



# InPayTech

Integrated Payment Technologies Limited

ACN. 611 202 414

ASX Code IP1(one)



**Quarterly Report - 30 June 2017**

## **Single Touch Payroll (STP)**

The Federal Government has legislated that all employers with 20 or more employees have to comply with STP by 30 June 2018. From 1 July 2017 employers can elect to participate at any time.

Our current service integrates with Payroll provider's software so we can extract information to pay super for all employees. In October 2017 we intend to launch an extension of this service to include STP as part of our standard offering.

When employees are paid, STP requires the salary or wages, pay as you go (PAYG) withholding and superannuation guarantee information to be sent to the ATO for each pay period. ClickSuper will provide a new service to existing clients at a cost of 5 cents per employee for each transaction to comply with the ATO's requirements.

Employers with monthly paid employees will have 12 transactions for Super and 12 transactions for STP. Our current transaction charge for superannuation is 10 cents which will be increased by 5 cents for STP. We believe this should increase our transactional income by over 50% (including notification of corrections and adjustments)

Where salaries are paid monthly and super is paid quarterly, employers would have 4 super transactions and 12 STP transactions for each employee. We believe our transactional income should increase from 40 cents to over \$1 (4 x .10c plus 12 x .5c) a 150% increase.

## **Existing ClickSuper Clients**

We intend to offer our STP service in October 2017 to all clients.

The delay from the 1 July 2017 is to ensure all ATO requirements are finalised and to prepare our payroll referral base to offer a fully integrated service from October 2017.

We expect take up of the STP service to gradually climb towards 100% by the end of July 2018.

## **New Clients**

ClickSuper competes with superannuation funds offering a free service for their customer's choice funds. The employer downloads the superannuation data from their secure payroll service to forward to their default superannuation fund. For STP the employer will have to transfer the data electronically to the ATO via their payroll solution.

The cost of the ClickSuper product (with STP) for an employer with 50 employees paying monthly would be 10 cents (for super) + 5 cents (for STP) x 50 = \$7.50 per month.

Payroll groups will be marketing STP as a regulatory change to all their clients so we expect a number of their clients will take up ClickSuper with STP.

We are confident of picking up new clients as they have to make a decision about STP and we offer a complete secure service.

## **PayVu**

PayVu was launched on 14 June 2017 for Xero clients with integration with internet banking with the Big 4 banks. Over 32,000 ClickSuper customers were emailed advising them of the new service. Follow up marketing will be by phone.

Users with more than one email address were excluded to prevent marketing to bookkeepers as this will be a different campaign.

There are two services, Standard and Premium and three pricing thresholds. The Standard service makes payments via the customer's internet banking portal and costs \$10 per month per ABN. For users with a minimum of 5 ABN's the fee drops to \$9 per month per ABN and for a minimum of 25 ABN's decreases to \$8 per month per ABN.

Bookkeepers have indicated fully automated payment processing is required i.e. similar to the service offered by ClickSuper. That functionality is being delivered in the next major release of the product. The Premium product requires no internet banking for an extra \$3 per month per ABN.

## **Bookkeeper Market**

There has been enormous growth in the number of bookkeeper services. Aggregating the responses of the Xero bookkeepers we have contacted to date delivers an estimate of over 9,000 ABNs.

Bookkeepers generally charge a fixed or hourly fee so time is money to them. Our low cost per client can be easily recouped when they are charging between \$40 and \$100 per hour. We estimate that PayVu will save at least 2 hours of bookkeeper's time per month plus allow them to provide other services like payroll.

## **PayVu Rollout**

Integration with Xero is complete with Quickbooks and MYOB to be next.

Integration with the 4 big banks is complete with St George and Bendigo next.

## **PayVu Marketing**

- 32,000 Clicksuper clients offered free trial
- Broader marketing campaign including:
  - Paid search
  - Online advertising
  - SME focussed content platforms and industry events
  - Partnering with existing distribution Channels
  - Affiliate Marketing with Professional Associations and other Aggregators
  - PR – industry specific press and technology reviews

## PayVu Target Market \*

Accounting System	Australia (Cloud)	Australia (Desktop)	Overseas
Xero	380,000	0	482,000
MYOB	249,000	336,000	0
quickbooks	53,000	0	1,800,000
Reckon**	39,000	72,000	0
<b>Total</b>	<b>721,000</b>	<b>398,000</b>	<b>2,282,000</b>

\* As at March 2017

\*\* Combined totals for AU, NZ + UK

- Campaign commenced in Australia targeting Cloud users of big 4 banks
- Continues with other Australian banks and desktop users
- Next step is overseas

## PayVu Empowers SMEs

- All creditors notified of payment details with option to update their accounting System
- Superannuation -Employer Direct (ATO preferred) model
- Contributions transferred by employer directly to super fund
- Unreconciled contributions returned directly to employer
- SME owners and employees likely achieve higher retirement savings as funds invested on average 4.2 days earlier than using clearing house

## PayVu – Viral Distribution

Web application and mobile device support for:

- Accountants
- Bookkeepers
- Business Owners (Payers and Receivers)

Payee (Biller) benefits

- Inserts and reconciles aggregated payments in accounting software (Xero now)
- Displays payment receipt information in internet banking with one click

## Patents Update

PayVu first commercialisation of patents

All Asian patents now granted:

- China
- Japan
- Singapore
- Hong Kong

Western world patents granted in South Africa and New Zealand

Patents pending in the USA, Canada and Australia

## Annual Report

We are pleased to advise that our first annual report is due for completion and lodgement with the ASX on the 8 August 2017.

