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APPENDIX 4E
PRELIMINARY FINAL REPORT
31 AUGUST 2018

IMPELUS LIMITED
ACN 089 805 416

Impelus Limited

ABN: 24 089 805 416

Appendix 4E Preliminary Final Report
For the period 1 July 2017 to 30 June 2018

Appendix 4E

This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

The following information sets out the requirements of the Appendix 4E of Impelus Limited and its controlled entities.

The Appendix 4E covers the reporting period from the 1 July 2017 to the 30 June 2018. The previous corresponding period is 1 July 2016 to the 30 June 2017.

Results for Announcement to the Market

Revenue & Net Profit		Percentage Change (%)		Amount \$
Revenue from ordinary activities	Down	51.46%	to	\$25,510,096
Earnings before interest, depreciation, and amortisation	Down	15.62%	to	\$4,551,844
Profit from ordinary activities before tax attributable to members	Down	3730%	to	(\$29,799,472)
Net profit for the period attributable to members	Down	2216%	to	(\$29,010,946)

Dividends

No dividend has been proposed or declared in respect of the period ended 30 June 2018.

Net Tangible Asset Backing		¢ per share 2017		¢ per share 2018
Revenue from ordinary activities	Down	0.4 c	to	(0.05 c)

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Review of Operations

Impelus Limited posted a full-year profit after tax of \$(29.01) million compared to the prior year profit after tax of \$1.6 million.

Refer Market Updates ASX release 8 August 2017, 28 February 2018, 19 March 2018, 11 April 2018 and Market Update ASX release 5 July 2018, and the Directors Report Review of Operations in the full year financial report

Review of Operations (continued)

for commentary on the results for the period and explanations to understand the Group's revenue and profit / (loss) from ordinary activities.

(\$ million)	FY 2017	FY 2018	Variance
Revenue	\$52.50	\$25.51	(\$26.99)
Gross Profit	\$22.60	\$17.14	(\$5.46)
Employment costs	\$11.00	\$8.33	(\$2.67)
EBITDA	\$5.40	\$4.55	(\$0.85)
Depreciation and amortisation	\$4.20	\$4.18	(\$0.02)
Impairment of intangible assets	\$0.10	\$29.57	\$29.47
Net Profit / (Loss) After Tax	\$1.60	(\$29.01)	(\$30.61)

Normalised EBITDA

The table below adds back the one-off restructuring costs expensed during the financial year 2018.

(\$ million)	FY 2017	FY 2018
EBITDA	\$5.40	\$4.55
Add back Re-structuring costs *	-	\$1.38
Normalised EBITDA	-	\$5.93

*Excluding Clipp

Impelus Limited (ASX:IMS) in FY 2018 operated as a technology led Digital Customer Acquisition company utilising its Digital Performance Marketing (**DPM**) infrastructure.

We help companies to cost efficiently find customers through digital channels, at scale, globally.

For more information please see: www.impelus.com.

Cash Flow

The Company's Cash at Bank was \$3,334,276 at 30 June 2018, compared to \$9,071,741 at 30 June 2017. Across the course of the financial year ending 2018 the Company was forced due to external factors beyond its control to progressively exit from its operations in Direct Carrier Billing (**DCB**).

Period	30 June 2017	31 December 2017	30 June 2018
Cash at Bank	\$9,071,741	\$3,278,550	\$3,334,276

As a result, the Company underwent restructuring on 2 occasions through the financial year which saw a cumulative cash outlay of \$1.9 million across the Financial Year 2018; which has impacted the operational cash flow for FY 2018. Further at balance date overdue telco receivables were \$ 313,322. The Company also retired \$1,343,024 in bank debt and paid earnout payments of \$5,666,901 during the Financial Year 2018.

The Table below shows the normalised operational cash flow for the Financial Year 2018 after adjusting for the costs of restructuring mentioned above.

Normalised pre-tax operational cash flows:

	Consolidated Group	
	2018	2017
	\$	\$
NORMALISED PRE TAX CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	25,211,591	61,954,385
Payments to suppliers and employees	(24,346,249)	(58,479,452)
Interest Received	11,389	15,146
Interest Paid	(268,395)	(214,911)
Normalised Pre-Tax Net cash provided by operating activities	608,336	3,275,168

Divestment of Non-core Asset

Clipp

The Board has determined that Clipp is non-core and does not fit with the future direction and focus of IMS. Clipp is presently in the process of being divested. In the 2nd Half of FY 2018, the operations of Clipp were merged with the Digital Performance Marketing business. The Company is on track to have completed divestment of Clipp by 15 September 2018.

DCB Update

The Board continues the Company's progressive exit from carrier billing with the remaining Australian telco agreements ended on 23 August 2018 and therefore the remaining Australian DCB operations and associated costs are being wound down profitably. The remaining historical international DCB databases that are in run-off will continue to be supported whilst they are cashflow positive with some residual revenue and earnings (refer ASX announcement 24 July 2018).

The Company has impaired the remaining net book value of \$2,221,675 on the DCB software system.

DCB still operates from Australia only and provides digital content in the following territories: UK, Singapore and Switzerland. Australian revenues from DCB will cease around end of October 2018.

DCB Outlook	FY 2019	FY 2020	FY 2021
Revenue	\$1,209,077	\$1,011,651	\$801,651
Gross Profit	\$967,262	771,651	581,523
Expenses	(\$635,840)	(\$440,053)	(\$240,053)
EBITDA	\$331,422	\$331,598	\$341,470

The above figures are projections and can be subject to change.

Future Developments, Prospects and Business Strategies

The Company has shifted its focus to its development as a technology-led Digital Customer Acquisition company utilising its Digital Performance Marketing (**DPM**) infrastructure. The Company is building out market-leading platforms and infrastructure globally. IMS has created a Digital Performance Marketing infrastructure from its offices in Australia, and the UK so that its clients can utilise its proprietary and integrated partner technology, tools and data assets to seamlessly target and connect consumers to products they value, enabling them to generate high quality customer acquisitions at scale, via online and mobile devices.

Future Developments, Prospects and Business Strategies (continued)

Throughout FY2018 the Company's focus has been:

- Developing the growth platform of its DPM business with the roll-out of more digital Lead Generation/Customer Acquisition tools that deliver better qualified customer leads to clients cost effectively;
- The scale down of non-core activities including Clipp and Direct Carrier Billing (**DCB**) so that their costs are substantially reduced and with DCB still delivering positive cash generation in the run-off phase; and;
- Significantly reducing the Company's overall cost base and lowering debt levels substantially.

All these objectives have been met. This is providing a stronger platform to drive sustainable returns for shareholders. With development of the Digital Customer Acquisition business the groups EBITDA margin can benefit from the focus on Digital Performance Marketing, enabling stronger earnings off a lower revenue base.

The Company continues the development of the growth platform for its DPM operations with a focus on building its capability in higher value lead generation where there is strong demand. Several operational initiatives are in development to reinforce and build on this strategy, and they are well advanced (refer ASX announcement IMS Investor Presentation April 2018, 11 April 2018).

Impelus has identified a number of organic growth opportunities in its UK operations and is developing new digital assets specifically for that market. The UK business is also being developed to act as a springboard into Europe, anticipated in FY2019. Updates on specific growth initiatives will be reported as they develop, and the Company sees considerable opportunity here.

Outlook

Impelus is now well advanced in establishing itself with a platform to grow as a digital-led Customer Acquisition business underpinned by the very best technology platforms.

In a rapidly changing marketing landscape, leading companies and brands are demanding better outcomes from their promotional partners, including delivery of more qualified customer leads, improved customer lifetime value, and greater cost effectiveness. Impelus' platforms are now doing this. In FY2019 the Company will focus on the further development and on building scale of its higher value lead generation capability.

The Company will increase its investment in the growth and development of the new DPM assets throughout FY2019, given they are expected to generate higher average revenue per transaction, and stronger global demand is anticipated, and will lessen activity on lower value, lower average revenue per transaction products where there is stronger demand in the UK market than in the Australian market.

The UK operations are trading well, and new client relationships are being established with growth opportunities identified in other European markets. IMS sees considerable scope for growth in the UK operations, and the Company is well advanced with plans to establish a greater presence there to deliver organic revenue and earnings growth. Updates to the market will be provided in due course.

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Directors' Report

The directors of Impelus Limited present their report together with the financial statements of the Group, being the Company and its controlled entities, for the year ended 30 June 2018.

The names and particulars of the directors of the Company during or since the end of the financial year unless otherwise stated are:

Directors

Name	Particulars
<p>IAN ELLIOT Independent chairman Non-executive director Appointed 29 November 2017</p> <p>Interest in shares & options</p> <p>Special responsibilities</p> <p>Directorships held in other listed entities during the three years prior to the current year</p>	<p>Mr. Elliot has over 40 years' experience in the advertising, marketing, branding and diversified communication sector. He was both Chairman and CEO of George Patterson Bates, which was Australia's leading advertising agency for all of the thirty years of his career, rising from the mail room to CEO. Ian oversaw the expansion through M&A activity of the ad agency into a diversified services group and in his final four years as CEO, he added more than \$250 million worth of new account wins. He also chaired Zenith Media from 2002-2006, during which Zenith Media was Australia's largest media buying company. Ian is recognised as the architect behind the successful Optus 'Yes' campaign and many other high-profile consumer advertising and major events campaigns.</p> <p>From 2003 to 2007, Ian was both Chairman and Executive Chairman of ASX-listed printing group Promentum Limited. During this time Promentum saw a substantial increase in revenue and earnings and successfully sold the business to private equity at approximately 5 times the 2003 share price.</p> <p>For the past 14 years, Ian has acted as professional Non-Executive Director for a number of ASX-listed companies including Salmat Limited (2005-2016), Hills Industries (2003-2016) and McMillan Shakespeare Limited (current). He was also an Australian Rugby League Commissioner (2012-2016), Director of the National Australia Day Council (2003-2012) and is the current Chairman of the Dry July Foundation.</p> <p>Nil.</p> <p>Ian Elliot is a member of the audit committee, and the nomination, and remuneration committee.</p> <p>McMillan Shakespeare Ltd (ASX: MMS), Salmat Ltd (ASX: SLM) resigned 31/12/16, Hills Ltd (ASX: HIL) resigned 04/11/16, Dry July Foundation.</p>
<p>Drew Kelton Non-executive director since 1 July 2010 and Independent chairman from 06 November 2014 to 29 November 2017 Resigned as a Non-executive Director 29 June 2018</p>	<p>Mr. Kelton joined the board of Impelus on 1 July 2010. He is currently engaged as a professional chairman and director on ASX listed companies in the Australian market.</p> <p>He was recently employed as vice-president and managing director Asia Pacific for DocuSign Inc. the world's leading provider of Digital Transaction Management (DTM) solutions. Formally he was the vice-president of T-Mobile in the United States and prior to that he was President Enterprise Services at Bharti Airtel, India's largest mobile phone operator and one of Asia's leading integrated telecom service providers and a member of Bharti's management board.</p>

