# BPS Technology Limited

## Appendix 4D

## Half-Year Report for the Period Ended 31 December 2015

Half-year information given to the ASX under listing rule 4.2A

## Results for announcement to the market

*This half-year report must be read in conjunction with the most recent annual financial report.*

| | | | **Half-year ended 31-Dec-15** |
|---|---|---|---|
| Revenue from ordinary activities - continuing operations | Up | 0.5% | 25,048,020 |
| Profit from ordinary activities after tax attributable to members | Up | 7.2% | 3,511,026 |

*Commentary*

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

| *Dividends* | **Half-year ended 31-Dec-15** | **Half-year ended 31-Dec-14** |
|---|---|---|
| | Amount per security | Amount per security |
| Interim dividend - ordinary - declared (cents) | 2.00 | 2.25 |

| | | |
|---|---|---|
| Record date for determining entitlements to the dividend: | Ordinary Shares | 4 April 2016 |
| Payment date of dividend: | Ordinary Shares | 22 April 2016 |

There was no conduit foreign income during the period.

| *Earnings per share* | **Half-year ended 31-Dec-15** | **Half-year ended 31-Dec-14** |
|---|---|---|
| From continuing operations: | | |
| Basic earnings per share (cents) | 6.0 | 5.6 |
| Diluted earnings per share (cents) | 5.6 | 5.6 |

# BPS Technology Limited

## Appendix 4D

## Half-Year Report for the Period Ended 31 December 2015



**Net tangible assets per share**

| | Half-year ended 31-Dec-15 | Half-year ended 31-Dec-14 |
|---|---|---|
| Net tangible assets per share (cents) | 2 | 11 |

The NTAV has declined due to cash investments into the development of Technologies like TESS and Bucqi, which are classified as intangible assets.

**Audit qualification or review**

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

**Attachment**

The financial report of BPS Technology Limited for the half-year ended 31 December 2015 is attached.

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

BPS Technology

# BPS TECHNOLOGY LTD

ABN 43 167 603 992

# FINANCIAL REPORT

Half Year Consolidated Report

31 December 2015

# Contents

Your Directors present their report on the consolidated entity (referred to herein as the Group) consisting of BPS Technology Limited and its controlled entities for the financial period ended 31 December 2015, and is to be read in conjunction with the following information:

## Directors

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

- Murray d'Almeida
- Anthony Lally
- Andrew Pipolo
- Trevor Dietz
- Brian Hall
- Antonie Wiese

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

### Information Relating to Directors and Company Secretary

| Murray H d'Almeida | Non-executive Chairman, Director |
|---|---|
| Qualifications | Accountant |
| Experience | Murray has over 35 years of diverse national and international business experience. Murray began his career as an accountant in Perth. He founded Retail Food Group Limited (ASX: RFG) and led its global expansion.<br>Murray's current board roles include:<br>- Chairman of Management Resource Solutions Plc;<br>- Chairman of Barrack Street Investments Ltd;<br>- Director of Pacific Environment Ltd;<br>- Member Gold Coast Light Rail Business Advisory Board;<br>- Councillor Southern Cross University;<br>- Director of Tasmania Magnesite NL;<br>- Trustee of Currumbin Wildlife Foundation;<br>- Chairman of the Bartercard Charity Foundation. |
| Interest in Shares and Options | 5,000 ordinary shares in BPS Technology Ltd |
| Special Responsibilities | Chairman |
| Directorships held in other listed entities during the three years prior to the current year | Pacific Environment Limited<br>Barrack Street Investments Limited<br>Management Resource Solutions Plc |

