26 February 2021

INCENTIAPAY INTERIM FY2021 RESULTS

Sydney – IncentiaPay Limited (ASX: **INP**) has today released its interim results for the six months ended 31 December 2020.

Highlights

- Significant COVID19 pandemic impact on revenues offset by cost management
- Revenue down 54% to $10.3 million from the previous comparative period (pcp)
- Improved reported EBITDA loss of $0.6 million (vs pcp $10.9 million loss)
- Improved underlying EBITDA loss $0.2 million (vs pcp $4.6 million loss)
- Strategic partnership established with FinTech, Paywith Worldwide Inc
- Enhanced internal customer experience capabilities
- Invested further $1.4 million into the digital transformation program
- Continued investment by majority shareholder, Suzerain Investments Holdings Limited
- Raised $0.5 million via a Share Purchase Plan

Commentary

Mr Henry Jones, CEO of IncentiaPay, said: *"Despite the significant impact of COVID19 on our revenues, INP has made considerable operational progress during the period. INP owns a unique digital subscription based Entertainment offer for fundraisers (including charities, schools and associations) and an Enterprise offer. The impact of COVID19 on the fundraising and hospitality sectors is clearly evident in the 54% fall in revenues compared to pre-COVID19 pcp revenues."*

"The Entertainment team added 487 new merchant partners, substantially offsetting the loss of merchants due to COVID19 and restaurant closures. Our Enterprise sales team retained 85% of Enterprise revenue vs the pcp and has established a strong pipeline of potential new clients."

"We achieved a key step in our transformation journey in August 2020, establishing a strategic partnership with FinTech, Paywith Worldwide Inc. This partnership enables IncentiaPay to partner with Paywith to accelerate the achievement of our growth objectives at a lower cost. We are delighted with how our partnership is progressing."

"During this difficult trading environment we have had strong support from our employees and major shareholder. Our employees took a 10 - 40% salary reduction during the period and we received $1.8m as part of the Government's Jobkeeper assistance package."

IncentiaPay Limited ABN 43 167 603 992
Level 5, 68 Harrington St, The Rocks NSW 2000 Australia
p +61 2 8256 5300 | e info@incentiapay.com
www.incentiapay.com

Summary Financial results

6 months ending 31 December (A$m)	2020	2019	Change
Revenue	10.3	22.5	Down 54%
EBITDA	(0.6)	(10.9)	Up 94%
Depreciation and Amortisation	(2.2)	(3.2)	Down 31%
Interest	(0.4)	(0.8)	Down 50%
Tax Benefit	0.2	0.4	Down 50%
NPAT	(3.0)	(14.5)	Up 79%
Underlying EBITDA	(0.2)	(4.6)	Up 96%

At period end, INP held cash balances of $4.0 million ($5.3 million pcp). Borrowings stood at $6.2 million ($3.2 million pcp) with undrawn facilities of $5.4 million available to INP. Subsequent to 31 December 2020, borrowings were reduced with Suzerain converting $6.4 million of its loan to INP for new equity.

Operational progress

- **Established a strategic partnership with Paywith Worldwide Inc,** an innovative FinTech with a proven track record in building game changing offer syndication, payment and rewards solutions.
- **Strengthened the Customer Experience function –** Hired key roles in our Customer Experience team, including a Head of Product, Website Manager, User Experience Designer and a Head of Digital.
- **New Entertainment app –** The Beta version of the new Entertainment app, with improved features and functionality, was released in December 2020 to a test group of customers. This upgraded platform, in partnership with technology provider, Paywith enables IncentiaPay to diversify its revenue streams utilising seamless redemption and other payments technology, which was not previously possible.

Summary

In the face of a difficult operating environment, IncentiaPay has made considerable progress during the first half in strengthening its capabilities and progressing the successful implementation of its transformation strategy. The new Entertainment app together with the development of customised digital assets is ready to assist our fundraising partners as they enter their key sales cycle prior to the end of the financial year.

Authorised for release by the Board

For further information, please contact:

Ben Newling
Company Secretary
Ben.newling@incentiapay.com

Half Year Report and Appendix 4D

IncentiaPay Limited
(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 2020
Previous Corresponding Period: Half Year Ended 31 December 2019

2. Results

	Movement	Half Year ended 31-Dec-20	Half Year ended 31-Dec-19
Revenue from ordinary activities ($'000') #	DOWN 54%	10,300	22,466
Underlying EBITDA ($'000') ~	UP 96%	(202)	(4,570)
Net Loss from ordinary activities after tax ($'000')	UP 79%	(2,974)	(14,490)
Loss for the period attributable to members ($'000')	UP 79%	(2,974)	(14,490)
Net tangible assets per share (cents)	UP 83%	(1.56)	(8.96)

#Excludes Interest received, see note 2 of the interim financial report.

