28 February 2022

IncentiaPay makes significant progress with growth strategy in 1H22

IncentiaPay Ltd **(ASX:INP** or **the Company)** Australia and New Zealand's Premier Entertainment, Lifestyle and Rewards Platform, is pleased to present its financial results for the six months ended 31 December 2021.

Financial Highlights:

- Revenue from ordinary activities of $10.1m, increased 0.8% on the previous corresponding period (pcp).
- Cash receipts of $11.1m (up 14.3% on pcp) driven by an uptake of Entertainment membership and gift card sales due to the opening of the economy
- Net operating cashflow outflow of $5.6m as the company continued to invest in technology development of the B2C product stream
- Successful completion of $5.17m entitlement offer to existing eligible shareholders managed by Panthea Capital
- Cash and cash equivalents of $5.45m at end of the period providing capital flexibility to continue to develop B2B Seamless Rewards business and return core B2C business back to profitability

Operational Highlights:

- Strong progress with proposed B2B Seamless Rewards business, pilot partnership agreed industry leading loyalty provider with launch expected in Q3 FY22
- Proof of concept of the 7Rewards application commenced with 60,000 7Plus members getting access and other measures rolled out to drive engagement
- Launch of *Entertainment Wine Community,*(in partnership with James Halliday, co-founder of Junovate). Entertainment's first Online Marketplace
- Solid advancement with returning core B2C business to profitability in a COVID-19 impacted environment

Corporate Highlights:

- Strengthened the senior management team with the addition of Ani Chakraborty as CEO, Ryan Rodrigues as GM of Product, Operations and Technology, and Ben Newling appointed as CFO

Commenting on the performance for the period, IncentiaPay Chief Executive Officer Ani Chakraborty said: *"During the first half of FY22 we have laid the groundwork to transform the company with a new growth strategy that harnesses the heritage of our Entertainment-branded assets to build an offers and rewards marketplace, which connects merchants wanting more business with consumers seeking entertainment, lifestyle and leisure experiences, all at great value. We signed our first enterprise customer to pilot our Seamless Rewards program and secured a partnership for our first online marketplace offering with Entertainment Wine Community. We also continue to make solid advancements across our core Entertainment and Frequent Values businesses with the aim of positioning IncentiaPay as a market leader in the growing loyalty and engagement sector. Over the remainder of FY22 we will focus on further developing our*

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Seamless Rewards program and online marketplace offerings, with these new channels offering transformational growth potential for our business."

Financials

Revenue from ordinary activities increased 0.8% versus the previous corresponding period to $10.1m. Revenue levels continued to be impacted by COVID lockdowns, extended restrictions, and border closures during the first quarter of the financial year and increasing COVID-19 infections towards the end of the second quarter.

During the period the company continued to upgrade the consumer technology platform, after the launch of the new Entertainment app in FY2021, with the focus on integration of back-end systems and processes to streamline availability of merchant offers.

Additional operating expenditure associated with continued progress of the Seamless Rewards project, which will provide tailored, entertainment-based incentives and loyalty and rewards programs to large enterprise customers via a card-linked offer (CLO), or card scheme and an existing loyalty program also contributed to the increasing expenses.

The combination of our investment and additional operating expenditure associated with our growth strategy resulted in an increase in operating costs to $11.9m, delivering an EBITDA loss of $6.0m (1HFY21 loss of $0.5m)

The net loss for the period of $7m widened versus 1H FY21 levels (loss of $3m) due to the combination of lower than anticipated revenues and higher operating costs.

Cash and cash equivalents of $5.45m at end of the period together with the anticipated additional funding detailed under subsequent events, provides capital flexibility to continue to develop B2B Seamless Rewards business and return core B2C business back to profitability.

Operational highlights

Seamless Rewards

During the half-year, IncentiaPay made solid progress with its proposed B2B Seamless Rewards business, which is designed to provide tailored, entertainment-based incentives, loyalty, and rewards programs to large enterprise customers via a card-linked offer (CLO) or card scheme with an existing loyalty program. The Company secured an agreement with The Spineka Group Pty Ltd (Spineka) to develop and maintain the technology for its Seamless Rewards business

IncentiaPay also executed an agreement with a leading loyalty provider to conduct a CLO program pilot for one of its loyalty programs which is expected to launch in Q3 FY22.

B2B business

IncentiaPay is currently focused on re-platforming its B2B 'Frequent Values' product for its enterprise customers and expects to launch an engagement uplift program in order to increase engagement over the coming months. It will allow IncentiaPay to provide tailored, white-label entertainment-based offers, incentives, loyalty and rewards programs for large enterprises to offer to their employees and customers.

The Company used its new platform for the three-month proof of concept of the of 7Rewards application which commenced in December as part of the new partnership with SevenWest Media's (ASX:SWM) video-on-demand service, 7Plus Pty Ltd (7Plus).

Launch of Entertainment Wine Community direct-to-consumer wine marketplace

In November, IncentiaPay partnered with wine technology start-up Junovate (co-founded by James Halliday) and Spineka to launch *Entertainment Wine Community*, a direct-to-consumer (DTC) marketplace that connects customers with Australian wineries and enables them to purchase from multiple cellar doors in one transaction. The Community is on track to go live in Q4 FY22.

Strong progress with returning core B2C business to profitability

IncentiaPay remains focused on its strategic growth pillar of returning its core B2C business back to profitability via the management of renewals and reactivations, improved marketing campaigns and new payment options. The B2C business has shown positive signs, despite lockdowns in Sydney and Melbourne during the half. As at 31 December, the Company had nearly 10,000 merchant offers across nearly 15,000 locations around Australia, making IncentiaPay a market leader in the sector.

Outlook

IncentiaPay continues to invest in our people, operating platforms and entertainment-based incentives and loyalty and rewards programs to position the Company to benefit from the positive macro trends in loyalty programs. This continued investment coupled with the revenue recognition of our annual membership, will likely see a short-term decline in statutory profit for the full year FY22.

Despite this, our new channels, which we have invested in, offer transformational growth potential which will drive revenue growth in FY23 and beyond. With an unparalleled merchant asset base of over 6,500 members, IncentiaPay is well positioned to expand our membership base and drive shareholder value.

This announcement has been authorised for release by the Board of Directors of IncentiaPay Ltd.

-ends-

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About IncentiaPay

Through its Entertainment-branded subsidiaries, IncentiaPay provides a marketplace for offers and rewards which connects merchants wanting more business with consumers seeking entertainment, lifestyle and leisure experiences at great value.

Founded in 1994, Entertainment is a trusted and iconic source of member-only offers and deals that manages the largest and most comprehensive amount of entertainment-related merchant content; provides fundraisers, merchants and enterprises with advanced data and campaign analytics; and markets to the largest closed-group of subscription-paying members in Australia and New Zealand.

It generates revenue through member subscription fees and marketplace features that provide data-as-a-service and targeted campaign value to merchants, enterprise and fundraising partners.
www.incentiapay.com.au

Half Year Report and Appendix 4D

IncentiaPay Limited (INP or the Company)
(ABN 43 167 603 992)

Results for announcement to the market

This interim report of IncentiaPay Limited is provided to the Australian Securities Exchange (**ASX**) under ASX Listing Rule 4.2A.

1. Reporting period details

Current reporting period:	Half-year ended 31 December 2021 (**FY2022**)
Previous corresponding period:	Half-year ended 31 December 2020 (**FY2021**)

2. Results

Results	Direction	%		Half Year Ended 31 Dec 2021		Half Year Ended 31 Dec 2020
Revenue from ordinary activities ($'000's)[2]	▲	0.8%	to	10,095	from	10,018
Underlying EBITDA ($'000's)[1]	▼	2,835%	to	(5,929)	from	(202)
Loss from ordinary activities after tax attributable to members ($'000')	▼	136%	to	(7,013)	from	(2,974)
Net loss for the period attributable to members ($'000')	▼	136%	to	(7,013)	from	(2,974)
Basic loss per share (NPAT) (cents)	▼	70%	to	(0.75)	from	(0.44)
Net tangible assets per share (cents)	▲	42%	to	(0.91)	from	(1.56)

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

[2] Revenue from ordinary activities excludes interest income, other miscellaneous revenue, and significant one-off government assistance.