<p>Interest in shares & options</p> <p>Special responsibilities</p> <p>Directorships held in other listed entities during the three years prior to the current year</p>	<p>Prior to joining Bharti Airtel, Mr. Kelton spent eight years as the managing director of Telstra Corporation's international business unit where he was responsible for driving business growth in Telstra's offshore operations and establishing a multinational customer division to oversee Telstra's biggest global customers.</p> <p>Mr. Kelton has over 30 years' experience in telecommunications and IT solutions and has worked in Europe, Australia, Asia and the US. He holds a Bachelor of Science in Electrical and Electronic Engineering (Hons) from Glasgow's Paisley College of Technology. In addition, he is a Chartered Engineer and Member of the Institution of Engineering and Technology.</p> <p>300,000 ordinary shares and nil options.</p> <p>Mr. Kelton was a member of the audit committee and the nomination and remuneration committee.</p> <p>Firstwave Cloud Technology (ASX: FCT), Megaport Limited (ASX: MP1) and Enice Limited (ASX: ENC) now delisted.</p>
<p>David Andrew Haines Independent Non-executive director</p> <p>Interest in shares & options</p> <p>Special responsibilities</p> <p>Directorships held in other listed entities during the three years prior to the current year</p>	<p>A director of the Company since May 2001. Mr. Haines holds a Bachelor of Education degree and was Secretary to the Standing Committee of Commonwealth, State and Territory Ministers with Censorship Responsibilities (1988 to 1994), Deputy Chief Censor, Australian Film Censorship Board (1986 to 1994) and Member of the Australian Film Censorship Board (1981-1994).</p> <p>415,000 ordinary shares and nil options.</p> <p>Mr. Haines is chair of the audit committee and a member of the nomination and remuneration committee.</p> <p>Nil.</p>
<p>Neil Wiles CEO & MD Executive director appointed 18 July 2017</p>	<p>Mr. Wiles was appointed executive director of the Company on 18 July 2017. Mr. Wiles was appointed CEO and managing director of the Company on 8 August 2017.</p> <p>Prior to his appointment as CEO and managing director Mr. Wiles had been managing director of the Company since 2005.</p> <p>For more than 27 years, Mr. Wiles has led, developed and grown businesses as managing director and CEO in the communications, digital, information technology and marketing sectors.</p> <p>Mr. Wiles is an awarded and accredited digital media innovator and industry expert having held executive leadership roles with key industry and regulatory bodies, and as an advisor to media on entertainment and technology convergence. He was Chairman of the committee for Pre-assessment Guidelines for the Classification of Mobile Content and sat on the Australian Direct Marketing Association (ADMA) Mobile Marketing Council.</p> <p>Mr. Wiles acknowledgments include having been listed by B&T Digital as one of the 40 Biggest Players of Australia's Digital Age and having been named "Mobile Marketer of the Year" by ADMA the nation's peak body for information-based marketing with more than 500-member organisations.</p>

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Impelus Directors' Report

Interest in shares & options	20,283,000 ordinary shares.
Special responsibilities	Nil.
Directorships held in other listed entities during the three years prior to the current year	Nil.
Christopher Thorpe CEO from May 2001 to 8 August 2017 Resigned as Executive director on 17 November 2017	<p>Mr. Thorpe was CEO of the Company from May 2001 up until 8 August 2017.</p> <p>Mr. Thorpe provides his expertise in the global mobile and telecommunications industry, with over 18 years' experience gained in the United States, Europe and Australia. The combination of this experience with a financial background provides him with a strong understanding of the industry, its issues and trends, enabling the ability to commercialise and deploy successful business strategies.</p> <p>Mr. Thorpe has been at the forefront of the mobile entertainment and telecommunications industry leading with a number of key innovations. His work has been acknowledged through the receipt of numerous business awards for these milestone achievements and contributions to the telecommunications industry.</p> <p>Mr. Thorpe provides leadership, insight, expertise, understanding along with a global network of leading industry associates and contacts. His vision and drive provide the company with opportunities to capitalise on its position as Australia's leading mobile services provider.</p>
Interest in shares & options	22,176,639 ordinary shares and 3,000,000 options.
Special responsibilities	Nil.
Directorships held in other listed entities during the three years prior to the current year	Nil.

Company Secretary

Name	Particulars
Justin Clyne Company secretary (appointed 1 August 2014)	<p>Mr. Clyne was admitted as a Solicitor of the Supreme Court of New South Wales and High Court of Australia in 1996 before gaining admission as a barrister in 1998. He had 15 years of experience in the legal profession acting for a number of the country's largest corporations, initially in the areas of corporate and commercial law before dedicating himself full-time to the provision of corporate advisory and company secretarial services.</p> <p>Mr. Clyne is a director and/or secretary of a number of public listed and unlisted companies. He has significant experience and knowledge in international law, the Corporations Act, the ASX Listing Rules and corporate regulatory requirements generally. Justin holds a Master of Laws in International Law from the University of New South Wales is a qualified Chartered Company Secretary and a Member of the Australian Institute of Company Directors</p>
Interest in shares & options	Nil.

Principal Activities

Impelus Limited posted an EBITDA of \$4.55 million and a NPAT of \$(29.01) million for the year results.

The principal activities of the consolidated entity are technology led Digital Customer Acquisition utilising Digital Performance Marketing (**DPM**). As a DPM customer acquisition company the consolidated entity, through its DPM platforms and infrastructure, enables businesses to generate customers at scale via digital channels and devices. For more information please see www.impelus.com.

The consolidated entity also has non-core activities that are in the process of divestment or run-off (Clipp and Direct Carrier Billing (**DCB**)).

On 13 December 2017 the Company announced a change of its name from "Mobile Embrace Limited" to "Impelus Limited" which was approved by the Company's shareholders at the Annual General Meeting held on 29 November 2017.

In the 2nd Half of FY 2018, the operations of Clipp were merged with the DPM business. There were no other significant changes in the nature of the consolidated Group's principal activities during the period.

Review of Operations

Impelus Limited posted a full-year profit after tax of \$(29.01) million compared to the prior year profit after tax of \$1.6 million.

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(\$ million)	FY 2017	FY 2018	Variance
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Employment costs	\$11.00	\$8.33	(\$2.67)
EBITDA	\$5.40	\$4.55	(\$0.85)
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Impairment of intangible assets	\$0.10	\$29.57	\$29.47
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Normalised EBITDA

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*Excluding Clipp

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Proprietary Technology

Impelus has grown a proprietary technology stack that has been built through a combination of internal development, strategic acquisitions, focused innovation and organic investment. Overall this technology stack is a significant component of the Company's competitive strength and enablement for it to scale and optimise revenue and EBITDA for current and future operations.

Personnel Change

With the shift of focus to performance marketing Co-founder and Managing Director Neil Wiles was appointed as an Executive Director on 18 July 2017 with Co-founder and former CEO Chris Thorpe stepping down as a director effective 17 November 2017 but he remains a large shareholder (refer ASX announcement 17 November 2017).

Ian Elliot was appointed as Non -Executive Chairman on 29 November 2017 (refer ASX announcement 21 November 2017).

Ian Elliot has over 40 years' experience in the advertising, marketing, branding and diversified communication sector. He was both Chairman and CEO of George Patterson Bates, Australia's leading advertising agency for the thirty years of his career, rising from the mail room to CEO. Ian oversaw the expansion through M&A activity of the ad agency into a diversified services group and in his final four years as CEO he added more than \$250 million worth of new account wins. He also chaired Zenith Media from 2002-2006, during which Zenith Media was Australia's largest media buying company. Ian is recognised as the architect behind the successful Optus 'Yes' campaign and many other high-profile consumer advertising and major events campaigns. From 2003 to 2007, Ian was both Chairman and Executive Chairman of ASX-listed printing group Promentum Limited. During this time Promentum saw a substantial increase in revenue and earnings and was successfully sold to private equity at approximately 5 times the 2003 share price. For the past 14 years, Ian has acted as a professional Non-Executive Director for a number of ASX-listed companies including Salmat Limited (2005-2016), Hills Industries (2003-2016) and McMillan Shakespeare Limited (current). He was also an Australian Rugby League Commissioner (2012-2016), Director of the National Australia Day Council (2003-2012) and is the current Chairman of the Dry July Foundation.

Drew Kelton resigned as a Non-executive Director on 29 June 2018 to take a full-time role. Drew Kelton served as a Director since 2010 and as Chairman between November 2014 and November 2017 (refer ASX announcement 29 June 2018).

Cash Flow

The Company's Cash at Bank was \$3,334,276 at 30 June 2018, compared to \$9,071,741 at 30 June 2017. Across the course of the financial year ending 2018 the Company was forced due to external factors beyond its control to exit from its operations in Direct Carrier Billing.

Period	30 June 2017	31 December 2017	30 June 2018
Cash at Bank	\$9,071,741	\$3,278,550	\$3,334,276

As a result, the Company underwent restructuring on 2 occasions through the financial year which saw a cumulative cash outlay of \$1.9 million across the Financial Year 2018; which has impacted the operational cash flow for FY 2018. Further at balance date overdue telco receivables were \$ 313,322. The Company also retired \$1,343,024 in bank debt and paid earnout payments of \$5,666,901 during the Financial Year 2018.

Cash Flow (continued)

The Table below shows the normalised operational cash flow for the Financial Year 2018 after adjusting for the costs of restructuring mentioned above.

Normalised pre-tax operational cash flows:

	Consolidated Group	
	2018	2017
	\$	\$
NORMALISED PRE TAX CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	25,211,591	61,954,385
Payments to suppliers and employees	(24,346,249)	(58,479,452)
Interest Received	11,389	15,146
Interest Paid	(268,395)	(214,911)
Normalised Pre-Tax Net cash provided by operating activities	608,336	3,275,168

Capital Expenditure

Capital expenditure for the financial year ending 2018 was \$768,732 a component of that expenditure was wages, this expenditure was capitalised: FY 2018 \$550,770 (FY 2017 \$1,273,790). This expenditure was primarily on the development of performance marketing digital assets in the United Kingdom.

Acquisition

The Company acquired C2B Solutions Pty Limited (**C2B**) a performance marketing company, for an overall consideration of \$6.5 million. The purchase price consisted of an upfront consideration of \$2.5 million followed by a two-year performance-based earn-out of \$2 million in 12 months On Target Earnings (OTE), and \$2 million in a further 12 months OTE (refer ASX announcement 14 August 2017). For developments with respect to the C2B Acquisition please see 'After Balance Date Events' below.

Divestment of Non-core Asset

Clipp

The Board has determined that Clipp is non-core and does not fit with the future direction and focus of IMS. Clipp is presently in the process of being divested. In the 2nd Half of FY 2018, the operations of Clipp were merged with the Digital Performance Marketing business. The Company is on track to have completed the divestment of Clipp by 15 September 2018.

DCB Update

The Board continues the Company's progressive exit from carrier billing with the remaining Australian telco agreements ended on 23 August 2018 and therefore the remaining Australian DCB operations and associated costs have been wound down profitably. The remaining historical international DCB databases that are in run-off will continue to be supported whilst they are cashflow positive with some residual revenue and earnings (refer ASX announcement 24 July 2018).

The Company has impaired the remaining net book value of \$2,221,675 on the DCB software system.

DCB still operates from Australia only and provides digital content in the following territories: UK, Singapore and Switzerland. Australian revenues from DCB will cease around end of October 2018.

DCB Update (continued)

DCB only: DCB Outlook	FY 2019	FY 2020	FY 2021
Revenue	\$1,209,077	\$1,011,651	\$801,651
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Expenses	(\$635,840)	(\$440,053)	(\$240,053)
EBITDA	\$331,422	\$331,598	\$341,470

The above figures are projections and can be subject to change.

Financial Position

The net assets of the consolidated Group have decreased by \$27.47m from 30 June 2017, to \$14.51m in FY 2018. This was due to the impairment of goodwill, and software relating to the Direct Carrier Billing operations in Australia being progressively wound down due to external factors beyond the control of the Company.

Capital raised: The Company completed its capital raising program announced to the ASX on 6 June 2018. Under the capital raising a total of \$2,278,500 was raised between the placement and Share Purchase Plan (**SPP**) (refer ASX announcement 20 July 2018). Ninety-eight million fully paid ordinary shares were issued at \$0.02 per share. The funds raised to be used for digital asset deployment, Australian marketing, and UK market expansion as the Company aims to scale up its Digital Customer Acquisition business, working capital purposes and for growth opportunities.

The directors believe the Group is in a stable financial position to expand and grow its current operations being able to fund future operations through share issues, debt instruments, control of costs and the continued commercialisation of its business-to-business activities.

Significant Changes in State of Affairs

During the financial year there were no significant changes in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Resolution of Litigation

The Company settled the litigation with GBD Ventures Pty Limited (refer ASX announcement 19 July 2017).

After Balance Date Events

The Company has commenced proceedings in the Federal Court of Australia against the vendors (and associated parties) of C2B Solutions Pty Limited for various matters relating to the acquisition of C2B.

Other than the above, there have been no events that have occurred since the reporting date which would materially impact on the financial position of the Company and its controlled entities.