~Non-IFRS Financial Information.

No interim dividend was paid or proposed for the period.

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 2020 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 2020.

3. Underlying EBITDA

Underlying EBITDA for 1HFY2021 was a loss of ($0.2) million. A calculation of Underlying EBITDA is shown below:

	Consolidated Group	
	Half Year ended 31-Dec-20 $'000	Half Year ended 31-Dec-19 $'000
Fee income-Paid advertising and Travel booking	311	1,224
Fee income-Consulting and media	-	209
Membership subscriptions	3,734	12,716
Corporate sales	1,798	2,113
Gift card sales	4,175	6,204
Profit on sale of assets	66	-
Other income	93	-
Government assistance	123	-
Total Revenue from ordinary activities#	**10,300**	**22,466**
Cost of gift cards	(4,032)	(6,116)
Operating Costs	(6,470)	(20,920)
Underlying EBITDA~	**(202)**	**(4,570)**

#Excludes Interest received, see note 2 of the interim financial report.

~Non-IFRS Financial Information.

Revenue has continued to be impacted through a combination of the delayed launch from February to June 2020, continuous localised lockdowns and a downturn in the economy, reducing disposable income and adding pressure to the appeal of the membership. To counter this the Group has focused on new Merchant partnerships across all categories to maintain and grow the membership value.

Fee income associated with paid advertising and travel is heavily reliant on the tourism and travel sectors. Consistent border restrictions have heavily impacted tourism operators to accept bookings thereby resulting in a significant slowing down of sales activity.

Membership subscriptions and Corporate sales both reflect the outcome of the factors previously highlighted. To counter the effects of limited access to merchants, the Group also extended memberships for a period of 3 months thereby extending the period over which revenue is amortised.

In response to the pressure on revenue, the Group continued to focus on the reduction of fixed costs as well as continued to deliver on the core strategic objectives of developing the technology and marketing platforms and transforming and launching a new app and website prior to the February 2021 sales season.

Additional to continued cost reduction strategies, the operating costs reduction also reflects the move away from the amortisation of book production expenses that ended 31 May 2020 and the move to a digital solution, removing legacy cost structures from the business.

Underlying EBITDA can be reconciled to Reported EBITDA as per the table below:

	Consolidated Group	
	Half Year ended 31-Dec-20 $'000	Half Year ended 31-Dec-19 $'000
Underlying EBITDA~	**(202)**	**(4,570)**
Bad debt written off	-	(2,966)
Impairment expense	-	(1,385)
Leasehold improvements written off	-	(687)
Restructuring costs	-	(1,886)
Shares based payment (expense)/reversal	(230)	730
Other one-off expenses	(103)	(80)
Total One-off Expenses~	**(334)**	**(6,274)**
Reported EBITDA~	**(536)**	**(10,844)**
Depreciation and amortisation expense	(2,230)	(3,243)
Finance costs	(401)	(773)
Interest received	7	8
Operating loss before income tax	**(3,160)**	**(14,852)**

~Non-IFRS Financial Information.

Bad debt written off.

No significant bad debt expenses in the period ending 31 December 2020.

Bad debt written off in the prior period relates to $2.91m of deferred consideration for the sale of Bartercard business (See ASX release 24 Dec 2019 Settlement of Claim with TCM) and $0.06m in Blackglass deferred consideration due to working capital adjustment.

Impairment expense

No significant impairment expenditure in the period ending 31 December 2020.

As a result of the Group's decision to seek expressions of interest with respect to the Entertainment Digital business assets, it was determined that the assets would not produce any future economic benefits to the Group, as such, the assets were impaired in the period ending 31 December 2019.

Leasehold improvements written off.

No leasehold improvements written off in the period ending 31 December 2020.

During the half year ending 31 December 2019, the Group closed branches across both New Zealand and Australia in response to the move from a physical book to a digital solution. Leasehold improvements were written off in recognition that the premises were no longer available for use.

Restructuring costs

No significant restructuring expenditure in the period ending 31 December 2020.

During the prior period, large scale redundancies were approved and implemented, and costs associated with book printing and property occupancy were removed from the business.

Shares based payment.

Issue of shares under Employees' Gift Plan and amortisation of the shares issued to key management personnel as part of Loan Funded Share (LFS) arrangements approved by shareholders during the Annual General Meeting "AGM" in December 2020. The prior period reflected the reversal of previous share-based payments no longer relevant.