| Anthony J Lally | Director (Non-executive) |
|---|---|
| Qualifications | Fellow of the Institute of Actuaries (Australia & UK) |
| Experience | Anthony has 30 years senior executive experience in the financial services sector, most recently, as Chief Executive Officer of Sunsuper, the third largest Superannuation fund in Australia. Anthony has extensive experience in funds management and led Australia's largest retail funds management business at Commonwealth Bank (1993-2000). He was Head of Retail for Asia Pacific at Deutsche Asset Management, based in Tokyo (2000-2002) and later a Partner at Deloitte (2003-2005). A key feature of his career has been building successful businesses. |
| Interest in Shares and Options | 50,000 ordinary shares in BPS Technology Ltd |
| Special Responsibilities | Chairman of the Audit and Risk Committee |
| Directorships held in other listed entities during the three years prior to the current year | None |

| Andrew Pipolo | Director (Non-executive) |
|---|---|
| Qualifications | Bachelor of Commerce |
| Experience | Andrew has a long history of leadership in the payments space including with PayPal where he was the first Managing Director of Australian operations (2004 to 2009) and then Japan (2009 to 2011) where he established PayPal and led its entry into those markets. He was previously the Head of eCommerce for MasterCard Europe and Country Manager Australia for MasterCard.<br><br>During his career, Andrew has developed relationships with local regulators and cemented alternate distribution alliances in domestic and overseas markets.<br><br>Andrew is currently the regional Director APAC of mobile payments operator LoopPay. |
| Interest in Shares and Options | 5,000 ordinary shares in BPS Technology Ltd |
| Special Responsibilities | Chairman of the Remunerations and Nomination Committee |
| Directorships held in other listed entities during the three years prior to the current year | None |

| Trevor Dietz | Executive Director, Chief Executive Officer |
|---|---|
| Qualifications | Fellow of the Institute of Public Accountants<br>Fellow of the Australian Institute of Company Directors<br>Fellow of the Financial Services Institute of Australia<br>Master of Science (HRM) |
| Experience | Trevor has over 30 years experience in retail, corporate and international banking, finance and human resource management. He was previously Chief Operating Officer for the Bartercard International Group and Managing Director of Bartercard Australia from 2005 until 2009. Before joining Bartercard, Trevor was Chief Executive Officer of the Institute of Public Accountants.<br>Trevor is the Non-Executive chairman of the Institute of Business Leaders and Deputy Chair of the Advisory Board to the Faculty of Business at Bond University and a Founder and Director of the Bartercard Charity Foundation. |
| Interest in Shares and Options | 10,504,000 ordinary shares in BPS Technology Ltd |
| Special Responsibilities | Chief Executive Officer |
| Directorships held in other listed entities during the three years prior to the current year | None |

| Brian Hall | Executive Director, Managing Director |
|---|---|
| Qualifications | Bachelor of Commerce (Business) |
| Experience | Brian is a cofounder and has been the Chief Executive Officer of Barter Futures Group.<br>With over 26 years of relevant sales and management experience, Brian is one of the most experienced managers in the Trade Exchange industry and has a deep understanding of its drivers, participants and key success factors.<br>Over the past 24 years Brian has been hands-on developing the technology for the sales and trading systems and franchise model of Bartercard both domestically and internationally. |
| Interest in Shares and Options | 10,504,000 ordinary shares in BPS Technology Ltd |
| Special Responsibilities | Managing Director |
| Directorships held in other listed entities during the three years prior to the current year | None |

| Antonie Wiese | Executive Director and Company Secretary |
|---|---|
| Qualifications | Bachelor Commerce<br>Bachelor of Accounting Honours<br>Chartered Accountant |
| Experience | Antonie is a Chartered Accountant with 24 years experience in financial and executive management.<br>Antonie founded and listed Onelogix Group Limited, a logistics and supply chain company in South Africa. Antonie held the role of Chief Executive Officer with this company for three years prior to moving to Australia. Prior to this he helped build and became an Executive Director of the publicly listed South African transport group Super Group Limited. Antonie was the Chief Executive Officer of the Rental and Logistics Division of Super Group Limited which included 12 subsidiary companies. |
| Interest in Shares and Options | 10,000,000 ordinary shares in BPS Technology Ltd |
| Special Responsibilities | Chief Financial Officer and Company Secretary |
| Directorships held in other listed entities during the three years prior to the current year | None |

**Review of Operations**

The Group recorded revenues of $25,048,019 and profits after tax of $3,511,026 for the half-year to 31 December 2015. The revenues, profit after tax and earnings per share were marginally ahead of the prior period. During the period, the company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

**Principal Activities**

The principal activities of the consolidated group during the financial year were to provide and licence technology platforms that attract customers to merchants. The group earns fees from members that transact on these platforms.

