INTECQ Limited

ANNUAL REPORT 2016

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "Group") consisting of INTECQ Limited (referred to hereafter as the "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were:

- Developing and marketing of standalone and integrated gaming systems and business solutions, including player tracking, machine management, card-based cashless gaming, loyalty systems and network solutions that enhance the efficiency and profitability of gaming operations, through its Gaming Systems Division. This division also includes data analytics, data visualization and data trend analysis services.
- Marketing and operating integrated, networked, wide area accounting, control and progressive jackpot systems and graphical content and displays, through its Gaming Operations Division.
- Gaming Machine maintenance services through its Gaming Operations Division.

REVIEW OF OPERATIONS AND RESULTS

During the 2016 financial year, the Group's total revenue increased by 4% to $53,760,000 compared to $51,608,000 in FY2015, with net profit before tax increasing by 42% to $8,575,000 compared to $6,056,000 in FY2015.

Overall the Group's gross margin increased by 6% compared to the prior year. Earnings before interest, income tax, depreciation and amortisation (EBITDA) for the year increased by 12% to $11,776,000 compared to $10,554,000 in FY2015

The Group's net assets increased by 11% from $39,954,000 in FY2015 to $44,454,000. The Group's net debt decreased to $5,000.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Nil for FY2016

DIVIDENDS PAID OR RECOMMENDED

On 20 August 2015 the Company announced a dividend of 14 cents per share, franked to 25%, which was paid on 25 September 2015.

Since the end of the previous financial year, no other dividends have been recommended.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

On the 1 August 2016, the Company announced that it had entered a scheme of implementation agreement with Tabcorp Holdings Limited ABN 66 063 780 709 dated 31 July 2016. The details of the Scheme Implementation Agreement Including dates are set out in the announcement to the ASX.

During the 2017 financial year, the Group plans to continue to grow its market share in Australia and Asia by expanding its customer base of gaming venues and through ongoing product development to broaden its range of value-added gaming systems solutions. The release of innovative new products and entering new markets with existing technologies, will enhance and strengthen the Group's cash flow.

Further information on the likely developments and expected results of the operations of the Group will be announced to the market in due course.

ENVIRONMENTAL ISSUES

The Group operates primarily in the gaming sector and conducts its business activities with respect for the environment, while continuing to meet the expectations of shareholders, customers, employees and suppliers.

The Group is subject to, and complies with, environmental regulation under the laws of the Commonwealth and the various states and territories in which it operates.

The Group's operations have a limited impact on the environment, with a relatively low environmental footprint and carbon emissions profile. As a result, the Group is well below the reporting levels identified in the National Greenhouse and Energy Reporting Act.

While recognising the Group has a relatively small carbon footprint based on the nature of its operations and the number of employees, the Group recognises the importance of minimizing the direct impact of its activities on the environment.

DIRECTORS

The Directors of the Company in office during the whole of financial year, unless otherwise stated, and at the date of this report are:

Paul N Oneile	Non-Executive Chairman	Board member since 2012
Anthony P Toohey	Executive-Deputy Chairman	Board member since 2004
Michael B Hale	Non-Executive Director	Board member since 1999
Ian R James	Non -Executive Director	Board member since 2007
Dr Allan C Sullivan	Non-Executive Director	Board member since 2009
Simon CM Kelly	Non-Executive Director	Board member since 1 March 2016
Dr Ken Carr	CEO & Managing Director	Board member from 29 September 2014 and Resigned on 6 November 2015

INFORMATION ON CURRENT DIRECTORS

Paul N Oneile	Non-Executive Chairman (Independent)
Experience	Mr Oneile holds a B.Econ and has extensive experience in the entertainment and gaming industries, both locally and internationally. Mr Oneile was CEO of Aristocrat Leisure Limited from 2003 to 2008, Chairman and CEO of United International Pictures (UIP) from 1996 to 2003 while based in London, and Managing Director of The Greater Union Organisation in Australia from 1990 to 1996.
Interests in shares	At 30 June 2016, Mr Oneile, or his related parties, held 17,474 shares.
Special Responsibilities	Chairman of INTECQ, Chairman of the Remuneration & Nomination Committee and Member of the Audit & Risk Committee.

Anthony P Toohey	Executive – Deputy Chairman
Experience	Joined INTECQ and the Board in March 2004. Served as CEO and Managing Director from 2004 to 2014, then Executive – Deputy Chairman from 2014 onwards. Mr Toohey is an accomplished senior executive in the club, entertainment and leisure industries, with a proven track record of success in increasing sustainable competitive advantage and creating a strong platform for continuing growth. His background includes General Management positions held at Wentworthville Leagues, Wests Leagues Illawarra and Dee Why RSL Clubs.
Interests in shares	At 30 June 2016, Mr Toohey, or his related parties, held 196,448 shares.
Special Responsibilities	Nil.

Michael B Hale	Non-Executive Director (Independent)
Experience	Board member since April 1999. Background includes Chairman and Managing Director of The Hale Agency, Chairman and CEO of Young & Rubicam Australia, Director of Saatchi and Saatchi London and Foote Cone & Belding UK. Mr Hale was involved with business and strategic planning for major Australian and international companies, including British Airways, Unilever, Epson, Toshiba, NRMA and BMW.
Interests in shares	At 30 June 2016, Mr Hale, or his related parties, held 951,439 shares.
Special Responsibilities	Member of Remuneration & Nomination Committee.

Ian R James	Non-Executive Director (Independent)
Experience	Joined the Board in May 2007. Mr James holds a BA/LLB and is a former partner of Mallesons Stephen Jaques (now King & Wood Mallesons), a leading international commercial law firm, and has focused on advising major corporations and financial institutions. His commercial experience over the past 30 years has been gained in Australia, the United Kingdom, Hong Kong and other offshore markets. He was a founding shareholder of INTECQ and has closely followed its progress since listing.
Interests in shares	At 30 June 2016, Mr James, or his related parties, held 2,092 shares.
Special Responsibilities	Member of the Remuneration & Nomination Committee and Member of the Audit & Risk Committee.

Dr Allan C Sullivan	Non-Executive Director (Independent)
Experience	Joined the Board in March 2009. Dr. Sullivan has a Bachelor of Science, a Bachelor of Electrical Engineering degree and a doctorate of Engineering from Sydney University. Dr. Sullivan has previously held many executive positions, including Professional Engineer with Electricity Commission of NSW; President of ABB Company in Seoul; Member of the Executive Board of Landis & Gyr Asia Pacific and Electrowatt Asia Pacific, Hong Kong; Member of the Executive Board of Siemens Building Technologies Asia Pacific; CEO & Member of the Board of Directors of the ERG Group of Companies; adviser to Utilico / Ingot Group, including Director of Ellect Holdings and chairman of Freshtel Holdings.
Interests in shares	At 30 June 2016, Dr Sullivan, or his related parties, held 157,066 shares.
Special Responsibilities	Chairman of the Audit & Risk Committee.

Simon CM Kelly	Non-Executive Director (Independent)
Experience	Joined the Board on 1 March 2016. Mr Kelly has a First class honours degree in Economics and Accounting from Reading University in the UK and is a fellow of the Institute of Chartered Accountants in England and Wales and a member of Chartered Accountants Australia and New Zealand. Mr Kelly has previously held many executive positions, including most recently with Nine Entertainment Co, where he served as Chief Operating Officer and Chief Financial Officer. He had previously worked as a Director and Chief Financial Officer at Aristocrat Leisure Limited and Chief Financial Officer at Goodman Fielder.
Interests in shares	At 30 June 2016, Mr Kelly, or his related parties, held 25,313 shares.
Special Responsibilities	Member of the Remuneration & Nomination Committee and Member of the Audit & Risk Committee

COMPANY SECRETARY

The position of company secretary has been held by Alistair McKeough since February 2015.

Alistair is Managing Director of Whittens & McKeough, a law firm specialising in small and mid-market public company work. Alistair has been company secretary to a variety of ASX listed companies. He is also a member of the University of New South Wales Law Advisory Council. Alistair holds a Bachelor of Laws and Master of Laws from UNSW and is experienced in advising boards and senior executives in relation to their corporate governance and compliance, including compliance with the ASX Listing Rules.

CORPORATE GOVERNANCE PRINCIPLES

The Company's directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company. The Company's Corporate Governance Statement and policies are located on its website: http://www.intecqlimited.com/investor-relations/corporate-governance/

Since the end of the 2015 financial year, the Board has adopted a range of new corporate governance policies and charters. In addition, the functions of the Nomination Committee have been amalgamated with the Remuneration Committee, and the committee has accordingly been renamed the Remuneration & Nomination Committee. Similarly, the functions of the Audit Committee have been amalgamated with the Risk Committee, and the committee has accordingly been renamed the Audit & Risk Committee

MEETINGS OF DIRECTORS

During the financial year, 14 meetings of Directors were held. Attendances were:

	Directors' Meetings		Remuneration & Nomination Committee		Audit & Risk Committee	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Paul N Oneile	14	14	3	3	2	2
Anthony P Toohey	14	14				
Michael B Hale	14	14	3	3		
Ian R James	14	14	3	3	2	2
Dr Allan C Sullivan	14	14			2	2
Dr Ken Carr	4	4				
Simon CM Kelly	4	4	2	1		

INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company had a contract for liability insurance on behalf of the Directors and Officers as listed in this Annual Report. As permitted by the Corporations Act 2001, the premium for this renewal of insurance was paid by the Company. The Company paid a premium of $115,320 (2015: $85,429) for this insurance cover.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, or for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.
The Company was not a party to any such proceedings during the financial year.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of FY2016, indemnified or agreed to indemnify the Auditor of the Company or any related entity against a liability incurred by the Auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the Auditor of the Company or any related entity.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the Auditor are outlined in Note 28 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year by the Auditor, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 28 to the financial statements do not compromise the external auditor's independence requirements under the Corporations Act 2001, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the Auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF UHY HAINES NORTON

There are no officers of the Company who are former audit partners of UHY Haines Norton.

AUDITOR

UHY Haines Norton were appointed auditors during the 2012 financial year and continue in office in accordance with section 327 of the Corporations Act 2001

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration under section 307C of the Corporations Act 2001 has been received and is attached.

ROUNDING OF AMOUNTS

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) and where noted ($'000) under the option available to the Company under ASIC Instrument 2016/191. The Company is an entity to which that Instrument applies.

REMUNERATION REPORT (AUDITED)

The Remuneration Report, which has been audited, outlines the remuneration arrangements for the consolidated entity with respect to key Management Personnel and is in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Directors' Report

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all directors and other senior executives.