Other one-off expenses

Includes legal related settlement to previous advisers amounting to $45k in addition to other legal and advisory costs.

4. Control gain or lost over entities in the half year.

No control gain or lost over entities.

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, in order 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 strategic review period. See section 3 above for a reconciliation of non-IFRS information to the IFRS results presented in the attached interim financial report.

6. Independent Auditor's Review

The condensed consolidated financial statements for IncentiaPay Limited and its controlled entities for the half year ended 31 December 2020 have been reviewed by the Group's independent auditors (KPMG) and a copy of their review report is included in the attached 31 December 2020 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.

7. Attachments

The Directors attach the following documents:

- The financial report of IncentiaPay Limited for the half year ended 31 December 2020.

Signed: Date: 28 February 2021

Stephen Harrison

Chairman

INCENTIAPAY LIMITED

ABN 43 167 603 992

HALF-YEAR FINANCIAL REPORT

FOR THE SIX MONTHS ENDED
31 DECEMBER 2020

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 2020.

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

IncentiaPay Limited "INP" or "the Group", is a leading provider of customer loyalty, incentives and coupon offerings through the Entertainment brand.

INP recorded revenues from continuing operations of $10.3m (H1FY19: $22.5m), a loss after tax of $3.0m (H1FY19: loss $14.5m) and loss per share of 0.4 cents (H1FY19: loss 6.0 cents).

The Group has continued its focus on overcoming the impacts highlighted in its annual report for the financial year ending 30 June 2020. Despite strong early sales results in July, sales activity experienced a downturn, due in large part to the same factors experienced in the second half of last financial year.

Membership revenue during the reporting period was impacted by both the delay in the fundraiser launch from February 2020 to June 2020, further lockdowns, and border closures. Additionally, accessibility to merchants and member benefits and continued economic strain, and concerns surrounding job security also put pressure on membership demand.

Revenue from travel and leisure and paid advertising was impacted by international and domestic border closures as hotel bookings and car hire reduced significantly. The announcement of the COVID-19 national vaccination roll-out is anticipated to stabilise the borders and provide confidence to travellers that plans will not be affected. The Group is also repositioning its brand and assessing how to leverage new opportunities in the digital arena.

Corporate sales have also decreased as companies cut down on their cost due to the uncertain economic environment and the ability for staff to utilise member benefits. Enterprise business is reviewing new and innovative solutions to restructure agreements to accommodate a more flexible approach moving forward.

The Group has also continued to focus on the technology transformation project to ensure readiness for the fundraiser kick off in February 2020 and take advantage of the vaccine roll out. Core to the strategy of a new technology platform is also the opportunity for Entertainment to lay the foundation on which to build new and innovative ways of experiencing the membership.

Given the challenges surrounding revenue, the Group has continued to take active steps in the management of costs. These included negotiating with property managers for rent relief, employees' salaries reduced by between 10 per cent and 40 per cent, negotiating delayed payments to suppliers and accessing all available support provided by both Federal and State governments, including accessing cash grants and deferment of tax obligations. This will continue into the second half of the year, thereby accessing all available cost reductions and government support.

The Group anticipates an increase in cash receipts relating to membership revenue due to kick-off activities in February and a significant number of memberships expiring in the months of June, July and August, being renewed. Marketing activities have been geared towards direct acquisition and launching a refreshed brand experience. These factors are expected to result in the second half of the year showing improved results over the first half.

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

On 29 January 2021, Suzerain opted to convert $6,376,514 of their convertible loan into 187,544,529 ordinary shares at $0.034 per share, in accordance with the Convertible Loan Agreement approved by shareholders at the AGM held in December 2020.

Subsequent to the half year ended, the Board secured a letter of intent from Suzerain of an additional contingent line of credit to be used for working capital requirements. Discussions are under way with a view to formalise this arrangement by 31 March 2021.

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 3.

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

Dated this 26th day of February 2021.