A large majority of our operations are conducted in Australia, the UK and New Zealand.

**Events Subsequent to the End of the Reporting Period**

Subsequent to the end of the reporting period the company has declared a dividend of 2 cents per share which will be paid on 22 April 2016.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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

Dated this 22 day of February 2016

| | | | |
|---|---|---|---|
| Director | Antonie Wiese | Director | Murray d'Almeida |

PILOT PARTNERS
Chartered Accountants

Level 10, Waterfront Place
1 Eagle St. Brisbane 4000

PO Box 7095 Brisbane 4001
Queensland Australia

P +61 7 3023 1300
F +61 7 3229 1227

pilotpartners.com.au

# AUDITOR'S INDEPENDENCE DECLARATION

***UNDER SECTION 307C OF THE CORPORATIONS ACT 2001***
***TO THE DIRECTORS OF***

## BPS Technology Ltd

I declare that to the best of my knowledge and belief, during the half year ended 31 December 2015, there have been:

i. no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

Pilot Partners

**PILOT PARTNERS**
Chartered Accountants

**DANIEL GILL**
Partner

**Signed** on 22nd February 2016

Level 10
1 Eagle Street
Brisbane Qld 4000

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**FOR THE PERIOD ENDED 31 DECEMBER 2015**



| | Notes | Half-year Ended 31 Dec 15 $'000 | Half-year Ended 31 Dec 14 $'000 |
|---|---|---|---|
| **Revenue** | 2 | 25,048 | 24,920 |
| Direct expenses of providing services | | (3,305) | (5,227) |
| Building occupancy expense | | (1,294) | (1,177) |
| Employee benefits expense | | (12,787) | (10,195) |
| Depreciation and amortisation expense | | (438) | (329) |
| Other expenses | | (3,123) | (3,899) |
| **Profit before income tax** | | 4,101 | 4,093 |
| Income tax expense | | (590) | (820) |
| **Profit from continuing operations** | | 3,511 | 3,273 |
| Other comprehensive income | | - | - |
| **Total comprehensive income of the period** | | 3,511 | 3,273 |
| | | | |
| Net profit attributable to: | | | |
| - Members of the parent entity | | 3,511 | 3,273 |
| | | 3,511 | 3,273 |
| | | | |
| **Earnings per share** | | | |
| Basic earnings per share (cents) | | 6.0 | 5.6 |
| Diluted earnings per share (cents) | 3 | 5.6 | 5.6 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION



**As at 31 DECEMBER 2015**

| | Notes | 31 Dec 2015 $'000 | 30 June 2015 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 2,425 | 2,743 |
| Trade and other receivables | | 7,271 | 6,287 |
| Inventories | | 6,602 | 5,762 |
| Other assets | | 964 | 383 |
| **TOTAL CURRENT ASSETS** | | **17,262** | **15,175** |
| **Non-Current Assets** | | | |
| Trade and other receivables | | 1,906 | 485 |
| Property, plant and equipment | | 989 | 1,160 |
| Deferred tax assets | | 2,682 | 2,840 |
| Intangible assets | | 30,231 | 26,416 |
| **TOTAL NON-CURRENT ASSETS** | | **35,808** | **30,901** |
| **TOTAL ASSETS** | | **53,070** | **46,076** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 6,467 | 6,680 |
| Current tax liabilities | | 2,133 | 1,456 |
| Provisions | | 1,573 | 1,433 |
| **TOTAL CURRENT LIABILITIES** | | **10,173** | **9,569** |
| **Non-Current Liabilities** | | | |
| Trade and other payables | | 2,599 | 2,567 |
| Deferred tax liabilities | | 675 | 921 |
| Provisions | | 303 | 288 |
| Convertible notes | 3 | 5,000 | - |
| **TOTAL NON-CURRENT LIABILITIES** | | **8,577** | **3,776** |
| **TOTAL LIABILITIES** | | **18,750** | **13,345** |
| **NET ASSETS** | | **34,320** | **32,731** |
| **EQUITY** | | | |
| Issued capital | | 26,167 | 26,167 |
| Reserves | | (47) | (9) |
| Retained earnings | 5 | 8,200 | 6,573 |
| **TOTAL EQUITY** | | **34,320** | **32,731** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE PERIOD ENDED 31 DECEMBER 2015