Future Developments, Prospects and Business Strategies

The Company has shifted its focus to its development as a technology-led Digital Customer Acquisition company utilising its Digital Performance Marketing (**DPM**) infrastructure. The Company is building out market-leading platforms and infrastructure globally. IMS has created a Digital Performance Marketing infrastructure from its offices in Australia, and the UK so that its clients can utilise its proprietary and integrated partner technology, tools and data assets to seamlessly target and connect consumers to products they value, enabling them to generate high quality customer acquisitions at scale, on online and mobile devices.

Future Developments, Prospects and Business Strategies (continued)

Throughout FY2018 the Company's focus has been:

- Developing the growth platform of its DPM business with the roll-out of more digital Lead Generation/Customer Acquisition tools that deliver better qualified customer leads to clients cost effectively;
- The scale down of non-core activities including Clipp and Direct Carrier Billing (**DCB**) so that their costs are substantially reduced and with DCB still delivering positive cash generation in the run-off phase; and;
- Significantly reducing the Company's overall cost base and lowering debt levels substantially.

All these objectives have been met. This is providing a stronger platform to drive sustainable returns for shareholders. With development of the Digital Customer Acquisition business the groups EBITDA margin can benefit from the focus on Digital Performance Marketing, enabling stronger earnings off a lower revenue base.

The Company continues the development of the growth platform for its DPM operations with a focus on building its capability in higher value lead generation where there is strong demand. Several operational initiatives are in development to reinforce and build on this strategy, and they are well advanced (refer ASX announcement IMS Investor Presentation April 2018, 11 April 2018).

Impelus has identified a number of organic growth opportunities in its UK operations and is developing new digital assets specifically for that market. The UK business is also being developed to act as a springboard into Europe, anticipated in FY2019. Updates on specific growth initiatives will be reported as they develop, and the Company sees considerable opportunity here.

Outlook

Impelus is now well advanced in establishing itself with a platform to grow as a digital-led customer acquisition business underpinned by the very best technology platforms.

In a rapidly changing marketing landscape, leading companies and brands are demanding better outcomes from their promotional partners, including delivery of more qualified customer leads, improved customer lifetime value, and greater cost effectiveness. Impelus' platforms are now doing this. In FY2019 the Company will focus on the further development and on building scale of its higher value lead generation capability.

The Company will increase its investment in the growth and development of the new DPM assets throughout FY2019, given they are expected to generate higher average revenue per transaction, and stronger global demand is anticipated, and will lessen activity on lower value, lower average revenue per transaction products where there is stronger demand in the UK market than in the Australian market.

The UK operations are trading well, and new client relationships are being established with growth opportunities identified in other European markets. IMS sees considerable scope for growth in the UK operations, and the Company is well advanced with plans to establish a greater presence there to deliver organic revenue and earnings growth. Updates to the market will be provided in due course.

Environmental Issues

The consolidated entity's operations are not affected by any significant environmental regulation under the law of the Commonwealth or the State. To the extent that any environmental regulations may have an incidental impact on the consolidated Group's operations, the directors of the Company and its controlled entities are not aware of any breach by the Company and its controlled entities of those regulations.

Dividends

There have been no dividends paid or declared since the beginning of the financial year, and the directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2018.

Share Based Payments

There have been no share-based payments in the financial year ending 30 June 2018.

Remuneration Report

The Remuneration Report forms part of the Directors' Report and outlines the remuneration arrangements for executives and employees of Impelus Limited, including key management personnel in accordance with relevant accounting standards and *Section 300A of the Corporations Act*.

The remuneration policy of Impelus Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering short term incentives and long-term incentives based on key performance areas affecting the consolidated Group's financial results. The Board of Impelus Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated Group, as well as create goal congruence between directors, executives and shareholders.

Remuneration of directors and executives is reviewed by the Remuneration Committee in accordance with its Charter. The Remuneration Committee makes recommendations to the board on the following:

- Executive remuneration and incentive policies;
- Ensuring policy allows the Company to recruit and retain suitably qualified executives;
- Remuneration framework for directors;
- Aligning the interests of key employees to the long-term interests of shareholders; and
- Demonstrate a clear relationship between key executive performance and remuneration.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated Group's revenue, profits, shareholders' value as well as personal goals. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based STI bonus based on key performance indicators, and the second being the LTI issue of options to the majority of key management personnel to encourage the alignment of personal and shareholder interests. The Company believes this policy is effective in positioning itself for future growth.

The following table shows the revenue and earnings for the last five years for the listed entity, as well as the share prices at the end of the respective financial years.

	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Revenue \$	19,273,392	33,015,922	60,563,131	52,555,202	25,510,096
EBITDA \$	3,149,716	5,097,767	9,495,954	5,394,573	4,551,844
Net profit / (loss) after tax	2,494,423	3,045,554	4,916,116	1,595,677	(29,010,946)
Share price (cents)	20.0	24.5	30.5	5.05	1.7

Relationship between Remuneration Policy and Company Performance (continued)

The Company's performance over the last five years is set out in the table above. The Company has been working through a substantial restructure and shift in focus due to external factors beyond its control. It has made significant progress in resolving a number of operational challenges and in developing its position to take advantage of the growing market opportunity of enabling the acquisition of customers at scale on online and mobile devices through Digital Performance Marketing (**DPM**). In the opinion of the board, this can be attributed, in part, to the previously described remuneration policy. The Group's operations are building a stronger platform for growth.

Achieving long term sustainable profitable growth provides the platform to further increase shareholder wealth in the future.

Table of Employment Details of Members of Key Management Personnel

With the shift of focus to performance marketing Co-founder and Managing Director Neil Wiles was appointed as an Executive Director on 18 July 2017 with Co-founder and former CEO Chris Thorpe stepping down as a director effective 17 November 2017 but he remains a large shareholder (refer ASX announcement 17 November 2017).

No STI bonuses were awarded to key management personnel for FY 2018 despite the high performance of the key executives in guiding the Company through a major and complex restructuring process and shift in focus as, due to the impacts from external factors on the carrier billing operations, revenue and EBITDA for FY 2018 was lower than FY 2017.

No Options were issued during FY 2018 to key management personnel or staff.

Subject to receiving shareholder approval at the Company's FY 2018 Annual General Meeting to be held in 2018 following the completion of the financial year, the Board has agreed to issue to Ian Elliot, or his nominee, a total of 3,000,000 unlisted options to acquire ordinary shares in the Company. The options will vest in 3 equal tranches on the first, second and third anniversaries of his appointment. All options will be exercisable at a 50% premium to the five-day VWAP prior to the date of this announcement and have a 3-year expiry period from the date of vesting.

Table of Employment Details of Members of Key Management Personnel (continued)

No STI bonuses were awarded to key management personnel for FY 2018.

Name	Neil Wiles	Simon Allison
Position held 30 June 2017	Managing Director.	Chief Finance Officer.
18 July 2017	Appointed Executive Director	
Contract details	Four years and 7 months from the 4 November 2014. May be extended by mutual agreement.	Appointment continued until date the employment is terminated pursuant to the terms of the agreement.
Notice period	12 months.	1 month.
Total base salary	\$390,000	\$260,000
Short term incentive	A discretionary amount capped at 60% of the package and solely based on the achievement of performance criteria set annually by the Board. Refer to Remuneration Report for KPI's.	A discretionary amount capped at 60% of the package and solely based on the achievement of performance criteria set annually by the Board. Refer to Remuneration Report for KPI's.
Other benefits	30 days' annual leave. Corporate parking. Life insurance policy paid for by IMS.	20 days' annual leave. Corporate parking.
Termination by company	12 months' notice or payment in lieu.	1 month' notice or payment in lieu.
Restraint	12 months' post termination.	6 months' post termination.
Interest in shares as at 30 June 2018	20,283,000	1,000,000
Long term incentive / options		

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Director and Executive Remuneration

The following table of benefits and payments detail, in respect to the financial year, the components of remuneration for each member of the key management personnel of the consolidated Group and, to the extent different, the five group executives and five company executives receiving the highest remuneration:

2018	Short-term Benefits			Post-employment Benefits	Termination Payments	Equity-settle Share-based Payments		Total \$
	Salary & Fees & Leave \$	Bonuses \$	Non-Monetary \$	Super-annuation \$		Shares \$	Options \$	
Non-Executive Directors								
Drew Kelton	71,530	-	-	6,795	-	-	-	78,325
David Haines	60,000	-	-	5,700	-	-	-	65,700
Ian Elliot	40,482	-	-	3,846	-	-	-	44,327
Chris Thorpe	53,449	-	-	3,341	267,364	-	-	324,154
Executives								
Neil Wiles	419,679**	-	40,283	20,049	-	-	-	480,011
Simon Allison	299,752**	-	-	20,049	-	-	-	319,801
	944,892	0	40,283	59,780	267,364	0	0	1,312,318

* No STI bonuses were awarded for FY 2018.

** Base salary includes back pay of \$53,832 for Neil Wiles and \$39,951 for Simon Allison.

2017	Short-term Benefits			Post-employment Benefits	Equity-settle Share-based Payments		Total \$
	Salary & Fees & Leave \$	Bonuses \$ (Owed from FY 2015)	Non-monetary \$	Super-annuation \$	Shares \$	Options \$	
Non-Executive Directors							
Drew Kelton	87,672	-	-	8,328	-	-	96,000
David Haines	60,000	-	-	5,600	-	-	65,600
Gavin Whyte	16,665	-	-	-	-	-	16,665
Executives							
Chris Thorpe	353,584	*306,000	40,659	19,615	-	-	719,858
Neil Wiles	320,693	*306,000	43,165	19,615	-	-	689,473
Simon Allison	200,000	*196,200	-	19,615	-	-	415,815
	1,038,614	808,200	83,824	72,773	-	-	2,003,411

* STI Bonus was for FY 2015. No STI bonuses were awarded for FY 2017.

Short Term Incentive Plan – Cash Bonuses

The Company has in place short term incentive plans. Key management are entitled to a short-term cash incentive based on performance criteria as determined by and at the discretion of the board. The metrics for the short-term incentive plans relate to EBITDA performance and personal goals.

The performance criteria must be met within the financial year for the bonus entitlement to be realised.

For FY 2018 & FY 2019 the STI weighting is 80% EBITDA and 20% personal goals.

STI target FY 2018 was to achieve a minimum growth rate of 30% of EBITDA against the FY 2017 result.

Details of Base Incentive Entitlements are detailed as follows:

Executive / Position	Incentive Base
Neil Wiles / MD & CEO	\$210,000
Simon Allison / CFO	\$137,000

Incentive Payment Determination

The short-term incentive plan for FY 2018 provides for the board to apply at its discretion an adjusted multiplier to the incentive base of each incentive plan participant, based on overall performance, of between 0 and 1.5.

For FY 2018 the performance of the key executives in delivering the Company's strategy was high in what proved to be a very challenging year. IMS has previously advised that its carrier billing operations were being impacted by external factors, and that in order to better manage future earnings risk a prudent course of action was to progressively exit the carrier billing operations. This has proven to be the right approach given these external factors are unchanged.

The board commends the key executives for their management of, and tactical response to the impacts by external factors on the carrier billing operations, and the subsequent shift of focus to building greater scale into the performance marketing division where earnings are better insulated. The executives have performed highly as they have been guiding the Company through a major and complex restructuring process and shift in focus to a Digital Customer Acquisition company.

Bonuses for FY 2018

No STI bonuses were awarded for FY 2018 despite the high performance of the key executives as, due to the impacts from external factors on the carrier billing operations, revenue and EBITDA for FY 2018 was lower than FY 2017.

Share Options

Long term incentive plan – share options.

There were no options issued to staff during financial year ending 2018.

Share options granted to executives during the financial year.

Subject to receiving shareholder approval at the Company's FY 2018 Annual General Meeting to be held in 2018 following the completion of the financial year, the Board has agreed to issue to Ian Elliot, or his nominee, a total of 3,000,000 unlisted options to acquire ordinary shares in the Company. The options will vest in 3 equal tranches on the first, second and third anniversaries of his appointment. All options will be exercisable at a 50% premium to the five-day VWAP prior to the date of this announcement and have a 3-year expiry period from the date of vesting (refer ASX announcement 21 November 2017).