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 2020 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	John Wigglesworth
	Partner
	Sydney
	26 February 2021

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2020

		Consolidated Group	
	Note	Half-year ended 31-Dec-20 $'000	Half-year ended 31-Dec-19 $'000
Revenue	2	10,307	22,474
Direct expenses of providing services	3	(4,831)	(13,417)
Impairment	3	-	(1,385)
Employee expenses	3	(3,901)	(11,042)
Depreciation and amortisation expense	3	(2,230)	(3,243)
Building occupancy expense		(78)	(245)
Finance costs	3	(401)	(773)
Legal and professional costs		(326)	(293)
Website and communication		(784)	(1,104)
Bad debts written off		(51)	(2,966)
Other expenses		(865)	(2,858)
Loss before income tax		**(3,160)**	**(14,852)**
Tax benefit		186	362
Loss for the period		**(2,974)**	**(14,490)**
Net loss attributable to: Members of the parent entity		**(2,974)**	**(14,490)**
Other comprehensive income			
(Loss)/Gain arising from translating foreign controlled entities from continuing operations		(2)	10
Total comprehensive loss for the period		**(2,976)**	**(14,480)**
Loss per share			
Loss from continuing operations		(0.4)	(6.0)
Total		**(0.4)**	**(6.0)**

The accompanying notes form part of these financial statements.

		Consolidated Group	
		As at 31 Dec 2020	As at 30 June 2020
Current assets	**Note**	**$'000**	**$'000**
Cash and cash equivalents		3,958	5,307
Trade and other receivables		695	992
Inventories		271	134
Other assets	5	1,831	2,351
Total current assets		**6,755**	**8,784**
Non-current assets			
Right-of-use asset		1,972	2,781
Property, plant and equipment		1,060	1,327
Intangible assets	6	14,621	14,387
Total non-current assets		**17,653**	**18,495**
TOTAL ASSETS		**24,408**	**27,279**
Current liabilities			
Trade and other payables		4,891	6,235
Lease liabilities		1,309	1,731
Borrowings	8	5,475	517
Current tax liabilities		-	186
Deferred revenue	9	5,054	6,219
Provisions	7	1,150	764
Total current liabilities		**17,879**	**15,652**
Non-current liabilities			
Lease liabilities		1,659	2,158
Borrowings	8	682	2,691
Deferred revenue	9	44	350
Provisions	7	129	182
Total non-current liabilities		**2,514**	**5,381**
TOTAL LIABILITIES		**20,393**	**21,033**
NET ASSETS		**4,015**	**6,246**
EQUITY			
Issued capital		116,633	116,026
Reserves		513	377
Accumulated losses		(113,131)	(110,157)
TOTAL EQUITY		**4,015**	**6,246**

The accompanying notes form part of these financial statements

	Note	Ordinary share capital $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Share based payments reserve $'000	Total $'000
Balance at 1 July 2019		**96,006**	**(85,495)**	**406**	**730**	**11,647**
Comprehensive income						
Loss for the period		-	(14,490)	-	-	(14,490)
Other comprehensive income						
Exchange differences on translation of foreign operations		-	-	10	-	10
Total comprehensive loss for period		**-**	**(14,490)**	**10**	**-**	**(14,480)**
Transactions with owners, in their capacity as owners and other transfers						
Shares issued during the period		750	-	-	-	750
Transaction costs		-	-	-	-	-
Movement during the period		-	-	-	(730)	(730)
Total transactions with owners and other transfers		**750**	**-**	**-**	**(730)**	**20**
Balance at 31 December 2019		**96,756**	**(99,985)**	**416**	**-**	**(2,813)**
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[1]		624	-	-	-	624
Transaction costs of shares issued		(17)	-	-	-	(17)
Movement during the period[2]		-	-	-	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**

[1]The Group issued 20,451,096 shares at $0.026 under the share placement plan on Friday, 16 October 2020 and 3,066,667 shares at $0.03 under the employee gift plan on Friday, 9 October 2020. See ASX releases for more details.

[2]During the period, the Group issued 38,771,277 shares at $0.03 under its loan funded share plan approved by shareholders during the Annual General Meeting "AGM" in December 2020. The amortisation of equity settled share-based payments for the shares issued to key management personnel as part of the plan.

	Note	Consolidated Group	
		Half-year ended 31-Dec-20 $'000	Half-year ended 31-Dec-19 $'000
Cashflows from operating activities			
Receipts from customers		9,713	19,373
Interest received		7	-
Government assistance received		1,800	-
Payments to suppliers and employees		(13,798)	(30,034)
Net cash used in operating activities		**(2,278)**	**(10,661)**
Cashflows from investing activities			
Purchase of property, plant and equipment		(23)	(25)
Purchase of intangibles		(1,395)	(68)
Proceeds from sale of business assets		3	-
Proceeds from term investments		103	-
Payments for bank guarantees		-	(830)
Net cash (used in)/provided by investing activities		**(1,312)**	**(923)**
Cashflows from financing activities			
Net proceeds from issue of shares		515	-
Proceeds from borrowings		2,659	12,750
Interest paid		(97)	(134)
Principal element of lease payments		(834)	(1,014)
Net cash provided by financing activities		**2,243**	**11,602**
Net increase/(decrease) in cash held		(1,347)	18
Effects of exchange rate changes on cash held		(1)	(7)
Cash and cash equivalents at beginning of financial period		5,306	3,460
Cash and cash equivalents at the end of the financial period in continuing operations		**3,958**	**3,471**

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 2020 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 2020, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 26 February 2021.