| | Ordinary Share Capital | Retained Earnings | Subtotal | Non-controlling interests | Foreign Currency Translation Reserve | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 July 2014** | - | - | - | - | - | - |
| **Comprehensive income** | | | | | | |
| Profit for the period | - | 3,273 | 3,273 | - | - | 3,273 |
| Total comprehensive income for period | - | 3,273 | 3,273 | - | - | 3,273 |
| **Transactions with owners, in their capacity as owners and other transfers** | | | | | | |
| Shares issued during the period | 30,000 | - | 30,000 | - | - | 30,000 |
| *Less:* Transactions costs | (3,752) | - | (3,752) | - | - | (3,752) |
| Total transactions with owners and other transfers | 26,248 | - | 26,248 | - | - | 26,248 |
| **Balance at 31 December 2014** | **26,248** | **3,273** | **29,521** | **-** | **-** | **29,521** |

| | Ordinary Share Capital | Retained Earnings | Subtotal | Non-controlling interests | Foreign Currency Translation Reserve | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 30 June 2015** | 26,167 | 6,573 | 32,740 | - | (9) | 32,731 |
| **Comprehensive income** | | | | | | |
| Profit for the period | - | 3,511 | 3,511 | - | - | 3,511 |
| Total comprehensive income for period | - | 3,511 | 3,511 | - | - | 3,511 |
| **Transactions with owners, in their capacity as owners and other transfers** | | | | | | |
| Dividends paid | - | (1,884) | (1,884) | - | - | (1,884) |
| Movement during the period | - | - | - | - | (38) | (38) |
| Total transactions with owners and other transfers | | (1,884) | (1,884) | - | (38) | (1,922) |
| **Balance at 31 December 2015** | **26,167** | **8,200** | **34,367** | **-** | **(47)** | **34,320** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

**FOR THE PERIOD ENDED 31 DECEMBER 2015**

**BPS Technology Limited and controlled entities**

| | Half year ended 31 Dec 2015 $'000 | Half year ended 31 Dec 2014 $'000 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | 22,643 | 24,233 |
| Interest paid | (110) | (30) |
| Payments to suppliers and employees | (21,884) | (22,882) |
| **Net cash provided by operating activities** | **649** | **1,321** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | (63) | (239) |
| Investment in software and other intangibles | (1,616) | (608) |
| Investment in developing new territories | (956) | - |
| Business goodwill | (140) | - |
| Acquisition of investments net of cash acquired | - | (20,110) |
| **Net cash used in investing activities** | **(2,775)** | **(20,957)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Net proceeds from issue of share capital | - | 22,651 |
| Repayment of loans | (1,233) | - |
| Net proceeds from convertible notes | 4,925 | - |
| Dividends paid | (1,884) | - |
| **Net cash provided by financing activities** | **1,808** | **22,651** |
| Net increase in cash held | (318) | 3,015 |
| Cash at beginning of financial period | 2,743 | 1 |
| **Cash at end of financial period** | **2,425** | **3,016** |

# 1. Summary of Significant Accounting Policies

The separate financial statements of the parent entity, BPS Technology Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 22 February 2016 by the Directors of the Company.