Note:

The information contained in this Appendix, and the attached Half Year Financial Report, do not include all the notes of the type normally included in annual financial statements. Accordingly, these reports are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001

Additional information supporting the Appendix 4D disclosure requirements can be found in the attached Directors' Report and the consolidated financial statements for the half-year ended 31 December 2021.

incentiapay

3. Summary of 1HFY2022 Operational Results

Performance	Ref	Half Year ended 31 Dec 21 $'000	Half Year ended 31 Dec 20 $'000
Revenue			
Fee income - Paid advertising		267	280
Fee Income – Travel booking		19	31
Membership subscriptions		4,165	3,734
Enterprise sales		1,319	1,798
Gift card sales		4,325	4,175
Revenue from Ordinary Activities		**10,095**	**10,018**
Profit on sale of assets		10	66
Government Assistance		-	123
Miscellaneous income		31	93
Total Gross Revenue[2,3]		**10,135**	**10,300**
Cost of gift cards		(4,200)	(4,032)
Operating costs		(11,864)	(6,471)
Underlying EBITDA[1]		**(5,929)**	**(203)**
Significant one-off items[1]			
Government assistance[2]	**4.1**	676	-
Asset impairment	**4.2**	(310)	-
Redundancy/termination costs	**4.3**	(252)	-
Share based payments	**4.4**	(173)	(230)
Other significant items		-	(103)
EBITDA[1]		**(5,988)**	**(536)**
Depreciation & amortisation		(628)	(2,230)
EBIT[1]		**(6,616)**	**(2,766)**
Net interest expense[2]		(397)	(394)
Profit/(loss) before tax		**(7,013)**	**(3,160)**
Income tax benefit		-	186
Net profit/(loss) after tax		**(7,013)**	**(2,974)**

1 non-AIFRS items

2 Gross Revenue excludes government assistance of $676k, as this has been classified as a Significant one-off item and interest income of $17k (2021: $7k), as this has been included in Net interest expense.

Revenue

Revenue for ordinary activities 1HFY2022 was $10.1m compared to $10.0m in 1HFY2021. This included $0.29m, or 2.8% from fee income (2021: $0.31m, 3.1%), $4.2m, or 41.3% from membership sales (2021: $3.7m, 37.3%), $1.3m, or 13.1% from enterprise client sales (2021: $1.8m, 17.9%) and $4.3m, or 42.8% from gift card sales (2021: $4.2m, 41.7%).

Government assistance, other than JobKeeper in Australia and Wage Subsidy in New Zealand, amounted to $0.7m (2021: $0.1m). The government assistance in the current period is JobSaver support provided by the NSW state government and has been excluded from ordinary revenue and included as a significant one-off item when determining Underlying

EBITDA. Jobkeeper was not received during 1HFY2022 compared to $1.8m during 1HFY2021 which was offset against employee expenditure.

Membership revenue increased by 11.5% which reflects the initial slow recovery in sales in the second half FY2021, which under accounting standards is earned over the period of the membership. Membership sales on a cash basis in the first half of the FY2022 is 22% higher than the same period in FY2021, despite lockdowns in New South Wales and Victoria during the first quarter, and the effects of the Omicron variant in the second quarter. This increase also reflects a shift in the seasonality given membership extensions applied during periods of restriction. In addition, the continued disruption to hospitality, leisure and the travel sectors, has supressed the expected recovery in Entertainment membership sales.

Enterprise revenue decreased by 26.6% due to development work focused on re-platforming Frequent Values, resulting in renewal delays with some key enterprise partners. A re-engagement program is planned to be launched, to roll out the new platform to both new and existing enterprise clients.

Advertising and travel combined is 8% down on the previous year due to continued travel restrictions, state border closures, and availability and affordability of travel options across the travel and leisure industries.

Gift cards continued to provide members with real value during FY2022 due to core partnerships with key retailers and the ability to use them online, resulting in an increase in gift card sales of 3.6%. A range of new retailers were added during the last 6 months to strengthen the variety of cards on offer, in particular Harvey Norman, Plush, Kathmandu and Sheridan. Consistent review of supplier terms and cautious inventory management has maintained margins at expected levels.

Net Loss After Tax

Reported net loss after tax (NLAT) for 1HFY2022 was $7.0m (1HY2021: loss of $2.97m), which is predominantly attributed to:

- Revenue under-performing because of the impacts of lockdowns, extended restrictions, and border closures during the first quarter, and increasing COVID-19 infections towards the end of the second quarter.
- Continued investment in the consumer technology platform, after the launch of the new Entertainment app in FY2021, with the focus on integration of back-end systems and processes to streamline availability of merchant offers.
- Launch of Entertainment Wine Community project, an online marketplace in partnership with Junovate and Spineka.
- Additional operating expenditure associated with continued progress of the Seamless Rewards project, which is designed to provide tailored, entertainment-based incentives and loyalty and rewards programs to large enterprise customers via a card-linked offer (CLO) or card scheme and an existing loyalty program.
- Continued external strategic support during the last 6 months to assist with the key transformation initiatives.

In addition, as mentioned above, no JobKeeper government support was received during the period which totalled $1.8m during the same period in the prior year, which was offset against operating employee expenditure incurred.

4. Significant One-off Items

4.1. Government Assistance -$676k

During the period under review, the Group received JobSaver support from the NSW government based on the impact that COVID-19 and corresponding restrictions had on sales. The criteria associated with the receipt of this support did not prohibit reducing employee costs with targeted stand downs and therefore is not considered an offset of employee costs otherwise incurred.

Given the changing landscape with respect to government support, we do not anticipate this support to continue.

4.2. Asset Impairment - ($310k)

During the financial year ending 30 June 2021, the Group capitalised development costs related to core product platforms and back-end support systems onto the balance sheet, as part of the first phase of the technology transformation. Subsequently, in the first half of FY2022, a more flexible technology platform was identified. The Group will shift its digital assets away from the current platform to the new opensource solution. This cost item reflects the change in strategy and the associated reduction in the carrying value on the balance sheet.

4.3. Redundancy/Termination Costs - ($252k)

During the 6 months ending 31 December 2021, certain key positions were made redundant as part of a shift in direction brought on by the Board appointing a new CEO. This item includes the cost of those made redundant as well as the termination costs related to the departing CEO.

4.4. Share based payment - ($173k)

During FY2021, the Board approved and implemented a Loan Funded Share Scheme (LFS) for Ben Newling and Henry Jones. Upon the termination of Henry Jones, all shares both vested and unvested were forfeited, other than shares attributed to Tranche 2, which were awarded under a modification to original terms of the loan funded share agreement. All amortised expenditure other than that related to Tranche 2 was credited directly to retained earnings and was not accounted for through the profit and loss statement.

A breakdown of the amount is presented below:

	Half year Ended 31 Dec $'000
Ben Newling	30
Henry Jones	143
Total	**173**

Ben Newling: Amortisation of the LFS Share scheme, disclosed in the 30 June 2021 annual report, for the period ending 31 December 2021.

Henry Jones: Tranche 2 of the LFS scheme was awarded in December 2021 by the Group as part of a modification to the original arrangement as a result of his departure from the business.

This amount reflects the change in fair value of the loan funded shares for tranche 2. Additional information related to the tranches are accessible in the 30 June 2021 annual report.

5. Non-IFRS Financial Information

Within this Appendix 4D 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.

6. Dividends

No interim dividend was paid or proposed for the period.

7. Entities over which control was gained or lost during the period

No control was gained or lost over entities during the half year ended 31 December 2021.

8. Independent Auditor's Review

The condensed consolidated financial statements for IncentiaPay Limited and its controlled entities for the half year ended 31 December 2021 have been reviewed by the Group's independent auditors (KPMG) and a copy of their review report is included in the attached 31 December 2021 half-year financial report.

KPMG have noted the various factors set out in the going concern discussion included in Note 1 of the 31 December half-year financial report and have included 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.

