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28 August 2020

IncentiaPay Limited announces unaudited full year results for year ended 30 June 2020

IncentiaPay Limited (ASX:INP) the "Company", today announced its unaudited full year results for the financial year ended 30 June 2020.

FY2020 financial highlights

- Revenue was $42.2 million, a 35 per cent decrease from FY2019
- Underlying EBITDA was a loss of $3.4 million, compared with a loss of 7.24 million from FY2019
- Net loss after tax (NLAT) from ordinary activities was $24.7 million compared to a NLAT from ordinary activities of $28.2 million in FY2019

Overall gross revenue for FY2020 included:

- $24.8 million from membership subscriptions (FY2019: $28.6 million)
- $10.7 million from gift cards sales (FY2019: $27.3 million)
- $4.1 million from Enterprise clients (FY2019: $3.3 million)
- $2.6 million from other sources (FY2019: $5.4 million)

FY2020 operational highlights

- Appointed Henry Jones as Chief Executive Officer (CEO);
- Strengthened the Executive Team with the appointments of Ben Newling as Chief Operating Officer (COO), Toby Ellis as Chief Revenue Officer (CRO) and Linda MacDonald as Chief Customer Experience Officer (CXO). Stacey Hampton remained as the General Manager of People;
- Completed an organisational restructure, removing $14 million of annualised cost including the closure of six regional offices;
- Discontinued printing the iconic Entertainment Book and launched the digital-only Entertainment Membership and multiple subscriptions options;
- Managed the impacts of the Covid-19 pandemic across the Company, our Fundraiser groups and our Merchant partners; and,
- Embarked on a technology transformation project to upgrade our product offerings and customer experience.

Looking back over the past year, IncentiaPay's Chairman, Stephen Harrison, commented, "I am pleased with the significant progress we have made, particularly towards achieving the Company's turnaround and transformation objectives discussed and set out at our annual general meeting in December last year.

"While we were greatly impacted by the effects of Covid-19 during the last four months of FY2020, the majority of financial and business metrics were still achieved. Despite Covid-19 continuing to present

IncentiaPay Limited ABN 43 167 603 992
Level 10, 220 George Street, Sydney NSW 2000 Australia
p +61 2 8256 5300 | e info@incentiapay.com.au
www.incentiapay.com.au

significant uncertainty for the Company, our employees, fundraisers, merchants and members - progress in FY2020 has reinforced that our transformation is on track," said Harrison.

IncentiaPay recently announced a strategic partnership with Paywith Worldwide, an innovative fintech company with a proven track record in building game changing offer syndication, payments and rewards solutions.

"Technology and marketing platforms are key to our current and future success," said IncentiaPay's CEO, Henry Jones.

"This engagement is a defining step forward in our technology strategy, and we are excited by a future product suite that will transform the rewards and payment industry, and positively impact thousands of non-profits, schools and associations."

FY2020 financial commentary

Revenue for FY2020 was $42.2 million, a 35 per cent decrease from FY2019 revenue of $64.5 million. This decrease was predominantly attributed to an expected reduction in Entertainment Membership subscriptions from the transition to digital-only memberships, a delay in the launch of the membership season due to Covid-19 and low margins on gift cards.

Looking at the geographical revenue breakdown, Australian revenue accounted for $37.6 million, or 89 per cent, and New Zealand revenue accounted for $4.6 million, or 11 per cent.

Reported net loss after tax (NLAT) from ordinary activities was $24.7 million, compared to a NLAT from ordinary activities of $28.2 million in FY2019. This net loss was predominantly attributed to impairments of $5.0 million, related to non-cash assets on the balance sheet. In addition, charges for depreciation and amortisation ($5.5 million), restructure costs of ($2.4 million), other one-off expenses ($1.1 million) and $3 million of bad debt write-off in relation to the divestment of the Bartercard business also contributed to the reported loss.

In finalising FY2020 results, the Directors have further assessed the future growth prospects and associated investment costs related to the Company's business, particularly given the uncertainty of macroeconomic conditions related to Covid-19. As such, they have taken a further impairment charge against the business' goodwill due to more conservative near-term growth assumptions.

Other significant events that occurred during FY2020 related to historical legal matters and leasehold improvements.

No dividend has been declared in relation to the FY2020 results, and the Board do not expect to declare dividends from the Company in the next financial year.

Outlook

IncentiaPay's turnaround is on track and despite Covid-19 delays, is still expected to complete towards the end of next financial year. The Company continues to review and manage the impacts of Covid-19 and will respond accordingly as and when conditions evolve - further lockdowns or restrictions will impact short-term revenue.

Overall, the Company has made substantial progress on business foundations and will continue to define and refine its overall strategy for FY2023 and beyond. The Company is sufficiently capitalised, with Suzerain Investments Holdings Limited, (its largest investor) continuing to demonstrate ongoing confidence and commitment to the business so it can address the significant and untapped market potential that is known to exist.

The Company, its Directors and Executive Team are focussed on long-term growth and success, and protecting key assets; relationships with Fundraisers Groups, Merchant partners and the Member base.

IT transformation is key to future success. The Company looks forward to a technology focussed future in the fintech industry where it can leverage data and insights, improve participant experience, build member scale, focus on the breadth and depth of merchant and partner content, and better support fundraisers.

The Board and Executive Team will continue to support the well-being of our employees as we transition and guide the Company through the next phase of growth. There is full confidence that the strategic initiatives put in place will deliver shareholder return in future years.

Authorised for release by the board

Ben Newling
Company Secretary
ben.newling@incentiapay.com

Appendix 4E

IncentiaPay Limited (INP or the Company)

(ABN 43 167 603 992)

Results for announcement to the market

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

1. Reporting period details

Current reporting period:	Financial year ended 30 June 2020 (**FY2020**)
Previous corresponding period:	Financial year ended 30 June 2019 (**FY2019**)

2. Results

Audited Results	Direction	% Change	FY2020	FY2019[2]
Revenue from continuing operations[3 4]	Down	35%	42,185	64,572
Revenue from discontinued operations	Down	100%	-	14,391
Revenue ($'000's)	Down	47%	42,185	78,963
Underlying EBITDA ($'000's)[1]	Up	54%	(3,391)	(7,422)
Loss from ordinary activities after tax ($'000's)[3]	Up	12%	(24,662)	(28,153)
Net loss after tax attributed to members ($'000's)	Up	35%	(24,662)	(37,904)
Basic loss per share (NPAT) (cents)[3]	Up	33%	(8.2)	(12.1)
Net tangible assets per share (cents)	Up	40%	(2.7)	(4.5)

[1] Non-AIFRS item - see section 3 below.

[2] FY2019 figures are provided for comparison purposes.

[3] Excludes discontinued operations applicable for FY2019.

[4] Revenue from continuing operations excludes interest income.

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3. Summary of FY2020 Operational Results

Performance	Ref	FY2020 $'000
Revenue		
Fee income - Paid advertising and Travel booking		2,108
Fee income - Consulting and media		347
Membership subscriptions		24,767
Corporate sales		4,121
Gift card sales		10,692
Government Assistance		150
Total Gross Sales Revenue[2]		**42,185**
Underlying EBITDA[1]		**(3,384)**
Depreciation & amortisation		(5,466)
EBIT Before significant items[1]		**(8,850)**
Net interest expense		(1,275)
Profit/(loss) before tax and significant items[1]		**(10,125)**
Significant items[1]		
Bad debt written off	4.1	(2,966)
Impairments	4.2	(4,990)
Restructure costs	4.3	(2,449)
Share based payment (unwound)	4.4	730
Other significant items		(1,145)
Profit/(loss) before tax		**(20,945)**
Income tax benefit/(payable)		(3,717)
Net profit/(loss) after tax		**(24,662)**

1 Non-AIFRS items

2 Gross Sales Revenue excludes interest income. Included in Net interest expense.

Gross Revenue

Overall gross revenue for FY2020 was $42.2 million compared to $64.6 million in FY2019. This included $2.1 million, or 5 per cent from fee income and paid advertising (2019: $5.4 million), $24.8 million, or 59 per cent from membership sales (2019: $28.6 million), $4.1 million, or 10 per cent from enterprise client sales (2019: $3.3 million) and $10.7 million, or 25 per cent from gift card sales (2019: $27.3 million). Government assistance other than JobKeeper and Wage Subsidy for Australia and New Zealand respectively, provided during the year amounted to $0.15 million of revenue. No government assistance was received in FY2019. JobKeeper and New Zealand Wage Subsidy earned in FY2020 amounted to $0.9 million and have been presented as an offset to employee expenditure.

Membership revenue during FY2020 was lower than expected due to a delay in the formal commencement of the 2020 sales season, originally scheduled for February. The launch was rescheduled to June 2020 as a series of virtual events, due to restrictions placed on large gatherings. In prior years, the sales launch was a series of face to face events that spearheaded the seasons fundraiser group activities.

This disruption led to lower than anticipated activity from the fundraiser channel, and accordingly subdued sales to members. In addition to launch disruption, access to membership benefits has temporarily reduced the appeal of the Entertainment subscription, and uncertainty associated with job security has also driven down demand.

A review of the gift card product portfolio was completed during FY2020, with a view to limit Entertainment's gift card offering only to those cards that provided a positive margin and supported overall business objectives. The prior year's gift card revenue included gift cards subsequently removed from Entertainment's portfolio, notably David Jones and Chemist Warehouse. Furthermore, gift card cinema revenue was severely impacted towards the second half of the year by Covid-19 restrictions.

Paid advertising revenue is down on the prior year due to the move away from printed books to digital-only memberships. This reduction was expected given the nature of the change and the popularity of the printed book with both Entertainment members and merchants. The Company is repositioning the advertising product offering to capitalise on the digital platform moving forward.

Net Loss After Tax and Impairments

Reported net loss after tax (NLAT) from ordinary activities in FY2020 was $24.7 million compared to a net loss after tax from ordinary activities in FY2019 of $37.9 million. The net loss was predominantly attributed to:

- A 35 per cent or $22.4 million reduction in underlying revenue;
- Transformation and restructure costs incurred to pivot the business from print to digital-only memberships;
- Impairment of the deferred consideration from the Bartercard divestment;
- Impairment of leasehold improvement assets due to branch closures;
- Impairment of Entertainment Digital intangible assets prior to disposal in early July 2020;
- Impairment of goodwill given the assessment of the net present value of discounted cash flows associated with the Entertainment cash generating unit; and,
- Acceleration of amortisation for technology related intangible assets due to the technology transformation initiative.

Despite a reduction in gross revenue and higher than expected NLAT, the NLAT has reduced from the prior year due to the transition from a printed book to a digital-only Entertainment membership, resulting in reduced production and logistics costs. Furthermore, a restructure of operations and the reduction of employee headcount has successfully removed fixed employee related costs from the business, while the closure of branches reduced property related fixed costs. Additionally, the prior year's NLAT was impacted to a large extent by impairment adjustments associated with goodwill.

The Company has also taken active steps in the management of costs due to challenging conditions brought on by reduced revenue and a delay in the launch of sales season from February to June. These included negotiating with property managers for rent relief, employees' salaries reduced by between 10 per cent and 40 per cent, negotiating delayed payments to suppliers and accessing all available support provided by both Federal and State governments, including accessing cash grants and deferment of tax obligations. This will continue into FY2021, thereby accessing all available cost reductions and government support.

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4. Significant items

4.1. Bad debt written off ($2,966)

Bad debt written off relates to an amount of $2.91million of deferred consideration for the sale of the Bartercard business (See ASX release 24 Dec 2019 Settlement of Claim with TCM) and $0.06 million in Blackglass (a previous subsidiary) deferred consideration held for working capital adjustments. Circumstances rendered these amounts to be uncollectible.

4.2. Impairments ($4,990)

	FY2020 $'000
Entertainment Digital Assets	(1,385)
Goodwill	(3,605)
Total	**(4,990)**

As a result of the Group's decision to seek expressions of interest with respect to Entertainment Digital's business assets, it was assessed that the assets will not produce any future economic benefits to the Group, as such, the assets have been impaired to reflect this.