Names and positions of Directors during the financial year are:

Name	Position
Paul N Oneile	Non-Executive Chairman
Anthony P Toohey	Executive-Deputy Chairman
Michael B Hale	Non-Executive Director
Ian R James	Non-Executive Director
Dr Allan C Sullivan	Non-Executive Director
Simon CM Kelly	Non-Executive Director (Appointed 1 March 2016)
Dr Ken Carr	CEO & Managing Director (Resigned 6 November 2015)

Names and positions of Senior Executives in office at any time during the financial year are:

Name	Position
Peter W Walford	Chief Operating Officer and Acting CEO (appointed 6 November 2015)
Robert H Fredericks	Chief Financial Officer

The Remuneration Report is set out under the following main headings:

- Principles used to determine the nature and the amount of remuneration
- Details of Remuneration
- Transaction with related parties
- Service Contracts
- Additional Information

PRINCIPLES USED TO DETERMINE THE NATURE AND THE AMOUNT OF REMUNERATION

Remuneration for Key Management Personnel is structured to ensure the Company attracts and retains appropriately qualified and experienced directors and executives. The Remuneration & Nomination Committee regularly reviews market surveys to assess the appropriateness of the Company's remuneration packages with respect to comparative companies, and compliance with the objectives of the Company's remuneration strategy.

The remuneration structures detailed below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creating value for shareholders.

The remuneration structures take into account the Company's performance in:

- Sustainably increasing earnings; and
- Achieving superior total returns for shareholders through both share price performance and the payment of dividends.

The amount of incentives within each key management person's remuneration package.

Remuneration packages include a mix of fixed and variable remuneration, plus short-term and long-term performance-based incentives.

To ensure that the Company's remuneration policy remains competitive and relevant in the current employment environment, the Remuneration & Nomination Committee performs a review of the Company's remuneration structure with assistance from an independent remuneration consultant. The review assists the Remuneration & Nomination Committee with determining an appropriate remuneration structure for Key Management Personnel, with respect to:

- The Company's growth objectives
- Industry specific and market considerations, and
- The appropriate mix between:
    - Fixed and performance-linked remuneration, and
    - Short-term and long-term incentives.

Fixed Remuneration:

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits, including motor vehicles) as well as employer superannuation contributions. Fixed remuneration levels are reviewed annually by the Remuneration & Nomination Committee through a process that considers individual, divisional and overall performance of the Company. Market surveys are obtained where appropriate to provide further analysis so as to ensure the remuneration of Key Management Personnel and other senior executives is competitive with similar roles in the market place.

The review of the Group's remuneration structure provided by the Remuneration & Nomination Committee assists with determining an appropriate mix between the fixed and performance linked components of remuneration for of Key Management Personnel and other senior executives.

Performance Linked Remuneration:

Performance linked remuneration comprises a short term/long term incentive which is delivered through the allocation of share incentives which must be retained for up to 3 years. This short-term/long-term incentive structure is designed to reward Key Management Personnel for meeting or exceeding their financial and personal objectives, and aligns their outcomes with those of shareholders.

In addition to their salaries, selected key sales personnel receive commission on sales achieved within their specific business division as part of their service contracts.

Key Performance Indicators

Each year the Remuneration & Nomination Committee determines the objectives and key performance indicators (KPI's) for key management personnel. The KPI's generally include measures relating to the Company and the Group, the relevant segment, the individual, and also include financial, people, customer, strategy and risk measures.

The KPI measures are chosen to directly align the individual's reward to the objectives of the Company. There are also non-financial objectives which vary with position and responsibility – they include measures such as achieving strategic outcomes, safety measures, and compliance with established regulatory processes, customer satisfaction and staff development.

At the end of each financial year, the Remuneration & Nomination Committee assesses the actual performance of the individual against their personal KPI's and the actual performance of the Company as a whole based on EPS (Earnings per Share) and TSR (Total Shareholder Return).

EPS and TSR are used because:

- EPS growth is more reflective of the Company's underlying performance in terms of long term sustainable growth;
- EPS growth is an absolute performance measure that refers to the consolidated results of operating activities; and

Relative TSR measures the Company's notional return in the form of share price increases and dividends over the term against a comparison group of companies contained within the S&P/ ASX300 index.

The Board believes that these performance hurdles serve to align the interests of the individual executives and employees with the interests of the Company's shareholders. EPS growth is a key driver of company long term share price performance, and relative TSR (compared to the S&P/ASX300 Index comparator companies) provides a comparison of the Company's performance against potential alternative shareholder investment options.

The portion of the overall bonus target applicable to each of EPS and TSR is determined in accordance with the tables set out below. When the Remuneration & Nomination Committee determines whether the EPS hurdle has been achieved, no adjustments to reported results from operating activities are made.

Through this assessment, the Remuneration & Nomination Committee determines, for each eligible individual, the amount of any bonus in respect of that year that may be awarded, up to a pre-determined maximum amount. No bonus is awarded where performance falls below a minimum performance level. In instances where significant over-achievement of objectives and KPI's has been met, an additional amount may be awarded or credited to the eligible individual for the following financial year.

The amount of any bonus awarded is provided to each individual in the form of performance rights granted under the Executive Share Trust (EST). Under the EST, eligible employees and executives are allocated performance rights over ordinary shares in the Company. The performance rights are subject to a three year vesting period.
Performance rights held that have not vested will be forfeited and lapse, unless the Board in its discretion determines otherwise. Performance rights entitle a holder to any dividends that are declared during the vesting period.

TSR Relative Targets

TSR Rank	Portion of Full Value of Bonus Potential
Less than 50%	0%
50%	50%
Between 50% and 75%	Pro-rata (sliding scale) percentage
At or above 75%	100%

EPS Targets

EPS Growth Outcome	Portion of Full Value of Bonus Potential
Less than 8%	0%
8% pa	25% plus 1.25% for each 0.1% increase in EPS
10% pa	50% plus 2.0% for each 0.1% increase in EPS
12.5% pa	100%

Since 30 June 2016, on the recommendation of the Remuneration & Nomination Committee, the Board have allocated performance shares under the EST in relation to the FY2015 and FY2016 years as follows:

	Shares allocated under EST in respect of financial year:	
	FY2016	FY2015
Anthony P Toohey	27,177	12,000
Peter W Walford	27,177	7,061
Robert H Fredericks	13,589	14,010

Outcomes of bonus payments vs target are set out below:

	FY2016		FY2015	
	Earned[(2)]	Forfeited	Earned[(2)]	Forfeited
Anthony P Toohey [(1)]	40%	60%	20%	80%
Peter W Walford	100%	0%	38%	62%
Robert H Fredericks	100%	0%	100%	0%

[1]Excludes payment made in lieu of legacy long term incentive arrangements relating to prior years.
[2]Earned represents allocated as performance shares under the EST. Those allocations remain subject to vesting conditions.

Statutory key performance indicator for the group over the last five years:

	FY2016	FY2015	FY2014	FY2013	FY2012
Profit for the year attributable to owners of INTECQ Limited ($'000)	6,158	8,932	2,909	4,810	2,027
Basic earnings per share (cents)	34.9	51.1	19.0	31.4	13.3
Dividend payments ($'000)	-	2,469	843	536	-
Return of Capital payments ($'000)	-	-	1,058	-	-
Dividend payout ratio (%)*	-	27.6	65.3	11.1	-
Increase/ (decrease) in share price (%)	55.6	(8.6)	165.3	107.8	(3.3)

* The dividend payout ratio is calculated based on payments of dividends and return on capital to the profit for the year

DETAILS OF REMUNERATION

Executive Directors and other executives are paid performance bonuses and incentives based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Remuneration & Nomination Committee has set these bonuses and incentives to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Group.

The Remuneration & Nomination Committee reviews the performance bonuses and incentives to gauge their effectiveness against achievement of set goals, and adjusts future year incentives to reward the achievement of designated outcomes.

These performance conditions have been chosen because they reflect the Group's strategies for growth and increased shareholder wealth, in respect of which the Executive Directors and other executives play a crucial role.

Non-executive director arrangements

Non-executive directors receive a board fee and fees for chairing or participating on board committees, see table below. They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation.

Fees are reviewed annually by the Board taking into account comparable roles.

The maximum annual aggregate directors' fee pool limit is $350,000 and was approved by shareholders at the annual general meeting on 25 November 2014.

Base Fees	
Chair	$64,992
Other Non-executive directors*	$49,050
Additional Fees	
Remuneration & Nomination Committee	$5,000
Audit & Risk Committee	$5,000

The board have approved the payment of special exertion fees of $5,000 per month to each non-executive director (excluding Michael B Hale) for additional work undertaken in assessing and negotiating the proposed Scheme of Arrangements with Tabcorp. Amounts payable in relation to FY2016 totaling $12,167 for each eligible director are included as Sub-Committee fees in the remuneration disclosure table below.

* This figure has remained unchanged since the Company was listed in 1999.

Directors' Report

Year Ended 30 June 2016

	Short term benefits				Post-employment benefits		Long term benefits			
Name	Board Salary, allowances	Sub-Committee fees	Cash bonuses	Non cash benefits	Super annuation	Termi nation benefits	Share based payment s[4]	Long service leave	Total	% Perform ance Related
	$	$	$	$	$	$	$	$	$	
Directors										
Paul N Oneile	65,000	22,167	-	-	8,281	-	-	-	95,448	-
Anthony P Toohey	328,526	-	205,000[4]	-	31,210	-	117,629	(46,072)	636,293	29%
Michael B Hale	49,050	5,000	-	-	5,135	-	-	-	59,185	-
Ian R James[1]	49,050	28,933	-	-	-	-	-	-	77,983	-
Dr Allan C Sullivan	49,050	23,457	-	-	-	-	-	-	72,507	-
Simon CM Kelly	16,350	15,500	-	-	3,026	-	-	-	34,876	-
Dr Ken M Carr[2][3]	106,300	-	(35,068)	-	24,298	166,308		(3,755)	258,083	-
Total Directors	**663,326**	**95,057**	**169,932**	**-**	**71,950**	**166,308**	**117,629**	**(49,827)**	**1,234,375**	
Key Management Personnel										
Robert H Fredericks	221,450	-	-	-	21,038	-	88,265	3,702	334,455	26%
Peter W Walford	317,974	-	-	-	30,208	-	72,278	5,278	425,738	17%
Total Executives	**539,424**	**-**	**-**	**-**	**51,246**	**-**	**160,543**	**8,980**	**760,193**	
TOTAL	**1,202,750**	**95,057**	**169,932**	**-**	**123,196**	**166,308**	**278,172**	**(40,847)**	**1,994,568**	

[1] During the financial year, Mr Ian James (or entities associated with him) provided advice to the Group in respect of specific transactions. The amount paid is set out in "Transaction with related parties" details below.
[2] Dr Ken Carr resigned on 6 November 2015
[3] Dr Ken Carr only received part of the bonus declared in FY2015
[4] Paid in lieu of legacy long term incentive arrangements relating to prior years.