Impelus Directors' Report

Share options granted to other parties during the financial year.

Two million (2,000,000) options exercisable at a 50% premium to the 5-trading day VWAP prior to the Company undertaking the capital raise and expiring 2 years from the date of issue were issued for marketing services provided in relation to the Placement (refer ASX announcement 6 June 2018).

Share Options on Issue at Year End

Details of un-issued shares under option at the date of this report are:

Grant Date	Date of Expiry	Exercise Price (cents)	Number Under Option
4 Dec-15	26 Dec-18	39.00	1,000,000
4-Dec-15	31-Dec-18	39.00	2,000,000
6-Jun-18	6-Jun-20	3.700	2,000,000
			5,000,000

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity. There have been no unissued shares or interests in options of any controlled entity within the Group during or since the end of the reporting period. For details of options issued to directors and executives as remuneration, refer to the remuneration report. No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Meetings of Directors

During the financial year, 10 meetings of directors (plus committees of directors) were held. Attendances by each director during the year were as follows:

Directors	Directors' Meetings		Audit Committee		Nominations & Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Ian Elliot	5	5	2	2	-	-
David Haines	10	8	2	2	1	1
Chris Thorpe	5	5	2	1	1	1
Neil Wiles	9	9	2	2	1	1
Drew Kelton	8	8	-	2	-	-

Proceedings on Behalf of Company

The Company has commenced proceedings in the Federal Court of Australia against the vendors (and associated parties) of C2B Solutions Pty Limited for various matters relating to the acquisition of C2B.

Other than the above mentioned there are no other proceedings on behalf of the Company at reporting date.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named in this report), the company secretary and all executive officers of the Company against a liability incurred as a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate of the Company against a liability incurred as such an officer or auditor.

Non-Audit Services

The Board of Directors is satisfied that the general standard of independence for auditors imposed by the *Corporations Act* has been met. No non-audit services were performed during the financial year to 30 June 2018.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 17 of this Report.

This report of directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



Neil Wiles
Managing Director & CEO
31st August 2018

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**IMPELUS LIMITED ABN 24 089 805 416
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE
CORPORATIONS ACT 2001
TO THE DIRECTORS OF IMPELUS LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

MNSA Pty Ltd

MNSA Pty Ltd

Sam Danieli

Sydney

Dated this 31st day of August 2018

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2018

	Notes	Consolidated Group	
		2018 \$	2017 \$
Continuing Operations			
Revenue from Continuing Operations rendered	3	25,510,096	52,555,202
Cost of sales		(8,365,883)	(18,012,225)
		<u>17,144,213</u>	<u>34,542,977</u>
Interest income	3	11,389	15,146
Service providers and commissions		(857,957)	(3,547,549)
Administration expenses		(225,956)	(652,665)
Advertising and marketing expenses		(464,867)	(9,945,432)
Finance costs		(325,432)	(214,911)
Depreciation and amortisation expense		(4,180,167)	(4,235,468)
Impairment of intangible assets	16	(2,221,675)	(138,439)
Impairment of Investment – Clipp		(4,781,157)	
Impairment of Goodwill	15	(21,746,453)	-
Impairment for Debtors	10	(822,000)	-
Employee benefits expense	4	(8,328,897)	(11,055,090)
Legal expenses	4	(265,375)	(259,558)
Occupancy expenses		(529,526)	(653,497)
Operational expenses		(1,502,489)	(2,273,469)
Other expenses from ordinary activities		(417,302)	(761,144)
(loss) / Profit before income tax		<u>(29,513,651)</u>	<u>820,901</u>
Income tax (expense) / benefit	5	788,525	774,776
Net (loss) / profit for the year		<u>(28,725,126)</u>	<u>1,595,677</u>
Other comprehensive income		(285,820)	
Exchange differences on translating foreign operations			(224,797)
Income tax relating to other comprehensive income		(285,820)	(224,797)
Other comprehensive (Loss)/income for the year net of tax			
Total comprehensive (Loss)/income for the year		<u>(29,010,946)</u>	<u>1,370,880</u>
Basic earnings per share (cents per share)	8	(0.05)	0.36
Diluted earnings per share (cents per share)	8	(0.05)	0.35

The accompanying notes form part of these financial statements.

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Consolidated Statement of Financial Position as at 30 June 2018

	Notes	Consolidated Group	
		2018	2017
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	3,334,276	9,071,741
Trade and other receivables	10	3,460,156	9,402,899
Other assets	11	3,043,733	2,903,301
TOTAL CURRENT ASSETS		<u>9,838,165</u>	<u>21,377,941</u>
NON-CURRENT ASSETS			
Trade and other receivables	10	252,992	249,804
Plant and equipment	17	822,649	1,281,407
Deferred tax assets	20	572,219	1,943,829
Intangible assets	16	10,129,446	15,418,567
Goodwill	15	2,500,000	20,087,209
Other non-current assets	11	6,300	6,300
TOTAL NON-CURRENT ASSETS		<u>14,283,606</u>	<u>38,987,116</u>
TOTAL ASSETS		<u>24,121,771</u>	<u>60,365,057</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	1,847,589	3,555,083
Deferred consideration		-	4,626,606
Borrowings	19	2,727,490	314,936
Deferred tax liabilities	20	-	1,735,476
Income tax payable (UK)		80,131	656,489
Short-term provisions	21	753,037	1,481,812
TOTAL CURRENT LIABILITIES		<u>5,408,247</u>	<u>12,370,402</u>
NON-CURRENT LIABILITIES			
Borrowings	19	4,171,790	5,994,380
Provisions	21	36,617	22,332
TOTAL NON-CURRENT LIABILITIES		<u>4,208,407</u>	<u>6,016,712</u>
TOTAL LIABILITIES		<u>9,616,654</u>	<u>18,387,114</u>
NET ASSETS		<u>14,505,117</u>	<u>41,977,943</u>
EQUITY			
Issued capital	22	48,453,838	46,629,898
Reserves	23	98,222	98,222
(accumulated losses)		(33,377,840)	(4,366,894)
Parent interest		15,174,220	42,361,226
Foreign currency translation reserve		(669,103)	(383,283)
TOTAL EQUITY		<u>14,505,117</u>	<u>41,977,943</u>

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows for the Year Ended 30 June 2018

	Notes	Consolidated Group	
		2018	2017
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		25,211,591	61,954,385
Payments to suppliers and employees		(26,336,096)	(58,479,452)
Interest Received		11,389	15,146
Interest Paid		(268,395)	(214,911)
Income tax (Paid)		(334,723)	(727,072)
Net cash (used in) / provided by operating activities	25	(1,716,234)	2,548,096
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in acquisitions		(5,666,900)	(7,098,834)
Investment in Clipp		-	-
Purchase of property, plant and equipment		(59,742)	(1,035,932)
Purchase of intangible assets		(708,990)	(3,665,139)
Net cash used in investing activities		(6,435,632)	(11,799,905)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan Repayment		(1,343,024)	-
Proceeds from borrowings		1,933,485	367,715
Issue of capital		1,823,940	-
Net cash provided by financing activities		2,414,401	367,715
Net (decrease) in cash held		(5,737,465)	(8,884,094)
Cash at beginning of financial year		9,071,741	17,955,835
Cash at end of financial year	9	3,334,276	9,071,741

The accompanying notes form part of these financial statements.

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Consolidated Statement of Changes in Equity for the Year Ended 30 June 2018

Consolidated Group

	Issued Capital	Accumulated Losses	Reserves	Foreign Currency Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance as at 30 June 2016	45,300,648	(5,962,570)	793,484	(158,486)	39,973,076
Issued Capital	1,277,045	-	-	-	1,277,045
Profit for the year	-	1,595,676	-	-	1,595,676
Share issued costs	-	-	-	-	-
Option reserve: options issued	-	-	-	-	-
Option reserve: options expired	-	-	(643,057)	-	(643,057)
Option reserve: options converting to capital	52,205	-	(52,205)	-	-
Foreign exchange (loss) from OCI	-	-	-	(224,797)	(224,797)
Balance as at 30 June 2017	46,629,898	(4,366,894)	98,222	(383,283)	41,977,943
Issued Capital	2,000,000	-	-	-	2,000,000
Profit for the year	-	(29,010,946)	-	-	(29,010,946)
Share issued costs	(176,060)	-	-	-	(176,060)
Option reserve: options issued	-	-	-	-	-
Option reserve: options expired	-	-	-	-	-
Option reserve: options converting to capital	-	-	-	-	-
Foreign exchange (loss) from OCI	-	-	-	(285,820)	(285,820)
Balance as at 30 June 2018	48,453,838	(33,377,840)	98,222	(669,103)	14,505,117

The accompanying notes form part of these financial statements.

Note 1. Significant Accounting Policies

These consolidated financial statements and notes represent those of Impelus Limited and controlled entities ('**Consolidated Group**' or '**Group**'). The separate financial statements of the parent entity, Impelus Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 31 August 2018 by the directors of the Company.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by International Accounting Standards Board (**IASB**).

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. Fair Value which is level 3 "unobservable inputs" is determined primarily from inputs reflective of management expectations.

The following is a summary of the material accounting policies adopted in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

A. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Impelus Limited at the end of the reporting period. A controlled entity is any entity over which Impelus Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated Group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the Equity section of the consolidated Statement of Financial Position and Statement of Profit or Loss. The minority interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

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

Note 1. Significant Accounting Policies (continued)

from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

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 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 the business combination are expensed to the statement of profit or loss. 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 accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i. the consideration transferred;
- ii. any non-controlling interest; and
- iii. the acquisition date fair value of any previously held equity interest over the acquisition date fair value of net identifiable assets acquired.

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 separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit or loss. 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.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Note 1. Significant Accounting Policies (continued)

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

B. Income Tax

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

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

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 (income) is charged or credited 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. 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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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) a legally enforceable right of set-off exists; and (b) 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.

Impelus Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation.

The head entity, Impelus Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

In addition to its own current and deferred tax amounts, Impelus Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Note 1. Significant Accounting Policies (continued)

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

C. Plant and Equipment

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

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 re-valued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1.F 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.

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 charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated Group commencing 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.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	20%
Furniture and fittings	20%
Computer equipment	33%
Internet / website	33% - 67%
Software developed	25%
Software acquired through acquisitions	20%

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 the asset's 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 included in the statement of profit or loss. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Note 1. Significant Accounting Policies (continued)

D. Leases

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged 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 life of the lease term.

D. Financial Instruments

i. Initial Recognition and Measurement

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

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

ii. Classification and Subsequent Measurement

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 substantially measured at amortised cost using the effective interest rate method.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date (all other loans and receivables are classified as non-current assets).

iii. Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. 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 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 they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

Note 1. Significant Accounting Policies (continued)

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. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point 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.

iv. De-recognition

Financial assets are de-recognised 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 de-recognised 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.

E. 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 re-valued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a re-valued 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 and intangible assets with indefinite lives.

F. Intangible Assets Other Than Goodwill

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Software and product development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

G. 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 and presentation currency.

Note 1. Significant Accounting Policies (continued)

Transaction 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 the statement of 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 equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit and 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 year-end exchange rates prevailing at the end of that 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 are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss in the period in which the operation is disposed.

H. Provisions

Provisions are recognised when the Group has 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.

I. Employee Benefits

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

Equity-settled Compensation

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected

Note 1. Significant Accounting Policies (continued)

Equity-settled Compensation (continued)

to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

J. Cash and Cash Equivalents

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

K. Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods. Interest revenue is recognised using the effective interest rate method.

All revenue is stated net of the amount of Goods and Services Tax (**GST**).

L. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the period in which they are incurred.

M. 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 inclusive 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.

Note 1. Significant Accounting Policies (continued)

N. Comparative Figures

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

Where the Group has retrospectively applied an accounting policy or makes a retrospective restatement of items in the financial statements, or when it reclassifies items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

O. Critical Accounting Estimates and Judgment

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and 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 within the Group.

Estimation Uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenditures is provided below. Actual results may be substantially different.