Goodwill is assessed for impairment annually. In making their assessment this year, the Board has used growth rates that are based on a proposed strategic repositioning of the core operations of the business focusing on long-term sustainability. Forecasts for FY2021 consider the increased level of market volatility and uncertainty caused by Covid-19 and the business transformation currently in progress. The outcome of the value in use calculations has led to an impairment charge against goodwill for the Entertainment business of $3.6 million. See note 13 of the attached Preliminary Unaudited Financial Report for further details.

4.3. +Restructure costs ($2,449)

	FY2020 $'000
Termination and redundancy costs	(1,706)
Other professional costs	(743)
Total	**(2,449)**

During FY2020 large scale redundancies were finalised, and costs associated with book printing and property occupancy were removed from the business. Furthermore, the Group incurred costs to support restructuring and strategic business initiatives.

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4.4. Share based payment – Unwound ($730)

The performance rights scheme was dissolved during the period resulting in the related share-based expenses previously recognised being unwound.

4.5. Other significant items ($1,145)

	FY2020 $'000
Leasehold Improvements written off	(688)
Litigation Expenditure	(422)
Other costs	(35)
Total	**(1,145)**

The group reviewed its leasehold improvements during the period, taking into consideration decisions relating to branches, and time remaining on leases. This resulted in the write-off of impacted leasehold improvements of $0.69 million.

During the period, the Group has either provided for, accrued, or paid various legal related settlements to previous employees and/or advisers amounting to $0.4 million.

An amount of $0.04 million represented costs incurred during the previous entitlement offer in FY2019 paid for in FY2020 and not accrued in FY2019.

4.6. Impact of AASB 16: Leases

As detailed in note 1 of the financial report, the group adopted AASB16: Leases from 1 July 2019. This standard introduces a change in the way leases are accounted for resulting in an increase in EBITDA due to property operating lease payments no longer accounted for in the profit and loss. For the period ending 30 June 2020, rent payments of $2 million were moved to the balance sheet to reduce lease liabilities, and were replaced with an increase in depreciation and finance costs.

5. Significant post year end events

Sale of MobileDen

The Group entered into an agreement to dispose of the MobileDen platform and associated assets on the 1st of July 2020 to Mobecom Limited. Consideration for the sale transaction will be determined using revenue over the period of 12 months after settlement. Settlement is dependent on Suzerain Investment Holdings Limited releasing its security interest over the assets, which occurred on the 1st of July 2020. Assets and liabilities associated with this sale have not been reclassified as available for sale in the financial report as they have either been fully recovered, impaired or have been fully settled as at 30 June 2020.

Employee Share Scheme

The directors approved the establishment of an Employee Share Scheme (ESS) effective on the 28th of July, through an employee trust, being Entertainment Trus Co Pty Ltd, whereby each employee will be gifted $1,000 of shares for no payment. The number of shares will be determined based on the share price at the date they are issued and will be subject to the terms of the plan rules. Additional information is included in note 31 to the accompanying Preliminary Unaudited Financial Accounts.

Covid-19

Conditions affecting the macro economic environment and the uncertainty brought on by the Covid-19 pandemic continues after 30 June 2020, and given the nature of the pandemic, the term of this impact is unknown. The Group will continue to monitor the impacts associated with the pandemic, with a view to take appropriate and timely action.

6. Non-IFRS Financial Information

Within this Appendix 4E the directors have presented several pieces of non-IFRS financial information, including a calculation of Underlying EBITDA, to better describe the underlying results of the business to users of this report. The directors believe that this additional disclosure allows users to better understand the business while it is navigating the current period of transformation and pandemic. See section 3 above for a reconciliation of non-IFRS information to the IFRS results presented in the attached interim financial report.

7. Dividends

No dividend was or is intended to be declared in relation to the FY2020 results.

8. Control gained or lost over entities during the year

No control was gained or lost over entities during FY2020.

9. Progress of audit

The FY2020 accounts are currently in the process of being audited. As such, the information set out in this Appendix 4E, and the attached Preliminary Financial Report is unaudited.
Although the FY2020 audit is not yet complete, the Company's auditors (KPMG) have noted the various factors set out in the going concern discussion included at Note 1 of the preliminary financial statements. KPMG have advised that they expect their audit opinion to include an emphasis of matter paragraph to draw attention to the factors outlined in Note 1 and therefore the existence of a material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

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

Signed: Stephen Harrison   Date: 28 August 2020

Stephen Harrison

Chair

INCENTIAPAY LIMITED

ABN 43 167 603 992

PRELIMINARY UNAUDITED ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
30 JUNE 2020

INCENTIAPAY LIMITED AND CONTROLLED ENTITIES
PRELIMINARY UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated Group	
	Note	2020 $'000	2019 $'000
Revenue	2	42,205	64,572
Direct expenses of providing services	3	(23,937)	(41,919)
Impairments	3	(4,990)	(14,553)
Employee expenses	3	(16,980)	(19,141)
Depreciation and amortisation expense	3	(5,466)	(2,015)
Building occupancy expense	3	(279)	(2,943)
Finance costs	3	(1,295)	(346)
Legal and professional costs		(674)	(2,622)
Website and communication		(2,017)	(2,419)
Bad debts	3	(2,810)	(447)
Other expenses		(4,702)	(6,134)
Operating loss before income tax		**(20,945)**	**(27,967)**
Gain on disposal of equity accounted investment		-	600
Loss before income tax		**(20,945)**	**(27,367)**
Tax benefit/(expense)	4(a)	(3,717)	(786)
Loss for the period		**(24,662)**	**(28,153)**
Loss for the period from discontinued operations	24	-	(9,751)
Net profit attributable to:			
- Members of the parent entity		**(24,662)**	**(37,904)**
Other comprehensive income			
(Loss)/Gain arising from translating foreign controlled entities from continuing operations	20	(29)	399
Transfer of foreign currency translation reserve to loss of discontinued operations	24	-	(208)
Total comprehensive loss for the period		**(24,691)**	**(37,713)**
Loss per share	5(a)		
Basic loss per share (cents)			
Loss from continuing operations		(8.2)	(12.1)
Loss from discontinued operations		-	(4.2)
Total		**(8.2)**	**(16.3)**
Diluted loss per share (cents)	5(a)		
Loss from continuing operations		(8.2)	(12.1)
Loss from discontinued operations		-	(4.2)
Total		**(8.2)**	**(16.3)**

The accompanying notes form part of these financial statements.

PRELIMINARY UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		Consolidated Group	
Current assets	**Note**	**2020 $'000**	**2019 $'000**
Cash and cash equivalents	6	5,307	3,460
Deferred consideration	24	-	695
Trade and other receivables	8	992	2,728
Inventories	9	134	96
Other assets	10	2,351	7,853
Total current assets		**8,784**	**14,832**
Non-current assets			
Deferred consideration	24	-	2,414
Right of use asset	11	2,781	-
Property, plant and equipment	12	1,327	2,383
Deferred tax assets	4(c)	-	3,717
Intangible assets	13	14,387	22,507
Total non-current assets		**18,495**	**31,021**
TOTAL ASSETS		**27,279**	**45,853**
LIABILITIES			
Current liabilities			
Trade and other payables	14	6,235	5,941
Lease liabilities	15	1,731	-
Borrowings	16	517	4,169
Current tax liabilities	4(d)	186	186
Deferred revenue	17	6,219	21,394
Provisions	18	764	1,833
Total current liabilities		**15,652**	**33,523**
Non-current liabilities			
Lease liabilities	15	2,158	-
Borrowings	16	2,691	466
Deferred revenue	17	350	-
Provisions	18	182	217
Total non-current liabilities		**5,381**	**683**
TOTAL LIABILITIES		**21,033**	**34,206**
NET ASSETS		**6,246**	**11,647**
EQUITY			
Issued capital	19	116,026	96,006
Reserves	20	377	1,136
Accumulated losses		(110,157)	(85,495)
TOTAL EQUITY		**6,246**	**11,647**

The accompanying notes form part of these financial statements

INCENTIAPAY LIMITED AND CONTROLLED ENTITIES
PRELIMINARY UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Ordinary share capital	Accumulated losses	Foreign currency translation reserve	Share based payments reserve	Total
		$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018		**94,892**	**(47,591)**	**215**	**660**	**48,176**
Comprehensive income						
Loss for the period		-	(37,904)	-	-	(37,904)
Other comprehensive income						
Exchange differences on translation of foreign operations		-	-	399	-	399
Transfer of foreign currency translation reserve to loss of discontinued operations	24	-	-	(208)		(208)
Total comprehensive loss for period		**-**	**(37,904)**	**191**	**-**	**(37,713)**
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the period	19	1,155	-	-	-	1,155
Transaction costs	19	(41)	-	-	-	(41)
Movement during the period	20	-	-	-	70	70
Total transactions with owners and other transfers		**1,114**	**-**	**-**	**70**	**1184**
Balance at 30 June 2019		**96,006**	**(85,495)**	**406**	**730**	**11,647**
Balance at 1 July 2019		**96,006**	**(85,495)**	**406**	**730**	**11,647**
Comprehensive income						
Loss for the period		-	(24,662)	-	-	(24,662)
Other comprehensive income						
Exchange differences on translation of foreign operations		-	-	(29)	-	(29)
Transfer of foreign currency translation reserve to loss of discontinued operations	24	-	-	-		-
Total comprehensive loss for period		**-**	**(24,662)**	**(29)**	**-**	**(24,691)**
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the period	19	20,050	-	-	-	20,050
Transaction costs	19	(30)	-	-	-	(30)
Movement during the period	20	-	-	-	(730)	(730)
Total transactions with owners and other transfers		**20,020**	**-**	**-**	**(730)**	**19,290**
Balance at 30 June 2020		**116,026**	**(110,157)**	**377**	**-**	**6,246**

	Note	Consolidated Group 2020 $'000	Consolidated Group 2019 $'000
Cashflows from operating activities			
Receipts from customers		33,126	86,175
Payments to suppliers and employees		(47,616)	(99,591)
Government assistance received		677	-
Interest received		25	78
Net cash used in continuing operations	7	**(13,788)**	**(13,338)**
Cashflows from investing activities			
Purchase of property, plant and equipment		(40)	(1,597)
Purchase of intangibles		(169)	(1,878)
Proceeds from sales of businesses	24	155	2,058
Proceeds from sale of unlisted equity investment		-	600
Net cash used in from investing activities		**(54)**	**(817)**
Cashflows from financing activities			
Net proceeds from issue of shares	19	-	1,114
Proceeds of loan repaid from external parties		-	800
Repayment of borrowings		-	(4,000)
Proceeds from borrowings		17,585	8,635
Payment of lease liabilities		(1,610)	-
Interest paid		(249)	(221)
Net cash from financing activities		**15,726**	**6,328**
Net increase/(decrease) in cash held		1,884	(7,827)
Cash and cash equivalents at beginning of financial period		3,460	11,508
Cash and cash equivalents at end of financial period		**5,344**	**3,681**
Effects of movements in exchange rates on cash and cash equivalents held		(37)	(221)
Cash and cash equivalents at the end of the financial period in continuing operations	6	**5,307**	**3,460**

The accompanying notes form part of these financial statements

Note 1 | Summary of Significant Accounting Policies

Basis of preparation

These general-purpose financial statements for the year ended 30 June 2020 have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). Consequently, this financial report is compliant with IFRS. IncentiaPay Limited is a listed public Company incorporated and domiciled in Australia. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

These unaudited preliminary consolidated financial statements were authorised for issue on 28 August 2020.

Going concern

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

During the year the Group has focused its efforts to transforming the business from a fixed membership period to a 100% rolling digital membership. The digital membership was launched in November 2019 to capitalise on the Christmas season. The formal launch was scheduled for February 2020, however, due to Covid-19 restrictions, was delayed as a virtual launch to June 2020. Membership periods were extended beyond 12 months to acknowledge the impact of limited access to membership benefits and address concerns raised by members. These changes have impacted the timing of expected revenue over the next 12 months by delaying renewals, which has been taken into account in preparing the cash flow projections to assess the outcome of the going concern viability.