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.

At 31 December 2020, the Group had cash on hand of $4.0m, net assets of $4.0m and a net current asset deficiency of $11.0m. During the half-year ended 31 December 2020, the Group incurred a net loss before tax of $3.2m and incurred net cash outflows from operating activities of $2.3m.

The Group has continued to be impacted by Covid-19 during the 6 months ended 31 December 2020. As highlighted in the Annual Report for the period ended 30 June 2020, the annual launch scheduled for February 2020 was pushed back to June 2020 and changed to a virtual event. Early results were promising with strong sales in July, however this reduced significantly with the introduction of new state-based lockdowns to control the second wave in Victoria and localised clusters in New South Wales, throughout the period.

Limitations on the use of the membership and inevitable tighter restrictions put in place by various state governments resulted in extensions to memberships beyond the original 12 months. This has impacted the renewal cycle of memberships, and the timing of expected revenue over the next 12 months, which has been considered in preparing the cash flow projections to assess the Group's viability as a going concern.

The Directors have prepared cash flow projections for the period from 1 January 2021 to 28 February 2022 that support the ability of the Group to continue as a going concern. Most notable aspects of the cash flow projections include:

- Business transformation centred around technology, to support revenue growth;
- Improved trading conditions on a progressive basis to support merchant accessibility for members in the short to medium term;
- Continued cost cutting through streamlining of activities and processes;
- Continued receipt of government assistance; and,
- Continued support from the Group's major shareholder, Suzerain, as well as its associated entities ("Suzerain"), through the availability of new and existing financing facilities, and accommodative repayment terms including the extension of existing maturity dates and the conversion of the operational debt facility to equity in accordance with the Convertible Loan Deed provisions approved by shareholders at the AGM in December 2020 ("Suzerain financial support").

The funding of ongoing operations of the Group is dependent upon the Group accessing the Suzerain financial support as required, and/or the Group reducing expenditure in-line with current cash and financing resources. As of 31 December 2020, the Group had undrawn financing facilities from Suzerain totalling $4.9 million. See note 8 for further information. This undrawn amount has reduced to $3.4 million at the date of the approval of this half-year financial report.

Included within liabilities are four loan facilities totalling $11.6m, of which $6.2m was drawn down (refer to note 8). During the AGM in December 2020, a resolution was passed to enter into a convertible loan deed replacing the original loan agreement relating to the additional growth operational facility and subsequent to half year end, on 29 January 2021, Suzerain opted to convert $6.4m of their convertible loan into 214,006,300 ordinary shares at $0.03 per share, in accordance with the Convertible Loan deed, which comprised the drawn down amount of $4.9m as at 31 December 2020 and the $1.5m drawn down subsequent to 31 December 2020.

This conversion has resulted in a reduction in the current asset deficiency of $6.4m subsequent to 31 December 2020.

The Directors have reasonable grounds to believe that the ongoing financial support of Suzerain and its related entities is likely to continue and therefore, the going concern basis on which the financial report has been prepared is appropriate. However, should the Group not meet its cash flow projections, the achievement of which is inherently uncertain and highly sensitive to assumptions made in respect of revenue performance, including not obtaining the Suzerain financial support as required, there is a material uncertainty as to whether the Group will be able 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 of the assets, liabilities and results of the parent Incentiapay Limited and all of its subsidiaries (also referred to as "the Group"). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

(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.

Due to the on-going Covid-19 pandemic, a thorough consideration of potential Covid-19 impacts on carrying values of assets and liabilities, contracts and potential liabilities has been made, with no material impact to the financial statements.

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.

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 2020 can be found in note 6.

During 2020, the Group re-assessed the useful life of the software intangible asset, largely comprising costs associated with capitalised web development. As a result, amortisation was accelerated to reflect this, resulting in the asset being fully written down during the reporting period. See 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 subscription purchased, or longer if extensions have been applied. The membership year for the 19/20 edition of the book ran from 1 June 2019 to 31 May 2020.