Signed: Date: 28 February 2022

Stephen Harrison

Stephen

Harrison Chair

INCENTIAPAY LIMITED

ABN 43 167 603 992

HALF-YEAR FINANCIAL REPORT

FOR THE SIX MONTHS ENDED
31 DECEMBER 2021

Contents

The Directors present their report on the consolidated entity IncentiaPay Limited and its controlled entities ("INP" or "the Group") for the half year ended 31 December 2021.

Directors

The following persons were Directors of Incentiapay Limited during or since the end of the half year, up to the date of this report:

- Stephen Harrison
- Jeremy Thorpe
- Charles Romito
- Dean Palmer

Company Secretary

Ben Newling

Review of Operations

Founded in 1994, as The Entertainment Book, Incentiapay has evolved to become Australia and New Zealand's Premier Entertainment, Lifestyle and Rewards Platform Operator for individuals and enterprises.

Our marketing programs connect merchants with consumers seeking great offers on dining, entertainment, lifestyle and leisure experiences through direct digital memberships and loyalty programs.

We exist to support great causes, local businesses and provide our consumers an opportunity to give, get and share.

Financial Review

Revenue from ordinary activities increased 0.8% versus the previous corresponding period to $10.1m. Revenue levels continued to be impacted by COVID lockdowns, extended restrictions, and border closures during the first quarter of the financial year and increasing COVID-19 infections towards the end of the second quarter.

During the period the company, continued to invest in our consumer technology platform, after the launch of the new Entertainment app in FY2021, with the focus on integration of back-end systems and processes to streamline availability of merchant offers.

Additional operating expenditure associated with continued progress of the Seamless Rewards project, which is designed to provide tailored, entertainment-based incentives and loyalty and rewards programs to large enterprise customers via a card-linked offer (CLO) or card scheme and an existing loyalty program, also contributed to the increasing expenses.

The combination of our investment and additional operating expenditure associated with our growth strategy resulted in an increase in operating costs to $11.9m, delivering an EBITDA loss of $6m (1HFY21 loss of $0.5m)

The net loss before tax for the period of $7m widened versus 1HFY21 levels (loss of $3.2m) due to the combination of lower than anticipated revenues and higher operating costs.

Cash and cash equivalents of $5.45m at end of the period together with the anticipated additional funding detailed under subsequent events, provides capital flexibility to continue to develop B2B Seamless Rewards business and return core B2C business back to profitability.

Revenue

Revenue from ordinary activities for 1HFY2022 was $10.1m compared to $10.0m in 1HFY2021. This included $0.3m, or 2.8% from fee income (2021: $0.3m, 3.1%), $4.2m, or 41.3% from membership sales (2021: $3.7m, 37.3%), $1.3m, or 13.1% from enterprise client sales (2021: $1.8m, 17.9%) and $4.3m, or 42.8% from gift card sales (2021: $4.2m, 41.7%).

Government assistance, other than JobKeeper in Australia and Wage Subsidy in New Zealand, amounted to $0.7m (2021: $0.1m). The government assistance in the current period is JobSaver support provided by the NSW state government and has been excluded from ordinary revenue and included as a significant one-off item when determining Underlying EBITDA. JobKeeper was not received during 1HFY2022 compared to $1.8m during 1HFY2021 which was offset against employee expenditure.

Membership revenue increased by 11.6% which reflects the initial slow recovery in sales in the second half FY2021, which under accounting standards is earned over the period of the membership. Membership cash receipts in the first half of the FY2022 is 22% higher than the same period in FY2021, despite lockdowns in New South Wales and Victoria during the first quarter, and the effects of the Omicron variant in the second quarter. This increase also reflects a shift in the seasonality given membership extensions applied during periods of restrictions. In addition, the continued disruption to hospitality, leisure, and the travel sectors, has supressed the expected recovery in Entertainment membership sales.

Enterprise revenue decreased by 26.6% due to development work focused on re-platforming Frequent Values, resulting in renewal delays with some key enterprise partners. A re-engagement program is planned to be launched, to roll out the new platform to both new and existing enterprise clients.

Advertising and travel combined is 8% down on the previous year due to continued travel restrictions, state border closures, and availability and affordability of travel options across the travel and leisure industries.

Gift cards continued to provide members with real value during FY2022 due to core partnerships with key retailers and the ability to use them online, resulting in an increase in gift card sales of 3.6%. A range of new retailers were added during the last 6 months to strengthen the variety of cards on offer, in particular Harvey Norman, Plush, Kathmandu and Sheridan. Consistent review of supplier terms and cautious inventory management has maintained margins at expected levels.

Net Loss After Tax

Reported net loss after tax (NLAT) for 1HFY2022 was $7.01m (1HY2021: loss of $2.97m), which is predominantly attributed to:

- Revenue under-performing because of the impacts of lockdowns, extended restrictions, and border closures during the first quarter, and increasing COVID-19 infections towards the end of the second quarter.
- Continued investment in the consumer technology platform, after the launch of the new Entertainment app in FY2021, with the focus on integration of back-end systems and processes to streamline availability of merchant offers.
- Launch of Entertainment Wine Community project, an online marketplace in partnership with Junovate and Spineka.
- Additional operating expenditure associated with continued progress of the Seamless Rewards project, which is designed to provide tailored, entertainment-based incentives and loyalty and rewards programs to large enterprise customers via a card-linked offer (CLO) or card scheme and an existing loyalty program.
- Continued external strategic support during the last 6 months to assist with the key transformation initiatives.

In addition, as mentioned above, no JobKeeper government support was received during the period which totalled $1.8m during the same period in the prior year. This was offset against operating employee expenditure incurred due to the receipt JobKeeper.

Entitlement Offer raises $5.17 million

In December, IncentiaPay successfully raised approximately $4.162 million through a 1 for 4.3 renounceable pro rata Entitlement Offer for new fully paid ordinary shares to eligible shareholders managed through Panthea Capital.

Under the offer, valid applications were received from eligible shareholders for 189,186,349 offer shares, representing an 81% take up rate of entitlements by eligible shareholders. The offer shortfall was issued to third parties via a top-up facility on the same terms as the Entitlement Offer and was fully subscribed raising a further $1.01m (45,817,543 shares). In total, the raise was $5.17m.

Proposed updated funding arrangement with major shareholder Suzerain

In December, IncentiaPay announced it was in discussions with an associate of its majority shareholder, Suzerain Investments Holdings Limited (Suzerain), regarding the provision of a further credit facility of approximately $17 million to the Company.

At this stage, the discussions are progressing well, and we expect to update the market on this important milestone once all terms are finalised and executed.

Operational Review

The IncentiaPay Platform ecosystem brings together merchants, consumers, and fundraisers, while supporting local economies and fundraising needs.

Seamless Rewards

During the half-year, IncentiaPay made solid progress with its proposed B2B Seamless Rewards business, which is designed to provide tailored, entertainment-based incentives, loyalty, and rewards programs to large enterprise customers via a card-linked offer (CLO) or card scheme with an existing loyalty program.

The Company secured an agreement with The Spineka Group Pty Ltd (Spineka) to develop and maintain the technology for its Seamless Rewards business. Spineka is a software company owned and managed by two former executives of former ASX-listed cashback group Cashrewards Ltd. The agreement allows IncentiaPay to build its technology on Spineka's pre-existing intellectual property (IP) and provides the option to purchase all underlying IP.

IncentiaPay also executed an agreement with a leading loyalty provider to conduct a CLO program pilot for one of its loyalty programs which is expected to launch in Q3 FY22. The Company is also in discussions with all major CLO providers for leveraging its market leading content services for their programs.

B2B business

IncentiaPay is currently focused on re-platforming its B2B 'Frequent Values' product for its enterprise customers and expects to launch an engagement uplift program in order to increase engagement over the coming months.

The Company used its new platform for the three-month proof of concept of the of 7Rewards application which commenced in December as part of the new partnership with SevenWest Media's (ASX:SWM) video-on-demand service, 7Plus Pty Ltd (7Plus).

This first phase of the 7Rewards rollout includes 5,000 7Plus members having access to the 7Rewards app, followed by a push campaign to 60,000 7Plus customers and further measures to drive engagement. The data obtained will be used to finalise 7Rewards' approach for future Loyalty program design.