At 30 June 2020 the Group had cash on hand of $5.3 million, net assets of $6.2 million and a net current asset deficiency of $6.9 million. During the year ended 30 June 2020, the Group incurred a net loss before tax from continuing operations of $20.9 million, including impairment of $5.0 million, and incurred net cash outflows from operating activities of $13.8 million.

The Directors have prepared cash flow projections for the period from 1 July 2020 to 30 September 2021 that support the ability of the Group to continue as a going concern. Most notable aspects of the cash flow projections include:

- Business transformation centred around technology, to support revenue growth;
- Improved trading conditions on a progressive basis to support merchant accessibility for members in the short to medium term;
- Continued cost cutting through streamlining of activities and processes;
- Continued receipt of government assistance;
- Continued support from the Group's major shareholder, Suzerain, through the availability of financing facilities and accommodative repayment terms. This includes an expectation that the Group will defer the repayment of an amount of $500,000 in respect of the interest bearing loan, which is a facility provided by Suzerain and its related entities (all facilities in note 16 collectively referred to as the Suzerain facilities) due to be settled on 30 September 2020, or to capitalise the repayment amount into to the existing facilities.

The funding of ongoing operations of the Group is dependent upon the Group continuing to access the Suzerain facilities and/or the Group reducing expenditure in-line with current cash and financing resources. As of 30 June 2020, the Group had undrawn financing facilities from Suzerain totalling $8.3 million. See note 16 for further information. This undrawn amount has reduced to $7.6m at the date of the approval of this annual financial report.

The Directors have reasonable grounds to believe that the ongoing financial support of Suzerain and its related entities is likely to continue and therefore, the going concern basis on which the financial report has been prepared is appropriate. However, should the Group not meet its cash flow projections, the achievement of which is inherently uncertain and highly sensitive to assumptions made in respect of revenue performance, including not obtaining further financing from Suzerain and its related entities as required, there is a material uncertainty as to whether the Group will be able to continue as a going concern.

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

In the event the Group is unable to continue as a going concern, the Group may be required to realise assets at an amount different to that recorded in the statement of financial position, settle liabilities other than in the ordinary course of business and make provision for other costs which may arise.

(a) Impact Key statements of financial position items and related disclosures that have been impacted by Covid-19 were as follows:

Covid-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. Covid-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets. The Group has considered the impact of Covid-19 and other market volatility in preparing its financial statements.

Given the dynamic and evolving nature of Covid-19, limited recent experience of the economic and financial impacts of such a pandemic, and the short duration between the declaration of the pandemic and the preparation of these financial statements, changes to estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Processes applied

As a consequence of Covid-19 and in preparing these financial statements, management:

- Re-evaluated whether there were any additional areas of judgement or estimation uncertainty beyond what has been disclosed above
- Updated its economic outlook – principally for the purposes of inputs into its Expected Credit Losses ("ECL") through the application of forward-looking information, but also for the input into the impairment analysis of financial and non-financial asset classes and disclosures such as fair values.
- Reviewed external market communications to identify other Covid-19 related impacts.
- Reviewed public forecasts and experience from previous downturns.
- Conducted several internal processes to ensure consistency in the application of the expected impact of Covid-19 across all asset classes.
- Considered the impact of Covid-19 on the Group's financial statement disclosures.

Key statements of financial position items and related disclosures that have been impacted by Covid-19 were as follows:

Trade and other receivables

The Group has reassessed expected credit losses in light of current Covid-19 pandemic impacts on customers as at 30 June 2020 and the adjusted loss rate was updated accordingly. See note 8.

Property, plant and equipment and Right of use asset

Given the impact of Covid-19, the Property, plant and equipment and Right of use assets were subject to impairment testing which concluded that no material impairment was required.

Intangible assets

Consistent with the Group's accounting policies, the Group has tested goodwill and indefinite life intangible assets for impairment and has reviewed the carrying value of its finite life intangible assets at the reporting date for indicators of impairment and, where applicable, reviewed the measurement of the carrying value of such intangible assets. Such assessment incorporated a consideration of Covid-19. See note 13.

(b) Principles of consolidation

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

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

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

(c) 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 preliminary consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

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

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

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

Group companies

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

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

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

(d) Goods and Services Tax (GST)

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

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

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

(e) Comparative figures

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

(f) Rounding of amounts

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

(g) New Australian Accounting standards and amendments to Australian Accounting Standards and Interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting period and have not been early adopted by the Group. These amended standards and interpretations are not expected to have a material impact on the Group's preliminary consolidated financial statements in the current or future reporting periods.

- Amendments to references to conceptual framework in AASB standards
- Definition of a business (Amendments to AASB 3)
- Definition of material (Amendments to AASB 101 and AASB 108)

(h) Critical acccounting estimates and judgements

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

<u>Key judgements</u>

Revenue recognition
The Group recognises revenue over time, using a method that reflects the manner in which its obligations are fulfilled. See note 2.

Lease term
The Group assesses whether it is reasonably certain that an extension option will be exercised.

<u>Key estimates</u>

Measurement of ECL allowance for trade receivables and contract assets
ECLs are measured at an unbiased, probability-weighted amount, using reasonable and supportable information that is available without undue cost or effort at the reporting date. Refer to note 8.

Deferred tax assets "DTA"
Availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.

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

Further details on the key estimates used in the impairment evaluation and the impairment recognised in respect of goodwill or other intangibles for the year ended 30 June 2020 can be found in note 13.

The Group has re-assessed the useful life of the software intangible asset, largely comprising costs associated with capitalised web development. As a result, amortisation has been accelerated to reflect this, resulting in the asset being fully written down by 31 December 2020. See note 13.

(i) Changes in significant accounting policies

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated and it is presented as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not been applied to comparative information.

<u>Definition of a lease</u>

Previously the Group determined at contract inception whether an arrangement was or contained a lease under AASB 1048, determining whether an arrangement contains a lease.

The Group now assesses whether a contract is or contains a lease, based on the criteria outlined in note 11. A contract is, or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into on or after 1 July 2019.

The Group as a lessee

As a lessee, the Group leases various properties and equipment. Rental contracts are made for fixed periods of 2 to 4 years. The Group's leases may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but lease assets may not be used as security for borrowing purposes.

Until 30 June 2019, leases of properties and equipment were classified as operating leases under AASB 117. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payment, less any lease incentives receivable;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
  Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that lessee would have to pay to borrow the fund necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right of use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Lease payments made at or before the commencement date less any lease incentive received;
- Initial costs; and
- Restoration costs.

Right of use assets are subsequently measured at cost less any accumulated depreciation and adjustments for remeasurement of the lease liability.

Practical expedients applied

The Group used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Group:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on previous assessments on whether leases are onerous;
- Adjusted the right of use asset by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application;
- Excluded initial direct costs from the measurement of the right of use assets at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Impact on transition

On transition to AASB 16, the Group recognised right of use assets and lease liabilities. The change in accounting policy impacted the following balance sheet accounts on 1 July 2019:

- Right of use assets – increase by $4.3 million
- Lease liabilities – increase by $5.7 million
- Lease incentive loan – decrease by $0.6 million
- Onerous lease provision – decease by $0.6 million

The net impact on retained earnings on 1 July 2019 is nil as the Group has applied the simplified transition approach and has not restated comparative amounts.

Impact on earnings

EBITDA increased by approximately $1.9 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Reportable segments are identified on the basis of internal reports on the business units of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and assess its performance. Since the divestment of the Bartercard business, IncentiaPay Limited manages the Group as one segment, being the Entertainment business. There is no allocation impact to segment earnings.

Adjustments recognised on adoption of AASB 16

On transition to AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.54%.

Lease liabilities recognised in the statement of financial position at the date of initial application:

	1 July 2019 $'000
Operating lease commitments disclosed as at 30 June 2019	**6,352**
Discounted using the lessee's incremental borrowing rate at the date of initial application	5,711
Add/(less): recognition exemption for leases with less than 12 months of lease term at transition	-
Add/(less): recognition exemption for leases of low-value assets	-
Add/(less): adjustments as a result of a different treatment of extension and termination options[1]	-
Lease liabilities recognised as at 1 July 2019	**5,711**
Current lease liabilities	**1,723**
Non-current liabilities	**3,988**

[1] The Group has not included option extensions in the calculation as it is considered probable that option extensions will not be exercised.

All right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrual lease payments relating to that lease recognised in that balance sheet as at 30 June 2019.

The Group has adjusted the right of use asset at the date of initial application by $1.2 million, the amount of provision for onerous lease and lease incentive loan recognised in the statement of financial position immediately at the date of initial application.

Extension options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group is still reviewing its options to renew, as such, extension options are not included in the calculation.

This is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

Amounts recognised in profit and loss

	2020 $'000
2020 leases under AASB 16	
Interest on lease liabilities	249
Expenses relating to short-term leases	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-
2019 operating leases under AASB 117	
Lease expense	2,943

Amounts recognised in statement of cash flows

	2020 $'000
Interest on lease liabilities	249
Principal element of lease payments	1,610
Total cash flow for leases	**1,859**

Rent concession

The Group has applied the practical expedient to all rent concessions that meet the conditions.

Rent concession amounts recognised in profit and loss:

	2020 $'000
Rent concession as a negative variable lease Payment	99

Rent concession amounts recognised in statement of cash flows:

	2020 $'000
Reduced cash outflows	99

Note 2 | Revenue

Accounting policy

Revenue from contracts with customers
Other than for a limited number of exceptions, including leases, the revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

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

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

In November 2019, Entertainment launched a wholly digital version of the Entertainment membership that incorporates a rolling 12-month subscription period. The subscription period commences when the membership is activated and expires after a period of between 12 to 24 months, depending on the subscription purchased, or longer if extensions have been applied under circumstances. The membership year for the 19/20 edition of the book ran from 1 June 2019 to 31 May 2020.

The Group satisfies its obligations as services are rendered to members during the period of membership. Benefits must be provided constantly throughout the period and Entertainment Publications has concluded that a straight-line basis is the most appropriate method. The Group has consistently applied this revenue recognition model to both the 19/20 physical book, which expired on the 31st of May 2020 and the relaunched rolling digital membership.

A summary of the revenue recognition by income stream of the Group is as follows:

- Fee income – Paid advertising: Revenue from Entertainment Publications marketing and merchant support fees through the placement of advertisements and the distribution of offers and promotions on behalf of businesses to members is recognised when the advertisement or offer is placed, distributed and invoiced. Revenue from the successful promotion of merchant offers is recognised when the transaction occurs which evidences the take up of the promotion.
- Fee income – Travel booking: Revenue from commission's receivable for bookings are recognised when the bookings are made, and it is paid for. Members have access to a range of discounts and deals from hotels, airlines and car rental companies through the Group's platform which the Group act as an agent on behalf of the hotels, airlines and car rental companies.
- Fee income - Consulting and media: Revenue relates to rendering of information technology consulting services and it is recognised by reference to the stage of completion of the contract.
- Membership Subscriptions: On commencement of memberships, Entertainment Publications enters into a performance obligation to deliver benefits in the form of special offers, discounts, promotions and booking facilities to members during the period of membership. A contract liability is recognised for unearned revenue for performance obligations to members that have not yet been satisfied. Payment for membership is made prior to the commencement of membership. Gift with purchase promotion is treated as reduction in revenue over the life of the subscription.
- Corporate sales: Entertainment Publications enters into contracts with corporate customers to develop a program of special offers, discounts, promotions and booking facilities for their customers or employees during the period applicable in the contract. Entertainment Publications has taken the view that the performance obligations defined in the contract should be bundled into one performance obligation centred around access to the program of benefits.
- Gift card sales: Revenue from the sale of gift cards on behalf of businesses to members is recognised when the gift card is provided to the customer and it is paid for.

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

Revenue from government grants
Revenue from government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

The Group has made an election to present JobKeeper on a net basis, being set off against the related salary expense.

Cash flow boost assistance received during the period has been presented as revenue.