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

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

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

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

Revenue from government grants

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

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

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

	Consolidated Group	
	Half-year ended 31-Dec-20 $'000	Half-year ended 31-Dec-19 $'000
Fee income-Paid advertising and Travel booking	311	1,224
Fee income-Consulting and media	-	209
Membership subscriptions	3,734	12,716
Enterprise sales	1,798	2,113
Gift card sales	4,175	6,204
Profit of the sale of certain business assets[1]	66	-
Other income[2]	93	-
Government assistance	123	-
Revenue from ordinary activities	**10,300**	**22,466**
Interest received	7	8
Total Revenue	**10,307**	**22,474**

[1] Sales of certain office equipment in Entertainment Publication in New Zealand and digital platform for Entertainment Digital.
[2] Rent refund received from landlord relating to the Artarmon office due to the reduction of office space.

Note 3 | Expenses

	Consolidated Group	
	Half-year ended 31-Dec-20 $'000	Half-year ended 31-Dec-19 $'000
Direct expenses of providing services	**4,831**	**13,417**
Impairment of intangible assets	**-**	**1,385**
Employee expenses	**3,901**	**11,042**
Operational depreciation and amortisation costs	1,489	2,412
Amortisation of right of use assets	741	831
Total depreciation and amortisation expense	**2,230**	**3,243**
Operational finance costs	304	643
Interest expense on lease liabilities	97	130
Total finance costs	**401**	**773**

Direct expenses of providing services
The decrease in direct expenses is predominantly due to the cost of gift cards purchased, which is in line with the reduction in gift card sales. Additionally, fundraiser commissions have also seen a larger reduction due to the trend in membership sales, and the prior period included the amortisation of book production costs.

Impairment of intangible assets
See note 6.

Employee expenses
During the reporting period, employees have taken a salary reduction of between 10% and 40% up to the end of December 2020. Employee related expenses include all costs associated with human resources and is offset by JobKeeper payments earned of $1.79 million as part of the Covid-19 government assistance package. Employee costs associated with the development of Technology Transformation Project were capitalised as intangible assets.

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
The decrease in operational finance costs on borrowings is predominately due to the equity conversion of the convertible loan from Suzerain in the second half of the last financial year. Interest expense on lease liabilities relates to offices and office equipment leases recognised in accordance with AASB 16.

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.

The Group's segment results include a corporate category reflecting head office operating costs, that does not qualify as a standalone operating segment.

Revenue by geographical location

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

	Half-year ended 31-Dec-20 $'000	Half-year ended 31-Dec-19 $'000
Australia	9,389	20,021
New Zealand	918	2,453
Total	**10,307**	**22,474**

Note 5 | Other assets

Accounting policy

Other assets relate to prepaid fundraiser commission incurred as a result of the sale of memberships and amortised over the period of the membership to which it relates (See note 3), short-term investments that relate to security deposits for leased premises, and general expense prepayments.

	Consolidated Group	
	Half-year ended 31-Dec-20 $'000	Year ended 30-Jun-20 $'000
CURRENT		
Short term investments	929	1,018
Prepayments	195	337
Deferred commission	707	996
TOTAL OTHER ASSETS	**1,831**	**2,351**

	Deferred commission $'000
30 JUNE 2020	
Balance as at 1 July 2019	7,264
Commission deferred	3,091
Amortisation	(9,359)
BALANCE AS AT 30 JUNE 2020	**996**
31 DECEMBER 2020	
Balance as at 1 July 2020	996
Commission deferred	478
Amortisation	(767)
BALANCE AS AT 31 DECEMBER 2020	**707**

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, software and database assets

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

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

During the prior period, the Group re-assessed the expected economic useful life of its software intangible assets and revised their expected useful lives to between 2-3 years (previously between 4-5 years). The reassessment was a result of the strategic transformation within the business, detailed further in notation 2 in the table below. These changes have been applied with effect from 1 July 2019 and have resulted in the related intangible assets being fully amortised in the half year ended 31 December 2020.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as Technology and Software assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and;
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as Technology and Software assets and amortised from the point at which the asset is ready for use.