Launch of Entertainment Wine Community direct-to-consumer wine marketplace

In November, IncentiaPay launched *Entertainment Wine Community* in partnership with wine technology start-up Junovate and Spineka. *Entertainment Wine Community* is a direct-to-consumer (DTC) marketplace that connects customers with Australian wineries and enables them to purchase from multiple cellar doors in one transaction.

The first stage of the rollout commenced in November with nearly 100 wineries providing their expressions of interest as at 31 December. The Community is on track to go live in Q4 FY22.

Strong progress with returning core B2C business to profitability

IncentiaPay remains focused on its strategic growth pillar of returning its core B2C business back to profitability via the management of renewals and reactivations, improved marketing campaigns and new payment options.

The B2C business has shown positive signs through the half, despite lockdowns in Sydney and Melbourne during the half as well as the emergence of the Omicron COVID-19 variant, which has temporarily impacted revenues in the B2C channel.

As at the end of the half, the Company had nearly 10,000 merchant offers, making IncentiaPay a market leader in the sector.

Senior leadership changes

In December, Ani Chakraborty succeeded Henry Jones as IncentiaPay's Chief Executive Officer.

The Company's Chief Operating Officer (COO) and Company Secretary Ben Newling was appointed as the Company's Chief Financial Officer (CFO) effective from 1 January 2022.

In addition to his appointment as CFO, Mr Newling will continue to maintain his existing role as Company Secretary. The COO function has been amalgamated into a GM of Product, Operations and Technology role to which Ryan Rodrigues was appointed in November.

Mr Rodrigues joins IncentiaPay from information technology group, Dialog Information Technology and brings more than 25 years of product and technology delivery experience and will significantly strengthen IncentiaPay's implementation capabilities.

Outlook
IncentiaPay continues to invest in our people, operating platforms and entertainment-based incentives and loyalty and rewards programs to position the Company to benefit from the positive macro trends in loyalty programs. This continued investment coupled with the revenue recognition of our annual membership, will likely see a short-term decline in statutory profit for the full year FY22.

Despite this, our new channels, which we have invested in, offer transformational growth potential which will drive revenue growth in FY23 and beyond. With an unparalleled merchant asset base of over 6,500 members, IncentiaPay is well positioned to expand our membership base and drive shareholder value.

ASIC Instrument 2016 / 191 Rounding in Financials/Directors' Reports

The Group is of a kind referred to in ASIC Instrument 2016/191. Accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

Events after the end of the Interim Period

At the AGM held on the 20th of January 2022, the shareholders approved a second ranking security deed (ranking behind Suzerain), for the debt facility with New Gold Coast Holdings over all the Group's present and future property.

As announced on the 17th of December 2021, the Board is in the process of securing additional financial assistance in the form of a convertible loan of $17m with the largest shareholder, Suzerain. Discussions have advanced, and the Board expects to finalise this with New Gold Coast Holdings, an associate of Suzerain, after 31 December 2021, amounting to $22.5m which will be available to use for working capital requirements, and expects to formalise this by 31 March 2022. This convertible loan incorporates the previous loan of $5m, which has a due date in December 2022. Suzerain, Skybound and New Gold Coast Holdings are related parties to Directors, Jeremy Thorpe and Dean Palmer.

The board has commenced discussions with Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund (Skybound) to renegotiate the repayment terms of the transformational capital facility from the current date in February 2022 to December 2023 and is confident of a successful outcome.

Auditor's Independence Declaration

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

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

Dated this 28th day of February 2022.

Stephen Harrison
Chairman

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of IncentiaPay Limited

I declare that, to the best of my knowledge and belief, in relation to the review of IncentiaPay Limited for the half-year ended 31 December 2021 there have been:

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

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

KPMG	Jeffrey Frazer
	Partner
	Gold Coast
	28 February 2022

		Consolidated Group	
	Note	Half-year ended 31-Dec-21 $'000	Half-year ended 31-Dec-20 $'000
Revenue and other income	2	10,828	10,307
Direct expenses of providing services	3	(5,209)	(4,831)
Impairments	3	(310)	-
Employee expenses	3	(6,746)	(3,901)
Depreciation and amortisation expense	3	(628)	(2,230)
Building occupancy expense	3	(35)	(78)
Finance costs	3	(414)	(401)
Legal and professional costs		(2,073)	(326)
Marketing expenses		(390)	(311)
Website and communication		(1,100)	(784)
Bad debts	3	21	(51)
Other expenses		(957)	(554)
Loss before income tax		**(7,013)**	**(3,160)**
Tax benefit		-	186
Loss for the period		**(7,013)**	**(2,974)**
Net loss attributable to: Members of the parent entity		**(7,013)**	**(2,974)**
Other comprehensive income			
(Loss)/Gain arising from translating foreign controlled entities from continuing operations		6	(2)
Total comprehensive loss for the period		**(7,007)**	**(2,976)**
Loss per share			
Loss from continuing operations		(0.7)	(0.4)
Total		**(0.7)**	**(0.4)**

The accompanying notes form part of these financial statements.

		Consolidated Group	
Current assets	**Note**	**As at 31 Dec 2021 $'000**	**As at 30 June 2021 $'000**
Cash and cash equivalents		5,445	3,228
Trade and other receivables		658	1,000
Inventories		131	155
Other assets	5	1,643	1,968
Total current assets		**7,877**	**6,351**
Non-current assets			
Trade and other receivables		313	523
Right-of-use asset		47	158
Property, plant, and equipment		657	811
Intangible assets	6	15,370	15,813
Total non-current assets		**16,387**	**17,305**
TOTAL ASSETS		**24,264**	**23,656**
Current liabilities			
Trade and other payables		5,507	5,981
Lease liabilities		954	1,055
Borrowings	8	4,904	4,579
Deferred revenue	9	4,272	4,526
Provisions	7	930	1,042
Total current liabilities		**16,567**	**17,183**
Non-current liabilities			
Lease liabilities		705	1,123
Borrowings	8	28	28
Deferred revenue	9	27	32
Provisions	7	130	132
Total non-current liabilities		**890**	**1,315**
TOTAL LIABILITIES		**17,457**	**18,498**
NET ASSETS		**6,807**	**5,158**
EQUITY			
Issued capital	10	131,467	122,984
Reserves	11	685	733
Accumulated losses		(125,345)	(118,559)
TOTAL EQUITY		**6,807**	**5,158**

The accompanying notes form part of these financial statements

INCENTIAPAY LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	Ordinary share capital $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Share based payments reserve $'000	Total $'000
Balance at 1 July 2020		**116,026**	**(110,157)**	**377**	**-**	**6,246**
Comprehensive income						
Loss for the period		-	(2,974)	-	-	(2,974)
Other comprehensive income						
Exchange differences on translation of foreign operations		-	-	(2)	-	(2)
Total comprehensive loss for period		**-**	**(2,974)**	**(2)**	**-**	**(2,976)**
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the period		624	-	-	-	624
Transaction costs of shares issued		(17)	-	-	-	(17)
Movement during the period		-	-	-	138	138
Total transactions with owners and other transfers		**607**	**-**	**-**	**138**	**745**
Balance at 31 December 2020		**116,633**	**(113,131)**	**375**	**138**	**4,015**
Balance at 1 July 2021		**122,984**	**(118,559)**	**371**	**362**	**5,158**
Comprehensive income						
Loss for the period		-	(7,013)	-	-	(7,013)
Other comprehensive income						
Exchange differences on translation of foreign operations		-	-	6	-	6
Total comprehensive loss for period		**-**	**(7,013)**	**6**	**-**	**(7,007)**
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the period[1]		8,618	-	-	-	8,618
Transaction costs of shares issued		(135)	-	-	-	(135)
Employee share-based payments[2]			227		(227)	-
Movement during the period[2]		-	-	-	173	173
Total transactions with owners and other transfers		**8,483**	**227**	**-**	**(54)**	**8,656**
Balance at 31 December 2021		**131,467**	**(125,345)**	**377**	**308**	**6,807**

1 On 23 September 2021, Suzerain opted to convert $3,448,486 of their convertible loan into 104,740,097 ordinary shares at $0.033 per share, and subsequently, on 8 December 2021, the Group issued 235,003,892 shares at $0.022 under the entitlement offer. See note 10 for details.