Year Ended 30 June 2015

	Short term benefits				Post-employment benefits		Long term benefits			
Name	Board Salary, allowances	Sub-Committee fees	Cash bonuses	Non cash benefits	Super annuation	Termi nation benefits	Share based payments[4]	Long service leave	Total	% Performance Related
	$	$	$	$	$	$	$	$	$	
Directors										
Paul N Oneile	59,574	20,000	-	-	7,560	-	-	-	87,134	-
Anthony P Toohey	504,310	-	-	6,629	40,402	-	212,603	(25,992)	737,952	29%
Michael B Hale	43,624	15,000	-	-	5,569	-	-	-	64,193	-
Ian R James[1]	44,117	12,500	-	-	-	-	-	-	56,617	-
Dr Allan C Sullivan	52,296	20,000	-	-	-	-	-	-	72,296	-
Dr Ken M Carr[2]	227,308	-	75,068	-	21,540	-	-	3,755	327,671	23%
Total Directors	**931,229**	**67,500**	**75,068**	**6,629**	**75,071**	**-**	**212,603**	**(22,237)**	**1,345,863**	**-**
Key Management Personnel										
Robert H Fredericks	225,452	-	10,000	-	22,368	-	50,000	4,876	312,696	16%
Peter W Walford[3]	231,093	-	-	-	21,465	-	66,279	3,684	322,521	21%
Total Executives	**456,545**	**-**	**10,000**	**-**	**43,833**	**-**	**116,279**	**8,560**	**635,217**	**-**
TOTAL	**1,387,774**	**67,500**	**85,068**	**6,629**	**118,904**	**-**	**328,882**	**(13,677)**	**1,981,080**	**-**

[1] During the financial year, Mr Ian James (or entities associated with him) provided advice to the Group in respect of specific transactions. The amount paid is set out in "Transaction with related parties" details below
[2] Dr Ken Carr commenced employment on 29 September 2014.
[3] Mr Peter W Walford commenced employment on 15 September 2014.
[4] Share based payments are calculated in the financial year of performance to the maximum amount available and are subject to approval (based on achievements of a mix of appropriate hurdles & KPI's) by the Remuneration & Nomination Committee. These amounts are awarded subsequent to the close of the financial year in review.

TRANSACTION WITH RELATED PARTIES

During the year $17,500 (2015: $85,000) in consulting fees was paid to Braymera Pty Ltd an entity associated with a director, Mr. Ian James, for the provision of advice in connection with specific projects undertaken by the group.

Shares held by Directors and key Management Personnel

The number of shares in which the Key Management Personnel of the Group held a relevant interest are set out below.

Year Ended 30 June 2016	Balance 30 June 2015 or date appointed	Received as remuneration	Net change other	Balance 30 June 2016 or date resigned
	000	000	000	000
Non-Executive Directors				
Paul N Oneile	7	-	10	17
Michael B Hale	947	-	4	951
Ian R James	2	-	-	2
Dr Allan C Sullivan	157	-	-	157
Simon CM Kelly	25	-	-	25
Executive Director				
Ken M Carr[1]	5	-	5	10[1]
Anthony P Toohey	196	-	-	196
Key Management Personnel				
Robert H Fredericks	-	-	-	-
Peter W Walford	-	-	-	-
TOTAL	**1,314**	**-**	**44**	**1,358**

[1] Mr Carr held 10,442 shares at date of resignation of 6 November 2015.

Year Ended 30 June 2015	Balance 30 June 2014 or date appointed	Received as remuneration	Net change other	Balance 30 June 2015 or date resigned
	000	000	000	000
Non-Executive Directors				
Paul N Oneile	7	-	-	7
Michael B Hale	947	-	-	947
Ian R James	124	-	(122)	2
Dr Allan C Sullivan	156	-	1	157
Executive Director				
Ken M Carr	-	-	5	5
Anthony P Toohey	230	-	(34)	196
Key Management Personnel				
Robert H Fredericks	-	-	-	-
Peter W Walford	-	-	-	-
TOTAL	**1,464**	**-**	**(150)**	**1,314**

SERVICE CONTRACTS

Remuneration and other terms of employment for Key Management Personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	**Anthony P Toohey**
Title:	**Executive-Deputy Chairman**
Agreement Commenced:	29 September 2014
Details:	Base Salary for the year ending 30 June 2016 of $250,000 plus Superannuation plus car allowance, to be reviewed annually by the Remuneration & Nomination Committee. A 6 month termination notice by either party. Incentive bonus to a maximum value of $250,000 pa as per Remuneration & Nomination Committee, subject to achievement of a mix of appropriate business hurdles and KPI's.

Name:	**Peter W Walford**
Title:	**Acting Chief Executive Officer and Chief Operating Officer**
Agreement Commenced:	15 September 2014
Details:	Base Salary for the year ending 30 June 2016 of $300,000 plus Superannuation plus car allowance, to be reviewed annually by the Remuneration & Nomination Committee. A 6 month termination notice by either party in the first 12 months of employment and 3 months thereafter. Incentive bonus to a maximum value of $100,000 pa as per Remuneration & Nomination Committee, subject to achievement of a mix of appropriate business hurdles and KPI's.

Name:	**Robert H Fredericks**
Title:	**Chief Financial Officer**
Agreement Commenced:	6 March 2014
Details:	Base Salary for the year ending 30 June 2016 of $221,450 plus Superannuation, to be reviewed annually by the Remuneration & Nomination Committee. A 1 month termination notice by either party. Incentive bonus to a maximum value of $50,000 pa as per Remuneration & Nomination Committee, subject to achievement of a mix of appropriate business hurdles and KPI's.

Directors' Report

ADDITIONAL INFORMATION

Voting of shareholders at last year's annual general meeting

INTECQ received 99.52% of "FOR" votes on its Remuneration Report for the 2015 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Independence of Directors

It is the opinion of the board that Mr Michael Hale, despite his stock holding of 5.4% is an Independent Director. The Board is satisfied that he is able to act as an impartial Independent Director without bias, and without undue control in his current position.

Directors' and Executives' Options

There are no options on issue as at 30 June 2016.

Signed in accordance with a resolution of the Board of Directors, pursuant to Section 298 (2) of Corporations Act 2001.

Paul N Oneile
Chairman

Dr Allan C Sullivan
Director

Dated this 30th day of August 2016 in Sydney.

UHY Haines Norton
Chartered Accountants

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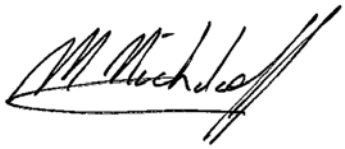
Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

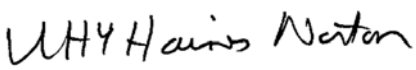
To the Directors of Intecq Limited

As auditor for the audit of Intecq Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Intecq Limited and the entities it controlled during the year.





M.D. Nicholaeff
Partner
Signed at Sydney on 30 August 2016

UHY Haines Norton
Chartered Accountants

Contents of Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	Consolidated Entity 2016 $000	2015 $000
Sales revenue	2	52,628	50,968
Cost of sales	3	(16,576)	(16,757)
Gross Profit		**36,052**	**34,211**
Other revenue	2	218	265
Consulting expenses		(702)	(896)
Depreciation and amortisation	3	(4,011)	(4,395)
Employee benefit expense		(17,076)	(16,182)
Occupancy expense		(1,404)	(1,306)
Sales related expenses		(1,254)	(1,046)
Other expenses		(4,059)	(4,492)
Results from operating activities		**7,764**	**6,159**
Financial income		914	375
Financial expense		(103)	(478)
Net financing (expense) / income	4	**811**	**(103)**
Profit before income tax		**8,575**	**6,056**
Income tax benefit / (expense)	5	(2,417)	2,876
Profit after tax for the year		**6,158**	**8,932**
Profit for the year attributable to members of the parent entity		**6,158**	**8,932**
Total comprehensive income attributable to members of the parent entity		**6,158**	**8,932**
Earnings per share:			
Basic earnings per share (cents per share)	6	**34.92**	**51.11**
Diluted earnings per share (cents per share)	6	**34.39**	**50.73**
Adjusted earnings per share (cents per share)*	6	**34.92**	**25.80**

* In the PCP, adjusted EPS is based on NPAT which excludes a “one-off” tax benefit from the recognition of prior years’ tax losses and prior years R&D tax credits of $4.4 million.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
as at 30 June 2016

	Notes	Consolidated Entity 2016 $000	2015 $000
Current Assets			
Cash and cash equivalents	9	13,814	5,313
Financial assets	10	-	2,391
Trade and other receivables	11	11,561	15,109
Inventories	12	8,243	8,865
Other current assets	13	406	540
Total Current assets		34,024	32,218
Non-Current Assets			
Trade and other receivables	11	3,592	257
Property, plant and equipment	15	2,983	2,895
Deferred tax assets	5(d)	1,972	3,335
Intangible assets	16	15,756	17,077
Total Non-Current Assets		24,303	23,564
Total Assets		**58,327**	**55,782**
Current Liabilities			
Trade and other payables	17	5,278	7,015
Borrowings	18	5	892
Provisions	19	2,104	2,081
Other current liabilities	20	4,737	4,408
Current tax payable	5(e)	1,160	253
Total Current Liabilities		13,284	14,649
Non-Current Liabilities			
Trade and other payables	17	-	497
Borrowings	18	-	5
Provisions	19	265	381
Other non-current liabilities	20	324	296
Total Non- Current Liabilities		589	1,179
Total Liabilities		**13,873**	**15,828**
Net Assets		**44,454**	**39,954**
Equity			
Share capital	21	57,842	57,803
Reserves	22	1,121	349
Accumulated losses		(14,509)	(18,198)
Total Equity		**44,454**	**39,954**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2016

	Consolidated Entity					
	Share Capital	Accumulated Losses	Dividend Reserve	Option Reserve	Share Based Payment Reserve	Total
	$000	$000	$000	$000	$000	$000
Balance as at 1 July 2014	**50,853**	**(27,412)**	**1**	**281**	**-**	**23,723**
Profit after income tax expense for the year	-	8,932	-	-	-	8,932
Total comprehensive income for the year	-	8,932	-	-	-	8,932
Transactions with owners in their capacity as owners:						
Shares issued	8,007	-	-	-	-	8,007
Repayment of capital to shareholders	(1,057)	-	-	-	-	(1,057)
Transfer between reserves	-	282	(1)	(281)	-	-
Share based payment transactions	-	-	-	-	349	349
Balance as at 30 June 2015	**57,803**	**(18,198)**	**-**	**-**	**349**	**39,954**
Balance as at 1 July 2015	**57,803**	**(18,198)**			**349**	**39,954**
Profit after income tax expense for the year	-	6,158	-	-	-	6,158
Total Comprehensive income for the year	-	6,158	-	-	-	6.158
Transactions with owners in their capacity as owners:						
Shares issued	39	-	-	-	-	39
Dividend paid	-	(2,469)	-	-	-	(2,469)
Share based payment transactions	-	-	-	-	772	772
Balance as at 30 June 2016	**57,842**	**(14,509)**	**-**	**-**	**1,121**	**44,454**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the year ended 30 June 2016