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

Brand names and international rights

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

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

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

Impairment of assets

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

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

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

Movements in Intangible Assets

	Goodwill	Technology and software	Brand name & international rights	Other intangibles	Total
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2019	**13,696**	**5,059**	**3,000**	**752**	**22,507**
Additions	-	169	-	-	169
Disposals	-	-	-	-	-
Amortisation charge[2]	-	(3,299)	-	-	(3,299)
Impairment	(3,605)	(633)	-	(752)	(4,990)
BALANCE AS AT 30 JUNE 2020	**10,091**	**1,296**	**3,000**	**-**	**14,387**
Balance as at 1 July 2020	**10,091**	**1,296**	**3,000**	**-**	**14,387**
Additions[1]	-	1,429	-	-	1,429
Disposals	-	-	-	-	-
Amortisation charge	-	(1,195)	-	-	(1,195)
Impairment[3]	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2020	**10,091**	**1,530**	**3,000**	**-**	**14,621**

[1] Development costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

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

[3] Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

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

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

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

Half Year ended 31 December 2020

2021-2025	Growth rates 2021-2025	Growth rate 2025 onward	Discount rate/ weighted average cost of capital
Entertainment Publications	3%-15%	2%	11%

Impairment was not tested in the comparative period as such, no comparative information is available.

Cash flows used in the value-in-use calculations are based on forecasts produced by management. The growth rates are based on a proposed strategic repositioning of the core operations of the business focusing on long-term sustainability. Forecasts for 2021 consider the increased level of market volatility and uncertainty caused by Covid-19 and the business transformation currently in progress. The Directors consider these forecasts to reflect the best estimates of revenue based on facts and circumstances available as at 31 December 2020. Given the nature of the uncertainty associated with the underlying assumptions, any changes over the coming months not factored in the cash flow forecasts may result in material changes to the assumptions.

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

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

The Group has performed sensitivity analysis of the reasonably possible changes in the assumptions used in the model, including reducing growth rates from 3%-15% to 3%-14% applied for the period to year 5, whilst holding terminal growth at 2%. Further, the Group has sensitised the discount rate from 11% to 12%. Based on the sensitivity analysis, a reduction of growth rates to 3%-14% or an increase in discount rate to 12% will result in the recoverable amount equalling the carrying amount.

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-20 $'000	Year ended 30-June-20 $'000
Current		
Employee benefits	1,090	764
Make good provision	60	-
Total current provisions	**1,150**	**764**
Non-current		
Employee benefits	61	54
Make good provision	68	128
Total non-current provisions	**129**	**182**
TOTAL PROVISIONS	**1,279**	**946**

	Consolidated Group			
	Employee benefits $'000	Onerous Leases provision $'000	Make good provision $'000	Total $'000
YEAR ENDED 30 JUNE 2020				
Balance as at 1 July 2019	1,415	635	-	2,050
(Utilised)/(transferred)/Additional provisions	(597)	(635)	128	(1,104)
BALANCE AS AT 30 JUNE 2020	**818**	**-**	**128**	**946**
HALF YEAR ENDED 31 DECEMBER 2020				
Balance as at 1 July 2019	**818**	**-**	**128**	**946**
Additional provisions[1]	333	-	-	333
BALANCE AS AT 31 DECEMBER 2020	**1,151**	**-**	**128**	**1,279**

[1] The release of employee benefits on departure of employees leaving the Group and the net movement of accruing and utilising employee benefits.

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 through the amortisation process and when the financial liability is derecognised.

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

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

	Consolidated Group	
	Half-year ended 31-Dec-20 $'000	Year ended 30-June-20 $'000
CURRENT		
Additional growth operational facility	4,931	-
Interest bearing loan	544	517
TOTAL CURRENT BORROWINGS	**5,475**	**517**
NON-CURRENT		
Transformational Capital facility	654	-
NZ Business Cashflow Loan	28	
Additional growth operational facility	-	2,691
TOTAL NON-CURRENT BORROWINGS	**682**	**2,691**
TOTAL BORROWINGS	**6,157**	**3,208**

	Interest bearing loan $'000	Additional growth operational facility $'000	Transformational capital facility $'000	NZ Business Cashflow Loan $'000
Facility limit	500	9,825	1,200	28
Unused facility	-	4,894	546	-
Interest rate	10% per annum	10% per annum	12.5% per annum	3% per annum, no interest charge on the loan if full repayment is made on or before 16 July 2021
Line fees	N/A	$9,708 per month	$2,000 per month	N/A
Maturity date	30/09/2020[1]	31/12/2021	11/02/2022	16/07/2025
Security	First ranking security over all the Group's present and future property	First 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 2019	**4,029**	**-**	**-**	**-**
Drawn down	15,000	2,585	-	-
Interest expenses	788	71	-	-
Line fees	-	35	-	-
Loan converted to equity	(19,300)	-	-	-
Drawn down as at 30 JUNE 2020	**517**	**2,691**	**-**	**-**
Balance as at 1 July 2020	517	2,691	-	-
Drawn down	-	2,000	631	28
Interest expenses	27	178	13	-
Line fees	-	62	10	-
Loan converted to equity	-	-	-	-
Drawn down as at 31 DECEMBER 2020	**544[1]**	**4,931**	**654**	**28**

[1] The Interest-bearing loan has matured on 30 September 2020 and the updated repayment terms are yet to be agreed.