2 Refer to note 11 for additional information related to share-based payments reserve.

		Consolidated Group	
	Note	Half-year ended 31-Dec-21 $'000	Half-year ended 31-Dec-20 $'000
Cashflows from operating activities			
Receipts from customers		11,104	9,713
Interest received		13	7
Government assistance received		676	1,800
Payments to suppliers and employees		(17,360)	(13,798)
Net cash used in operating activities		**(5,567)**	**(2,278)**
Cashflows from investing activities			
Purchase of property, plant, and equipment		(15)	(23)
Purchase of intangibles		(390)	(1,395)
Proceeds from sale of business assets		-	3
Proceeds from term investments		-	103
Net cash (used in)/provided by investing activities		**(405)**	**(1,312)**
Cashflows from financing activities			
Net proceeds from issue of shares		5,250	515
Proceeds from borrowings		3,728	2,659
Interest and other finance costs		(380)	(97)
Principal element of lease payments		(423)	(834)
Net cash provided by financing activities		**8,175**	**2,243**
Net increase/(decrease) in cash held		2,203	(1,347)
Effects of exchange rate changes on cash held		14	(1)
Cash and cash equivalents at beginning of financial period		3,228	5,306
Cash and cash equivalents at the end of the financial period in continuing operations		**5,445**	**3,958**

Note 1 | Summary of Significant Accounting Policies

Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2021 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Incentiapay Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 28 February 2022.

Going concern

The consolidated half-year 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 half-year ending 31 December 2021 the group progressed its technology transformation to the next phase, which included a focus on open-source platforms with benefits related to integration and flexibility. Additionally, the Group has turned its attention to the corporate division through the re-engagement of Frequent Values customers and replatforming the core technology.

The Group operates in an industry that has continued to be impacted by Covid-19 during the 6 months ended 31 December 2021. The Entertainment membership which traditionally anchors retail revenue, has continued to be impacted by widespread lockdowns during the first quarter of the 2022 financial year, which has had a downward pressure on revenue and has been reflected in the cash projections over the next 12 months. The Group has however maintained customer engagement in the corporate space with the replatforming of the Frequent Values product and has also made significant progress in the setup of the card linked business initiative being Entertainment Seamless Rewards.

Membership extensions have slowed down and those in place have diminished over the last 6 months. The membership periods are now approximating the standard 12 months, which has been reflected in the cash flow projections to assess the Group's viability as a going concern.

At 31 December 2021, the Group had cash on hand of $5.4m, net assets of $6.8m and a net current asset deficiency of $8.7m. During the half-year ended 31 December 2021, the Group incurred a net loss before tax of $7.0m and incurred net cash outflows from operating activities of $5.6m.

The Directors have prepared cash flow projections for the period from 1 January 2022 to 28 February 2023 that support the ability of the Group to continue as a going concern. Most notable aspects of the cash flow projections include:

- Continued technology transformation centred around enhancement of new Entertainment and Frequent Value apps and updated websites built on a technology platform which will serve as a foundation for new revenue opportunities.
- The launch of Seamless Rewards, a card linked rewards product, and The Wine Bunch, as new revenue streams leveraging the Entertainment brand and reputation in the loyalty and rewards sector, Entertainment members, and using existing relationships to facilitate the onboarding of merchants onto the new platform.
- Stable trading conditions with minimal growth from a lower baseline in the core Entertainment membership as state and territories return to normalised activities.
- Investment in the decommissioning of legacy technology to streamline underlying processes with integrated systems.
- Continued support from the Group's major shareholder, Suzerain, through the availability of additional financing facilities and accommodative repayment terms. As per the announcement on the 17th of December 2021, the Group is in discussions for the provision of a further credit facility of $17m. See note 14 for more information.
- Additionally, there is an expectation the Group will defer the repayment of $6.8m in respect of loans provided by Suzerain and its related entities, either already passed repayment date or is expected to be settled in the next 12 months. Additional information disclosed as subsequent events in note 14.

The funding of ongoing operations of the Group is dependent upon the Group continuing to access the Suzerain and related parties' facilities and/or the Group carefully managing expenditure revenue in-line with current cash and funding resources. As of 31 December 2021, the Group had undrawn financing facilities from Suzerain and related parties' totalling $1.9m. See note 8 for further information. This undrawn amount remained the same at the date of the approval of this half year 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 given the Group has a demonstrated track record of raising additional capital and/or additional borrowings, when necessary, the going concern basis on which the financial report has been prepared is appropriate.

However, should the Group not meet its cash flow projections which are highly sensitive to assumptions made in respect of revenue performance whereby the effects of COVID-19 may continue for an extended period and result in significant adverse financial impacts to the Group, including not obtaining the Suzerain financial support as required and/or obtaining alternative financing, the achievement of which is uncertain until achieved or secured as necessary, 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) Principles of Consolidation

The consolidated financial statements incorporate all 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.

(b) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

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

(c) Goods and Services Tax (GST)

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

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

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

(d) Comparative Figures

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

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.

(e) Rounding of Amounts

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

(f) New standards, interpretations and amendments adopted by the Group

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and is yet to assess the impact.

(g) Critical Accounting Estimates and Judgements

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

Given the dynamic nature of Covid-19, the Group has considered the potential impacts on carrying values of assets and liabilities and potential liabilities. 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 in the going concern assumption;
- Updated its economic outlook – principally for the input into the impairment analysis of financial and non-financial asset classes and disclosures.
- 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 estimates and judgements

Key judgements

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.

Key estimates

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.

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 half year ended 31 December 2021 can be found in note 6.

During the first half of 2022, the Group re-assessed the use of current technology platforms on which development had already commenced and decided to move to an alternative open-source platform, providing more integration potential and allowing better flexibility. This resulted in an impairment adjustment, that can be seen in note 6.

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 applicable period of the memberships. During the height of Covid in the first half of 2021 financial year, the company sold memberships with extended periods to accommodate limited access to merchants and rewards. The extended periods have been considered in calculating revenue under AASB15.

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 following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of services	Nature and timing of satisfaction of performance obligations and revenue recognition policies
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 at point in time 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 receivable for bookings are recognised at point in time 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 through which the Group acts 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 at point in time 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 when revenue is recognised over time. 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 a reduction in revenue over the life of the subscription.
Enterprise 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 over the period of time 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 to members is recognised at a point in time when the gift card is provided to the customer, and it is paid for. The Group is a principal in these transactions as it purchased the gift cards and obtains full control of them before selling them to members.

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

In the current reporting period, Government assistance relates to JobSaver payments received from July 2021 to December 2021 including an amount relating to COVID-19 business grants. The comparative amount relates to Cash flow assistance boost.

In the corresponding prior financial period, the Group made an election to present JobKeeper on a net basis, being set off against the related employee expense. JobKeeper ended in March 2021.

	Consolidated Group	
	Half-year Ended 31-Dec-21 $'000	Half-year Ended 31-Dec-20 $'000
Fee income-Paid advertising	267	311
Fee income-Travel booking	19	-
Membership subscriptions	4,165	3,734
Enterprise sales	1,319	1,798
Gift card sales	4,324	4,175
Revenue from contracts with customers	**10,094**	**10,018**
Profit on sale of assets[1]	10	66
Other income[2]	31	93
Government assistance[3]	676	123
Interest received	17	7
Total Revenue and other income	**10,828**	**10,307**

[1] Sales of miscellaneous office equipment

[2] During the reporting period, the Group received rent from Harrington Street office sublease. Prior year's other income relates to a rent refund from the landlord of the Artarmon office due to the reduction of office space.

[3] During the reporting period, the Government assistance received relates mainly to the JobSaver program. For more details, please refer to the policy section of the revenue note.