	Consolidated Group	
	2020 $'000	2019 $'000
Fee income - Paid advertising and Travel booking	2,108	3,274
Fee income - Consulting and media	347	2,097
Membership subscriptions	24,767	28,611
Corporate sales	4,121	3,283
Gift card sales	10,692	27,307
Government assistance	150	-
Revenue from ordinary activities	**42,185**	64,572
Interest received	20	-
Total	**42,205**	**64,572**

Contract balances	**Note**	**2020 $'000**	**2019 $'000**
Contract Receivables (included in 'Trade and other receivables')	**8**	870	2,495
Contract liabilities	**17**	6,569	21,394

The contract liabilities primarily relate to the advance consideration received from members for subscriptions, for which revenue is recognised over time.

Note 3 | Expenses

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

	Consolidated Group	
	2020 $'000	**2019 $'000**
Direct expenses of providing services		
Variable expenses relating to book printing and production	2,503	3,522
Amortisation of printing and production	9,359	9,036
Corporate book printing	584	1,943
Gift cards	10,508	26,706
Other	983	712
Total	**23,937**	**41,919**
Bad debts written off		
Deferred consideration	2,966	-
Other debtors	59	447
Movement in expected credit losses	(215)	-
Total	**2,810**	**447**
Employee expenses		
Employee related expenses	17,889	19,141
JobKeeper payments earned	(909)	-
Total	**16,980**	**19,141**
Building occupancy expense		
Rent	-	2,943
Variable lease expense	279	-
Total	**279**	**2,943**
Finance costs		
Finance costs on borrowings	1,046	346
Interest expense on lease liabilities	249	-
Total	**1,295**	**346**
Depreciation and amortisation expense		
Plant & equipment	521	325
Intangibles	3,299	1,690
Right of use assets	1,646	-
Total	**5,466**	**2,015**
Impairments		
Goodwill	3,605	14,553
Intangible assets	1,385	-
Total	**4,990**	**14,553**

Direct expenses of providing services

Membership book printing and production expenses includes the amortisation of fundraiser sales commission and prepaid production costs.

Sales commission paid to fundraiser partners for the sale of Entertainment memberships is an incremental cost of obtaining contracts with customers, and is initially recognised as a prepayment on the balance sheet, and subsequently amortised as an expense through the income statement in line with the recognition of revenue from associated membership sales.

Bad debts written off

Bad debts written off relates to $2.9 million deferred consideration for the sale of a group of previous subsidiaries known as the Bartercard business, (see ASX release 24 December 2019 Settlement of Claim with TCM), and $0.06 million owing from Blackglass Pty Ltd also a previous subsidiary, for deferred consideration held for working capital adjustments.

The Board has determined that these balances will not be recoverable.

Employee expenses

Employee related expenses include all costs associated with human resources and is offset by JobKeeper payments earned as part of the Covid-19 government assistance package.

The Group has elected to present JobKeeper payments on a net basis, with the income being set off against the related salary expense.

Impairment of intangible assets

See note 13.

Depreciation and amortisation expense

The Group has re-assessed the useful life of the software intangible asset, largely comprising costs associated with capitalised web development. As a result of the strategic transformation within the business during the financial year, the Group has determined that the period over which the written down value will be consumed will be shorter than previously estimated. Amortisation has been accelerated to reflect this, resulting in the asset being fully written down by 31 December 2020.

The Group has adopted AASB 16, thereby recognising a right of use asset on the balance sheet using the modified retrospective approach from 1 July 2019 and has not restated comparatives for the prior reporting period. See note 1(i).

Building occupancy expense

Due to the adoption of AASB 16, rent payments are included in the measurement of the lease liabilities and variable lease payments not included in the measurement of the lease liabilities. See note 1(i).

Finance costs on borrowings

The increase in finance costs on borrowings is predominately due to the accrual of interest on the additional borrowings from Suzerain. See note 16. The adoption of AASB 16 also resulted in the recognition of interest expense on lease liabilities. See note 1(i).

Note 4 | Income tax

Accounting policy

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

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

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

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

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

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

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.
In the current circumstances, the Group’s projections of future taxable profits may be affected by:

- Changes in forecasted cash flows – e.g. decrease in memberships, the costs of incentives to stimulate membership sales and decreases in costs due to savings initiatives. Cash flows may also be negatively affected by the dynamic and evolving nature of Covid-19 and the impact it has on the macro economic climate;
- Changes as a result of the Group’s operational strategies; and
- Government support measures in response to Covid-19.

Tax consolidation group

Incentiapay (the head entity) and its wholly owned Australian subsidiaries implemented the tax consolidation legislation.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing and funding agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned subsidiaries in the case of a default by the head entity.

This agreement provides that the wholly-owned subsidiaries will continue to fully compensate Incentiapay for any current tax payable assumed and be compensated by Incentiapay for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Incentiapay under the tax consolidation legislation.

	Note	Consolidated Group 2020 $'000	Consolidated Group 2019 $'000
a) The components of income tax expense/(income) comprise:			
Current tax		-	-
Deferred tax		(3,717)	786
		(3,717)	**786**
b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit from continuing operations before income tax expense		(20,953)	(27,367)
Profit from discontinuing operation before income tax expense		-	(9,881)
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to income tax as follows:			
Prima facie tax payable (benefit) on profit from ordinary activities before income tax at domestic statutory rate of 30% (2019: 30%)		(6,286)	(11,174)
Add/(less) tax effect of:			
Permanent differences		643	9,288
Temporary differences		(410)	
Unrecognised tax losses		6,053	2,672
Derecognised deferred tax assets		(3,717)	-
		(3,717)	**786**

No income tax benefit was recognised. This income tax benefit arising from tax losses will only be realised if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the Group to benefit from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

c) Deferred tax	Opening balance	Charged to income	Charged directly to equity	Disposal during divestment	Derecogn-ised deferred tax assets	Total
Deferred tax assets						
Provisions	6,164	(5,103)	-	(319)	-	742
Transaction costs on equity issues	888	(888)	-	-	-	-
Employee benefits	1,388	(174)	-	(548)	-	666
Property, plant and equipment	(18)	19	-	(1)	-	-
Intangibles	(1,708)	(388)	-	250	-	(1,846)
Other	(1,941)	5,748	-	348	-	4,155
BALANCE AS AT 30 JUNE 2019	**4,773**	**(786)**	**-**	**(270)**	**-**	**3,717**
Provisions	742	-	-	-	(742)	-
Transaction costs on equity issues	-	-	-	-	-	-
Employee benefits	666	-	-	-	(666)	-
Property, plant and equipment	-	-	-	-	-	-
Intangibles	(1,846)	-	-	-	1,846	-
Other	4,155	-	-	-	(4,155)	-
BALANCE AS AT 30 JUNE 2020	**3,717**	**-**	**-**	**-**	**(3,717)**	**-**

The Group has estimated unutilised tax losses of $40.3m. These losses, along with other deductible temporary differences, have resulted in potential deferred tax assets for the Group of approximately $2.3m, calculated using the prevailing rate of Australia corporation tax of 30% for the Group.

After considering the above, the Group has determined that these deferred tax assets will no longer be recognised as it is uncertain whether future taxable profits in the short term will be sufficient to utilise the losses. The Group is part way through its transformation plan which will provide a platform to deliver growth and stability when restrictions are lifted post Covid-19. Current projections indicate a gradual return to profitability however given the levels of uncertainty it may not be sufficient for the purposes of reporting.

d) Current tax	Consolidated Group	
	2020 $'000	2019 $'000
Income tax payable	**186**	**186**

The income tax payable relates to provisional income tax payable in New Zealand.

Note 5 | Dividends, earnings per share and franking credit

Franking account	Consolidated Group	
	2020 $'000	2019 $'000
Balance of franking account at year end adjusted for franking credits arising from:	6,493	6,493
Payments of income tax	-	-
FRANKING CREDITS AVAILABLE FOR SUBSEQUENT FINANCIAL YEAR	**6,493**	**6,493**

The Directors have advised that they do not intend to declare dividends for the 2020 financial year. The ability to utilise the franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation, Incentiapay Limited as the head entity in the tax consolidated group has also assumed the benefit of $6.4m (2019: $6.4m) franking credits.

	Consolidated Group	
	2020 $'000	2019 $'000
a) Reconciliation of earnings to profit or loss		
Loss for the period from continuing operations	(24,662)	(28,153)
Loss for the period from discontinued operations	-	(9,751)
EARNINGS USED TO CALCULATE BASIC EPS	**(24,662)**	**(37,904)**
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**302,134,914**	**233,011,438**
Weighted average of dilutive convertible notes and equity instruments outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	**302,134,914**	**233,011,438**

Note 6 | Cash and cash equivalents

Accounting policy

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

	Consolidated Group	
	2020 $'000	2019 $'000
Cash at bank and on hand	5,304	3,457
Short-term bank deposits	3	3
TOTAL CASH AND CASH EQUIVALENTS	**5,307**	**3,460**
RECONCILIATION OF CASH		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows		
Cash and cash equivalents	5,307	3,460
TOTAL CASH AND CASH EQUIVALENTS	**5,307**	**3,460**

Note 7| Cash flow information

	Consolidated Group	
	2020 $'000	2019 $'000
RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATIONS		
Loss after income tax	(24,662)	(37,904)
Non-cash flows in loss		
Amortisation	3,299	1,690
Loss on disposal of discontinued operations	-	7,326
Loss on disposal of leasehold improvements	690	-
Depreciation-property plant and equipment	521	325
Depreciation-right of use	1,646	-
Impairment of intangibles in continuing operations	4,990	14,553
Sale of unlisted equity investment	-	(600)
Deferred consideration converted to equity	750	-
Share based payment unwound	(730)	(70)
Net interest paid including investing	1,295	(346)
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade receivables	4,867	8,081
(Increase)/decrease in prepayments	5,502	4,329
(Increase)/decrease in inventories	(38)	254
(Increase)/decrease in deferred taxes receivable	3,717	1,059
Increase/(decrease) in trade payables and accruals	294	(6,860)
Increase/(decrease) in deferred income	(14,825)	(606)
Increase/(decrease) in income taxes payable	-	18
Increase/(decrease) in provisions	(1,104)	(4,725)
CASH FLOW FROM OPERATING ACTIVITIES	**(13,788)**	**(13,338)**

	Reconciliation of liabilities arising from cash flows from financing activities			
	Interest bearing loan $'000	Additional growth operational facility $'000	Lease liabilities[2] $'000	Lease incentive loan $'000
Balance as at 1 July 2019	**4,029**	**-**	**-**	**606**
Initial recognition of lease liabilities[1]	-	-	5,711	-
Drawn down	15,000	2,585	-	-
Rent concessions or deferred rents	-	-	(212)	-
Repayment or amortised	-	-	(1,610)	-
Interest paid	-	-	(249)	-
Interest expenses	788	71	249	-
Line fees	-	35	-	-
Loan converted to equity	(19,300)	-	-	-
AASB 16 adjustment[2]	-	-	-	(606)
BALANCE AS AT 30 JUNE 2020	**517**	**2,691**	**3,889**	**-**

[1] The drawn down of lease liabilities relate to the initial application of AASB 16, it is a non-cash entry and there is no cashflow impact. See note 1(i).
[2] As part of the initial application of AASB 16, the lease incentive loan was offset against the right of use assets at the date of initial application. These transactions are non-cash. See note 1(i).

Note 8 | Trade and other receivables

Accounting policy

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

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

	Consolidated Group	
	2020 $'000	2019 $'000
Current		
Trade receivables	870	2,495
Provision for loss allowance	(241)	(580)
Net trade receivables	**629**	**1,915**
Other receivables	363	813
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	**992**	**2,728**

Movement in the provision for loss allowance of receivables is as follows:

	Opening balance 1/07/2019 $'000	Reclassified as held for sale for year $'000	Loss allowance adjustment for year $'000	Amounts written off $'000	Closing balance 30/06/2020 $'000
Current trade receivables	(580)	-	215	124	(241)
TOTAL	**(580)**	**-**	**215**	**124**	**(241)**
	Opening balance 1/07/2018 $'000	**Reclassified as held for sale for year $'000**	**Loss allowance adjustment for year $'000**	**Amounts written off $'000**	**Closing balance 30/06/2019 $'000**
Current trade receivables	(2,287)	1,954	(522)	275	(580)
TOTAL	**(2,287)**	**1,954**	**(522)**	**275**	**(580)**

The Group impairs the value of individual trade debtors based on an assessment of the credit quality of the customer, the previous trading pattern of the customer and management's assessment of the likely recovery. All trade debtors which are not likely to be recovered are either written off or an impairment for expected credit losses is recognised. No credit risk is expected in respect of recoverable which are not written off or provided against. The remainder of receivables, after credit losses, are of high credit quality.