Key Estimates – Impairment

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

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

As a result of impairment testing on the carrying amount of goodwill, \$21,746,432 has been written off in the financial year ending 30 June 2018.

Useful Lives of Depreciable Assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Key Judgements – Provisions of Impairment of Receivables

A provision for impairment of \$822,000 has been recognised in respect of receivables as at year ended 30 June 2018.

P. 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:

Note 1. Significant Accounting Policies (continued)

P. New Accounting Standards for Application in Future Periods

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

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

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on 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 the Standard, the application of such accounting would be largely prospective.

The group does not expect a significant impact on its balance sheet or equity on applying classification and measurement requirements of AASB 9. It expects to continue to measure derivatives at Fair Value through other comprehensive income.

The Group has appointed a consultant to complete an assessment of the impacts of AASB 9. Based on a preliminary assessment performed over each line of business and product type, the effects of AASB 9 are not expected to have a material effect on the Group.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

The Group has appointed a consultant to complete an assessment of the impacts of AASB 15. Although the directors anticipate that the adopting of AASB 15 may have an impact on the groups financial statements, it is not expected to generate material differences to the current or future years' results.

AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019). When effective, this Standard will:

- replace AASB 117 Leases and some lease-related Interpretations;
- require all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases; and
- require new and difference disclosures about leases.

This Standard will require retrospective restatement, as well as new and difference disclosures. Although the directors anticipate the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Q Going Concern

The financial report has been prepared on the basis of a going concern. The basis presumes that funds will be available to finance future operations and the realization of assets and settlements of liabilities will occur in the normal course of business.

The directors believe that the company will be able to fund future operations through share issues, debt instruments, control of costs and the continued commercialisation of its Performance Marketing division.

Note 2: Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

Statement of Financial Position

Assets

Current assets	173,552	2,271,508
Total current assets	<u>173,552</u>	<u>2,271,508</u>

Non-current assets	7,329,912	29,829,605
Total non-current assets	<u>7,329,912</u>	<u>29,829,605</u>

Total assets	<u>7,503,464</u>	<u>32,101,113</u>
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Liabilities

Current liabilities	2,459,181	6,844,257
Total current liabilities	<u>2,459,181</u>	<u>6,844,257</u>

Non-current liabilities	-	-
Total non-current liabilities	<u>-</u>	<u>-</u>

Total liabilities	<u>2,459,181</u>	<u>6,844,257</u>
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Net Assets	<u>5,044,283</u>	<u>25,256,856</u>
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Equity

Issued capital	48,453,838	46,629,898
Accumulated losses	(43,003,927)	(21,124,817)

Reserve	98,222	98,222
Total Equity	<u>5,548,133</u>	<u>25,603,303</u>

Foreign currency translation reserve	<u>(503,850)</u>	<u>(346,446)</u>
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Total comprehensive income	<u>5,044,283</u>	<u>25,256,857</u>
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Guarantees

Impelus Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contractual Commitments

At 30 June 2018, Impelus Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment.

Consolidated Group

Note 3: Revenue and Other Income

	2018	2017
	\$	\$

A. Revenue from continuing operations

Sales revenue:		
Revenue from services rendered	25,510,096	52,555,202

Interest received:		
Other persons	11,389	15,146

Total revenue	<u>25,521,485</u>	<u>52,570,348</u>
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B. Total revenue and other income

Attributable to members of the parent entity	25,521,485	52,570,348
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	<u>25,521,485</u>	<u>52,570,348</u>
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Note 4. Profit / (Loss) for the Year

	Consolidated Group	
	2018	2017
	\$	\$
A. Expenses		
Borrowing expenses:		
Interest expense	325,432	214,911
Total borrowing expense	<u>325,432</u>	<u>214,911</u>
Legal expenses:		
Legal fees	265,375	259,558
Total legal expenses	<u>265,375</u>	<u>259,558</u>
Amortisation and impairment of intangible assets:		
Software and website development	3,774,393	3,764,503
Impairment of intangible assets	29,571,285	138,439
Total amortisation and impairment	<u>33,345,678</u>	<u>3,902,942</u>
Depreciation of non-current assets:		
Computer equipment	114,316	144,648
Furniture and fixtures	109,586	95,119
Leasehold improvements	181,873	171,373
Motor vehicle	-	59,825
Impairment of tangible assets	-	-
Total depreciation	<u>405,775</u>	<u>470,965</u>
Rental expense:		
Rental expense on operating leases	501,824	653,497
Total rental expense	<u>501,824</u>	<u>653,497</u>
Capitalised employee salaries:		
Capitalised IT development	-	296,033
Capitalised international development	550,770	1,016,763
Capitalised platform development	-	643,449
Total capitalised employee salaries	<u>550,770</u>	<u>1,956,245</u>
Employee benefits expense:		
Employee benefits expense	8,328,897	11,055,090
Total employee benefits expense	<u>8,328,897</u>	<u>11,055,090</u>
Total employee benefits expenditure	<u>8,879,667</u>	<u>13,011,355</u>

Note 5. Income Tax Expense

	Consolidated Group	
	2018	2017
	\$	\$
a. The components of income tax expense / (credit) comprise:		
Current Tax	64,577	220,688
Deferred Tax	(327,673)	(133,744)
Under / (Over) provision of tax from prior years	(525,429)	(861,720)
	<u>(788,525)</u>	<u>(774,776)</u>
b. The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense / (benefit) as follows:		
Prima facie tax on Profit / (Loss) before income tax at 30%	(10,760,045)	246,270
Tax effect of:		
Other non-deductible items	7,535,504	49,316
Other deductible items	(676,605)	-
Other non-allowable items	2,169,786	-
Carried forward tax losses utilised	-	-
Movements in Deferred Taxes	1,468,264	152,165
Movements in Deferred Taxes (Prior Year Adjustment)	-	(797,367)
Under / (Over) provision of tax from prior years	(525,429)	(425,159)
	<u>(788,525)</u>	<u>(774,776)</u>
Income tax attributable to entity	<u>(788,525)</u>	<u>(774,776)</u>

Note 6. Interests of Key Management Personnel (KMP)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2018.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

Short-term employee benefits	931,726	1,930,638
Post-employment benefits	56,439	72,773
	<u>988,165</u>	<u>2,003,411</u>

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Note 6. Interests of Key Management Personnel (KMP) (continued)

KMP Options Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2018	Balance at Beginning of Year	Granted as Remuneration During the Year	Other Changes During the Year	Balance at End of Year	Vested During the Year	Vested and Exercisable
Drew Kelton	-	-	-	-	-	-
David Haines	-	-	-	-	-	-
Gavin Whyte	-	-	-	-	-	-
Chris Thorpe	3,000,000	-	(3,000,000)	-	-	-
Neil Wiles	3,000,000	-	(3,000,000)	-	-	-
Ian Elliot	-	-	-	-	-	-
Simon Allison	-	-	-	-	-	-
	6,000,000	-	(6,000,000)	-	-	-
30 June 2017						
Drew Kelton	3,000,000	-	(3,000,000)	-	-	-
David Haines	1,000,000	-	(1,000,000)	-	-	-
Gavin Whyte	1,000,000	-	(1,000,000)	-	-	-
Chris Thorpe	8,500,000	-	(5,500,000)	3,000,000	-	3,000,000
Neil Wiles	8,500,000	-	(5,500,000)	3,000,000	-	3,000,000
Simon Allison	8,000,000	-	(8,000,000)	-	-	-
	30,000,000	-	(24,000,000)	6,000,000	-	6,000,000

KMP Shareholdings

The number of ordinary shares held in Impelus Limited by each key management personnel of the Group during the financial year is as follows:

30 June 2018	Balance at Beginning of the Year	Granted as Remuneration During the Year	Other Changes During the Year	Balance at End of Year
Drew Kelton	300,000	-	-	300,000
David Haines	415,000	-	-	415,000
Gavin Whyte	395,000	-	-	395,000
Chris Thorpe	22,176,639	-	-	22,176,639
Neil Wiles	19,533,000	-	750,000	20,283,000
Simon Allison	1,000,000	-	500,000	1,500,000
	43,819,639	-	1,250,000	45,069,639
30 June 2017				
Drew Kelton	300,000	-	-	300,000
David Haines	415,000	-	-	415,000
Gavin Whyte	395,000	-	-	395,000
Chris Thorpe	22,176,639	-	-	22,176,639
Neil Wiles	19,533,000	-	-	19,533,000
Simon Allison	1,000,000	-	-	1,000,000
	43,819,639	-	-	43,819,639

Note 6. Interests of Key Management Personnel (KMP) (continued)

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP, refer to Note 30: Related Party Transactions. For details of loans to KMP, refer to Note 10: Trade and Other Receivables.

Note 7. Auditors' Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated Group	
	2018	2017
	\$	\$
Audit Services		
Auditor's Remuneration, auditing or reviewing the financial reports:		
Group Auditors	169,196	195,996
Other non-related Auditors	20,390	14,857
	189,586	210,853

Note 8. Earnings Per Share

	Consolidated Group	
	2018	2017
	\$	\$
A. Reconciliation of earnings to profit or loss:		
(Loss) / Profit	(29,010,946)	1,595,677
(Loss) / Profit attributable to non-controlling equity interest		
Earnings used to calculate basic EPS	(29,010,946)	1,595,677
Earnings used in the calculation of dilutive EPS	(29,010,946)	1,595,677
B. Reconciliation of earnings to profit or loss from continuing operations:		
Profit from continuing operations	(29,010,946)	1,595,677
Profit attributable to non-controlling equity interest in respect of continuing operations		
Earnings used to calculate basic EPS from continuing operations	(29,010,946)	1,595,677
Earnings used in the calculation of dilutive EPS from continuing operations	(29,010,946)	1,595,677
C. Reconciliation of earnings to profit or loss from discontinued operations:		
Loss from discontinued operations	-	-
Loss attributable to non-controlling equity interest	-	-
Earnings used to calculate basic EPS from discontinued operations	-	-
D. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	No. 445,482,228	No. 442,768,148
Weighted average number of dilutive options outstanding	8,545,479	18,775,872
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	454,027,707	461,544,020

Note 9. Cash and Cash Equivalents

	Consolidated Group	
	2018	2017
Cash at bank and in hand	3,031,373	8,775,799
Deposits at call	302,903	295,942
	3,334,276	9,071,741

The effective interest rate on at call bank deposits was 2.18% (2017: 2.24%).

Note 10. Trade and Other Receivables

	Consolidated Group	
	2018	2017
	\$	\$
Current		
Trade receivables	3,500,287	7,864,388
Provision for Doubtful Debt	(130,219)	(233,401)
Provision for impairment	(822,000)	-
	2,548,068	7,630,987
Other receivables	912,088	1,771,912
Trade and other receivables	3,460,156	9,402,899
Non – current		
Other receivables	252,992	249,804

Credit Risk — Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned in Note 10. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

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Note 10. Trade and Other Receivables (continued)

Consolidated Group	Gross Amount \$	Past Due and Impaired \$	Past Due but not Impaired				Within Initial Trade Terms \$
			<30 days \$	31-60 days \$	61-90 days \$	>90 days \$	
2018							
Trade & term receivables	2,548,068	-	554,884	230,792	78,404	596,049*	1,087,939
Other receivables	912,088	-	137,915	52,950	-	721,223	-
	3,460,156		692,799	283,742	78,404	1,317,272	1,087,939
* In FY 2018 an impairment charge of \$822,000 has been recorded in the P&L							
2017							
Trade & term receivables	7,630,987	-	1,728,914	489,461	508,151	1,462,823	3,441,638
Other receivables	1,771,912	-	-	-	-	-	1,771,912
	9,402,899		1,728,914	489,461	508,151	1,462,823	5,213,550

The Group nor the parent entity does not hold any financial assets with terms that have been negotiated which would otherwise be past due or impaired.