## Basis of Preparation

These general purpose interim financial statements for the half – year ended 31 December 2015 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134:*Interim Financial Reporting*. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The half year financial report does not include full disclosures of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by BPS Technology Limited during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

### (a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent BPS Technology Limited and all of its subsidiaries (also referred to as "the Group"). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

#### Business combinations

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

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

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

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

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

**Goodwill**

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

i. the consideration transferred;

ii. any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

iii. the acquisition date fair value of any previously held equity interest.

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

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

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

**(b) Income Tax**

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:

- a legally enforceable right of set-off exists; and
- the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### (c) Fair Value of Assets and Liabilities

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

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

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

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

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

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

### (d) Inventories

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

### (e) Property, Plant and Equipment

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

#### Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to note 1(h) for details of impairment).

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

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

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

#### Depreciation

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

Estimated useful life for each class of depreciable assets are:

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

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

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

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

### (f) Leases

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

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

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

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

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

### (g) Financial Instruments

#### Initial recognition and measurement

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

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

#### Classification and subsequent measurement

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

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

The effective interest method is used to allocate interest income or interest expense over the relevant period. It is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument, to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss. The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

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

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

iii. *Financial liabilities*
Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Financial Asset Impairment**

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

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

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

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

**Derecognition**

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

### (h) Impairment of Assets

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

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

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

### (i) Intangibles Other than Goodwill

**Technology and Software Assets**

Technology and software assets acquired separately are capitalised at cost. Where the technology and software asset has been acquired as part of a business acquisition, these assets are recognised at fair value as at the date of acquisition. The useful lives of these assets are then assessed to be either finite or indefinite. Assets with a finite life are amortised over that life with the expense being recognised in the Profit and Loss. Expenditure on the development of technology and software assets are capitalised until the software is ready for use and then amortised over their expected useful life of 10 years.

These assets are tested for impairment at least annually.

**Brand names and international rights**

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

These intangible assets have been assessed as having an indefinite useful life as, based upon an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. As a result no amortisation will be charged.

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

### (j) Foreign Currency Transactions and Balances

**Functional and presentation currency**

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

**Transactions and balances**

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

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

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

**Group companies**

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

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

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

### (k) Employee Benefits

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

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

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

**Retirement benefit obligations**

All employees of the Australian entities in the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

### (l) Provisions

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

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

### (m) Cash and Cash Equivalents

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

### (n) Revenue and Other Income

The Group recognises revenue on the transfer of services to customers at an amount that reflects the amount of consideration it expects to be entitled to in exchange for those services.

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

### (o) Trade and Other Receivables

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

Trade and other receivables are initially recognised at fair value, less any provision for impairment. Refer to note 1(h) for further discussion on the determination of impairment losses.

### (p) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

### (q) Transactions in Trade

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

Trade transactions have not been recorded in the Financial Statements. Transactions in trade by the Managers do not meet the definition and recognition criteria of assets and liabilities within the Australian Accounting Standards and are therefore not recorded.

### (r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated exclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

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

### (s) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

### (t) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100. Accordingly, amounts in the financial statements and Directors' report have been rounded off to the nearest $1,000.

### (u) New and Amended Accounting Policies Adopted by the Group

#### Revenue recognition

The group has opted to adopt AASB 15: *Revenue* from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017) early from 1 July 2014.

This Standard replaces the current accounting requirements applicable to revenue with a single, principles based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

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

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

As the entity only commenced trading effective from 1 July 2014 no retrospective restatement is required.

### (v) New Accounting Standards for Application in Future Periods

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

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

### (w) Critical Accounting Estimates and Judgements

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

**Key estimates and judgements**

*i. Impairment – goodwill and other intangibles*

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

*ii. 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.