	Notes	Consolidated Entity 2016 $000	2015 $000
Cash Flows from Operating Activities			
Receipts from customers		52,707	49,771
Payments to suppliers and employees		(39,564)	(44,306)
Interest received		914	375
Interest and other costs of finance paid		(103)	(478)
Income Taxes Paid		(145)	-
Net cash provided by operating activities	8	**13,809**	**5,362**
Cash Flows from Investing Activities			
Payments for purchases of property, plant and equipment		(1,628)	(1,110)
Payments for software development and other intangibles		(1,172)	(1,049)
Payments for investments		-	(2,391)
Net cash outflow on acquisition of Flexinet business		(1,500)	(2,800)
Net cash outflow on acquisition of IDOL business		(39)	-
Proceeds from sale of property, plant and equipment		25	23
Proceeds from maturity of investments		2,391	-
Net cash used in investing activities		**(1,923)**	**(7,327)**
Cash Flows from Financing Activities			
Proceeds from issuing shares		39	7,969
Payment of capital return to shareholders		-	(1,058)
Dividend paid during the year		(2,469)	(843)
Repayment of borrowings		(892)	(1,588)
Net cash (used in) / provided by financing activities		**(3,322)**	**4,480**
Net increase in cash held		8,564	2,515
Effects of exchange rate changes on cash and cash equivalents		-	7
Cash held at beginning of the financial year		4,350	1,828
Cash and cash equivalents at the end of the financial year	9	**12,914**	**4,350**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers the consolidated entity consisting of INTECQ Limited and its controlled entities (referred to in this financial report as the "Group" or the "consolidated entity"). INTECQ Limited (the "Company") is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The principal accounting policies adopted by the consolidated entity are stated below, in order to assist in a general understanding of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

New, revised or amended Accounting Standards and Interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to AASB 119 Defined Benefit Plans: Employee Contributions

AASB 119 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

With the exception of the improvement relating to AASB 2, Share-based Payment, applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Group has applied these improvements for the first time in these consolidated financial statements. They include:

AASB 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Group had not granted any awards in 2016. Thus, these amendments did not impact the Group's financial statements or accounting policies.

AASB 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of AASB 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

AASB 8 Operating Segments

The amendments are applied retrospectively and clarify that:

► An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of AASB 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';

► The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities The Group has not applied the aggregation criteria in AASS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 26 in this period's financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of her decision making.

AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets

The amendment is applied retrospectively and clarifies in AASB 116 and AASB 138 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Group during the current period.

AASB 124 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides Key Management Personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

AASB 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

► Joint arrangements, not just joint ventures, are outside the scope of IFRS 3

► This scope exception applies only to the accounting in the financial statements of the joint arrangement itself Endeavour (International) Limited is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

AASB 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of AASB 39. The Group does not apply the portfolio exception in AASB 13.

AASB 140 Investment Property

The description of ancillary services in AASB 140 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that AASB 3, and not the description of ancillary services in AASB 140, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on AASB 3, not AASB 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Group.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out at Note 1(v).

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 31.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of INTECQ Limited ('Company' or 'Parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. INTECQ Limited and its subsidiaries together are referred to in these financial statement

as the 'consolidated entity'.

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets (including goodwill, liabilities and non-controlling interest in the subsidiary), together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained, together with any gain or loss in profit or loss.

Details relating to the controlled entity and the joint venture entities are set out in Note 14 to the financial statements.

(c) Foreign currency transactions and balances

Functional and presentation currency

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

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end

exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge transaction.

Foreign Operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount

of revenue can be measured reliably, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. All revenue is stated net of the amount of goods and services tax (GST).

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

Revenue from sale of goods is recognised on delivery of goods to customers. Delivery does not occur until the goods have been shipped to the specified location and the risks and rewards of ownership have been transferred to the customer. Revenue is recognised net of any discounts provided on goods sold.

Trade-in allowances are often provided to customers which may include an incentive component to return goods which can be in excess of the value of the goods to be returned. The trade-in is not recognised until goods have been returned and the risks and rewards of ownership have been transferred to the Group. The incentive component however is accounted for prior to the return of goods to the extent that, based on experience, it is likely that the goods will be returned.

(ii) Contract to provide services

When the outcome of a contract to provide services can be estimated reliably, net revenue is recognised by reference to the percentage of service performed.

(iii) Finance lease rental revenue

The consolidated entity derives rental revenue from finance leases. Finance leases arise where substantially all of the risks and benefits incidental to ownership of the leased asset pass to the lessee. Finance lease revenue is recognised at the time the rental contract is entered into based on the present value of the minimum lease payments, with interest income recognised over the life of the lease.

(iv) Interest

Interest is recognised as it accrues, using the effective interest rate method.

(V) Other revenue

Other revenue is recognised when it is received, or when the right to receive payment is established.

(e) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses, only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tax Consolidation

The Company and its wholly-owned Australian controlled entities are part of a tax consolidated group under Australian taxation law where INTECQ Limited is the head entity.

The head entity, INTECQ Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, INTECQ Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

(f) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged
or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid
investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Inventories

Inventories are measured at the lower of cost or net realisable value. Costs have been assigned to inventory quantities on-hand at reporting date on the basis of weighted average costs.

(i) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The depreciable amount of all plant and equipment (including capitalised lease assets, but excluding freehold land), is depreciated on a straight line basis over their useful lives to the consolidated entity, commencing from the time the asset is held ready for use.
The depreciation rates used for each class of depreciable asset using the straight-line method are

Fixed Assets Class	Depreciation Rate
Plant and equipment	7%-50%
Leased motor vehicles	25%
Leasehold improvements	20%-33.3%

The residual values, useful lives and depreciation method are reviewed and adjusted if appropriate at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Cash flows relating to short-term receivables are not discounted if the effect of the discounting is immaterial.

Collectability of trade receivables are reviewed on an on-going basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The amount of impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Other receivables are recognised for goods which were delivered to customers and contract services performed which are in excess of the amounts billed as at that date. Other receivables are recognised at amortised cost, less any impairment.

(k) Investments

Investments in controlled entities are measured on the cost basis. The carrying amounts of investments are reviewed annually by Directors to ensure that they are not in excess of the recoverable amounts of these assets.

(l) Intangibles

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment.
Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in

profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

i) Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of controlled entities is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash- generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (Note 26).

Impairment loss on goodwill is taken to the statement of profit or loss and is not subsequently reversed.

ii) Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 - 10 years.

iii) Patents and Trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

iv) Customers Contracts

Customer contracts acquired are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

v) Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

(m) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives, or more frequently if events or changes in circumstances indicate that they might be impaired.

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.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(p) Employee Benefits

Short-term employees benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months after the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months after the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense, with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.

from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in the statement of profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the

(q) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability. Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term (if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term).

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Lease income from operating leases where the Group is the lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are include in the balance sheet based on their nature.

(r) Borrowings

Loans and borrowings are initially recognised at fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is expensed to profit or loss over the period of the borrowing.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, in which case they are classified as non-current liabilities.

(s) Borrowing costs

Borrowing costs are recognised as an expense in the statement of profit or loss in the period in which they are incurred.

(t) Financial assets and liabilities

Financial assets and liabilities are initially measured at fair value on the trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and maturities, and it is the Group's intention to hold these investments to maturity. Held-to- maturity investments are included within non-current assets, except for those with maturities less than 12 months from the end of the reporting date, which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are recognised as other comprehensive income through the available-for-sale reserve in equity.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through the statement of profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through the statement of profit or loss category are presented in the statement of profit or loss within other income or other expenses in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed

between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non- monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to statement of profit or loss gains and losses from investment securities.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative Instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of profit or loss and other comprehensive income, unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss.

(u) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non- controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the statement of profit or loss as a bargain purchase.

(d) Critical accounting judgements, estimates and assumptions

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

The following key assumptions have been made concerning the future and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Key estimates — Goodwill and other indefinite life intangibles assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Key estimates — Employee benefits provision

As discussed in Note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Key estimates — Tax losses

The consolidated entity recognises carried forward tax losses based on tax loss utilisation projections over a five year period. Management base their utilisation projections on budgets; used a loss recoupment fraction of 0.4 for the tax consolidated Group
comprising INTECQ Limited and its wholly-owned Australian controlled entities, and assume that there would be no adverse changes in tax legislation.

Should the tax consolidated Group derive future assessable income of amounts materially different to that projected, should the loss recoupment factor materially alter or if there are adverse changes in tax legislation, the balance of carried forward losses recognised will change.

(w) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST is not recoverable from tax authorities. In these circumstance, the GST is recognised as part of the acquisition of the asset or as part of an item of expense.

Receivables and payable balances are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the tax authorities are included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, and/or payable to, the tax authorities is classified as operating cash flows.

(a) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

(b) Share capital

Issued capital is recognised at the fair value of consideration received by the Company and classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members of the Parent Entity, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares adjusted for any bonus element. Diluted EPS adjust the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(aa) Comparative figures

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

(ab) Rounding of amounts

The Company is of a kind referred to in ASIC Instrument 2016/191 (issued in 2016), and in accordance with that Instrument all financial information presented in AUD has been rounded to the nearest one thousand dollars ($'000), unless otherwise stated.