Note 3 | Expenses

		Consolidated Group	
	Note	Half-year Ended 31-Dec-21 $'000	Half-year Ended 31-Dec-20 $'000
Direct expenses of providing services			
Amortisation of deferred commission	5	861	458
Enterprise book printing		7	152
Gift cards		4,200	4,032
Other		141	189
Total		**5,209**	**4,831**
Bad debts			
Movement in expected credit losses		(21)	51
Total		**(21)**	**51**
Employee expenses			
Employee related expenses		6,746	5,691
JobKeeper receipts		-	(1,790)
Total		**6,746**	3,901
Building occupancy expense			
Variable lease expense		35	78
Total		**35**	**78**
Finance costs			
Finance costs on borrowings		358	304
Interest expense on lease liabilities		52	97
Other finance costs		4	-
Total		**414**	**401**

Depreciation and amortisation expense			
Plant & equipment		176	294
Intangibles	**6**	341	1,195
Right-of-use assets		111	741
Total		**628**	**2,230**
Impairments			
Goodwill		-	-
Intangible assets		310	-
Total		**310**	**-**

Direct expenses of providing services
The direct expenses are predominantly made up of sales commission paid to fundraiser partners and Gift card expenses. 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.

Gift cards expenses represents the cost of gift cards sold to members. Some gift cards are held as inventory first, prior to being sold, and others are acquired from third parties at the time of the transaction. Unsold gift cards on 31 December 2021 are classified as inventory and carried on the balance sheet.

Impairment of intangible assets
See note 6.

Employee expenses
The increase in employee expenses is predominantly due to:
- Termination entitlements paid to various departing staff members.
- Employee expenses, in the prior year, include all costs associated with human resources and were offset by JobKeeper payments earned of $1.79m as part of the Covid-19 government assistance package.
- The voluntary reduction in salaries from all staff between 10% and 40% was also not a feature in this reporting period, whereas in the corresponding period that helped reduce our employee expenses further.

Operational depreciation and amortisation costs
Amortisation of right of use assets relates to offices and office equipment assets recognised in accordance with AASB 16.

Finance costs
Operational finance costs are predominantly made up of establishment fees, interest and line fees accrued on the loan facilities as can be seen in note 8. Interest expense on lease liabilities relates to offices and office equipment leases recognised in accordance with AASB 16.

Legal and professional Costs
The increase in professional and legal fees can be associated with the engagement of strategic and project support from external consultants and service providers continuously during the period. The increase in the use of these types of services became more prevalent towards the second half of the financial year ending 30 June 2021.

Website and communication
This expense category includes information technology and telecommunications costs which includes infrastructure, software licencing, platform licencing, and networking expenditure. The increase compared to the prior year relates to the addition of new platform fees for the relaunched Entertainment app and the inclusion of licencing fees for the legacy platform previously included in Direct expenses of providing services.

Note 4 | Operating Segments

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. IncentiaPay Limited manages the Group as one segment, being the Entertainment Publications business. The geographic information presented in the table below is included to facilitate a better understanding of Entertainment's geographic footprint, however, is not regularly monitored or reviewed by management as separate segments.

Revenue by geographical location

Revenue attributable to external customers and other income is disclosed in the below table relative to the country in which it is derived and invoiced.

	Half-year ended 31-Dec-21 $'000	Half-year ended 31-Dec-20 $'000
Australia	9,861	9,389
New Zealand	967	918
Total	**10,828**	**10,307**

Note 5 | Other assets

Accounting policy

Other assets relate to prepaid fundraiser commission incurred as a result of the sale of memberships and short-term investments that relate to security deposits for leased premises. Prepayments are the right to receive future goods or services within the next 12 months.

	Consolidated Group	
	Half-year ended 31-Dec-21 $'000	Year ended 30-Jun-21 $'000
CURRENT		
Short term investments	855	855
Prepayments	169	220
Deferred commission	619	893
TOTAL OTHER ASSETS	**1,643**	**1,968**

	Deferred commission $'000
30 JUNE 2021	
Balance as at 1 July 2020	996
Commission deferred	1,352
Amortisation	(1,455)
BALANCE AS AT 30 JUNE 2021	**893**
31 DECEMBER 2021	
Balance as at 1 July 2021	893
Commission deferred	587
Amortisation	(861)
BALANCE AS AT 31 DECEMBER 2021	**619**

Note 6 | 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, web development 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.

Amounts capitalised as part of internally developed intellectual property include the total cost of any external services and labour costs directly attributable to development. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved. Research costs are expensed as incurred.

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 3 years. The total cost of the "ready for use" asset is based on the costs capitalised monthly. Any additional costs capitalised to the "ready for use" asset, are only those that will extend future economic benefits, and as such, will attract immediate amortisation.

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 recognised.

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 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. IncentiaPay Limited manages the Group as one cash-generating unit, being the Entertainment Publications business, and all intangibles are associated to this cash-generating unit.

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

Movements in Intangible Assets

	Goodwill	Technology and software	Software under development	Brand name & international rights	Total
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2020	**10,091**	**1,196**	**100**	**3,000**	**14,387**
Additions-internally developed	-	-	2,854	-	2,854
Transfers[1]		2,046	(2,046)	-	-
Amortisation charge	-	(1,428)	-	-	(1,428)
Impairment	-	-	-	-	-
BALANCE AS AT 30 JUNE 2021	**10,091**	**1,814**	**908**	**3,000**	**15,813**
Balance as at 1 July 2021	**10,091**	**1,814**	**908**	**3,000**	**15,813**
Additions-internally developed	-	-	208	-	208
Transfers		-	-	-	-
Amortisation charge	-	(341)	-	-	(341)
Impairment[2]	-	-	(310)	-	(310)
BALANCE AS AT 31 DECEMBER 2021	**10,091**	**1,473**	**806**	**3,000**	**15,370**

[1] Technology Transformation Projects were allocated to Technology and software when they were in a condition for use as per the expectations of management. These costs included estimates covering the amount of time resources were allocated to key project components. They were amortised in accordance with the company accounting policies.

[2] During the reporting period, the Group terminated the technology partnership with a key technology platform provider and has moved to an alternative open-source platform, as such the related work in progress is considered impaired.

Current market conditions brought on by Covid-19, in addition to 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:

Half Year ended 31 December 2021

2022-2026 (Calendar year)	Growth rates 2022-2026 (Calendar year)	Growth rate 2026 onward [1]	Discount rate/ weighted average cost of capital [2]
Entertainment Publications	3%-10%[3]	2%	11.5%

Full Year ended 30 June 2021

2022-2026	Growth rates 2021-2025	Growth rate 2025 onward [1]	Discount rate/ weighted average cost of capital [2]
Entertainment Publications	3%-10%[3]	2%	13%

1. Based on long-term forecasts
2. Post-tax discount rate.
3. Growth rates relate to existing revenue streams. The discounted cash flows includes, from July 2022, a new revenue stream associated with the next phase of the business transformation, called Seamless Rewards. The last quarter of 2022 includes revenue from The Wine Bunch, an online marketplace for wine consumers and sellers.

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 2022 consider the increased level of market volatility and uncertainty caused by COVID-19, the technology transformation, opening of the economy, new revenue opportunities, a strategic technology partnership, efficiency savings, and enhanced marketing capabilities. The Directors consider these forecasts to reflect the best estimates of revenue based on facts and circumstances available as of 31 December 2021. 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 Membership revenue and expenditure, considering the continued impacts of COVID-19 and the increased confidence in the economy with a renewed push from all levels of government to stimulate local business activity;
- The Company is taking the view that the hospitality and leisure industries will open up in the short to medium term much of Australia returning to what could be considered reasonably normal, with some restrictions still in place. This would also see an increase in domestic and international travel returning to regular and consistent operating Despite this the Board considers it has adopted a conservative view of revenue levels with low growth. The Board does not anticipate a return to historic normal levels over the period in the model being 5 years;
- The addition of a new revenue stream from July 2022 onwards relates to Phase 2 of the transformation of the business, called Seamless Rewards. The growth attributed to this revenue item reflects expectations of the planned product and market development strategies, and relies on a successful launch;
- The launch of the "The Wine Bunch" a new online marketplace for quality wine producers and enthusiastic wine consumers to come together, in March 2022; and
- The discount rate of 11.5% (post tax) and 11.5% (pre-tax).

The Group has performed sensitivity analysis of the reasonably possible changes in the assumptions used in the discounted cash flow model, which are detailed in the table below. Based on the sensitivity analysis, changes in when the recovery from COVID-19 commences, lower growth rates, and a reduction and delay in revenue from the new revenue streams and an increase in the discount rate, will result in the recoverable amount equalling the carrying amount.