Note 11. Other Assets

	Consolidated Group	
	2018	2017
	\$	\$
A. Current		
Prepayments	3,043,733	2,903,301
B. Non-Current		
Formation costs	6,300	6,300

Note 12. Controlled Entities

Controlled Entities Consolidated

Name of Entity	Country of Incorporation	Ownership Interest	
		2018 %	2017 %
Parent Entity:			
Impelus Limited	Australia		
Subsidiaries of Impelus Limited:			
Global One Mobile Entertainment Pty Ltd	Australia	100	100
Divolution Limited	Australia	100	100
1st Screen Pty Limited	Australia	100	100
6G Pty Ltd	Australia	100	100
Lead proof Pty Ltd (formerly 7A Pty Ltd)	Australia	100	100
8Z Pty Ltd	Australia	100	100
Convey Pty Ltd (formerly Level 3 Pty Ltd)	Australia	100	100
Mobipay Pty Ltd (formerly Convey Pty Ltd)	Australia	100	100
Convey Global Pte Ltd	Singapore	100	100
The Performance Factory Pty Ltd	Australia	100	100
C2B Solutions Pty Ltd	Australia	100	-
Impelus EMEA Limited (formerly Eggmobi UK Limited)	UK	100	100
ADDGLU Pty Ltd (formerly Vizmond Pty Ltd)	Australia	100	100
Vizmond Media Pty Ltd	Australia	100	100
Marketing Punch Limited	UK	100	100
Impelus APAC Pty Ltd (formerly Marketing Punch Pty Ltd)	Australia	100	100
Clipp Pty Ltd	Australia	97	97

Note 13. Disposal of Controlled Entities

No Entities were disposed of during the FY 2018.

Note 14. Business Combinations: Acquisitions

The Company has acquired C2B Solutions Pty Ltd (C2B), a Performance Marketing company (refer ASX announcement dated 14 August 2017). For developments with respect to the C2B Acquisition please see 'Post Balance Date' below.

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Note 14. Business Combinations: Acquisitions (continued)

Purchase consideration:

Fair Value	
\$	
Cash	2,500,000
Contingent consideration	-
	2,500,000
Less:	
Cash	20,176
Receivables	3,763
Tangible Assets	-
Intangible Asset – IT System	-
Payables	(23,939)
Identifiable assets acquired and liabilities assumed	-
Goodwill (i)	2,500,000
Purchase consideration settled in cash	
Cash outflow on acquisition	2,500,000

Provisional fair values are subject to final review by the Directors.

No amount of the goodwill is deductible for tax purposes.

EBITDA and revenue resulting from the acquisition of C2B Solutions Pty Limited amounting to \$0.79 million and \$2.96 million respectively are included in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018. These results have been consolidated since the date of the acquisition on 1 July 2017.

Note 15. Goodwill

	Consolidated Group	
	2018	2017
	\$	\$
Goodwill		
Goodwill on acquisitions – Performance Marketing Group	15,941,483	15,941,483
Goodwill on acquisitions - Clipp	6,045,726	4,145,726
FX Loss on Goodwill on acquisitions - UK	(240,756)	-
Addition:	2,500,000	-
Impairment of Goodwill	(21,746,453)	-
Carrying Value at balance date	2,500,000	20,087,209

Impairment Testing

For the purposes of annual impairment testing goodwill is broken down into the following cash generated units which is consistent with business combination calculations.

	30.06.18
	\$
C2B Solutions	2,500,000
Goodwill allocation at 30 June 2018	2,500,000

Note 15. Goodwill Update (continued)

The recoverable amounts of the cash generating units were determined based on the value-in-use calculations covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the units remaining useful lives using the growth rates determined by management. The present value of the expected cash flows for this segment is determined by applying a suitable discount rate.

Management has taken into account the industry growth rates and the relative likely competitive pressures on the sector, and a range of market growth rates for FY 2019. Management has assumed expenses grow by 10% year on year. The discount rate is based on the WACC for the Company.

Growth rates:

		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
C2B Solutions	Growth rates	5%	5%	5%	5%	5%
C2B Solutions	Growth rates	10%	10%	10%	10%	10%
C2B Solutions	Growth rates	15%	15%	15%	15%	15%

Cash flow assumptions

Management's key assumptions for the businesses include, stable margin, and assumed expenses grow by 10% year on year. Management believes growth will continue across FY 2019 to FY 2023 given the sectors infancy and increasing adoption rates.

Apart from the considerations described in determining the value-in-use of the cash generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

Applying discount rate of 12%

Growth Rate	Cash generating unit	CGU Goodwill	NPV of cash flow
5%	C2B Solutions	2,500,000	3,729,901
10%	C2B Solutions	2,500,000	4,341,003
15%	C2B Solutions	2,500,000	5,031,081

Applying discount rate of 18%

Growth Rate	Cash generating unit	CGU Goodwill	NPV of cash flow
5%	C2B Solutions	2,500,000	3,021,944
10%	C2B Solutions	2,500,000	3,503,759
15%	C2B Solutions	2,500,000	4,046,963

Note 16. Intangible Assets

	Consolidated Group	
	2018	2017
	\$	\$
Software systems from acquisitions	10,877,208	10,877,208
Accumulated amortisation	(2,985,718)	(1,615,099)
Net carrying value	<u>7,891,490</u>	<u>9,262,109</u>
Software development	12,121,345	11,397,680
Accumulated amortisation	(7,661,714)	(5,241,222)
Provision for Impairment	(2,221,675)	-
Net carrying value	<u>2,237,956</u>	<u>6,156,458</u>
Content and web development costs	74,649	74,649
Accumulated amortisation	(74,649)	(74,649)
Net carrying value	<u>-</u>	<u>-</u>
Total Intangibles	<u>10,129,446</u>	<u>15,418,567</u>

Movements in Carrying Amounts

Movement in the carrying amount for each class of intangible assets between the beginning and the end of the current year.

Consolidated Group:	Software and Development	Content & Web Development	Goodwill	Total
	\$	\$	\$	\$
Year ended 30 June 2017				
Balance at the beginning of the year	11,809,996	79,147	-	11,889,143
Additions: external acquired				
Software acquired through acquisition	3,659,029			3,659,029
Software	1,765,930			1,765,930
Additions: internally developed				
Software	1,956,245			1,956,245
Disposals	(8,130)	(79,147)	-	(87,277)
Amortisation / impairment	(3,764,503)	-		(3,764,503)
	<u>15,418,567</u>	<u>-</u>	<u>-</u>	<u>15,418,567</u>
Year ended 30 June 2018				
Balance at the beginning of the year	15,418,567	-	-	15,418,567
Additions: external acquired				
Software acquired through acquisition	-	-	-	-
Software	158,220			158,220
Additions: internally developed				
Software	550,770	-	-	550,770
Disposals	-	-	-	-
FX Difference	(2,042)	-	-	(2,042)
Amortisation / impairment	(5,996,069)	-	-	(5,996,069)
	<u>10,129,446</u>	<u>-</u>	<u>-</u>	<u>10,129,446</u>

Note 16. Intangible Assets (Continued)

Impairment Testing for Intangible Assets

The recoverable amounts of the cash generating units were determined based on the value-in-use calculations covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the units remaining useful lives using the growth rates determined by management. The present value of the expected cash flows for this segment is determined by applying a suitable discount rate.

Management has taken into account the industry growth rates and the relative likely competitive pressures on the sector, and a range of market growth rates for FY 2019. Management has assumed expenses grow by 10% year on year. The discount rate is based on the WACC for the Company.

Growth rates

Management assumes 20% growth for FY 2019, 40% growth for FY 2020, 10% growth for FY 2021, 20% growth for FY 2022, 10% growth for FY 2023.

Cash flow assumptions

Management's key assumptions for the businesses include, stable margin, and assumed expenses grow by 10% year on year. Management believes growth will continue across FY 2019 to FY 2023 given the sectors infancy and increasing adoption rates.

Apart from the considerations described in determining the value-in-use of the cash generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

Applying discount rate of 24%

Growth Rate	Cash generating unit	CGU Goodwill	NPV of cash flow
5%	IMS	7,891,490	9,924,668

Note 17. Plant and Equipment

	Consolidated Group	
	2018	2017
	\$	\$
Computer equipment		
At cost	757,939	742,218
Accumulated depreciation	(674,530)	(560,982)
	83,409	181,236
Furniture and fittings		
At cost	569,637	567,475
Accumulated depreciation	(368,633)	(260,031)
	201,004	307,444
Leasehold improvements		
At cost	1,052,235	1,082,790
Accumulated depreciation	(513,999)	(332,125)
	538,236	750,665
Motor vehicle		
At cost	62,579	155,041
Accumulated depreciation	(62,579)	(112,979)
	-	42,062
Total plant and equipment	822,649	1,281,407

Note 17. Plant and Equipment (continued)

Movements in Carrying Amounts

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

Consolidated Group:	Computer Equipment \$	Furniture and Fittings \$	Leasehold Improvements \$	Motor Vehicle \$	Total \$
Balance at 1 July 2016	249,316	401,894	894,539	101,970	1,647,719
Additions	76,568	129,276	173,298	11,848	390,990
Disposals	-	(128,607)	(145,799)	(11,929)	(286,337)
Depreciation expense	(144,648)	(95,119)	(171,373)	(59,825)	(470,965)
Balance at 30 June 2017	181,236	307,444	750,665	42,062	1,281,407
Balance at the beginning of year	181,236	307,444	750,665	42,062	1,281,407
Additions	18,444	2,459	28,141	10,698	59,742
Disposals	(1,955)	-	-	(52,760)	(54,715)
Depreciation expense	(114,316)	(109,586)	(181,873)	-	(405,775)
FX Difference	-	982	(51)	-	931
Adjustment	-	(295)	(58,646)	-	(58,941)
Closing value at 30 June 2018	83,409	201,004	538,236	-	822,649

Note 18. Trade and Other Payables

	Consolidated	
	2018	2017
	\$	\$
Current		
Trade Payables	1,194,607	3,141,995
Sundry payables and accrued expenses	652,982	413,088
	<u>1,847,589</u>	<u>3,555,083</u>

Note 19. Borrowings

	2018	2017
	\$	\$
Current		
Loan - Secured	327,490	314,936
Facility – Secured	2,400,000	-
	<u>2,727,490</u>	<u>314,936</u>
Non-current		
Loan - Secured	571,790	927,865
Facility - Secured	3,600,000	5,066,515
	<u>4,171,790</u>	<u>5,994,380</u>

Note 20. Tax

Consolidated Group:	Opening Balance	Charged to Income	Charged to Equity	Prior Year Adjustment	Closing Balance
Deferred Tax Assets					
Accrued Expenses	248,169	(239,800)			8,369
Fixed Assets	(1,735,476)	(1,009,028)			(2,744,504)
Provisions	279,628	(37,427)			242,201
Share issue costs	134,190	(9,040)			125,150
Losses	1,131,693	1,689,704			2,821,397
Tax offsets (R&D)	150,150	(30,544)			119,606
Balance at 30 June 2018	208,354	363,865			572,219

Deferred Tax Assets not brought to account include the following:

Capital losses:	-
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Note 21. Provisions

Long term employee benefits:

	2018	2017
	\$	\$
Opening balance at beginning of financial year	618,298	775,884
Additional provisions	267,471	414,390
Amounts used	(390,744)	(571,976)
Balance at end of financial year	<u>495,025</u>	<u>618,298</u>

Long term employee benefits:

	2018	2017
	\$	\$
Analysis of total provisions		
Current		
Provision for employee benefits	471,271	595,966
Provision for bonus	64,579	63,397
Employment related ATO provision	217,187	822,449
Total	<u>753,037</u>	<u>1,481,812</u>
Non- current		
Provision for Employee Benefits	36,617	22,332

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1.

Note 22. Issued Capital

	Consolidated Group	
	2018	2017
	\$	\$
Ordinary shares		
540,927,882 (2017: 442,927,645) fully paid ordinary shares	48,453,838	46,629,898
	No.	No.
A. Ordinary shares		
At the beginning of the reporting period	442,927,645	436,257,263
Shares issued during the year	98,000,237	6,670,382
At reporting date	540,927,882	442,927,645

During the financial year ending 30 June 2018: nil options were exercised at various exercise prices.