(ac) Changes in Accounting Policies

There are no changes in the Accounting Policy in the current year

NOTE 2 – REVENUE FROM CONTINUING OPERATIONS

	Consolidated Entity	
	2016	2015
	$000	$000
Sales revenue :		
Sales – Systems & Software	23,192	24,330
Sales – Operations	29,429	25,746
Sales – Machines	7	892
	52,628	50,968
Other revenue:		
Foreign exchange gain	-	19
Profit on sale of fixed asset	25	-
Other revenue	193	246
	218	265
	52,846	**51,233**

NOTE 3 – EXPENSES

Profit before income tax includes the following specific expenses:		
Cost of sales	16,576	16,757
Depreciation and amortisation		
– Plant and equipment depreciation	1,518	1,550
– Intellectual property, software development and other intangible assets amortisation	2,493	2,845
	4,011	4,395
Net loss on disposal of fixed assets		
– Net loss on disposal of property, plant and equipment	-	55
Foreign exchange		
– Other foreign exchange loss	13	-
Superannuation contributions	1,305	1,210

NOTE 4 – FINANCIAL INCOME AND EXPENSES

Interest income	914	375
Interest expense	(103)	(478)
Net financing income / (expense)	811	(103)

Notes to the Financial Statements
for the year ended 30 June 2016

NOTE 5 – INCOME TAX

	Consolidated Entity	
	2016	2015
	$000	$000
(a) Major components of tax expense:		
Current tax	(1,160)	(328)
Deferred tax	(1,363)	3,077
Over (under) provision in prior years	106	127
Income tax benefit / (expense)	**(2,417)**	**2,876**
(b) The prima facie tax on profit is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit before income tax at the Australian tax rate of 30% (2015: 30%):	(2,573)	(1,817)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment: non-deductible portion	(23)	(17)
Share-based payment expense	(232)	(105)
Other non-deductible items	(30)	(100)
Stamp duty paid	-	(82)
Rebatable research & development	(320)	(205)
Recognition of previously unrecognised tax losses	-	3,240
Utilisation of previously unrecognised tax losses	-	100
Utilisation and recognition of previously unrecognised tax credits	-	1,705
Utilisation and recognition of current year tax R&D credits	899	-
Franking deficit tax	-	30
	(2,279)	2,749
Over (under) provision in prior years	(138)	127
Income tax benefit / (expense)	(2,417)	2,876
(c) Tax losses not brought to account as realisation of the benefit is not recognised as sufficiently probable		
Total tax losses available	5,926	10,829
Less: losses recognised as realisation of benefit is deemed to be sufficiently probable	(5,926)	(10,800)
	-	29

This benefit for tax losses will only be obtained if the consolidated entity derives future assessable income of an amount sufficient to enable the benefit from the deductions for the losses to be realized. The Group continues to comply with the conditions for deductibility imposed by tax legislation and no changes in tax legislation adversely effect the Consolidated Entity in realising the benefit from the deductions for the losses.

NOTE 5 – INCOME TAX Continued

The tax losses of the tax consolidated group comprising INTECQ Limited and its wholly owned Australian controlled entities are subject to a loss recoupment fraction. This means that INTECQ will only be able to apply prior year tax losses in any given period, to the extent of the taxable income of the tax consolidated group for that period multiplied by the loss recoupment fraction. At 30 June 2016, the fraction was 0.4 (2015: 0.4).

	Consolidated Entity	
	2016	2015
	$000	$000
(d) Deferred taxation		
Future income tax benefits attributable to tax losses	1,778	3,240
Allowance for doubtful debts	131	145
Allowance for stock obsolescence	395	245
Employee benefits deductible for tax purposes when paid	711	739
Accrued expenses deductible for tax purposes when paid	57	166
Other	207	78
	3,279	4,613
Less: Deferred tax liabilities :		
Future income tax asset / (liability) attributable to difference in rates used to amortise non-goodwill intangibles for accounting and taxation	(1,307)	(1,278)
Net deferred tax asset	1,972	3,335
Net deferred tax assets expected to be recovered within 12 months	1,739	1,744
Net deferred tax assets expected to be recovered after more than 12 months	233	1,591
	1,972	3,335
(e) Current tax		
Income tax payable	1,160	253

NOTE 6 – EARNINGS PER SHARE

	2016 $000	2015 $000
(a) Basic earnings per share (cents per share)	34.92	51.11
(b) Diluted earnings per share (cents per share)	34.39	50.73
(c) Adjusted earnings per share (cents per share)*	34.92	25.80
* In the PCP, adjusted EPS is based on NPAT which excludes a "one-off" tax benefit from the recognition of prior years' tax losses and prior years R&D tax credits of $4.4 million.		
(d) Reconciliation of earnings used in calculating earnings per share		
(i) Basic earnings per share		
Profit after tax attributable to members of the parent entity used in calculating basic earnings per share	6,158	8,932
(ii) Diluted earnings per share		
Profit after tax attributable to members of the parent entity used in calculating diluted earnings per share	6,158	8,932

(e) Weighted average number of shares used as the denominator	2016 Number	2015 Number
Weighted average number of ordinary shares used in calculating basic earnings per ordinary share	17,633,000	17,476,000
Option and performance shares – unvested	234,465	89,195
Shares issued post year-end as consideration for acquisition of IDOL	39,117	39,117
Weighted average number of ordinary shares used in calculating diluted earnings per share	17,906,582	17,604,312

NOTE 7 – DIVIDEND IMPUTATION

	Company	
	2016 $000	2015 $000
The balance of the franking account at year end, adjusted for franking credits arising from payments of income tax payable, payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years.	1,180	138

NOTE 8 – CASH FLOW INFORMATION

	Consolidated Entity	
	2016	2015
	$000	$000
Reconciliation of profit after income tax to net cash from operating activities		
Profit after income tax expense for the year	6,158	8,932
Adjustments for:		
Amortisation of intangibles	2,493	2,845
Depreciation of plant and equipment	1,518	1,550
(Gain) / Loss on disposal of plant and equipment	(3)	55
Share-based payments	772	277
Other non-cash items	63	71
Net exchange differences	-	(19)
Net cash provided by operating activities before changes in assets and liabilities	11,001	13,711
Changes in operating assets and liabilities:		
Decrease / (Increase) in : -		
Trade receivables	1,747	(3,674)
Other receivables and other current assets	(1,400)	1,597
Inventories	622	(3,432)
Current tax asset	-	-
Deferred tax asset	1,363	(3,077)
Increase / (Decrease) in : -		
Trade payables	197	(1,751)
Other payables and accruals	(892)	758
Current tax liability	907	253
Provisions	(93)	444
Other liabilities	357	533
Net cash provided by operating activities	13,809	5,362

NOTE 9 – CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2016	2015
	$000	$000
Cash (i)		
Cash at bank and on hand	12,914	4,350
Cash at bank held for jackpots*	900	963
* Jackpot money is held in trust accounts.	13,814	5,313
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows :-		
Cash at bank and on hand	12,914	4,350

NOTE 10 – FINANCIAL ASSETS

Current		
Held to maturity investments		
Term deposits**	-	2,391

**Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition.

**Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition.

NOTE 11 – TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2016	2015
	$000	$000
Current		
Trade receivables	10,056	14,963
Provision for impairment	(387)	(212)
	9,669	14,751
Other receivables	1,892	358
	11,561	15,109
Non-Current		
Trade receivables	3,641	530
Provision for impairment	(49)	(273)
	3,592	257

Impairment of receivables
The consolidated entity has recognised a loss of $142,483 (2015: $31,971) in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

The ageing of the impaired trade receivables provided for is as follows:

0 - 3 months overdue	11	273
3 - 6 months overdue	15	23
Over 6 months overdue	410	189
	436	485

Movements in the provision for impairment of receivables is as follows:

Opening balance	485	484
Additional provisions recognised for:		
Trade receivables	328	128
Receivables written off during the year as uncollectable	(191)	(32)
Unused amounts reversed	(186)	(95)
Closing balance	436	485

NOTE 12 – INVENTORIES

	Consolidated Entity	
	2016	2015
	$000	$000
Current		
Gaming machines, proprietary hardware, computers and parts - at cost.	9,561	9,681
Provision for impairment	(1,318)	(816)
	8,243	8,865

NOTE 13 – OTHER CURRENT ASSETS

Current		
Prepayments - other	406	540
	406	540

NOTE 14 – CONTROLLED ENTITIES AND JOINT VENTURE ENTITIES

		Consolidated Entity	
	Country of Incorporation	% of Shares Held 2016	2015
Ultimate parent entity :-			
INTECQ Limited	Australia		
Controlled entities :-			
eBET Gaming Systems Pty Limited	Australia	100	100
Maxi Gaming Pty Limited	Australia	100	100
eBET Inc.	USA	100	100
eBET Systems Pty Limited	Australia	100	100
eBET Services Pty Limited	Australia	100	100
Bounty Pty Limited	Australia	100	100
Bounty Systems Pty Limited	Australia	100	100
Clubline Systems Pty Limited	Australia	100	100
Inov8 Mobile Pty Limited	Australia	100	100
Industry Data Online Pty Limited	Australia	100	100
Advento Pty Ltd	Australia	100	100
Odyssey Gaming Limited	Australia	100	100
Odyssey Gaming Services Pty Limited	Australia	100	100
Joint venture entities :-			
Gaming Solutions Pty Limited (a)	Australia	50	50

a) Gaming Solutions Pty Limited

A subsidiary of INTECQ Limited has a 50% controlling interest in Gaming Solutions Pty Limited. The principal activity is the marketing of ticket based technologies for gaming machines that had not commenced operations at 30 June 2016.

NOTE 14 – CONTROLLED ENTITIES AND JOINT VENTURE ENTITIES Continued

b) Deed of cross guarantee

All controlled entities, with the exception of eBet Inc. and Advento Pty Ltd have entered into a deed of Cross Guarantee with INTECQ Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

The consolidated statement of profit or loss and other comprehensive income of the entities party to the deed of cross guarantee is:

	Consolidated Entity	
	2016	2015
	$000	$000
Sales Revenue	52,628	50,968
Cost of sales	(16,576)	(16,757)
Gross Profit	**36,052**	**34,211**
Other revenue	218	265
Consulting expenses	(702)	(896)
Depreciation and amortisation	(4,011)	(4,395)
Employee benefit expense	(17,076)	(16,182)
Occupancy expense	(1,404)	(1,306)
Sales related expenses	(1,254)	(1,046)
Other expenses	(4,059)	(4,492)
Results from operating activities	**7,764**	**6,159**
Financial income	914	375
Financial expense	(103)	(478)
Net financing income / (expense)	**811**	**(103)**
Profit before income tax	**8,575**	**6,056**
Income tax benefit / (expense)	(2,417)	2,876
Profit after tax for the year	**6,158**	**8,932**
Other comprehensive income		
Other comprehensive income for the year	-	-
Total other comprehensive income for the year	**6,158**	**8,932**
Profit for the year attributable to members of the parent entity	**6,158**	**8,932**
Total comprehensive income attributable to members of the parent entity	**6,158**	**8,932**

NOTE 14 – CONTROLLED ENTITIES AND JOINT VENTURE ENTITIES Continued

	Consolidated Entity	
	2016	2015
	$000	$000
Statement of Financial Position as at year ended 30 June 2016		
Current Assets		
Cash and cash equivalents	13,806	5,200
Financial Assets	-	2,391
Trade and other receivables	11,561	15,109
Inventories	8,243	8,865
Other current assets	406	540
Total Current Assets	**34,016**	**32,105**
Non-Current Assets		
Trade and other receivables	3,592	257
Property, plant and equipment	2,983	2,895
Deferred tax assets	1,972	3,335
Intangible assets	15,756	17,077
Investments	64	24
Total Non-Current Assets	**24,367**	**23,588**
Total Assets	**58,383**	**55,693**
Current Liabilities		
Trade and other payables	9,475	11,076
Borrowings	5	892
Provisions	2,104	2,081
Other current liabilities	4,737	4,408
Current tax payable	1,160	253
Total Current Liabilities	**17,481**	**18,710**
Non-Current Liabilities		
Trade and other payables	-	497
Borrowings	-	5
Provisions	265	381
Other non-current liabilities	324	296
Total Non- Current Liabilities	589	1,179
Total Liabilities	**18,070**	**19,889**
Net Assets	**40,313**	**35,804**
Equity		
Share Capital	57,842	57,803
Reserves	1,121	349
Accumulated losses	(18,650)	(22,348)
Total Equity	**40,313**	**35,804**

NOTE 14 – CONTROLLED ENTITIES AND JOINT VENTURE ENTITIES Continued

c) Business Combination

(i) **Summary of acquisitions:**

There were no acquisitions during FY2016.