## Financial Results for Quarter ending 30<sup>th</sup> June 2017

We attach the unaudited results for the 3 months ending 30<sup>th</sup> June 2017 which show a loss from operations of \$102,547.

We also attach the unaudited Balance Sheet as at 30<sup>th</sup> June 2017.

**DATED:** 1 August 2017



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## Consolidated Profit/(Loss) for the 3 months ending 30 June 2017

	Jul16-Jun17				
	Corporate Overheads	ClickSuper	Payment Adviser /PayVu	Consolidated	Consolidated
	\$	\$	\$	\$	\$
<b>Revenue</b>	-	542,335	9,266	551,601	2,117,112
<b>Less transaction costs</b>	-	(163,916)	(570)	(164,486)	(592,150)
<b>Gross profit</b>	-	378,419	8,696	387,115	1,524,962
<b>Interest and other income</b>	16,248	1,374	44	17,666	75,573
	16,248	379,793	8,740	404,781	1,600,535
<b>Overheads</b>					
Administration expenses	(76,059)	(32,841)	(31,306)	(140,206)	(387,589)
Consulting fees	(18,302)	(22,360)	-	(40,662)	(107,256)
Depreciation	(413)	(4,873)	-	(5,286)	(10,998)
Directors fees	(33,750)	-	-	(33,750)	(123,750)
Salary and employee benefits expense	(75,961)	(159,446)	-	(235,407)	(1,102,573)
Occupancy costs	(6,121)	(17,797)	-	(23,918)	(125,062)
R&D Expenses	(15,817)	-	(6,004)	(21,821)	(87,288)
Amortisation Expenses - PayVu	-	-	(6,278)	(6,278)	(6,278)
	(226,423)	(237,317)	(43,588)	(507,328)	(1,950,794)
<b>Profit/(loss) from operations</b>	(210,175)	142,476	(34,848)	(102,547)	(350,259)
<b>Non-cash expenses</b>					
<b>Amortisations</b>					
Customer relationships	(798,679)	-	-	(798,679)	(1,024,720)
Patents	(4,474)	-	-	(4,474)	(30,592)
Software	(166,585)	-	-	(166,585)	(666,340)
Cost of Employee Share Scheme	(84,369)	-	-	(84,369)	(185,067)
<b>Non-recurring expenses</b>					
IPO costs	-	-	-	-	(608,540)
ASX	-	-	-	-	-
<b>Total expenses</b>	(1,054,107)	-	-	(1,054,107)	(2,515,259)
<b>Profit/(loss) before Interest and tax</b>	(1,264,282)	142,476	(34,848)	(1,156,654)	(2,865,518)
<b>Finance costs</b>	-	(4,233)	-	(4,233)	(4,481)
<b>Tax (expense)/benefit</b>	432,605	(35,092)	11,665	409,178	871,566
<b>Profit/(Loss) for the period</b>	(831,677)	103,151	(23,183)	(751,709)	(1,998,433)
<b>Other comprehensive income</b>					
Other comprehensive income	-	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>(831,677)</b>	<b>103,151</b>	<b>(23,183)</b>	<b>(751,709)</b>	<b>(1,998,433)</b>

<b>Balance Sheet</b>	<b>Notes</b>	<b>30-Jun-17</b>	<b>31-Mar-17</b>
		\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		3,953,470	4,294,737
Trade and other receivables		236,606	249,823
<b>Total Current Assets</b>		<u>4,190,076</u>	<u>4,544,560</u>
<b>Non-current</b>			
Property, plant and equipment		31,916	33,939
Deferred Tax Asset		641,539	574,437
Intangible Assets		14,844,722	15,534,469
<b>Total Non-Current Assets</b>		<u>15,518,177</u>	<u>16,142,845</u>
<b>Total Assets</b>		<u>19,708,253</u>	<u>20,687,405</u>
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables		195,301	178,006
Provisions		89,967	79,281
Subordinated Loan		50,000	50,000
<b>Total Current Liabilities</b>		<u>335,268</u>	<u>307,287</u>
<b>Non-current</b>			
Deferred Tax Liabilities		1,127,192	1,469,268
Provisions		39,574	37,291
<b>Total Non-Current Liabilities</b>		<u>1,166,766</u>	<u>1,506,559</u>
<b>Total Liabilities</b>		<u>1,502,034</u>	<u>1,813,846</u>
<b>Net Assets</b>		<u>18,206,219</u>	<u>18,873,559</u>
<b>Equity</b>			
Accumulated losses		(2,035,355)	(1,283,646)
Share capital		20,056,507	20,056,507
Share option reserve		185,067	100,698
<b>Total Equity</b>		<u>18,206,219</u>	<u>18,873,559</u>

The background features a dark blue grid pattern. A large, stylized blue arrow points upwards from the bottom right towards the top center. Inside the arrow's shaft, there are two white dashed arrows pointing upwards. At the bottom of the page, a globe is shown with a grid overlay, surrounded by several concentric, semi-transparent circular rings that resemble a futuristic interface or data visualization.

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