May 2018, the comparative financial performance and cash flow information presented is for the period 14 May 2018 to 30 June 2018.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The carrying amounts of assets and liabilities as at the date of sale (13 December 2018) were:

	13 DEC 2018 \$'000
Cash and cash equivalents	132
Trade and other receivables	1,870
Other assets	9
Intangible assets	2,058
Total assets	4,069
Trade and other payables	2,321
Deferred revenue	148
Provisions	177
Total liabilities	2,646
Net assets	1,423

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INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

PERFORMANCE MARKETING BUSINESS

On 12 April 2019, the Group announced it had entered into a binding agreement to divest the Performance Marketing business. The business was sold on 22 April 2019 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The financial performance and cash flow information presented are for the period 1 July 2018 to 22 April 2019.

	FY2019 \$'000	FY2018* \$'000
Revenue	2,732	522
Expenses	(3,942)	(460)
Intercompany loan receivable written off	(386)	-
Loss before income tax	(1,596)	62
Income tax	130	-
Loss after income tax of discontinued operation	(1,466)	62
Loss on sale of the subsidiary after income tax	(658)	-
Loss from discontinued operation	(2,124)	62
Net cash outflow from operating activities	(336)	-
Net cash inflow from investing activities	371	-
Net decrease in cash generated by the division	35	-

*As the business was purchased on 14 May 2018, the comparative financial performance and cash flow information presented is for the period 14 May 2018 to 30 June 2018.

DETAILS OF THE SALE OF THE SUBSIDIARY

	22 APRIL 2019 \$'000
Cash	100
Deferred consideration	200
Total disposal consideration	300
Carrying amount of net assets sold	(958)
Gain on sale before income tax	(658)
Income tax expense on gain	-
Gain on sale after income tax	(658)

There is no 'earn out' clause in the sale agreement, additional cash consideration of \$0.2 million will be receivable. No net present value calculation is required as the deferred consideration is payable within a year.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The carrying amounts of assets and liabilities as at the date of sale (22 April 2019) were:

	22 APRIL 2019
	\$'000
Cash and cash equivalents	60
Trade and other receivables	1,170
Other assets	1
Intangible assets	2,235
Total assets	3,466
Trade and other payables	2,479
Provisions	29
Total liabilities	2,508
Net assets	958

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INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

CONSOLIDATED DISCONTINUED OPERATIONS INFORMATION

The total presented for the tables above reconcile to the key financial figures as presented in these financial statements as follows:

Deferred consideration receivable	FY2019 \$'000
Current	1,101
Interest unlocked	5
Received during the year	(411)
Total current deferred consideration receivable	695
Non-current	2,388
Interest unlocked	26
Total non-current deferred consideration receivable	2,414
Total deferred consideration receivable	3,109

Loss for the period from discontinued operations	FY2019 \$'000	FY2018 \$'000
Bartercard business	(5,580)	(38,556)
Government business	(2,047)	(2,492)
Performance Marketing business	(2,124)	62
Total loss for the period from discontinued operations	(9,751)	(40,986)

Year to date cash receipts from the sales of business	FY2019 \$'000
Bartercard business	2,000
Government business	1,563
Performance Marketing business	100
Total cash receipts from the sales of business	3,663

	19 NOV 2018 BARTERCARD BUSINESS \$'000	13 DEC 2018 GOVERNMENT BUSINESS \$'000	22 APRIL 2019 PERFORMANCE MARKETING BUSINESS \$'000	TOTAL \$'000
Cash held at date of sale	1,413	132	60	1,605

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 18 | SEGMENT INFORMATION

ACCOUNTING POLICY

Reportable segments are identified on the basis of internal reports on the business units of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and assess its performance. Since the divestment of the Bartercard entities, IncentiaPay Ltd manages the Group as one segment, being the Entertainment Publications business.

The Group's segment results include a corporate category reflecting head office operating costs. This does not qualify as an operating segment in its own right.

The Group has not disclosed the results of the discontinued operation within the segment disclosures, because the Group has not separately reviewed the results of this division since the decision to dispose of it. The results of discontinued operations are disclosed in note 17.

REVENUE BY GEOGRAPHIC REGION

Revenue, excluding revenue from discontinued operations, attributable to external customers is disclosed below based on the country in which the revenue is derived and billed.