Assumption	From	To
Covid-19 recovery	Commencing July 2022	Slower recovery commencing January 2023
Discount rate	11.5%	13%
Growth rates from 2023 - 2026	10%	5%
Seamless Rewards revenue	Commences July 2022	Commences July 2023 and reduced by 20%
The Wine Bunch revenue	Commences March 2022	Commences March 2023 and reduced by 20%

As at 31 December 2021 the estimated recoverable amounts determined using the method outlined above were found to equal the carrying value of the net assets of the cash-generating unit and accordingly, no impairment adjustment was required.

Note 7 | 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.

ANALYSIS OF TOTAL PROVISIONS	Half-year ended 31-Dec-21 $'000	Year ended 30-June-21 $'000
Current		
Make good provision	-	63
Employee benefits	930	979
Total current provisions	**930**	**1,042**
Non-current		
Make good provision	76	73
Employee benefits	54	59
Total non-current provisions	**130**	**132**
TOTAL PROVISIONS	**1,060**	**1,174**

	Make good provision $'000
HALF YEAR ENDED 31 DECEMBER 2021	
Balance as at 1 July 2021	**136**
Released provisions[1]	(60)
BALANCE AS AT 31 DECEMBER 2021	**76**

[1]Make good provision for the Entertainment Publications offices were released as majority of the leases ended in July 2021 and no claims for make good were received from the landlord. The provision currently reflects the net present value of expected make good obligations at the remaining properties.

Note 8 | Borrowings

Accounting policy

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 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 expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments (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 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	
	Half-year ended 31-Dec-21 $'000	Year ended 30-June-2021 $'000
CURRENT		
New Gold Coast holdings loan facility	3,095	-
Transformational capital facility	1,208	1,208
Additional growth capital facility	-	2,800
Interest bearing loan	601	571
TOTAL CURRENT BORROWINGS	**4,904**	**4,579**
NON-CURRENT		
NZ Business Cashflow Loan	28	28
TOTAL NON-CURRENT BORROWINGS	**28**	**28**
TOTAL BORROWINGS	**4,932**	**4,607**

	Interest bearing loan $'000	Additional growth operational facility $'000	Transformational capital facility $'000	New Gold Coast Holdings Loan facility $'000	NZ Business Cashflow Loan $'000
Facility limit	500[2]	9,825	1,200[2]	5,000	28
Unused facility	-	-	-	1,905	-
Interest rate	10% per annum	10% per annum	12.5% per annum	12.5% per annum	3% per annum[1]
Line fees	N/A	$9,708 per month	$2,000 per month	A fee of 2% per annum accrues daily from the date of the initial drawdown, calculated in respect of the undrawn capital	N/A
Maturity date	30/09/2020	31/12/2021	11/02/2022	31/12/2022	16/07/2025
Security	Security over all the Group's present and future property	Security over all the Group's present and future property	Second ranking security over all the Group's present and future property	Second ranking security over all the Group's present and future property.	Unsecured
Drawn down as at 1 July 2021	**571**	**2,800**	**1,208**	**-**	**28**
Drawn down	-	743	-	3,000	-
Establishment fee	-	-	50	-	-
Interest expenses	30	61	82	72	-
Line fees	-	29	12	23	-
Establishment fee paid	-	-	(50)	-	-
Interest paid	-	-	(82)	-	-
Line fees paid	-	(185)	(12)	-	-
Loan converted to equity	-	(3,448)	-	-	-
Drawn down as at 31 DECEMBER 2021	**601**	**-**	**1,208**	**3,095**	**28**

[1] 3% per annum, no interest charge on the loan if full repayment is made on or before 16 July 2022.
[2] Facility limit excludes capitalisation of interest and fees.

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 2020 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. $0.5m of the convertible loan was left in the 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. The balance remaining on this loan is $0.601m (Including interest) and will remain as a secured interest-bearing loan until repaid. The Interest-bearing loan matured on 30 September 2020 and the updated repayment terms are yet to be agreed.

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 agreed to increase the facility limit of the original loan by $4 million to $9.825 million. During the AGM in December 2020, the resolutions were passed to enter into a first ranking security deed and for the loan to be convertible to ordinary shares at the higher of $0.0275 per share or the volume weighted average price of shares traded on ASX during the period 30 trading days and concluding on the trading day before the issue date of the relevant shares, plus an additional 20%.

On 19 January 2021, Suzerain opted to convert $6,376,514 of their convertible loan into 187,544,529 ordinary shares at $0.034 per share. Suzerain has subsequently drawn down and converted the reminder of its $9.825 million facility in September 2021. As a result, the facility was closed during the reporting period.

Transformational capital facility

Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund (Skybound) (a related entity of Suzerain) provided the Group with a $1.2 million facility for the transformational capital expenditures. During the AGM in December 2020, the resolutions were passed to enter into a second ranking security deed (ranking behind Suzerain). As at 31 December 2021 this loan facility is fully drawn down. The original repayment date for this loan is 11 February 2022, however, as part of the Group's debt management plans, the repayment date is expected to be deferred to December 2024.

New Gold Coast Holdings Loan Facility

New Gold Coast Holdings (NGC)'s, a related party of Suzerain, provided a $5 million Loan facility that was approved on 3 June 2021. The funds have been predominantly used to expedite the development of the company's technology and customer experience platforms and to provide contingent working capital due to seasonal cash inflows. As at 31 December 2021 an amount of $3.09 was utilised, with a further $1.91m available. During the AGM on the 20th of January 2022, the resolutions were passed to enter into a second ranking security deed (ranking behind Suzerain). The loan is due to be repaid on 31 December 2022, however as disclosed in the subsequent events note, this loan will be rolled into the new convertible deed once finalised and approved.

NZ Business Cashflow Loan

The Group applied for and was granted a one-off loan provided by New Zealand government in July 2020 to support New Zealand business during the Pandemic.

Note 9| Deferred revenue

Accounting policy

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

	Consolidated Group	
	Half-year ended 31-Dec-21 $'000	Year ended 30-June-21 $'000
CURRENT		
Deferred Revenue	4,272	4,526
TOTAL CURRENT DEFERRED REVENUE	**4,272**	**4,526**
Deferred Revenue	27	32
TOTAL NON-CURRENT DEFERRED REVENUE	**27**	**32**
TOTAL DEFERRED REVENUE	**4,299**	**4,558**

	Deferred revenue $'000
YEAR ENDED 30 JUNE 2021	
Balance as at 1 July 2020	6,569
Revenue deferred	9,248
Revenue recognised	(11,259)
BALANCE AS AT 30 JUNE 2021	**4,558**
HALF-YEAR ENDED 31 DECEMBER 2021	
Balance as at 1 July 2021	4,558
Revenue deferred	5,314
Revenue recognised	(5,573)
BALANCE AS AT 31 DECEMBER 2021	**4,299**

Note 10 | Issued Capital

	Consolidated Group			
	31 December 2021 shares	**30 June 2021 shares**	**31 December 2021 $'000**	**30 June 2021 $'000**
Ordinary shares - fully paid on issue		**867,002,904**		**122,984**
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		**655,940,612**		**116,026**
Issues during the year:	9 Oct 2020	3,066,667	0.03	92
	19 Oct 2020	20,451,096	0.03	531
	2 Feb 2021	187,544,529	0.03	6,377
	Less, costs of issues	-	-	(42)
BALANCE AS AT 30 JUNE 2021		**867,002,904**		**122,984**
Ordinary shares at beginning of the half year		**867,002,904**		**122,984**
Issues during the period:	23 Sep 2021[1]	104,740,097	0.03	3,448
	8 Dec 2021[2]	189,186,349	0.02	4,162
	8 Dec 2021[3]	45,817,543	0.02	1,008
	Less, costs of issues		-	(135)
BALANCE AS AT 31 DECEMBER 2021		**1,206,746,893**		**131,467**

1. On 23 September 2021, Suzerain opted to convert $3,448,486, representing the remainder of their convertible loan into 104,740,097 ordinary shares at $0.033 per share.
2. On 8 December 2021, pursuant to the announcement on the 10th of November 2021, ordinary shares were issued under an entitlement offer at $0.022 per share to existing shareholders.
3. On 8 December 2021, pursuant to the announcement on the 10th of November 2021, ordinary shares were issued under the Top-up facility. The shortfall was issued to third parties at $0.022 per share.