The Group uses a "roll rate" method to calculate expected credit losses for trade receivables from individual customers that is made up of variable mix of number and size of balances. Loss rates are calculated based on the probability of receivables progressing through successive stages of delinquency to write off. Roll rates are calculated using an analysis of how balances change from one month to next until they reach 90 days. Data over the last 12 months was reviewed to determine the level of recovery of those receivables older than 90 days. Combining these two measurements provided the Group with the ability to determine the loss allowance as of 30 June. Due to the severe economic impacts of the Covid-19 outbreak, the Group reviewed the expected credit loss allowance and determined that the adjusted loss rate for trade debtors past due over 60 days should be 100%.

On that basis, the expected credit loss allowance as at 30 June 2020 was determined as follows for trade receivables:

Report category	Days	Adjusted loss rate	Receivables balance as at 30 June 2020	Loss allowance at 30 June 2020
		%	$'000	$'000
Current	0-30	16	641	101
Past due 1-30	31-60	31	101	31
Past due 31-60	61-90	14	22	3
Past due 61-90	91-120	100	9	9
Past due over 90	121-150	100	7	7
Greater than over 90 days overdue	Greater than 150	100	90	90
		Total	**870**	**241**

The expected credit loss allowance as at 30 June 2019 was determined as follows for trade receivables:

Report category	Days	Adjusted loss rate	Receivables balance as at 30 June 2019	Loss allowance at 30 June 2019
		%	$'000	$'000
Current	0-30	8	1,342	111
Past due 1-30	31-60	24	333	79
Past due 31-60	61-90	16	264	43
Past due 61-90	91-120	12	23	3
Past due over 90	121-150	49	103	51
Greater than over 90 days overdue	Greater than 150	53	430	293
		Total	**2,495**	**580**

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically impaired. The class of assets described as "trade and other receivables" are the main source of credit risk related to the Group.

No collateral is held in respect of these exposures and there are no other credit enhancement arrangements. All trade receivables have been investigated and, other than those which have been written off or for which credit losses have been recognised, there are no indicators of poor credit quality for trade receivables. Securities in the form of personal guarantees from directors, or registered mortgages are regularly taken to support customer trading activities.

	Consolidated Group	
	2020 $'000	2019 $'000
Gross amount	870	2,495
Impaired (past due)	(241)	(580)
Total	**629**	**1,915**
Within initial trade terms	540	1,231
Past due not impaired - 30 days	70	254
60 days	19	221
90 days	-	20
90 days +	-	189
Total	**629**	**1,915**

Geographical credit risk

The Group has significant operations in Australia and New Zealand. The Group's exposure to credit risk for trade and other receivables at the end of the reporting period in these regions is as follows:

	Consolidated Group	
	2020 $'000	2019 $'000
Australia	565	1,856
New Zealand	64	59
Total	**629**	**1,915**

Note 9 | Inventories

Accounting policy

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

	Consolidated Group	
	2020 $'000	2019 $'000
Gift cards held for sale	134	96
TOTAL INVENTORIES	**134**	**96**

Note 10 | Other assets

Accounting policy

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

	Consolidated Group	
	2020 $'000	**2019 $'000**
CURRENT		
Short-term investments	1,018	391
Prepayments	337	198
Production prepayments	996	7,264
TOTAL OTHER ASSETS	**2,351**	**7,853**

	Production prepayments $'000
30 JUNE 2019	
Balance as at 1 July 2018	8,558
Prepayments	7,742
Amortisation	(9,036)
BALANCE AS AT 30 JUNE 2019	**7,264**
30 JUNE 2020	
Balance as at 1 July 2019	7,264
Prepayments	3,091
Amortisation	(9,359)
BALANCE AS AT 30 JUNE 2020	**996**

Note 11 | Right-of-use assets

Accounting policy

Right-of-use assets relate to leased property that do not meet the definition of investment property and are presented as property, plant and equipment.

Right of use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability (See note 1(i) and 15);
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial costs; and
- Restoration costs.

Right of use assets are subsequently measured at cost less any accumulated depreciation and adjustments for remeasurement of the lease liability.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group has determined that it will not be exercising the options to renew, as such, extension options are not included in the calculation.

Depreciation of right-of-use assets

The right of use asset is depreciated over the shorter of the asset's life and the lease term on a straight-line basis.

	Consolidated Group	
	2020 $'000	2019 $'000
Land and buildings		
At cost	4,068	-
Accumulated depreciation	(1,510)	-
Total	**2,558**	**-**
Equipment		
At cost	359	-
Accumulated depreciation	(136)	-
Total	**223**	**-**
TOTAL RIGHT-OF-USE ASSETS	**2,781**	**-**

Movements in carrying amounts

Movements in the carrying amounts for each class of right-of-use assets between the beginning and the end of the current financial year are set out below.

Consolidated Group	Land and buildings $'000	Equipment $'000	Total $'000
Balance as at 1 July 2019	-	-	-
Initial recognition of right-of-use assets	**4,068**	**259**	**4,327**
Additions to right-of-use assets	-	100	100
Depreciation charge for the year	(1,510)	(136)	(1,646)
BALANCE AS AT 30 JUNE 2020	**2,558**	**223**	**2,781**

Note 12 | Property, plant and equipment

Accounting policy

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

Plant and equipment

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

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

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

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

Depreciation of plant and equipment

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

Estimated useful life for each class of depreciable assets are:

CLASS OF FIXED ASSET	ESTIMATED USEFUL LIFE
Leasehold improvements	2-4 years
Plant and equipment	3-5 years
Leased plant and equipment	3-5 years

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

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

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

	Consolidated Group	
	2020	2019
Plant and equipment	$'000	$'000
At cost	821	806
Accumulated depreciation	(579)	(490)
Total	**242**	**316**
Leasehold improvements		
At cost	2,090	2,970
Accumulated depreciation	(1,005)	(903)
Total	**1,085**	**2,067**
TOTAL PROPERTY, PLANT AND EQUIPMENT	**1,327**	**2,383**

Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are set out below.

Consolidated Group	Plant and equipment $'000	Leasehold improvements $'000	Leased plant and equipment $'000	Total $'000
Balance as at 1 July 2018	1,133	1,065	168	2,366
Additions	23	1,050	-	1,073
Disposals	(125)	(25)	(40)	(190)
Transfers	-	584	-	584
Reclassified as held for sale	(592)	(405)	(128)	(1,125)
Depreciation expense	(123)	(202)	-	(325)
BALANCE AS AT 30 JUNE 2019	**316**	**2,067**	**-**	**2,383**
Balance as at 1 July 2019	316	2,067	-	2,383
Additions	16	135	-	151
Disposals	-	(686)	-	(686)
Depreciation expense	(90)	(431)	-	(521)
BALANCE AS AT 30 JUNE 2020	**242**	**1,085**	**-**	**1,327**

Note 13 | Intangible assets

Accounting policy

Goodwill

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

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

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

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

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

Technology, software and database assets

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

The useful lives of these assets are then assessed to be either finite or indefinite. Assets with a finite life are amortised over that life with the expense being recognised in the profit and loss. Expenditure on the development of technology and software assets are capitalised until the software is ready for use and then amortised over their expected useful life of 2 to 3 years (FY2019: 4-5 years).

During the period the Group re-assessed the expected economic useful life of its software intangible assets and revised their expected useful lives to between 2-3 years (previously between 4-5 years). The reassessment was a result of the strategic transformation within the business, detailed further in notation 3 in the table below. These changes have been applied with effect from 1 July 2019 and have resulted in an increase in amortisation expense for the year ended 30 June 2020 of $1.4m.

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

Brand names and international rights

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

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

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

Impairment of assets

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

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Impairment testing is performed at least annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

	Consolidated Group	
	2020 $'000	2019 $'000
Goodwill		
Cost	31,199	31,199
Accumulated impairment losses	(21,108)	(17,503)
Total	**10,091**	**13,696**
Technology and software		
Cost	9,296	9,127
Accumulated amortisation and impairment losses	(8,000)	(4,068)
Total	**1,296**	**5,059**
Purchased brand names and international rights		
Cost	3,000	3,000
Accumulated impairment losses	-	-
Total	**3,000**	**3,000**
Other intangibles		
Cost	752	752
Accumulated amortisation	(752)	-
Total	**-**	**752**
TOTAL INTANGIBLES	**14,387**	**22,507**

	Goodwill	Technology and software	Brand name & international rights	Other intangibles	Total
		Restated[1]		Restated[1]	
	$'000	$'000	$'000		$'000
Balance as at 1 July 2018	**29,341**	**14,588**	**3,659**	**1,692**	**49,280**
Measurement period adjustment[1]	1,858	(2,317)	-	459	-
Balance as at 1 July 2018	**31,199**	**12,271**	**3,659**	**2,151**	**49,280**
Additions	-	1,877	-	-	1,877
Disposals[2]	(2,950)	(7,399)	(659)	(1,399)	(12,407)
Amortisation charge	-	(1,690)	-	-	(1,690)
Impairment	(14,553)	-	-	-	(14,553)
BALANCE AS AT 30 JUNE 2019	**13,696**	**5,059**	**3,000**	**752**	**22,507**
Balance as at 1 July 2019	**13,696**	**5,059**	**3,000**	**752**	**22,507**
Additions	-	169	-	-	169
Disposals	-	-	-	-	-
Amortisation charge[3]	-	(3,299)	-	-	(3,299)
Impairment[4,5]	(3,605)	(633)	-	(752)	(4,990)
BALANCE AS AT 30 JUNE 2020	**10,091**	**1,296**	**3,000**	**-**	**14,387**

1 Adjustments to purchase price allocation in FY2019. Refer to Annual report 2019 note 22(c) for details.
2 See note 24.
3 The Group have re-assessed the useful life of the software intangible asset, largely comprising costs associated with capitalised web development. As a result of the strategic transformation within the business, the Group has entered into an agreement to move to a new platform that will result in new products and higher value propositions for customers. The Group has determined that the period over which the written down value of the existing platform will be shorter than previously estimated. Amortisation has been accelerated to reflect this, resulting in the asset being fully written down by 31 December 2020.
4 As a result of the Group's decision to seek expressions of interest with respect to Entertainment Digital business assets, it has been assessed that the assets will not produce any future economic benefits to the Group, as such, the assets have been impaired to reflect an estimate of their fair value less costs of disposal.
5 As at 30 June 2020 the estimated recoverable amounts determined using the method outlined below were found to be less than the carrying value of the net assets of the cash-generating unit and accordingly, an impairment adjustment on Goodwill was required.

Current market conditions brought on by Covid-19, in addition to uncertainty associated with the change in the Group's business model, has triggered an assessment whether the carrying value of the Groups' goodwill and other non-current assets may be impaired.

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

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

Year ended 30 June 2020

2021-2025	Growth rates 2021-2025	Growth rates 2025 onward	Discount rate/ weighted average cost of capital
Entertainment Publications	2%	2%	11%

Year ended 30 June 2019

2020-2024	Growth rates 2020-2024	Growth rates 2024 onward	Discount rate/ weighted average cost of capital
Entertainment Publications	2%	2%	11%

Cash flows used in the value-in-use calculations are based on forecasts produced by management. The growth rates are based on a proposed strategic repositioning of the core operations of the business focusing on long-term sustainability. Forecasts for 2021 consider the increased level of market volatility and uncertainty caused by Covid-19 and the business transformation currently in progress. The Directors consider these forecasts to reflect the best estimates of revenue based on facts and circumstances available as at 30 June 2020. Given the nature of the uncertainty associated with the underlying assumptions, any changes over the coming months not factored in the cash flow forecasts may result in material changes to the assumptions.

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

- Forecast revenue and expenditure taking into account the impacts of Covid-19 for the first half of the forecast year, and based on the continued progress of the technology transformation which is anticipated to be completed in the first half of the financial year; and
- The discount rate of 11% (post tax).