Interest bearing loan

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

The loan was to be repaid on 30 September 2020 with interest capitalised at 10% per annum. During the AGM in December 2019, 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, during financial year ending 30 June 2020, $19.3 million including accrued interest of the convertible loan was converted to equity with the issuance of 410,643,766 ordinary shares (4.7cent per share) in the Company. This has left $500k of the convertible loan in which Suzerain had the option to convert up until 30 June 2020. The option lapsed as the loan was not converted at 30 June 2020 and will remain as a secured interest-bearing loan repayable by 30 September 2020. Updated repayment terms are yet to be agreed. The balance outstanding as of 31 December 2020 was $0.54 million including interest.

Additional growth operational facility

The Group entered into a new Loan Deed with Suzerain on 27 February 2020 for the provision of a $5.83 million facility (including associated borrowing costs). Subsequently, Suzerain has agreed to increase the facility limit of the original loan by $4m to $9.825m. 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 $0.027 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%. The balance outstanding as of 31 December 2020 was $4.93 million including interest and line fees. Subsequent to half year, the Group has drawn down an additional $1.5 million from the facility and Suzerain opted to convert the balance outstanding of $6.4 million as of 29 January 2021 into 187,544,529 ordinary shares at $0.034 per share. The undrawn amount has reduced to $3.4 million at the date of the approval of this half-year financial report. See note 11.

Transformational capital facility

Skybound Fidelis Investment limited as trustee for the Skybound Fidelis Credit Fund (Skybound) (a related entity of Suzerain) has agreed to provide the Group with a $1.2m facility for the transformational capital expenditures to be agreed between the Group and Skybound. During the AGM in December 2020, the resolutions were passed to enter into a second ranking security deed (ranking behind Suzerain). The balance outstanding as of 31 December 2020 was $0.65 million including interest and line fees.

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 the New Zealand business during the pandemic. The balance outstanding as of 31 December 2020 was $0.028 million.

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-20 $'000	Year ended 30-June-20 $'000
CURRENT		
Deferred Revenue	5,054	6,219
TOTAL CURRENT DEFERRED REVENUE	**5,054**	**6,219**
Deferred Revenue	44	350
TOTAL NON-CURRENT DEFERRED REVENUE	**44**	**350**
TOTAL DEFERRED REVENUE	**5,098**	**6,569**

	Deferred revenue $'000
YEAR ENDED 30 JUNE 2020	
Balance as at 1 July 2019	21,394
Revenue deferred	14,768
Revenue recognised	(29,593)
BALANCE AS AT 30 JUNE 2020	**6,569**
HALF-YEAR ENDED 31 DECEMBER 2020	
Balance as at 1 July 2020	6,569
Revenue deferred	4,096
Revenue recognised	(5,567)
BALANCE AS AT 31 DECEMBER 2020	**5,098**

Note 10 | 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 2020. Refer to the 30 June 2020 consolidated financial statements for further information. All of the carrying amounts of financial assets and liabilities recognised in the consolidated interim financial statements approximate their fair value.

Note 11 | Events after the end of the Interim Period

On 29 January 2021, Suzerain opted to convert $6.4 million of their convertible loan into 187,544,529 ordinary shares at $0.034 per share, in accordance with the Convertible Loan Agreement approved by shareholders at the AGM held in December 2020.

Subsequent to the half year ended, the Board secured a letter of intent from Suzerain of an additional contingent line of credit to be used for working capital requirements. Discussions are under way with a view to formalise this arrangement by 31 March 2021.

Note 12 | Contingent liability

Security deposit

The parent entity has given the following guarantees as at 31 December 2020:

- Lease of the Sydney office space, $0.7m.
- Lease of the Canberra office space, $0.013m.
- Lease of the Auckland office space, $0.082m.
- 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 4 to 22, 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 2020 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 26th day of February 2021.

Stephen Harrison

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 2020 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 interim statement of financial position as at 31 December 2020
- Consolidated interim statement of profit or loss and other comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the Half-year ended on that date
- Note 1 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.

Material uncertainty related to going concern – emphasis on matter

We draw attention to Note 1, "Going Concern" in the Half-year Financial Report. The 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.

KPMG

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 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 2020 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 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

John Wigglesworth

Partner

Sydney

26 February 2021