Year ended 30 June 2019	AUSTRALIA \$'000	NEW ZEALAND \$'000	TOTAL \$'000
Revenue			
Revenue from external customers	59,247	5,325	64,572
Total revenue	59,247	5,325	64,572
Expenses			
Direct expenses of providing services	(39,023)	(2,896)	(41,919)
Employee expenses	(17,669)	(1,472)	(19,141)
Depreciation and amortisation	(1,989)	(26)	(2,015)
Impairments	(14,553)	-	(14,553)
Interest	(346)	-	(346)
Other expenses	(13,404)	(1,161)	(14,565)
Total expenses	(86,984)	(5,555)	(92,539)
Segment profit before tax	(27,737)	(230)	(27,967)
Non-current assets			
Segment non-current assets	29,970	1,051	31,021

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Year ended 30 June 2018	AUSTRALIA \$'000	NEW ZEALAND \$'000	TOTAL \$'000
Revenue			
Revenue from external customers	70,491	5,318	75,809
Total revenue	70,491	5,318	75,809
Expenses			
Direct expenses of providing services	(43,068)	(1,904)	(44,972)
Employee expenses	(21,507)	(2,403)	(23,910)
Depreciation and amortisation	(3,960)	(21)	(3,981)
Impairments	(11,929)	-	(11,929)
Interest	(1,101)	-	(1,101)
Other expenses	(12,089)	(1,024)	(13,113)
Total expenses	(93,654)	(5,352)	(99,006)
Segment profit before tax	(23,163)	(34)	(23,197)
Non-current assets			
Segment non-current assets	51,547	3,430	54,977

*This item only includes Australia and New Zealand non-current assets. United Kingdom and USA non-current assets have been divested.

MAJOR CUSTOMERS

The Group has no major customers with all customers contributing small balances to revenues.

INCENTIAPAY LTD AND CONTROLLED ENTITIES NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 19 | RELATED PARTY TRANSACTIONS

A) RELATED PARTIES

The Group's related parties are as follows:

Key Management Personnel

Any persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity, are considered key management personnel.

Other related parties

Other related parties include entities controlled by the Company and entities over which key management personnel have joint control.

B) TRANSACTIONS WITH RELATED PARTIES

Transactions between related parties are on normal commercial terms and conditions that are no more favourable than those available to other parties unless otherwise stated.

Transactions between the Company and controlled entities include loans, management fees and interest. These are eliminated on consolidation.

Pursuant to its LFS Plan, the Company loaned funds to Iain Dunstan and Darius Coveney with respect to the shares issued to them during the prior year. These shares will no longer vest and therefore these loans will be settled by the return of the Loan Funded Shares and no further amount will be repayable. The associated balance in the share-based payment reserve has been removed during the financial year ended 30 June 2019. During the year certain remuneration entitlements of Executive and Non-Executive Directors were paid, upon request of the Directors, to parties related or associated with those Directors.

Suzerain Investments Holdings Limited (Suzerain) a related party to Mr Thorpe has provided a \$4.0 million line of credit facility to the Group. During the period the Group drew down \$4.0 million of the line of credit facility. Subsequent to year end, the terms of the credit facility were amended. See note 20.

NOTE 20 | EVENTS AFTER THE REPORTING PERIOD

On 9 August 2019 the Group entered into a Loan Deed with Suzerain for funding of an additional \$15.0 million to support working capital requirements and to restructure the business.

The restructure is designed to remove an estimated \$10.0 million in operational cost from the business.

The receipt of the funding will occur in four stages:

- \$4.0 million immediately after signing of the deed,
- \$5.0 million on agreement of restructure specifics and associated cost,
- \$3.0 million subject to shareholder approval of convertible loan security and operational cash flow being within 10 per cent of planned operational cash flow as at 1 December 2019, and
- \$3.0 million subject to shareholder approval of convertible loan security and operational cash flow being within 10 per cent of planned operational cash flow as at 1 January 2020.

The loan is to be repaid on 30 September 2020 with interest capitalised at 10 per cent per annum. The Board will seek shareholder approval at the next AGM to enter into a general security deed over the assets of the Group in the form attached to the Loan Deed. The board will also seek shareholder approval for the loan to be convertible to ordinary shares at the higher of \$0.047 per share or 30 days volume weighted average price prior to conversion.

On 22 July 2019, the Board voted to wind up the original Performance Rights Equity Plan and replace it with a new broad-based employee share equity plan. The new plan is yet to be defined or implemented, however the Board has approved the winding up of the program and the associated settlement on the assumption of 40 per cent of all entitlements vesting, equating to 1,550,000 shares.

IncentiaPay 30 AUGUST 2019

Corporate Directory

Directors Mr Stephen Harrison - Interim Executive Chair
Mr Jeremy Thorpe - Non-Executive Director
Dr Charles Romito - Non-Executive Director
Mr Dean Palmer - Non-Executive Director

Company Secretary Mr Ben Newling

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Level 38, Tower Three, International Towers Sydney
300 Barangaroo Avenue, Sydney, NSW 2000

Legal advisers Gilbert + Tobin
Level 35, Tower Two, International Towers Sydney
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Barangaroo NSW 2000

Bankers Commonwealth Bank of Australia
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Stock exchange listing IncentiaPay Ltd shares are listed on the Australian Securities Exchange (ASX code: INP)

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