Options issued:

Subject to receiving shareholder approval at the next general meeting of shareholders three million (3,000,000) options were issued to Ian Elliot on the following terms: first tranche – 1,000,000 options vesting 29 November 2018 exercisable at 8.25 cents and expiring 29 November 2021, second tranche – 1,000,000 options vesting 29 November 2019 exercisable at 8.25 cents and expiring 29 November 2022, third tranche - 1,000,000 options vesting 29 November 2020 exercisable at 8.25 cents and expiring 29 November 2023.

Two million (2,000,000) options exercisable at 3.7 cents and expiring 13 June 2020 were granted for marketing services provided in relation to the Placement (refer ASX announcement 6 June 2018).

Capital raised:

Ninety-eight million fully paid ordinary shares were issued at \$0.02 per share to accelerate the roll-out of the recently launched Solvers Premium Digital Assets, to scale up the UK Digital Performance Marketing operations, and for general working capital.

A. Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the 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.

B. Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital, and financial liabilities, supported by financial assets.

C. Options

For information relating to the Impelus Limited employee option plan including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 26: Share Based Payments for Acquisition.

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Note 22. Issued Capital (continued)

For information relating to share options issued to Key Management personnel during the financial year, refer to Note 6: Interests of Key Management Personnel (**KMP**).

Note 23. Reserves

	Consolidated Group	
	2017	2017
	\$	\$
Employee equity settled benefits		
Opening balance	48,722	578,770
Expensed during the year	-	-
Forfeited during the year	-	(477,843)
Exercised during the year	-	(52,205)
Closing balance	<u>48,722</u>	<u>48,722</u>
Other equity settled benefits		
Opening balance	49,500	214,714
Granted / exercised during the year	-	-
Forfeited during the year	-	(165,214)
Closing balance	<u>49,500</u>	<u>49,500</u>
At reporting date	<u>98,222</u>	<u>98,222</u>

Employee equity settled benefits reserve arises on the grant of share options to employees under the Impelus Limited Employee Share Option Plan. Amounts are transferred out of the reserve into issued capital when the options are exercised. Further information about share based payments to employees is in Note 26 to the financial statements.

Note 24. Operating Segments

A. Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and / or services provided by segment;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements.

Note 24. Operating Segments (continued)

B. Types of Products and Services by Segment

i. M Marketing

The Company through its DPM customer acquisition platforms and other infrastructure, enables businesses to generate customers at scale. The Company utilises its proprietary and integrated partner technology, tools and data assets from its offices in the UK and Australia to seamlessly connect and engage consumers with products they value, enabling better customer generation for businesses via digital channels and devices.

ii. Carrier Billing

The Company enables itself and its partners integrated customer acquisition, management and carrier billing via mobile devices. Consumers seamlessly engage with digital product and service offers and utilise carrier billing to conveniently pay for them on their mobile devices.

iii. Clipp

Clipp is a bar tab and restaurant bill payment smart phone application. The application enables customers to open a bar tab via the Clipp smart phone application to purchase food and drink through the applications powerful functionality and point of sale (POS) integration. In the 2nd Half of FY2018, the operations of Clipp were merged with the Digital Performance Marketing business.

C. Basis of Accounting for Purposes of Reporting by Operating Segments

i. Accounting Policies Adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statement of the Group.

ii. Intersegment Transactions

An internally determined transfer price is set for all intersegment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is the representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment loans payable and receivable are initially recognised at the consideration received / to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

iii. Segment Assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Note 24. Operating Segments (continued)

iv. Segment Liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

v. Unallocated Items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities; and
- intangible assets.

D. Segment Performance

30 June 2018	C Billing \$	M Marketing* \$	Clipp* \$	Total \$
REVENUE				
External sales	8,084,913	17,210,551	214,632	25,510,096
Interest revenue	7,755	1,150	2,483	11,388
Total segment revenue	8,092,668	17,211,701	217,115	25,521,484
Segment gross profit	5,996,495	9,295,560	150,361	15,442,416
Segment net profit / (loss) before tax	2,377,209	4,387,834	(897,769)	5,867,274
Reconciliation of segment result to group net profit / loss before tax				
Amounts not included in segment results but reviewed by the Board:				
Depreciation and amortisation and impairment				(33,751,452)
Unallocated items:				
Corporate charges				(1,915,294)
Net profit / (loss) before tax				(29,799,472)

* In the 2nd Half of FY 2018, the operations of Clipp were merged with Digital Performance Marketing business.

Note 24. Operating Segments (continued)

30 June 2017	C Billing	M Marketing	Clipp	Total
	\$	\$	\$	\$
REVENUE				
External sales	24,219,526	23,787,162	4,548,514	52,555,202
Interest revenue	14,524	42	580	15,146
Total segment revenue	24,234,050	23,787,204	4,549,094	52,570,348
Segment gross profit	12,456,595	10,068,470	111,961	22,637,026
Segment net profit / (loss) before tax	5,417,883	2,190,801	(48,745)	7,559,939
Reconciliation of segment result to group net profit / loss before tax				
Amounts not included in segment results but reviewed by the Board:				
Depreciation and amortisation and impairment				(4,373,907)
Unallocated items:				
Corporate charges				(2,365,131)
Net profit / (loss) before tax				820,901

E. Segment Asset

30 June 2018	C Billing	M Marketing	Clipp	Total
	\$	\$	\$	\$
Segment assets	4,592,491	11,366,127	1,750,359	17,708,977
Unallocated assets:				
Cash at bank	-	-	-	3,031,372
Term deposit	-	-	-	302,903
Deferred tax assets	-	-	-	572,219
Investments	-	-	-	-
Goodwill	-	-	-	2,500,000
Other	-	-	-	6,300
Total group assets	-	-	-	24,121,771

30 June 2017	C Billing	M Marketing	Clipp	Total
	\$	\$	\$	\$
Segment assets	20,048,734	6,720,749	2,486,495	29,255,978
Unallocated assets:				
Cash at bank	-	-	-	8,775,799
Term deposit	-	-	-	295,942
Deferred tax assets	-	-	-	1,943,829
Investments	-	-	-	-
Goodwill	-	-	-	20,087,209
Other	-	-	-	6,300
Total group assets	-	-	-	60,365,057

Note 24. Operating Segments (continued)

F. Segment Liabilities

30 June 2018	C Billing \$	M Marketing \$	Clipp \$	Total \$
Segment liabilities	790,512	1,060,989	32,706	1,884,207
Unallocated liabilities:				
Income tax payable	-	-	-	80,131
Deferred consideration	-	-	-	-
Short term provisions	-	-	-	753,036
Borrowings	-	-	-	6,899,280
Deferred Tax Liability	-	-	-	-
Total group liabilities	-	-	-	9,616,654
30 June 2017	C Billing \$	M Marketing \$	Clipp \$	Total \$
Segment liabilities	3,060,720	1,692,607	242,502	4,995,829
Unallocated liabilities:				
Income tax payable	-	-	-	656,489
Deferred consideration	-	-	-	4,626,606
Short term provisions	-	-	-	63,397
Borrowings	-	-	-	6,309,316
Deferred Tax Liability	-	-	-	1,735,476
Total group liabilities	-	-	-	18,387,113

G. Revenue by Geographical Region

Revenue attributable to external customers is disclosed below, based on the location of the external customer	30 June 2018 \$	30 June 2017 \$
Australia	16,866,355	39,164,534
Bahrain C Billing	4,010	5,880
Malaysia C Billing	-	1,266,196
New Zealand M Marketing	1,107,993	1,115,351
North America M Marketing	98,400	-
Norway C Billing	46,206	103,890
Pakistan C Billing	-	117,479
Singapore C Billing	190,058	577,128
Singapore M Marketing	1,730	-
Switzerland C Billing	222,481	442,275
Thailand C Billing	-	14,867
United Arab Emirates C Billing	69,303	501,618
United Kingdom C Billing	1,463,401	3,774,766
United Kingdom M Marketing	5,440,159	5,471,218
Total revenue	25,510,096	52,555,202

Note 24. Operating Segments (continued)

H. Assets by Geographical Region

The location of segment assets by geographical location of the assets is disclosed below:

	30 June 2018	30 June 2017
	\$	\$
Australia	20,597,817	55,372,545
United Kingdom	3,438,769	4,688,635
Singapore	85,185	57,325
New Zealand	-	246,552
Total segment assets	<u>24,121,771</u>	<u>60,365,057</u>

I. Major Customers

M payments, Telstra Corporation Limited, accounted for 10% of external revenue.

M payments, Optus Pty Ltd, accounted for 7% of external revenue.

M Marketing, Freedom Insurance, accounted for 10% of external revenue.

Note 25. Cash Flow Information

A. Reconciliation of Cash Flow (used in) / from operations with profit / (loss) after income tax

	Consolidated Group	
	2018	2017
	\$	\$
Profit / (loss) from ordinary activities after income tax	(29,010,946)	1,595,677
Non-cash flows in profit / (loss) from ordinary activities:		
Depreciation	4,180,167	4,235,468
Amortisation / impairment loss of intangibles		-
Impairment	29,571,285	138,439
Loss on sale of subsidiary		-
Share option		-
Employee entitlements	439,132	641,424
Bad debt	550,349	630,797
Decrease / (increase) in receivables	4,364,101	3,766,967
Decrease / (increase) in other current assets	1,089,695	3,320,408
Decrease / (increase) in other assets	(900,585)	(2,141,927)
Increase / (decrease) in trade creditors	(2,198,673)	(2,351,800)
Increase / (decrease) in provisions	(2,679,295)	36,165
Increase / (decrease) in deferred consideration	(4,626,606)	(6,596,451)
Increase / (decrease) in tax	(2,494,858)	(727,071)
Cash flow (used in) / from operations	<u>(1,716,234)</u>	<u>2,548,096</u>

Note 26. Share Based Payments for Acquisition

- i. The following share-based payments were made during the financial year 2018: nil.
- ii. A summary of the movements of all companies' options issued is as follows:

	Number	Weighted Average Exercise Price
Options outstanding as at 30 June 2010	12,850,000	\$0.0619
Granted	-	-
Forfeited	(200,000)	\$0.0375
Exercised	-	-
Expired	(3,000,000)	\$0.1128
Options outstanding as at 30 June 2011	9,650,000	\$0.0466
Granted	12,800,000	\$0.0203
Forfeited	-	-
Exercised	-	-
Expired	(6,650,000)	\$0.0375
Options outstanding as at 30 June 2012	15,800,000	\$0.0295
Granted	16,250,000	\$0.0130
Forfeited	(3,000,000)	\$0.0688
Exercised	-	-
Options outstanding as at 30 June 2013	29,050,000	\$0.0393
Granted	9,225,000	\$0.0224
Forfeited	-	-
Exercised	(15,200,000)	\$0.0201
Options exercisable as at 30 June 2014	23,075,000	\$0.0129
Granted	19,197,334	\$0.1618
Forfeited	(550,000)	\$0.0000
Exercised	(8,565,000)	\$0.0258
Options exercisable as at 30 June 2015	33,157,334	\$0.0985
Granted	17,500,000	\$0.3310
Forfeited	-	-
Exercised	(6,077,500)	\$0.0251
Options exercisable as at 30 June 2016	44,579,834	\$0.1817
Granted	-	-
Forfeited	(32,759,834)	\$0.2075
Exercised	(2,470,000)	\$0
Options exercisable as at 30 June 2017	9,350,000	\$0.1897
Granted	5,000,000	\$0.0370
Forfeited	(9,350,000)	\$0
Exercised	-	\$0
Options exercisable as at 30 June 2018	5,000,000	\$0.1897

Note 27. Options

Subject to receiving shareholder approval at the next general meeting of shareholders; Three million (3,000,000) options were issued to Ian Elliot on the following terms: first tranche – 1,000,000 options vesting 29 November 2018 exercisable at 8.25 cents and expiring 29 November 2021, second tranche – 1,000,000 options vesting 29 November 2019 exercisable at 8.25 cents and expiring 29 November 2022, Third tranche - 1,000,000 options vesting 29 November 2020 exercisable at 8.25 cents and expiring 29 November 2023.

Two million (2,000,000) options exercisable at 3.7 cents and expiring 13 June 2020 were granted for marketing services provided in relation to the Placement (refer ASX announcement 6 June 2018).