Note 11 | 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 equity-based incentives are transferred to share capital.

Shares issued under the loan funded share scheme is accounted for as a substance option and share based payments were measured using a Monte Carlo simulation model.

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	**Foreign currency translation reserve**	**Total**
	$'000	**$'000**	**$'000**
Balance as at 1 July 2020	**-**	**377**	**377**
Amortised during the period	**362**	**-**	**362**
Movement during the period	**-**	**(6)**	**(6)**
BALANCE AS AT 30 JUNE 2021	**362**	**371**	**733**
Balance as at 1 July 2021	**362**	**371**	**733**
Amortised during the period	173	-	173
Forfeited during the period	(227)	-	(227)
Movement during the period	-	6	6
BALANCE AS AT 31 DECEMBER 2021	**308**	**377**	**685**

Share based payments – loan funded shares

Under the applicable accounting standards, the loan funded shares are accounted for as options, which give rise to share based payments. During the half year ended 31 December 2021, changes were accounted for through the shared based payments reserve due to the continued amortisation for Ben Newling and the adjustments related to the departure of Henry Jones and the associated modified allocation.

	Held on 31 June 2021	Forfeited	Granted as Compensation	Held on 31 December 2021	Vested and exercisable on 31 December 2021
Henry Jones	27,186,234[1]	(22,199,567)	(4,986,667)[1]	-	-
Ben Newling	11,585,043	-	-	11,585,043	1,522,679
Total	**38,771,277**	**(22,199,567)**	**(4,986,667)**	**11,585,043**	**1,522,679**

1. Shares granted as compensation will be transferred after 31 December 2021. All shares associated with the loan funded shares scheme for Henry Jones are held in trust until such time as they are transferred or handed back to the company.

	Share based payments reserve		
	Henry Jones $'000	Ben Newling $'000	Total $'000
Balance as at 1 July 2020	-	-	-
Amortised during the period	254	108	362
BALANCE AS AT 30 JUNE 2021	**254**	**108**	**362**
Balance as at 1 July 2021	**254**	**108**	**362**
Amortised during the period	-	30	30
Modified allocation	143[1]	-	143
Forfeited during the period	(227)[1]	-	(227)
BALANCE AS AT 31 DECEMBER 2021	**170**	**138**	**308**

1. Henry Jones departed as CEO on the 24th of December 2021, all tranches, except tranche 2, related to the Loan Funded Share Scheme were forfeited and are under the control of Group. Under the terms of an agreement, Tranche 2 shares were awarded to Henry Jones as part of a modification to the original loan funded deed from the 2021 financial year and will be allocated in February 2021. The modification has been fair valued through the profit and loss as at 31 December 2021.

Note 12 | Fair Value Measurement

Financial assets and liabilities are measured at either fair value or amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There have been no changes in the nature of the financial assets or liabilities or changes to the way the Group measures fair value since 31 Dec 2021. Refer to the 30 June 2021 consolidated financial statements for further information. The carrying amounts of all financial assets and liabilities recognised in the consolidated interim financial statements approximate their fair value.

Note 13 | Joint Arrangements

During the half year ending 31 December 2021, the Group entered a joint arrangement with Spineka Group Pty Ltd and Junovate Pty Ltd to set up and operate an online wine marketplace, jointly and equally controlled by the three participants, primarily via a contractual arrangement. Consequently, the Group has classified this joint arrangement as a "joint operation". The joint operation is currently in set-up and initiation phase and is yet to be launched.

In a joint operation, the Group has rights to the assets, and obligations for the liabilities relating to the arrangement. In relation to the Group's interest in the joint operation, the Group recognises: its share of assets and liabilities; commission revenue from successful transactions the sale of its share of the output and its share in any revenue generated from the sale of the output by the joint operation; and its share of expenses. All such amounts are measured in accordance with the terms of the arrangement, which is usually in proportion to the Group's interest in the joint operation. Each participant has an equal share of the joint operation.

Assets held in the joint operation subject to restrictions are as follows:

	Half-year ended 31-Dec-21 $'000	Half-year ended 31-Dec-20 $'000
Current Assets		
Prepayments[2]	30	-
Total[1]	**30**	-

1. The Group does not have the right to sell individual assets used in the joint operation without the unanimous consent of the other participants. The assets in the joint operation are also restricted to the extent that they are only available to be used by the joint operation itself and not by other operations of the group.
2. Prepayments include payments to Junovate Pty Ltd for services, to be settled from future profit distributions under the provisions of the joint arrangement.

Note 14 | Events after the end of the Interim Period

At the AGM held on the 20th of January 2022, the shareholders approved a second ranking security deed (ranking behind Suzerain), for the debt facility with New Gold Coast Holdings over all the Group's present and future property.

As announced on the 17th of December 2021, the Board is in the process of securing additional financial assistance in the form of a convertible loan of $17m with the largest shareholder, Suzerain Investments Holdings Limited (Suzerain). Discussions have advanced, and the Board expects to finalise this with New Gold Coast Holdings, a company registered in Mauritius and an associate of Suzerain, after 31 December 2021, amounting to $22.5m which will be available to use for working capital requirements, and expects to formalise this by 31 March 2022. This convertible loan incorporates the previous loan of $5m, which had a due date in December 2022. Suzerain, Skybound and New Gold Coast Holdings are related parties to Directors, Jeremy Thorpe and Dean Palmer.

The Board has commenced discussions with Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund (Skybound) to renegotiate the repayment terms of the transformational capital facility from the current date in February 2022 to December 2023 and is confident of a successful outcome.

Note 15 | Contingent liability

Security deposit

The parent entity has given the following guarantees as at 31 December 2021:

- Lease of the Sydney office space, $0.6m.
- Guarantee for credit cards facility, $0.1m.
- Letter of credit for payroll payment facility, $0.1m.

Directors' Declaration

In accordance with a resolution of the directors of Incentiapay Limited, the Directors of the company declare that:

1. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. The financial statements and notes, as set out on pages 7 to 28, are in accordance with the Corporations Act 2001 and:

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

b) give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of the performance for the half-year ended on that date.

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

Dated this 28th day of February 2022.

Stephen Harrison

Chairman

Independent Auditor's Review Report

To the shareholders of IncentiaPay Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of IncentiaPay Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of IncentiaPay Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2021 and of its performance for the ***Half-year*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated half-year statement of financial position as at 31 December 2021
- Consolidated half-year statement of profit or loss and other comprehensive income on that date
- Consolidated half-year statement of changes in equity on that date
- Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises IncentiaPay Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

The ***Half-year Period*** is the 6 months ended on 31 December 2021.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of IncentiaPay Limited, would be in the same terms if given to the Directors as at the time of this Auditor's Half-year Review Report.

Material uncertainty related to going concern – emphasis on matter

We draw attention to Note 1, "Going Concern" in the Half-year Financial Report. The events or conditions disclosed in Note 1, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Half-year Financial Report. Our conclusion is not modified in respect of this matter.

Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Note 1 to the Half-Year Financial Report, which describes the basis of preparation.

The Half-Year Financial Report has been prepared for the purpose of fulfilling the Directors' financial reporting responsibilities under the *Corporations Act 2001* and *Australian Accounting Standard AASB 134: Interim Financial Reporting*. As a result, the Half-Year Financial Report and this Auditor's Report for the review of the Half-Year Financial Report may not be suitable for another purpose. Our conclusion is not modified in respect of this matter.

Our report is intended solely for the shareholders of IncentiaPay Limited and should not be used by parties other than the shareholders of IncentiaPay Limited. We disclaim any assumption of responsibility for any reliance on this report, or on the Half-Year Financial Report to which it relates, to any person other than the shareholders of IncentiaPay Limited or for any other purpose than that for which it was prepared.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Jeffrey Frazer

Partner

Gold Coast

28 February 2022