Acquisitions during year ended 30 June 2015

On 23 July 2014, eBET Gaming Systems Pty Ltd ("EGS"), a subsidary of INTECQ Ltd, acquired the Flexi-NET Gaming Systems business (Flexi-NET) from Independent Gaming Pty Ltd ("IGPL"). This acquisition added an additional 8,100 EGMs to INTECQ's gaming system network, across 84 venues. The goodwill upon acquisition of $1,224,043 is attributable to the expected benefits to be received by increasing the INTECQ footprint of connected electronic gaming machines. .

	$000
Fair values of the Purchase consideration:	
Up-front cash paid	3,316
Deferred cash payment	1,391
Contingent consideration	439
Total fair value of consideration	5,146

	Fair Value $000
The assets and liabilities recognised as a result of the acquisition are as follows:	
Inventories	577
Intangible assets: trademarks	328
Intangible assets: software	1043
Intangible assets: customer contracts	2,035
Other employee benefit obligations	(61)
Net identifiable assets acquired	3,922
Goodwill	1,224
Net assets acquired	5,146

Deferred consideration

$2.0 million of the purchase price was payable as at 30 June 2015 by instalment as set out below:
$1.0 million (paid in July 2015), $0.5 million (paid in January 2016) and $0.5 million (paid in July 2016). As at the acquisition date, the fair value of the deferred consideration was estimated to be $1.7 million. $1.5 million of this was paid in FY2016.

Contingent consideration

Payment of the final purchase price instalment was contingent on Flexi-NET's average gross revenue for financial years 2015 and 2016 achieving 85% of financial year 2014 gross revenue. As at the acquisition date, the fair value of the contingent consideration was estimated to be $0.3 million.

The contingent consideration as at end of the reporting date was $0.5million. This contingent amount was paid in the month of July 2016.

Acquisition-related costs

Acquisition-related costs of $0.4 million were included in consulting and other expenses in the Statement of Profit or Loss and other Comprehensive Income and in operating cash flows in the Statement of Cash Flows in FY2015.

Revenue and profit contribution

The acquired business contributed revenues of $5.2 million and a net profit of $2.4 million for the Group in FY2016 compared to revenues of $4.8 million and a net profit of $1.9 million in FY2015.

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity	
	2016	2015
	$000	$000
Leasehold Improvements		
At cost	1,512	1,512
Accumulated depreciation	(1,281)	(1,122)
	231	390
Leased Motor Vehicles		
At cost	432	532
Accumulated depreciation	(421)	(500)
	11	32
Plant and Equipment		
At cost	10,144	10,775
Accumulated depreciation	(7,403)	(8,302)
	2,741	2,473
Total property, plant and equipment	2,983	2,895

2016	Leased Motor Vehicles	Leasehold Improvements	Plant and Equipment	Total
	$000	$000	$000	$000
Consolidated :				
Balance at the beginning of the financial year	32	390	2,473	2,895
Additions	-	-	1,628	1,628
Disposals	-	-	(22)	(22)
Depreciation	(21)	(159)	(1,338)	(1,518)
Carrying amount at the end of the financial year	11	231	2,741	2,983

2015	Leased Motor Vehicles	Leasehold Improvements	Plant and Equipment	Total
	$000	$000	$000	$000
Consolidated :				
Balance at the beginning of the financial year	59	401	3,110	3,570
Additions	-	147	963	1,110
Disposals	-	-	(235)	(235)
Depreciation	(27)	(158)	(1,365)	(1,550)
Carrying amount at the end of the financial year	32	390	2,473	2,895

NOTE 16 – INTANGIBLE ASSETS

	Consolidated Entity	
	2016	2015
	$000	$000
Goodwill	7,057	7,057
Intellectual property, software development and other intangibles - at cost *	41,529	43,171
Accumulated amortisation and impairment	(32,830)	(33,151)
	8,699	10,020
Total intangible assets	15,756	17,077

* Software development and other intangibles includes development costs, being an internally generated asset.

Goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

A segment level summary of goodwill is presented below :-

- Systems	5,899	5,899
- Operations	1,158	1,158
	7,057	7,057

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill	Software Development costs	Patents & trademarks	Intellectual property	Licence fees	Customer Contracts	Software	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Balance at 1 July 2015	7,057	6,825	397	213	2	1,724	859	17,077
Additions - development phase expenditure	-	1,165	-	-	7	-	-	1,172
Acquired on business combination – see note 14(c)	-	-	-	-	-	-	-	-
Amortisation expense	-	(1,840)	(27)	(86)	(1)	(339)	(200)	(2,493)
Balance at 30 June 2016	7,057	6,150	370	127	8	1,385	659	15,756
Balance at 1 July 2014	5,833	7,896	101	359	54	-	-	14,243
Additions - development phase expenditure	-	1,049	-	-	-	-	-	1,049
Acquired on business combination – see note 14(c)	1,224	-	328	-	-	2,035	1,043	4,630
Amortisation expense	-	(2,120)	(32)	(146)	(52)	(311)	(184)	(2,845)
Balance at 30 June 2015	7,057	6,825	397	213	2	1,724	859	17,077

NOTE 16 – INTANGIBLE ASSETS Continued

Impairment testing

In FY 2016 the recoverable amount of a CGU has been determined using the fair value method. Tabcorp Holdings Limited and INTECQ Limited have announced the companies have entered into a binding Scheme Implementation Agreement under which Tabcorp has agreed to acquire all INTECQ shares via a Scheme of Arrangement, subject to shareholders approval, and standard terms and conditions. As a result, the fair value of the entity as a whole is determined using an observable market price.

Total consideration per Share Scheme Arrangement calculated as follows:

Number of shares on issue as at 30 June 2016	17,634,492
Additional shares estimated to be issued under employee share plans	234,465
Additional shares agreed to be issued as consideration for acquisition of IDOL	39,117
Total Shares	17,908,074
Proposed sale price per share	$7.15
Total consideration	**$128,042,729**

The recoverable amount had not been allocated to each CGU given that it is based on the same fair value assumptions. The calculation of the recoverable amount is presented as follows:

	$000
Total consideration	128,043
Allowance for cost of disposal	(2,700)
Recoverable amount	**125,343**
Excess of recoverable amount of carrying value	
Goodwill	7,057
Net identifiable assets	37,397
Carrying amount	44,454
Recoverable amount	125,343
Excess of recoverable amount of carrying value	**80,889**

The impairment test carried out as at 30 June 2016 does not indicate any impairment of the intangible assets.

NOTE 17 – TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2016	2015
	$000	$000
Current		
Unsecured Liabilities		
Trade payables	2,187	1,990
Jackpot liability	880	947
Other payables and accruals	2,211	4,078
	5,278	7,015
Non-Current		
Unsecured Liabilities		
Other payables and accruals	-	497
	-	497

NOTE 18 – BORROWINGS

	Consolidated Entity	
	2016	2015
	$000	$000
Current		
Secured		
Commercial bill facility	-	875
Finance leases *	5	17
	5	892
Non-Current		
Secured		
Finance leases *	-	5
	-	5

(a) Total secured liabilities

The total secured liabilities are as follows :-

Commercial bill facility[1]	-	875
Finance leases *	5	22
	5	897
* Finance leases future minimum lease payments payable:		
- minimum lease payments	5	24
- interest payments	-	(2)
	5	**22**

(b) Security

The bank facility consisting of bank overdraft and commercial bills is secured by a registered first fixed and floating charge over the assets and undertakings of the entities within the Group.

Finance leases are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

(c) Bank overdraft, master asset finance and commercial bill facility

The bank facility provided by the Commonwealth Bank is provided in Australian dollars and has a variable interest rate. The current bank overdraft interest rate is 8.49% (2015: 8.53%). The commercial bill has been paid off in FY2016 financial year.

[1] The commercial bill facility was fully repaid in May 2016.

NOTE 18 – BORROWINGS Continued

	Consolidated Entity	
	2016	2015
	$000	$000
(d) Financing arrangements		
Facility limits		
Commercial Bills	-	875
Multi-option facility	1,060	1,060
	1,060	1,935
Used at balance date		
Commercial Bills	-	875
Multi-option facility - Bank Guarantee (see note 25)	404	404
	404	1,279
Unused at balance date		
Commercial Bills	-	-
Multi-option facility	656	656
	656	656

NOTE 19 – PROVISIONS

	Consolidated Entity	
	2016	2015
	$000	$000
Employee Benefits		
Current		
Provision for employee entitlements*	2,104	2,081
Non-Current		
Provision for employee entitlements	265	381
Aggregate employee entitlements liability	2,369	2,462

* The leave obligations cover the group's liability for long service leave and annual leave. The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of provision of $2,103,983 (2015: 2,081,320) is presented as current, since the group does not have an unconditional right to defer settlements for any of these obligations. However based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2016	2015
	$000	$000
Current leave obligations expected to be settled after 12 months	1,181	1,189
Reconciliation		
Balance at the beginning of the year	2,462	2,018
Additional provisions recognised	830	1,336
Amount used	(923)	(892)
Balance at the end of the year	2,369	2,462

NOTE 20 – OTHER LIABILITIES

Current		
Deferred income	4,737	4,408
Non-Current		
Deferred income	324	296
Total deferred income	5,061	4,704

NOTE 21 – SHARE CAPITAL

	Consolidated Entity		Consolidated Entity	
	2016 Shares	2015 Shares	2016 $000	2015 $000
Ordinary shares - fully paid	17,634,492	17,621,022	57,842	57,803

Movements in ordinary share capital

Details	Date	No. of Shares	Issue price	$000
Balance	1 July 2014	15,324,047	-	50,853
Shares issued	24 July 2014	2,296,975	$3.65	8,384
Share issue transaction costs	24 July 2014	-	-	(377)
Repayment of capital	9 December 2014	-	-	(1,057)
	30 June 2015	17,621,022	-	57,803
Balance	1 July 2015	17,621,022	-	57,803
Share Issued	3 August 2015	13,470	$2.91	39
Balance	30 June 2016	17,634,492	-	57,842

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number and amount paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote; and upon a poll, each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as show in the balance sheet plus net debt.