Post Balance Date:

The Company has commenced proceedings in the Federal Court of Australia against the vendors (and associated parties) of C2B Solutions Pty Limited for various matters relating to the acquisition of C2B.

Note 28. Dividends

	Consolidated Group	
	2018	2017
	\$	\$
No dividends were provided for or paid	-	-
Dividends franking account		
Balance of franking account at year end arising from payment of provision for income tax	779,446	779,446

The above available amounts are based on the balance of the dividend franking account at year-end, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

Note 29. After Balance Date Events

The Company has commenced proceedings in the Federal Court of Australia against the vendors (and associated parties) of C2B Solutions Pty Limited for various matters relating to the acquisition of C2B.

Other than the above, there have been no events that have occurred since the reporting date which would materially impact on the financial position of the Company and its controlled entities.

Note 30. Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Transactions with related parties: nil (2017: nil).

Note 31. Contingent Liabilities

There are no contingent liabilities at balance date.

Note 32. Leasing Commitments

	Consolidated Group	
	2018	2017
	\$	\$
Not later than one year	637,743	623,085
Later than one year but not later than five years	846,771	2,043,394
Minimum payments	1,484,514	2,666,479
Less: future finance charges	-	-
Present value of minimum payments	-	-
Minimum hire-purchase payments	-	-

Note 33. Financial Risk Management

The Group does not engage in any significant transactions that are speculative in nature.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries.

The Board of Directors monitor and manage financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counter party credit risk, currency risk, financing risk and interest rate risk.

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets while minimising potential adverse effects on financial performance. The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and interest rate risk.

A. Interest Rate Risk

The consolidated Group's exposure to interest rate risk which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Consolidated Group	Weighted Average Interest Rate %	Non-interest Bearing \$	Fixed Interest Rate Maturing		Floating Interest Rate \$	Total \$
			1 Year or Less \$	1 to 5 Years \$		
2018						
Financial assets:						
Cash and cash equivalents	2.18		302,903	-	3,031,372	3,334,275
Trade and other receivables		3,713,149	-	-		3,713,149
		3,713,149	302,903	-	3,031,372	7,047,424
Financial liabilities:						
Trade and other payables	-	1,847,589	-	-	-	1,847,589
Income tax payable	-	80,131	-	-	-	80,131
Deferred consideration	-	-	-	-	-	-
Borrowings	5.42	-	2,727,490	4,171,790	-	6,899,280
		1,927,720	2,727,490	4,171,790	-	8,827,000

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Note 33. Financial Risk Management (continued)

	Weighted Average Interest Rate %	Non-interest Bearing \$	Fixed Interest Rate Maturing		Floating Interest Rate \$	Total \$
			1 Year or Less \$	1 to 5 Years \$		
2017						
Financial assets:						
Cash and cash equivalents	2.24	-	295,942	-	8,775,799	9,071,741
Trade and other receivables		9,652,703	-	-		9,652,703
		9,652,703	295,942		8,775,799	18,724,444
Financial liabilities:						
Trade and other payables	-	3,712,486	-	-	-	3,712,486
Income tax payable	-	656,489	-	-	-	656,489
Deferred consideration	-	4,626,606	-	-	-	4,626,606
Borrowings	1.02	-	314,936	5,994,380	-	6,309,316
		8,995,581	314,936	5,994,380	-	15,304,897

B. Credit Risk

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has during the financial year reduced its previous material credit risk exposure to a debtor under financial instruments entered into by the Company. The Group's exposure to Sybase Australia Pty Ltd was reduced as a result of the Company implementing direct connections in to carriers, thereby spreading debtor risk.

C. Net Fair Values

The carrying value of financial assets and financial liabilities recorded in the statement of financial position approximates their respective net fair values. Fair values are determined by reference to standard terms and conditions, quoted market prices, where available, or discounting expected future cash flows.

D. Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Note 33. Financial Risk Management (continued)

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Consolidated Group	Within 1 Year		1 to 5 Years		Total	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Financial liabilities due for payment						
Loans	-	-	-	-	-	-
Trade and other payables	1,847,589	3,712,486	-	-	1,847,589	3,712,486
Deferred consideration	-	4,626,606	-	-	-	4,626,606
Income tax payable	80,131	656,489	-	-	80,131	656,489
Borrowings	2,727,490	314,936	4,171,790	5,994,380	6,899,280	6,309,316
Total contractual outflows	4,655,210	9,310,517	4,171,790	5,994,380	8,827,000	15,304,897
Financial assets – cash flows realisable						
Cash & cash equivalents	3,334,276	9,071,741	-	-	3,334,276	9,071,741
Trade & loan receivables	3,460,156	9,402,899	252,992	249,804	3,713,148	9,652,703
Total anticipated inflows	6,794,432	18,474,640	252,992	249,804	7,047,424	18,724,444
Net (outflows) / inflows on financial instruments	2,139,222	9,164,123	(3,918,798)	(5,744,576)	(1,779,576)	3,419,547

E. Market Risk

i. Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. The financial instruments that primarily expose the Group to interest rate risk are borrowings.

ii. Foreign Exchange Risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies which the Group holds financial instruments which are other than the AUD functional currency of the Group. With instruments being held overseas by overseas operations, fluctuations in the US dollar and UK pound sterling may impact on the Group's financial results.

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Impelus Directors' Declaration

Directors' Declaration

The directors of the Company declare that:

- A. the financial statements and notes, as set out on pages 18 to 57, are in accordance with the *Corporations Act 2001* and:
 - i. comply with Australian Accounting Standards, which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (**IFRS**); and
 - ii. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated Group;
- B. 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; and
- C. the directors have been given the declarations required by *s295A of the Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

At the date of this declaration, there are reasonable grounds to believe that the members of the Group will be able to meet any obligations or liabilities to which they may become subject.



Neil Wiles
CEO Executive Director
31 August 2018



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMPELUS LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Impelus Limited (the Company) and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p><i>Carrying Value of Goodwill</i></p> <p>Impelus Limited has goodwill of \$2.5 million contained within one cash-generating units ('CGU'). The Performance Marketing group.</p> <p>The recoverable amount, is determined as the higher of fair value less costs to sell and value-in-use. This assessment requires judgement on the part of management in both identifying and then valuing the relevant CGU. Recoverable amounts are based on management's view of variables such as future average revenue per user, average customer numbers and customer churn, timing and approval of future capital and operating expenditure and the most appropriate discount rate.</p> <p>Refer Note 1 to Basis of preparation (Critical accounting judgements and key sources of estimation uncertainty), Note O and note 15 Goodwill.</p>	<p>We evaluated the appropriateness of management's identification of the Group's CGU and tested the operating effectiveness of controls over the impairment assessment process, including indicators of impairment, noting no significant exceptions.</p> <p>Our procedures included challenging management on the suitability of the impairment model and reasonableness of the assumptions, through performing the following:</p> <ul style="list-style-type: none"> • benchmarking Impelus's key market-related assumptions in management's valuation models with industry comparators and with assumptions made in the prior years including revenue and margin trends, capital expenditure on internet assets, market share and customer churn, foreign exchange rates and discount rates, against external data where available; • testing the mathematical accuracy of the cash flow models and agreeing relevant data to Board-approved Long-Range Plans; • assessing the reliability of management's forecast through a review of actual performance against previous forecasts and the risks of not executing managements operating plans, through a number of risk factors and external factors (including foreign exchange variations, regulatory changes etc.); and <p>Based on our procedures, we noted no exceptions and consider management's key assumptions to be within a reasonable range.</p> <p>As a result of the above impairment review the Group has impaired Goodwill and other intangible assets, within the CGU. The total impairment charge for Intangibles Assets, including Goodwill was \$29m.</p> <p>We validated the appropriateness of the related disclosures in note 15 to the financial statements, including the sensitivity analysis.</p>

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Revenue recognition – accuracy of revenue recorded given the complexity of systems

Revenue represents a material balance consisting of a high volume of individually low value transactions and we have identified the following types of transactions and assertions related to revenue recognition which give rise to key risks:

- the completeness of revenue recorded as a result of the reliance on output of the billing systems;
- the accuracy and completeness of revenue recognised on transactions which are outside the normal billing process, which by their nature carry a higher level of management judgement; and
- the accuracy and completeness of costs of sales is recognised on sales, where the costs of suppliers and service providers are not charged to the business on a regular basis or are delayed.

Refer to note 1 – Basis of preparation (Critical accounting judgements and key sources of estimation uncertainty).

In responding to this area of focus, our audit approach included controls testing and substantive procedures covering, in particular:

- testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams;
- testing the end-to-end reconciliation from business support systems to billing and rating systems to the general ledger. This testing included validating material journals processed between the billing system and general ledger;
- performing tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts applied to enterprise customer bills;
- testing cash receipts for a sample of customers back to the customer invoice or direct carrier biller invoices; and
- testing the assumptions and comparing actuals of costs of sales.

We also considered the application of the Group's accounting policies to amounts billed and the accounting implications of new business acquisitions, services or products, to check that Group accounting policies were appropriate for these and were followed.

Based on our work, we noted no significant issues on the accuracy of revenue recorded in the year.

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Acquisition accounting

There was one significant acquisition, C2B Pty Ltd, during the year as described in note 14. The transaction gave rise to goodwill of \$2.5m. The accounting treatment for the acquisition relating to fair value adjustments, including the valuation of intangible assets was not completed at balance date, and will be completed by management in 2019.

We have considered management's assessment that the acquired assets represent a business combination under AASB 3 and challenged management's inputs and assumptions used in determining the valuation of Goodwill. This challenge specifically included the consideration of the forecast cash flows expected to be generated by the acquired assets, the anticipated rate of churn within the underlying customer base and forecast revenue and cost metrics.

The fair value adjustments in regard to the assets and liabilities acquired was not completed at balance date and are preliminary estimates. The fair value adjustments for the assets and liabilities acquired and amortisation/depreciation of these assets will be finalised in the 2019 financial year.

Based on our work, we noted no significant issues in regard to the acquisition.

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Carrying Value of Other Intangible Assets – Software Systems

Impelus Limited has software of \$10 million relating to two cash-generating units ('CGUs').

Software impairment reviews have been conducted together with Goodwill where applicable (refer above Key Audit Matter " *Carrying Value of Goodwill*").

The Direct Carrier Billing (DCB) Software carrying values are based on the higher of fair value less costs to sell and value-in-use (recoverable amount). The recoverable amounts are based on value-in-use estimates and are dependent on management's view of variables such as future average revenue per user, average customer numbers and customer churn, but in particular the withdrawal from the DCB market of a major telecommunications company and company partner.

Refer Note 1 to Basis of preparation (Critical accounting judgements and key sources of estimation uncertainty), Note O and note 16 Intangible Assets.

We tested the operating effectiveness of controls over the impairment assessment process, including indicators of impairment, noting no significant exceptions.

Our procedures included challenging management on the suitability of the impairment model and reasonableness of the assumptions, through performing the following:

- benchmarking Impelus's key market-related assumptions in management's valuation models with industry comparators and with assumptions made in regard to the loss of a major partner and DCB participant telecommunications company, industry regulation risk;
- testing the mathematical accuracy of the cash flow models and agreeing relevant data to Board-approved Long-Range Plans;
- assessing the reliability of management's forecast through a review of past performance and changes in the regulation of DCB markets and the loss of a key DCB market partner.

Based on our procedures, we noted no exceptions and consider management's key assumptions to be within a reasonable range.

As a result of the above impairment review the Group has impaired Goodwill and Other Intangible assets (Software systems). The total impairment charge for intangible assets, including Software Systems was \$29m.

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Other Information

The directors of Impelus Limited are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards*.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 9 to 14 of the directors' report for the year ended 30 June 2018.

In our opinion the remuneration report of Impelus Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Impelus Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Name of Firm: *MNSA Pty Ltd*
MNSA Pty Ltd
Chartered Accountants

Name of Auditor: 

Sam Danieli

Address: Level 1, 283 George Street, Sydney NSW 2000

Dated this 31st day of August 2018

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