As at 30 June 2020 the estimated recoverable amounts determined using the method outlined above were found to be less than the carrying value of the net assets of the cash-generating unit and accordingly, an impairment adjustment was required.

Following the impairment loss recognised in the Group's cash-generating unit, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

Note 14 | Trade and other payables

Accounting policy

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

	Consolidated Group	
	2020 $'000	2019 $'000
CURRENT		
Unsecured liabilities		
Trade payables	2,359	2,172
Other payables and accruals	3,553	3,769
Litigation claim payables[1]	323	-
TOTAL CURRENT UNSECURED LIABILITIES	**6,235**	**5,941**

[1]Litigation claim payables relate to various settlement fees incurred during the business restructure process.

Note 15 | Leases

Accounting policy

Lease liabilities are measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payment, less any lease incentives receivable;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate of 5.54%, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right of use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial costs; and
- Restoration costs.

The Group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	Consolidated Group	
	2020 $'000	**2019 $'000**
CURRENT		
Lease liabilities	1,731	-
TOTAL CURRENT LEASE LIABILITIES	**1,731**	**-**
NON-CURRENT		
Lease liabilities	2,158	-
TOTAL NON-CURRENT LEASE LIABILITIES	**2,158**	**-**
TOTAL LEASE LIABILITIES	**3,889**	**-**

The Group has adopted AASB 16 using the modified retrospective approach from 1 July 2019 and has not restated comparatives for the prior reporting period. Refer to note 1(i).

Consolidated Group	**Lease liabilities $'000**
Balance as at 1 July 2019	-
Initial recognition of lease liabilities	**5,711**
Interest charges	249
Repayments (Including interest)	(1,859)
Rent concessions or deferred rents	(212)
BALANCE AS AT 30 JUNE 2020	**3,889**

Note 16 | Borrowings

Accounting policy

Non-derivative

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

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

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

	Consolidated Group	
	2020 $'000	2019 $'000
CURRENT		
Lease incentive loan	-	140
Interest bearing loan	517	4,029
TOTAL CURRENT BORROWINGS	**517**	**4,169**
NON-CURRENT		
Lease incentive loan	-	466
Additional growth capital facility	2,691	-
TOTAL NON-CURRENT BORROWINGS	**2,691**	**466**
TOTAL BORROWINGS	**3,208**	**4,635**

	Interest bearing loan $'000	Additional growth operational facility $'000	Transformational capital facility $'000
Facility limit	500	9,825	1,200
Unused facility	-	7,134	1,200
Interest rate	10% per annum	10% per annum	12.5% per annum
Line fees	N/A	$9,708 per month	$2,000 per month
Maturity date	30/09/2020	31/12/2021	18 months from the date of the first drawdown
Security	Security over all the Group's present and future property	Subject to shareholders' approval	Subject to shareholders' approval
Drawn down as at 1 July 2019	**4,029**	**-**	**-**
Drawn down	15,000	2,585	-
Interest expenses	788	71	-
Line fees	-	35	-
Loan converted to equity	(19,300)	-	-
Drawn down as at 30 JUNE 2020	**517**	**2,691**	**-**

Interest bearing loan

On 9 August 2019 the Group entered into a loan deed with Suzerain for total funding of $19 million to support working capital requirements and to restructure the business.

The loan was to be repaid on 30 September 2020 with interest capitalised at 10% per annum. During the AGM, resolutions were passed to enter into a General Security Deed over the assets of the Group in the form attached to the Convertible Loan Deed and for the loan to be convertible to ordinary shares at the higher of $0.047 per share or 30 days volume weighted average price prior to conversion.

Accordingly, $19.3 million including accrued interest of the convertible loan was converted to equity with the issuance of 410,643,766 ordinary shares (4.7cent per share) in the Company. This will leave $500k of the convertible loan in which Suzerain had the option to convert up until 30 June 2020. The option lapsed as the loan was not converted at 30 June 2020 and will remain as a secured interest-bearing loan repayable by 30 September 2020.

Additional growth operational facility

The Group entered into a new Loan Deed with Suzerain on 27 February 2020 for the provision of a $5.83 million facility (including associated borrowing costs). Subsequently, Suzerain has agreed to increase the facility limit of the original loan by $4m to $9.825m. This facility is unsecured with the view to obtaining shareholder approval for security over the assets of the Group at the Company's next Annual General Meeting, anticipated to be held in November 2020.

Transformational capital facility

Skybound Fidelis Investment limited as trustee for the Skybound Fidelis Credit Fund (Skybound) (a related entity of Suzerain) has agreed to provide the Group with a $1.2m facility for the transformational capital expenditures to be agreed between the Group and Skybound. As at 30 June 2020 this loan facility has not been drawn down.

Lease incentive loan

As part of the initial application of AASB 16, the lease incentive loan was offset against the right of use assets at the date of initial application. See note 1(i).

Note 17 | Deferred revenue

Accounting policy

Deferred revenue constitutes contract liabilities under AASB 15, as it relates to performance obligations to the members of Entertainment Publications not yet satisfied. See note 2.

	Consolidated Group	
	2020 $'000	2019 $'000
CURRENT		
Deferred revenue	6,219	21,394
TOTAL CURRENT DEFERRED REVENUE	**6,219**	**21,394**
Deferred revenue	350	-
TOTAL NON-CURRENT DEFERRED REVENUE	**350**	**-**
TOTAL DEFERRED REVENUE	**6,569**	**21,394**

	Deferred revenue $'000
YEAR ENDED 30 JUNE 2019	
Balance as at 1 July 2018	22,001
Revenue deferred	36,758
Revenue recognised	(37,365)
BALANCE AS AT 30 JUNE 2019	**21,394**
YEAR ENDED 30 JUNE 2020	
Balance as at 1 July 2019	21,394
Revenue deferred	14,768
Revenue recognised	(29,593)
BALANCE AS AT 30 JUNE 2020	**6,569**

The contract liabilities primarily relate to cash receipts from membership sales, for which revenue is recognised over time. The reduction in contract liabilities is predominantly due to the impact of the Covid-19 pandemic, which resulted in the planned launch events for the new digital product to be postponed from numerous physical events in February 2020 to virtual events in June 2020. The launch events were earmarked as a key strategic tool to engage fundraisers and use as a launchpad for the new digital membership. The change in membership also changed the timing of when cash was collected as books could be sold ahead of when the membership period commenced whereas rolling digital memberships were only purchased when books expired, being 31 May 2020.

Note 18 | Provisions

Accounting policy

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

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

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Retirement benefits

All employees of the Australian entities and the majority of employees of foreign subsidiaries in the Group receive defined contribution superannuation entitlements, for which the Group pays a fixed superannuation contribution based on a percentage of the employee's ordinary salary. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation contributions at the end of the reporting period. All obligations for unpaid superannuation contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's Statement of Financial Position.

Onerous lease provision

The Group currently has leases for office space in various towns and cities across Australia and New Zealand. As a result of decisions made by the Board to streamline the operations of the business in 2019, certain leases became surplus to requirements. For those locations, the Group vacated the premises and attempted to sublease the space. Those leases were determined to be onerous at the time the Group vacated the premises, and the provision was calculated based on the present value of contracted obligations net of expected rental income.

As part of the initial application of AASB 16, the onerous lease provision was offset against the right of use assets at the date of initial application. See note 1(i).

Restructuring provision

In December 2017 IncentiaPay Limited announced a restructure program in respect of geographical presence and the employee cost base. As at 31 December 2017, a provision was raised for $4.5 million, being for employee entitlements and occupancy costs. The Company spent $1.9 million of this provision during the six-month period ended 30 June 2018 and the remaining balance of $2.6 million was spent during the second half of financial year 2019.

Make good provision

The Group is required to restore the leased premises of its offices to their satisfactory condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required for the restoration.

These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

	Consolidated Group				
	Employee benefits $'000	Restructuring provision $'000	Onerous leases provision	Make good provision	Total $'000
YEAR ENDED 30 JUNE 2019					
Balance as at 1 July 2018	4,174	2,600	-	-	6,774
Released	-	(2,600)	-	-	(2,600)
(Released)/Additional provisions	(1,506)	-	635	-	(871)
Reclassified as held for sale	(1,253)	-	-	-	(1,253)
BALANCE AS AT 30 JUNE 2019	**1,415**	**-**	**635**	**-**	**2,050**
YEAR ENDED 30 JUNE 2020					
Balance as at 1 July 2019	1,415	-	635	-	2,050
(Utilised)[1]/(transferred)[2]/Additional provisions[3]	(597)	-	(635)	128	(1,104)
BALANCE AS AT 30 JUNE 2020	**818**	**-**	**-**	**128**	**946**

[1] The release of employee benefits on departure of employees leaving the Group and the net movement of accruing and utilising employee benefits.
[2] The Group has applied the AASB 16 transition exemption to adjust the right-of-use asset by the amount previously recognised as an onerous lease provision. See note 1(i).
[3] Make good provision for occupied premises was raised in the current period. The amount includes interest of $18,000.

ANALYSIS OF TOTAL PROVISIONS	2020 $'000	2019 $'000
Current		
Employee benefits	764	1,198
Onerous leases provision	-	635
Total current provisions	**764**	**1,833**
Non-current		
Make good provision	128	-
Employee benefits	54	217
Total non-current provisions	**182**	**217**
TOTAL PROVISIONS	**946**	**2,050**

Note 19 | Issued capital

	Consolidated Group			
	2020 shares	**2019 shares**	**2020 $'000**	**2019 $'000**
Ordinary shares - fully paid on issue	**242,608,274**	**242,608,274**	**96,006**	**96,006**
INP has no limit to its authorised share capital.				
Movements in ordinary share capital	**Date**	**Number of shares**	**Issue price $**	**$'000**
Ordinary shares at beginning of the year		228,193,274		94,892
Issues during the year:	28 February 2019	14,425,000	0.08	1,155
	Less, costs of issues	-	-	(41)
BALANCE AS AT 30 JUNE 2019		**242,618,274**		**96,006**
Ordinary shares at beginning of the year		**242,618,274**		**96,006**
Issues during the year:	1 November 2019[1]	2,678,572	0.28	750
	28 February 2020[2]	410,643,766	0.05	19,300
	Less, costs of issues	-	-	(30)
BALANCE AS AT 30 JUNE 2020		**655,940,612**		**116,026**

[1] Issued as final consideration for the acquisition of businesses of the Gruden group.

[2] See note 16.

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

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

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

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

Performance rights

Movements in performance rights	**Number of performance rights**	**Issued price $**	**$**
Performance rights at beginning of the year	2,072,000	0.875	1,813,000
BALANCE AS AT 30 JUNE 2019	**2,072,000**		**1,813,000**
Performance rights at beginning of the year	**2,072,000**		**1,813,000**
EP PREP wind up	(2,072,000)	0.875	(1,813,000)
BALANCE AS AT 30 JUNE 2020	**-**		**-**

Performance rights were issued to management and employees of Entertainment Publications entities in May 2017. The Board, on 22 July 2019 voted to wind up the original performance rights equity plan and replace it with a new broad-based employee share equity plan. The new plan is yet to be defined or implemented.

Note 20 | Reserves

Accounting policy

Share based payments

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

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

Foreign currency translation

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

	Consolidated Group		
	Share based payments reserve $'000	**Foreign currency translation reserve $'000**	**Total $'000**
YEAR ENDED 30 JUNE 2019			
Balance as at 1 July 2018	660	215	875
Amortised during the period	452	-	452
Unvested during the period[1]	(382)	-	(382)
Movement during the period	-	191	191
BALANCE AS AT 30 JUNE 2019	**730**	**406**	**1,136**
YEAR ENDED 30 JUNE 2020			
Balance as at 1 July 2019	**730**	**406**	**1,136**
Unvested during the period[2]	(730)	-	(730)
Movement during the period	-	(29)	(29)
BALANCE AS AT 30 JUNE 2020	**-**	**377**	**377**

[1] The shares issued on 5 April 2018 related to Loan Funded Share arrangements with the CEO and COO/CFO. These shares are subject to various restrictions, as set out further in the Company's Remuneration report. The departure of key personnel to which the Loan Funded Shares relate has and will result in these shares not vesting.