The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

NOTE 22 – RESERVES

	Consolidated Entity	
	2016	2015
	$000	$000
Reserves		
Share-based payment reserve	1,121	349
	1,121	349

Share based payment reserve

The Share-based payment reserve arises from employee performance share rights recognised as an expense.

Executive Share Trust (EST)

Under the EST, eligible employees and executives are allocated performance rights over ordinary shares. The Trustee will acquire INTECQ Ltd shares on behalf of the participants which are subject to a three year vesting period.

$772,429 (2015: $349,007) worth of new shares were transferred to the share based payment reserve during FY2016.

NOTE 23 – FINANCIAL INSTRUMENT RISK

Financial Risk management objectives

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts (now repaid in full), cash and short-term deposits. The Group's activities expose it to a variety of financial risks; market risk (including interest rate risk, and currency risk), credit risk and liquidity risk.

Although the Group does not have formally documented policies and procedures in respect of financial instrument risk, the Directors manage the different types of risk to which it is exposed by considering risk and monitoring levels of exposure to interest rate and foreign exchange risk and by being aware of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through general business budgets and forecasts.

The Group holds the following financial assets and liabilities :-

	Weighted Average Effective Interest Rate		Consolidated Entity	
	2016	2015	2016	2015
			$000	$000
Financial assets				
Cash and cash equivalents	1.7%	2.3%	13,814	5,313
Financial assets	-	3.1%	-	2,391
Trade and other receivables	11.0%	8.0%	15,153	15,366
Total financial assets			28,967	23,070
Financial liabilities				
Commercial bill facility	-	6.6%	-	875
Finance lease payables	10.5%	10.5%	5	22
Trade and other payables	0.0%	0.0%	3,067	3,434
Total financial liabilities			3,072	4,331

NOTE 23 – FINANCIAL INSTRUMENT RISK Continued

(i) Interest rate risk

The Group had no borrowings as at 30 June 2016. However, the Group has cash balances which expose the Group to cash flow interest rate risk. As at the reporting date, the Group had the following variable rate financial assets and liabilities:-

Floating interest rates	Weighted Average Effective Interest Rate		Consolidated Entity	
	2016	2015	2016	2015
			$000	$000
Financial assets				
Cash at bank	1.7%	2.3%	13,814	5,313
Financial liabilities				
Commercial bill facility	0.0%	6.6%	-	875

Sensitivity Analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre tax profit and equity would have been affected as follows:

Judgments of reasonably probable movements:-	Consolidated Entity	
	2016	2015
	$000	$000
Net profit		
Higher / (lower)		
+ 2% (200 basis points)	276	89
- 1 % (100 basis points)	(138)	(44)
Equity		
Higher / (lower)		
+ 2% (200 basis points)	276	89
- 1 % (100 basis points)	(138)	(44)

The movements in profits is due to higher / lower interest costs from variable rate debt balances and higher / lower interest receipts from variable cash and cash equivalents.

NOTE 23 – FINANCIAL INSTRUMENT RISK Continued

(ii) Currency risk

At 30 June 2016, the Group had the following exposure to foreign currency expressed in Australian Dollars :-

Floating interest rates		Consolidated Entity	
		2016	2015
	Currency	$000	$000
Financial assets			
Cash at bank	USD	11	126
Cash at bank	MYR	24	8

Sensitivity Analysis

The following sensitivity analysis is based on the foreign currency rate risk exposures in existence at the reporting date. At 30 June 2016, if the Australian dollar moved, as illustrated in the table below, with all other variables held constant, pre tax profit and equity would have been affected as follows:

Judgments of reasonably probable movements :	Consolidated Entity	
	2016	2015
	$000	$000
Net profit		
Higher / (lower)		
AUD / USD +10%	4	13
AUD / USD -10%	(4)	(13)
Equity		
Higher / (lower)		
AUD / USD +10%	4	13
AUD / USD -10%	(4)	(13)

(iii) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, financial assets and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with maximum exposure equal to the carrying amount of those financial assets. Maximum exposure at balance date is $28,967,000 (2015:$23,070,000). Included in this balance is Cash and cash equivalents of $13.814 million which is held with Commonwealth Bank of Australia, having a credit rating of AA-.

The Group does not hold any credit derivatives to offset its credit exposure.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, including past experience and industry reputation. Historically, the occurrence of bad debts has been low.

NOTE 23 – FINANCIAL INSTRUMENT RISK Continued

In addition, receivables balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not considered significant.

The maximum exposure to credit risk (excluding the value of any collateral or other security) at balance date to recognised financial assets, is the carrying amount net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested, nor is it the Group's policy to securities its trade and other receivables.

Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 7-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A provision for impairment loss of $386,687 (2015: $212,135) has been recognised by the Group in respect of general trade receivables. In addition, there is a provision for impairment of long term receivables of $49,200 (2015: $272,729).

Movements in the provision for impairment loss were as follows:

	Consolidated Entity	
	2016	2015
	$000	$000
Opening balance	485	484
Additional provisions recognised for:		
Trade receivables	328	128
Receivables written off during the year as uncollectable	(191)	(32)
Unused amounts reversed	(186)	(95)
Closing balance	436	485

Aging Analysis of Trade Receivables
The ageing analysis of trade receivables is as follows :-

Gross trade receivables		
Current	13,934	14,371
31 - 60 Days	196	279
61 - 90 Days	253	155
91 Days and over	1,206	1,046
Closing balance	15,589	15,851

NOTE 23 – FINANCIAL INSTRUMENT RISK Continued

The credit quality of financial assets held as assessed by reference to external credit ratings:

	2016 $000	2015 $000
Cash at bank and short-term bank deposits		
AA (S & P)	13,814	5,313
Held-to-maturity investments		
AA (S & P)	-	2,391

(iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due.

Responsibility for liquidity management rests with the Board of Directors who have built an appropriate framework for the management of the Group's short, medium and long term funding and liquidity management requirements.

The Group manages liquidity risk by continually monitoring forecast and actual cash flows and matching the maturity profiles of financial assets with financial liabilities. Short and long term cash flow projections are prepared periodically and submitted to the Board at each board meeting of the Company.

Maturities

The tables below analyses the Group's financial assets and liabilities, and net and gross settled derivative financial instruments into relevant maturity groupings, based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Deposits held for Jackpots have been classified as due within 1 year, these accounts are held in trust and can be called upon at any time.

	Total contractual cash flows			
Consolidated Entity 30 June 2016	Less Than 12 Months $000	1-5 Years $000	Total $000	Carrying amount $000
Financial assets				
Cash at bank	14,051	-	14,051	13,814
Trade and other receivables	11,561	4,289	15,850	15,153
Total financial assets	**25,612**	**4,289**	**29,901**	**28,967**
Financial liabilities				
Finance lease payables	5	-	5	5
Trade and other payables	3,067	-	3,067	3,067
Total financial liabilities	**3,072**	**-**	**3,072**	**3,072**
Net financial liability maturity	**22,540**	**4,289**	**26,829**	**25,895**

NOTE 23 – FINANCIAL INSTRUMENT RISK Continued

Consolidated Entity 30 June 2015	Total contractual cash flows			
	Less Than 12 Months $000	1-5 Years $000	Total $000	Carrying amount $000
Financial assets				
Cash at bank	5,436	-	5,436	5,313
Financial assets	2,466	-	2,466	2,391
Trade and other receivables	15,109	807	15,916	15,366
Total financial assets	**23,011**	**807**	**23,818**	**23,070**
Financial liabilities				
Commercial bill facilities	933	-	933	875
Finance lease payables	24	-	24	22
Trade and other payables	3,434	-	3,434	3,434
Total financial liabilities	**4,391**	**-**	**4,391**	**4,331**
Net financial liability maturity	**18,620**	**807**	**19,427**	**18,739**

Capital management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

It is the Group's policy to use positive cash flows to repay debt, so as to provide the Group with the financial flexibility to achieve its long term objectives.

Financing arrangements

Details of the Group's financing arrangements are set out in Note 18 (d).

Net fair values of financial assets and liabilities

The carrying amount of the Group's identified financial assets and liabilities represents materially their net fair value.

NOTE 24 – CAPITAL AND LEASING COMMITMENTS

	Consolidated Entity	
	2016	2015
	$000	$000
a) Operating lease commitments		
Non-cancellable operating leases contracted		
for but not capitalised in the Financial Statements		
Payable :		
not later than 1 year	1,243	1,184
later than 1 year but not later than 5 year	1,256	1,564
	2,499	2,748

b) Capital expenditure commitments

There are no capital expenditure commitments as at 30 June 2016 (2015 - nil)

NOTE 25 – CONTINGENT LIABILITIES

The Group has the following contingent liabilities not provided for in the financial report:

Bank guarantees (on leasehold premises)	404	404

NOTE 26 – SEGMENT INFORMATION

Description of segments

Management has determined the operating segments based on reports reviewed by the Acting Chief Executive Officer (identified as the chief operating decision-maker) and the Board of Directors making strategic decisions.

The Acting Chief Executive Officer and the Board of Directors have identified the following two reportable segments:-

1. The Gaming Systems Division, which develops and markets a range of networked solutions for electronic gaming machines, including player loyalty and tracking systems, card-based cashless gaming solutions and gaming machine management software.
2. The Operations Division, which provides Licensed Monitoring Operator services for electronic monitoring, reporting, and maintenance of electronic gaming machines, and rental of systems products in Queensland.

The Gaming Machines Division has ceased operation, and there was no revenue for FY2016.

Segment information provided to the Acting Chief Executive Officer and the Board of Directors

The segment information provided to the Chief Executive Officer and the Board of Directors for the reportable segments is as follows:-

	Systems		Operations		Machines		Consolidated Entity	
	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000
Revenue from external customers	23,192	24,970	29,429	25,746	7	892	52,628	51,608
Depreciation and amortisation expense	515	615	3,496	3,780	-	-	4,011	4,395
Profit before income tax	**3,520**	**2,730**	**5,055**	**3,185**	**-**	**141**	**8,575**	**6,056**
Income tax benefit / (expense)							(2,417)	2,876
Net profit after tax							**6,158**	**8,932**
Total segment assets	25,367	26,168	30,988	26,279	-	-	56,355	52,447
Total segment liabilities	8,361	11,159	4,352	4,416	-	-	12,713	15,575
Reconciliation								
Segment assets	25,367	26,168	30,988	26,279	-	-	56,355	52,447
Deferred tax assets	-	-	-	-	-	-	1,972	3,335
Total assets	**25,367**	**26,168**	**30,988**	**26,279**	**-**	**-**	**58,327**	**55,782**
Segment Liability	8,361	11,159	4,352	4,416	-	-	12,713	15,575
Income tax liabilities	-	-	-	-	-	-	1,160	253
Total liabilities	**8,361**	**11,159**	**4,352**	**4,416**	**-**	**-**	**13,873**	**15,828**

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments, and include any joint revenue and expenses where a reasonable basis of allocation exists.

Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis.

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on inter-segment transactions are on commercial terms similar to those charged for similar goods to parties outside the Consolidated Entity at arm's length. Theses transfers are eliminated on consolidation.

NOTE 27 – SUPERANNUATION COMMITMENTS

The Consolidated Entity participates in various superannuation funds, which are externally managed and cover all employees. These funds provide accumulation benefits for members based on contributions received and earnings to date.

The level of superannuation contributions is determined by the Superannuation Guarantee Levy. The Consolidated Entity has no responsibility for the administration or performance of the funds. If requested by any employee, additional contributions can be made from amounts deducted from that employee's salary.

Superannuation contributions for the financial year ended 30 June 2016, recorded in the Statement of Profit or Loss and Other Comprehensive Income are $1,304,544 (2015 $1,210,116).

NOTE 28 – AUDITOR'S REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditors of the parent company, UHY Haines Norton:-

	Consolidated Entity	
	2016	2015
During the year, the following fees were paid or payable for services provided by the auditors of the parent company, UHY Haines Norton:-	$	$
Audit Services		
- Audit and review of the financial reports	124,020	127,800
- Other audit related services	21,730	39,891
Other Services		
- Other services	1,550	-
- Due diligence	-	30,000
	147,300	197,691

NOTE 29 – RELATED PARTY TRANSACTIONS

	Consolidated Entity	
	2016	2015
	$	$

(a) Parent entity

The ultimate parent entity is INTECQ Limited.

(b) Controlled entities and joint venture entities

Controlled entities and joint venture entities are detailed in Note 14 to the financial statements.

(c) Key Management Personnel

Remuneration of key Management Personnel

Details of Key Management Personnel and their positions are set out in the Remuneration Report within the Directors' Report.

The aggregate compensation paid to Key Management Personnel and other members of the management of the Company and the Group:

Short-term employment benefits	1,467,739	1,546,971
Long-term employment benefits	-	-
Share based payments *	278,173	328,882
Long service Leave	(40,847)	(13,677)
Post-employment benefits	289,503	118,904
	1,994,568	1,981,080

* Share based payments are calculated on financial year performance, but awarded subsequent to the close of the financial year in review.

Detailed remuneration disclosures for Directors and other Key Management Personnel are provided in the Remuneration Report within the Directors' Report.

(d) Transaction with related parties

During the year, $17,500 (2015: $85,000) in consulting fees was paid to Braymera Pty Ltd, an entity associated with a director, Mr Ian James, for the provision general day to day and commercial advice and support on various projects undertaken by the Group.

(e) Transaction with controlled entities

During the year, a number of entities within the Group sold & purchased goods and services between themselves, upon normal commercial terms in the normal conduct of their respective business operations. The effect of transactions have been eliminated from the consolidated results.

A number of loans exist between various controlled entities within the Group. No interest is charged upon any of these loans, all intercompany loans are eliminated upon consolidation.

NOTE 30 – EVENTS SUBSEQUENT TO REPORTING DATE

Tabcorp:

As announced on the ASX on 1 August 2016, the Company has entered into a Scheme Implementation Agreement with Tabcorp Holdings Limited ABN 66 063 780 709, dated 31 July 2016. Under the scheme it is proposed that Tabcorp will acquire 100% of INTECQ's issued capital. The total proposed cash consideration is $7.15 per share. The offer will be made pursuant to a Scheme with further details to be included in the notice of meeting that will be sent to shareholders to convene a meeting at which shareholders will be asked to consider the proposal. The scheme is subject to certain customary conditions precedent including INTECQ shareholder approval, court approval and other regulatory approvals.
The directors of INTECQ have agreed under the SIA that no final dividend will be declared for the financial year, and this has been reflected in the determination of the offer consideration. In the event that the Scheme does not proceed the directors will consider the payment of dividend in accordance with INTECQ's current dividend policy.
The details of the Scheme Implementation Agreement including key dates are set out in the announcement.

Bank Guarantee:

The Company has issued a Commonwealth Bank of Australia Bank guarantee dated 9th August 2016 for $751,561.62 in favour of AMP Capital Funds Management Limited ABN 15 159 557 721. The bank guarantee has been issued in relation to the security for obligations of eBET Gaming Systems Pty Limited ACN 086 218 831 (an INTECQ limited company) in relation to the lease of Suite 1 Ground Floor, Level 1, and Warehouse at 50 Waterloo Road, Macquarie Park, NSW . The Company is in the process of relocating premises from the existing location at Talavera Road North Ryde due to end of lease.

NOTE 31 – PARENT ENTITY DISCLOSURES

	Parent Entity	
	2016	2015
	$000	$000
As at, and throughout the year ending 30 June 2016 the parent company of the consolidated entity was INTECQ Limited.		
Result of the parent entity		
Loss for the year before income tax	(2,684)	(3,185)
Income tax (expense)	(2,417)	2,876
Total comprehensive income for the year	(5,101)	(309)
Financial position of the parent entity at the year end		
Current assets	4,641	4,632
Total assets	25,194	28,385
Current liabilities	369	816
Total liabilities	25,591	18,400
Net assets	(397)	9,985
Total equity of the parent entity comprising of		
Share capital	57,802	57,802
Reserves	412	349
Retained earnings	(58,611)	(48,166)
Total equity	(397)	9,985

Contingencies and commitments

The contingent liabilities of the parent entity as at the reporting date are disclosed at Note 25. The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others.

Capital commitments

The parent entity has no capital commitments at 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Directors' Declaration

In the Directors' opinion:

(a) the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) the attached financial statements and notes thereto comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;

(c) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2016, and of its performance for the financial year ended on that date;

(d) there are reasonable grounds to believe that the Company and the consolidated entity will be able to pay their debts as and when they become due and payable; and

(e) The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

(f) At the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in the financial statements.

Signed in accordance with a resolution of Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors.

Paul N Oneile

Chairman

Dr Allan C Sullivan

Director

Dated this 30th day of August 2016 in Sydney.

UHY Haines Norton
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the members of Intecq Limited

Report on the Financial Report

We have audited the accompanying financial report of Intecq Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standards AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Intecq Limited, is in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

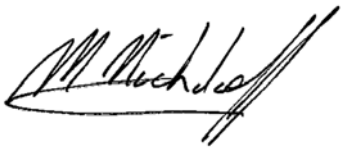
(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

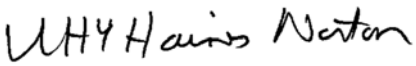
Report on the Remuneration Report

We have audited the Remuneration Report included on pages 5 to 12 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Intecq Limited for the financial year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.





M.D. Nicholaeff
Partner
Signed at Sydney on 30 August 2016

UHY Haines Norton
Chartered Accountants

Shareholding

TOTAL NUMBER OF SHARES AND SHAREHOLDERS

At 12 August, 2016 issued capital was 17,671,261 ordinary shares (ITQ) held by 3,879 Shareholders.

VOTING RIGHTS

(a) On a show of hands, every member present at a general meeting in person (whether or not in one or more capacities) has one vote;

(b) Where a person present at a general meeting represents personally or by proxy, more than one member on a show of hands:

- (i) the person is entitled to one vote only, despite the number of members the person represents;
- (ii) that vote will be taken as having been cast for all the members the person represents; and
- (iii) for a person who has been appointed as a proxy under two or more instruments that specify different ways to vote on a resolution, the person may not vote as a proxy on a show of hands; however, if the person is a member, the person may vote on a show of hands without regard to the proxy the person holds; and

(c) On a poll, every member present in person has the following voting rights:

- (i) In the case of fully paid shares, one vote for each share held by the member; and
- (ii) In the case of party paid shares, for each share, a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

20 Largest Holders of Ordinary Shares and their Holdings at 12 August 2016

		Number	Ordinary Shares % of Total
1.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	2,323,489	13.15%
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,804,106	10.21%
3.	CITICORP NOMINEES PTY LIMITED	1,370,835	7.76%
4.	NATIONAL NOMINEES LIMITED	1,231,408	6.97%
5.	GAILFORCE MARKETING & PR PTY LIMITED	947,439	5.36%
6.	BNP PARIBAS NOMS PTY LTD	785,449	4.44%
7.	RBC INVESTOR SERVICES AUSTRALIA PTY LIMITED	747,162	4.23%
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	661,751	3.74%
9.	FANCHEL PTY LTD	515,000	2.91%
10.	MICROEQUITIES ASSET MANAGEMENT PTY LTD	442,133	2.50%
11.	CITICORP NOMINEES PTY LIMITED	407,772	2.31%
12.	MR CHRIS CARR & MRS BETSY CARR	400,000	2.26%
13.	ACS (NSW) PTY LIMITED	157,066	0.89%
14.	ROMAN LOHYN PTY LTD	130,000	0.74%
15.	LOCOPE PTY LTD	115,000	0.65%
16.	MR WILLIAM JAMES CORBETT & MRS JANET CLAIRE CORBETT	108,193	0.61%
17.	MRS ANTONIA COLLOPY	100,000	0.57%
18.	TRINITY MANAGEMENT PTY LTD	99,999	0.57%
19.	FOYCO LIMITED	86,433	0.49%
20.	MR PETER GERENDASI	83,000	0.47%
	TOTAL	12,516,235	70.83%

Range	Total Holders	Units	% of Issued Capital
1 - 1000	3,095	759,555	4.30%
1,001 - 5,000	557	1,302,509	7.37%
5,001 - 10,000	118	876,040	4.96%
10,001 - 100,000	93	2,586,354	14.64%
100,001 and over	16	12,146,803	68.74%
TOTAL	**3,879**	**17,671,261**	**100%**

The number of shareholders holding less than a marketable parcel of ordinary shares @ $7.00 per unit is 702 (23,218 shares).

Substantial Shareholders

Substantial shareholders at 12 August 2016 as disclosed in Substantial Shareholder Notices given to the Company.

	Number of Securities	Proportion of Issued Securities
PERPETUAL LIMITED	2,415,281	13.70%
COMMONWEALTH BANK OF AUSTRALIA LIMITED	1,226,995	6.95%

Options

There are no options on issue at the date of this report.

Directory

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COMPANY SECRETARY

Alistair McKeough
Managing Director
Whittens & McKeough