*iii. Valuation of Inventories*

Franchises held for resale are recognised as inventories at cost. At each reporting period the carrying value of each of these assets are compared to a valuation model to determine the net realisable value of the asset. The asset is written down to the extent that the carrying value is in excess of the net realisable value. The valuation model is market tested on a regular basis.

## 2. Geographical Information

| **Total Revenue** | **Australia** $'000 | **New Zealand** $'000 | **UK** $'000 | **USA** $'000 | **Others** $'000 | **Total** $'000 |
|---|---|---|---|---|---|---|
| Half year ended 31 December 2014 | 12,694 | 6,098 | 2,113 | 202 | 3,813 | 24,920 |
| Half year ended 31 December 2015 | 12,722 | 5,918 | 3,918 | 454 | 2,036 | 25,048 |

## 3. Issue of Convertible Notes

During the period, BPS Technology Limited issued 50,000 Convertible Unsecured Notes at a face value of $100 each. The Notes have a term of 24 months. The coupon rate is 12% in the first year and 14% in the second year. The Notes can convert into Ordinary Shares at a conversion price of $1.175 per share. Each note is convertible to 85 shares (ie in a ratio of 100/1.175). The Notes, if converted to Ordinary Shares, will rank equally with the Ordinary Shares currently on issue. Prior to conversion into Ordinary Shares, the Convertible Unsecured Notes do not carry voting rights or entitlements to dividends. The $5,000,000 of Notes were issued in order to settle acquisitions completed and to further accelerate merchant growth in key strategic territories.

The Diluted EPS is calculated on the assumption that the Notes will be fully converted and 4,255,319 ordinary shares will be issued.

## 4. Fair Value Measurement

The Group's financial instruments consist of Cash and Cash Equivalents, Receivables, Payables and Loans. The carrying amount and fair value are not considered to be materially different.

## 5. Dividends Paid

During the half year an unfranked dividend of $1,884,209 was paid, being 3.25 cents per share.

## 6. Events after the end of the Interim Period

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

Since the end of the interim period the directors have resolved to pay an interim unfranked dividend of 2 cents per share payable on 22 April 2016 to shareholders on the share register at 4 April 2016. This dividend will be recognised in shareholder's equity in the next financial statement.

# DIRECTORS' DECLARATION

**FOR THE PERIOD ENDED 31 DECEMBER 2015**

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

1. The financial statements and notes, as set out on pages 7 to 23, are in accordance with the *Corporations Act 2001* and:

    a) comply with Accounting Standard AASB 134:*Interim Financial Reporting*, and

    b) give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of the performance for the half year ended on that date.

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

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

Dated this 22th day of February, 2016

| | | | |
|---|---|---|---|
| Director | Antonie Wiese | Director | Murray d'Almeida |

PILOT PARTNERS
Chartered Accountants

Level 10, Waterfront Place
1 Eagle St. Brisbane 4000

PO Box 7095 Brisbane 4001
Queensland Australia

P +61 7 3023 1300
F +61 7 3229 1227

pilotpartners.com.au

# INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF

# BPS Technology Ltd

We have reviewed the accompanying half year financial report of BPS Technology Ltd, which comprises the consolidated condensed balance sheet as at 31 December 2015 and the consolidated condensed income statement, consolidated condensed statement of changes in equity and consolidated condensed cash flow statement for the half year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration as set out on pages 7 to 24.

## *DIRECTORS' RESPONSIBILITY FOR THE HALF YEAR FINANCIAL REPORT*

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

## *AUDITOR'S RESPONSIBILITY*

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the BPS Technology Ltd financial position as at 31 December 2015 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BPS Technology Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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## *INDEPENDENCE*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of BPS Technology Ltd on22 February 2016 would be in the same terms if provided to the directors as at the date of this auditor's review report

## *CONCLUSION*

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

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Pilot Partners

**PILOT PARTNERS**
Chartered Accountants

**DANIEL GILL**
Partner

**Signed** on 22nd February 2016

Level 10
1 Eagle Street
Brisbane Qld 4000