[2] Performance rights were issued to management and employees of Entertainment Publications entities in May 2017. The Board, on 22 July 2019, voted to wind up the original performance rights equity plan and replace it with a new broad-based employee share equity plan. The new plan is yet to be defined or implemented. The share based payment reserve relating to these Performance rights has been reversed to reflect this.

Note 21 | Key Management Personnel compensation

Refer to the Remuneration report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the year ended 30 June 2020.

The total remuneration paid to KMP of the Group during the year was as follows:

	Consolidated Group	
	2020 $'000	2019 $'000
Short-term employee benefits	904	1,835
Post-employment benefits	42	164
Long-term benefits	338	300
Share based payments	-	20
TOTAL KMP COMPENSATION	**1,284**	**2,319**

Note 22 | Auditor's remuneration

	Consolidated Group	
	2020 $'000	2019 $'000
Auditing or reviewing the financial statements	294	306
Taxation services - compliance	81	57
Other services	1	17
TOTAL	**376**	**380**

Note 23 | Interests in subsidiaries and business combinations

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

		Ownership interest held by the Group	
Name of entity	Principal place of business	2020 %	2019 %
a) Information about Principal Subsidiaries			
Entertainment Publications of Australia Pty Ltd	Australia	100	100
Entertainment Publications Ltd	New Zealand	100	100
Entertainment Digital Pty Ltd (previously MobileDEN Pty Ltd)	Australia	100	100
Entertainment Trus Co Pty Ltd[1]	Australia	100	-

[1] The Employee share plan trust ("ESP") was established on 24 April 2020 to provide benefits to current employees, directors and contractors ("the Beneficiaries"). Under the scheme, the trustee, Entertainment Trus Co Pty Ltd will purchases the Company's shares currently held under the previous directors. The shares will be held until the vesting day for the benefit of the Beneficiaries, in such numbers or proportions that the trustee deem reasonable. No shares are currently held by the ESP.

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

Note 24 | Disposal groups classified as held for sale and discontinued operations

2020 financial year

There were no discontinued operations during the 2020 financial year. During the financial year, the Group received $0.15 million from the sale of performance marketing business still owing at 30 June 2019 and presented in Deferred consideration.

2019 financial year

Bartercard business

On 14 September 2018, the Group announced its intention to exit the Bartercard business. A binding share sale agreement to divest the Bartercard business was signed on 14 September 2018 and the sale transaction closed on 19 November 2018. As such, this business is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The financial performance and cash flow information presented are for the period 1 July 2018 to 18 November 2019.

Financial performance and cash flow information

	2020 $'000	2019 $'000
Revenue	-	8,887
Expenses	-	(8,271)
Profit before income tax	**-**	**616**
Income tax	-	-
Profit/(loss) after income tax of discontinued operation	**-**	**616**
Loss on sale of the subsidiary after income tax	-	(6,196)
Loss from discontinued operation	**-**	**(5,580)**
Exchange differences on translation of discontinued operations	-	(208)
Other comprehensive income from discontinued operations	**-**	**(208)**
Net cash inflow from operating activities	-	953
Net cash (outflow) from investing activities	-	(1,100)
Net cash inflow/(outflow) from financing activities	-	273
Net increase in cash generated by the division	**-**	**126**

Details of the sale of the subsidiary

	2020 $'000	2019 $'000
Cash	-	2,000
Deferred consideration	-	2,878
Total disposal consideration	**-**	**4,878**
Carrying amount of net assets sold	-	(11,282)
Loss on sale before income tax and reclassification of foreign currency translation reserve	-	(6,404)
Reclassification of foreign currency translation reserve	-	208
Income tax expense on loss		-
Loss on sale after income tax	**-**	**(6,196)**

There is no 'earn out' clause in the sale agreement, additional cash consideration of $3.0 million was receivable over three years to November 2021. At the time of the sale the present value of the consideration receivable was determined to be

$2.9 million, bringing total disposal consideration to $4.9 million in return for the sale of the share capital of the following subsidiary entities:

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

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

	19-Nov-18 $'000
Cash and cash equivalents	1,413
Trade and other receivables	6,294
Inventories	32
Other assets	313
Property, plant and equipment	1,124
Intangible assets	7,031
Total assets	**16,207**
Trade and other payables	3,437
Vendor loans	107
Deferred revenue	335
Provisions	1,046
Total liabilities	**4,925**
Net assets	**11,282**

Government division (Gruden Pty Ltd)

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

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

Financial performance and cash flow information

	2020 $'000	2019 $'000
Revenue	-	2,773
Expenses	-	(3,550)
Loss before income tax	**-**	**(777)**
Income tax	-	-
Loss after income tax of discontinued operation	**-**	**(777)**
Gain on sale of the subsidiary after income tax	-	(1,270)
Loss from discontinued operation	**-**	**(2,047)**
Net cash outflow from operating activities	-	(489)
Net cash outflow from investing activities	-	(5)
Net decrease in cash generated by the division	**-**	**(494)**

Details of the sale of the subsidiary

	2020 $'000	2019 $'000
Cash	-	1,238
Deferred consideration	-	411
Total disposal consideration	**-**	**1,649**
Carrying amount of net assets sold	-	(2,919)
Loss on sale before income tax	**-**	**(1,270)**
Income tax expense on gain	-	-
Loss on sale after income tax	**-**	**(1,270)**

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

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

	13-Dec-18 $'000
Cash and cash equivalents	132
Trade and other receivables	3,366
Other assets	9
Intangible assets	2,058
Total assets	**5,565**
Trade and other payables	2,321
Deferred revenue	148
Provisions	177
Total liabilities	**2,646**
Net assets	**2,919**

Performance marketing business (Blackglass Pty Ltd)

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

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

	2020 $'000	2019 $'000
Revenue	-	2,732
Expenses	-	(3,942)
Loss before income tax	**-**	**(1,210)**
Income tax	-	130
Loss after income tax of discontinued operation	**-**	**(1,080)**
Gain on sale of the subsidiary after income tax	-	(1,044)
Loss from discontinued operation	**-**	**(2,124)**
Net cash outflow from operating activities	-	(336)
Net cash outflow from investing activities	-	371
Net decrease in cash generated by the division	**-**	**35**

Details of the sale of the subsidiary

	22-April-19 $'000
Cash	100
Deferred consideration	200
Total disposal consideration	**300**
Carrying amount of net liabilities sold	(1,344)
Gain on sale before income tax	**(1,044)**
Income tax expense on gain	-
Gain on sale after income tax	**(1,044)**

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

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

	22-April-19 $'000
Cash and cash equivalents	60
Trade and other receivables	1,556
Other assets	1
Intangible assets	2,235
Total assets	**3,852**
Trade and other payables	2,479
Provisions	29
Total liabilities	**2,508**
Net assets	**1,344**

Consolidated discontinued operation information

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

Deferred consideration	2020 $'000	2019 $'000
Current	-	1,101
Interest unlocked	-	5
Paid during the year	-	(411)
Total current deferred consideration	**-**	**695**
Non-current	-	2,388
Interest unlocked	-	26
Total non-current deferred consideration	**-**	**2,414**
Total deferred consideration	**-**	**3,109**

Loss for the period from discontinued operations	2020 $'000	2019 $'000
Bartercard business	-	(5,580)
Government business	-	(2,047)
Performance marketing business	-	(2,124)
Total loss for the period from discontinued operations	**-**	**(9,751)**

Year to date cash receipts from the sales of business	2020 $'000	2019 $'000
Bartercard business	-	2,000
Government business	-	1,563
Performance marketing business	155	100
Total cash receipts from the sales of business	**155**	**3,663**

	19-Nov-18 Bartercard business $'000	13-Dec-18 Government business $'000	22-April-19 Performance marketing business $'000	Total $'000
Cash held in discontinued operations	1,413	132	60	**1,605**

Note 25 | Parent company information

a) Information relating to IncentiaPay Limited (the Parent Entity):

	2020 $'000	2019 $'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total (loss)/profit	(15,508)	(39,638)
TOTAL COMPREHENSIVE INCOME	**(15,508)**	**(39,638)**
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	1,724	1,029
Non-current assets	23,253	28,824
TOTAL ASSETS	**24,977**	**29,853**
Liabilities		
Current liabilities		
Current liabilities	2,648	7,970
Non-current liabilities	9,341	12,069
TOTAL LIABILITIES	**11,989**	**20,039**
Equity		
Issued capital	116,026	96,006
Reserves	-	1,339
Accumulated losses	(103,038)	(87,531)
TOTAL EQUITY	**12,988**	**9,814**

Details of the contingent assets and liabilities of the Group are contained in note 28. Details of the contractual commitments are contained in note 27.

IncentiaPay Limited, Entertainment Publications of Australia Pty Ltd and Entertainment Digital Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

Set out below is a consolidated balance sheet as of 30 June 2020 of the parties to the Deed of Cross Guarantee.

ASSETS **Current assets**	**FY2020** **$'000**	**FY2019** **$'000**
Cash and cash equivalents	4,394	2,532
Deferred consideration	-	695
Trade and other receivables	924	2,549
Inventories	100	23
Other assets	1,961	6,605
Total current assets	**7,379**	**12,404**
Non-current assets		
Deferred consideration	-	2,414
Property, plant and equipment	1,252	2,261
Right of use asset	2,564	-
Deferred tax assets	-	2,790
Intangible assets	14,387	22,505
Total non-current assets	**18,203**	**29,970**
TOTAL ASSETS	**25,582**	**42,374**
LIABILITIES		
Current liabilities		
Trade and other payables	5,727	5,521
Lease liabilities	1,542	-
Borrowings	517	4,635
Deferred revenue	5,174	18,189
Provisions	728	1,779
Total current liabilities	**13,688**	**30,124**
Non-current liabilities		
Trade and other payables	1,725	1,863
Lease liabilities	2,124	-
Borrowings	2,691	-
Deferred revenue	350	-
Provisions	52	216
Total non-current liabilities	**6,942**	**2,079**
TOTAL LIABILITIES	**20,630**	**32,203**
NET ASSETS	**4,952**	**10,171**
EQUITY		
Issued capital	116,026	96,006
Reserves	322	1,051
Retained earnings	(111,396)	(86,886)
TOTAL EQUITY	**4,952**	**10,171**

See note 26 for the Consolidated Statement of Profit or Loss for the year ended 30 June 2020 of the parties to the Deed of Cross Guarantee. All entities incorporated in Australia are the parties of Deed of Cross Guarantee.

Note 26 | Segment information

Accounting policy

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

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

The Group has not disclosed the results of the discontinued operation within the segment disclosures. This decision was based on the fact that the Group did not separately review the results of this division since the decision to dispose of it.

The results of the discontinued operations are disclosed in note 24. There were no discontinued operations during the 2020 financial year.

Revenue by geographical location

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

YEAR ENDED 30 JUNE 2020	Australia $'000	New Zealand $'000	Total $'000
Revenue			
Revenue from Contracts with customers	37,464	4,591	42,055
Government assistance	150	-	150
Total Revenue	37,614	4,591	42,205
Expenses			
Direct expenses of providing services	(21,765)	(2,172)	(23,937)
Employee expenses	(16,020)	(960)	(16,980)
Depreciation and amortisation	(5,155)	(311)	(5,466)
Impairments	(4,990)	-	(4,990)
Interest	(1,277)	(18)	(1,295)
Other expenses	(10,276)	(206)	(10,482)
Total expenses	**(59,483)**	**(3,667)**	**(63,150)**
Segment profit before tax	**(21,869)**	**924**	**(20,945)**
Total assets			
Segment total assets	**25,583**	**1,696**	**27,279**
Total liabilities			
Segment total liabilities	**19,037**	**1,996**	**21,033**

YEAR ENDED 30 JUNE 2019	Australia $'000	New Zealand $'000	Total $'000
Revenue			
Revenue from Contracts with customers	59,247	5,325	64,572
Government assistance	-	-	-
Total revenue	59,247	5,325	64,572
Expenses			
Direct expenses of providing services	(39,023)	(2,896)	(41,919)
Employee expenses	(17,669)	(1,472)	(19,141)
Depreciation and amortisation	(1,989)	(26)	(2,015)
Impairments	(14,553)	-	(14,553)
Interest	(346)	-	(346)
Other expenses	(13,404)	(1,161)	(14,565)
Total expenses	**(86,984)**	**(5,555)**	**(92,539)**
Segment profit before tax	**(27,737)**	**(230)**	**(27,967)**
Total assets			
Segment total assets	**42,374**	**3,479**	**45,853**
Total liabilities			
Segment total liabilities	**32,203**	**2,003**	**34,206**

Major customers

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

Note 27 | Capital and leasing commitments

	Consolidated Group	
	2020 $'000	2019 $'000
OPERATING LEASE COMMITMENTS		
Non- cancellable operating leases contracted for but not recognised in the financial statements		
Not later than 1 year	-	2,080
Between 2 and 5 years	-	3,961
Later than 5 years	-	311
	-	**6,352**

From 1 July 2019, the Group has recognised lease liabilities for these leases. See note 1(i).

Capital Commitments

On the 31st of July 2020, the Group entered into a master services agreement (MSA) with PayWith Australia Pty Ltd to develop the IncentiaPay Products. In addition, the agreement provides for these products to be licenced to the Group for an initial term of 3 years, with the option to convert this licence into a perpetual licence at any time during the initial term.

This MSA follows on from a term sheet which was entered into in May 2020 which established the key commercial terms of the agreement. An amount of $615,000 was committed under the provisions of the term sheet for the development of the IncentiaPay Products of which $50,000 was paid in June and a further $50,000 was accrued for under trade payables. The remaining $515,000 is anticipated to be paid in the first of half of the 2021 financial year.

Note 28 | Contingent liabilities and contingent assets

Security deposit

The parent entity has given the following guarantees as at 30 June 2020:

- Lease of the Sydney office space, $0.7m.
- Guarantee for credit cards facility, $0.1m.
- Lease of the Auckland office space, $0.082m.
- Letter of credit for payroll payment facility, $0.1m.

Note 29 | Financial risk management

Accounting policy

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

The totals for each category of financial instruments, measured in accordance with AASB 139: Financial Instruments: Recognition and Measurement as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated Group	
	2020 $'000	2019 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	5,307	3,460
Deferred consideration	-	3,109
Trade and other receivables	992	2,728
TOTAL FINANCIAL ASSETS	**6,299**	**9,297**
FINANCIAL LIABILITIES		
Trade and other payables	6,235	5,941
Lease liabilities	3,889	-
Borrowings	3,208	4,635
TOTAL FINANCIAL LIABILITIES	**13,332**	**10,576**

Financial risk management policies

Senior management meet on a regular basis to review currency and interest rate exposure and to evaluate treasury management strategies where relevant, in the context of the most recent economic conditions and forecasts.
The overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use credit risk policies and future cash flow requirements.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual liabilities interest payments and exclude the impact of netting agreements.

MATURITY ANALYSIS	2020 Carrying value $'000	2019 Carrying value $'000	CONTRACTUAL CASH FLOWS Within 1 year 2020 $'000	Within 1 year 2019 $'000	1- 5 years 2020 $'000	1- 5 years 2019 $'000	> 5 years 2020 $'000	> 5 years 2019 $'000	Total 2020 $'000	Total 2019 $'000
FINANCIAL ASSETS										
Cash	5,307	3,460	5,307	3,460	-	-	-	-	5,307	3,460
Deferred consideration	-	3,109	-	695	-	2,414	-	-	-	3,109
Trade debtors	992	1,915	992	1,915	-	-	-	-	992	1,915
Other receivables	-	813	-	813	-	-	-	-	-	813
FINANCIAL LIABILITIES										
Trade and other payables	6,235	5,940	6,235	5,940	-	-	-	-	6,235	5,940
Lease liabilities	3,889	-	1,888	-	2,317	-	-	-	4,205	-
Borrowings	3,208	4,635	517	4,169	2,691	466	-	-	3,208	4,635

Accounting classifications and fair values
The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2020	Carrying value receivables	Carrying value Other financial liabilities $'000	Fair value Level 1 $'000	Fair value Level 2 $'000	Fair value Level 3 $'000	Total $'000
Financial assets not measured at fair value						
Cash	5,307	-	-	-	-	5,307
Deferred consideration	-	-	-	-	-	-
Trade debtors	629	-	-	-	-	629
Other receivables	363	-	-	-	-	363
Financial liabilities not measured at fair value						
Trade and other payables	-	6,235	-	-	-	6,235
Lease liabilities	-	3,889	-	-	-	3,889
Borrowings	-	3,208	-	-	-	3,208

30 June 2019	Carrying value receivables	Carrying value Other financial liabilities $'000	Fair value Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets not measured at fair value						
Cash	3,460	-	-	-	-	3,460
Deferred consideration	3,109	-	3,109	-	-	3,109
Trade debtors	1,915	-	-	-	-	1,915
Other receivables	813	-	-	-	-	813
Financial assets not measured at fair value						
Trade and other payables	-	5,941	-	-	-	5,941
Borrowings	-	4,635	-	-	-	4,635

Recognised fair value measurements

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Deferred consideration - based on the present value of the future cash flows, discounted using a 3-year government bond rate.
- Lease liabilities - based on the present value of the future cash flows, discounted using an incremental borrowing rate.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Sensitivity analysis

Directors believe that the fair value of financial assets and liabilities are not sensitive to movements in either interest rates or exchange rates having taken into account the relatively stable interest rate market of our interest exposure and the low number of cross border transactions. Refer to the Market risk section below for further information.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk.

Market risk

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by customers of contract obligations that could lead to a financial loss to the Group.

i. Risk management

Credit risk is managed through the maintenance of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers, ensuring to the extent possible that customers to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 30 days from the invoice date.

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

The Group has no significant concentrations of credit risk with any single customer or group of customers. 24 million of the revenue in note 2 are memberships and gift cards sales, they are cash on delivery, therefore, the Group has no significant credit risk.

Covid-19 impacts have increased the possibility of non-performance by customers, in particularly, customers operating within the travel and leisure sector. The Group started engaging with their customers since the start of the pandemic, providing discount to the existing debts or assisting customers with new sales proportions. As the revenue from travel and leisure was $1.7m which was only 4% of the total revenue for the financial year, therefore, there is no significant credit risk.

ii. Impairment of financial assets

The Group has trade and other receivables that are subject to the expected credit loss model. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in note 8. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

The major customers of trade and other receivables were not affected by Covid-19. As this group of customers are mainly in the energy, banking and insurance industry.

Trade and other receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 8.

b. Liquidity risk

Included in the $3.2 million disclosed in the 2020 borrowings time band is a $0.5 million which is 'within 1 year', the loan is required to be repaid by 30 September 2020. See note 16. Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows.

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 analyses in relation to its operating, investing and financing activities
- monitoring undrawn credit facilities;
- obtaining funding from major financial institutions;
- 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.

i. Financing arrangements

The Group entered into a new Loan Deed with Suzerain on 27 February 2020 for the provision of a $5.83 million facility (including associated borrowing costs). Subsequently, Suzerain has agreed to increase the facility limit of the original loan by $4m to $9.825m. This facility will initially be unsecured with the view to obtaining shareholder approval for security at the Company's next Annual General Meeting, anticipated to be held in November 2020. See note 16.

ii. Maturities of financial liabilities

Interest bearing loan

As at 30 June 2020, the interest bearing loan with Suzerain will mature on 30 September 2020. See note 16.

Additional growth operational facility

As at 30 June 2020, the additional growth capital facility with Suzerain will mature on 31 December 2021. See note 16.

Transformational capital facility

As at 30 June 2020, the transformational capital facility with Suzerain will 18 months from the date of the first drawdown. No drawdown as at 30 June 2020. See note 16.

c. Foreign exchange risk

The Group is exposed to foreign currency risk on the sale of memberships and other fee income from foreign entities and on the translation of its foreign subsidiaries. Senior management has not hedged foreign currency transactions as at 30 June 2020 as $4.6 million of total revenue is in NZD and the foreign currency fluctuation between AUD and NZD is historically insignificant at 0.5% during the year. Foreign exchange risk was therefore, considered insignificant. Senior management continue to evaluate this risk on an ongoing basis.

The exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	2020	2019
	NZD	NZD
	$'000	$'000
Trade debtors	73	218
Trade payables	(91)	(69)

At the end of the financial year, the effect on profit and equity as a result of changes in the foreign exchange rate with all other variables remaining constant would be as follows:

	Profit	Equity
	$'000	$'000
Year ended 30 June 2020		
+/- 0.5% in foreign exchange rates	46	117
Year ended 30 June 2019		
+/- 0.5% in foreign exchange rates	7	74

d. Interest rate risk

The interest rate relating to the borrowings with Suzerain is capitalised at a fixed rate of 10% per annum and repayable by 30 September 2020 and 31 December 2021.

Note 30 | Related party transactions

Key Management Personnel

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

During the year certain remuneration entitlements of executive and non-executive directors were paid, upon request of the directors, to related entities or associates of those Directors.

See note 21 for the value of the related party transactions above.

Other related parties

Other related parties include entities controlled by the Company and entities over which key management personnel have joint control. Amounts disclosed in note 21 includes transactions with associated entities of key management personnel.

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

The following transactions occurred with related parties controlled by key management personnel:

	Consolidated Group	
	2020	2019
	$'000	$'000
Purchases of services from entities controlled by key management personnel	339	-

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

Suzerain and Skybound, related parties to Jeremy Thorpe (Director) and Dean Palmer (Director), have provided a total of $10.3 million loan facilities to the Group. During the period, the Group drew down $3.2 million of the line of credit facility. See note 16 for additional detail.

Note 31 | Events after the reporting period

Employee Share Scheme

The directors approved the establishment of an Employee Share Scheme (ESS) effective on the 28th of July, through an employee trust, being Entertainment Trus Co Pty Ltd, whereby each employee will be gifted $1,000 of shares for no payment. The number of shares will be determined based on the share price at the date they are issued and will be subject to the terms of the plan rules which include:

- A recipient must be an employee of the Group on the 28th of August 2020.
- The shares cannot be sold, assigned, transferred, or used as security before the earlier of
  - The end of three years after the acquisition of the shares,
  - The employee is no longer employed by the Group, or
  - There is a change of control event that occurs after the shares are issued to employees.

Sale of MobileDen

The Group entered into an agreement to dispose of the MobileDen platform and associated assets on the 1st of July 2020 to Mobecom Limited. Consideration for the sale transaction will be determined using revenue over the period of 12 months after settlement. Settlement is dependent on Suzerain Investment Holdings Limited releasing its security interest over the assets, which occurred on the 1st of July 2020. Assets and liabilities associated with this sale have not been reclassified as available for sale in the financial report as they have either been fully recovered or impaired or have been fully settled as at 30 June 2020.

Covid-19

Conditions affecting the macro economic environment and the uncertainty brought on by the Covid-19 pandemic continues after 30 June 2020, and given the nature of the pandemic, the term of this impact is unknown. The Group will continue to monitor the impacts associated with the pandemic, with a view to take appropriate and timely action.

Directors	Mr Stephen Harrison Chairman Mr Jeremy Thorpe Non-Executive Director Dr Charles Romito Non-Executive Director Mr Dean Palmer Non-Executive Director
Company Secretary	Mr Ben Newling
Registered Office	Level 5, 68 Harrington Street The Rocks NSW 2000
Principal place of business	Level 5, 68 Harrington Street The Rocks NSW 2000
Share registry	Link Market Services ACN 083 214 537 Level 12, 680 George Street Sydney NSW 2000 +61 2 8280 7100
Auditor	KPMG Level 38, Tower Three, International Towers Sydney 300 Barangaroo Avenue, Sydney, NSW 2000
Legal advisers	Sundaraj & Ker Level 36, Australia Square 264 George Street Sydney NSW 2000
Bankers	Commonwealth Bank of Australia Level 3, 240 Queen Street Brisbane Qld 4000
Stock exchange listing	IncentiaPay Limited shares are listed on the Australian Securities Exchange (ASX code: INP)
Website	www.incentiapay.com.au