



31 July 2012

ASX Market Announcements
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

APPENDIX 4C – QUARTERLY CASH FLOW STATEMENT

Please find **attached** the Appendix 4C “Quarterly Report” for Adept Solutions Limited (**Adept Solutions** or **Company**) for the quarter and 12 months to 30 June 2012.

The following are additional explanatory notes to be read in conjunction with the Report.

Adept Solutions continues to demonstrate an improvement in total cash outflows, following the completion of the Emerchants Limited (**Emerchants**) acquisition, with the majority of capital expenditure incurred in the first half of the financial year and a stabilising of the operating outflows to better coincide with revenue growth.

In reviewing the Company's short-term cash flows, the directors' note that the Company expects to receive the following inflows in the next 6 months:

- a tax refund of **\$400k** in Q1FY13 from the R&D Tax Concession program for FY2011;
- a similar amount of **\$400k** in Q2FY13 from the R&D Tax Concession program for FY2012;
- **\$125k** for the sale of Adept Solutions' Northern Territory mining tenements in 1HFY13 (with a further \$400k in FY14); and
- net proceeds of approximately **\$2.5m** in Q1FY13 from the renounceable rights issue and private placement that the Company has recently undertaken.

The directors are satisfied that the Company has adequate funding, that its current balance sheet is sound, and that the Company complies with Listing Rule 12.2.

The table below summarises the quarterly progress, with key inflows and outflows described in further detail below.

Table 1: quarterly cash flow summary

| <i>\$ Thousands</i> | Q1FY12 | Q2FY12 | Q3FY12 | Q4FY12 | FY12 |
|----------------------------------|----------------|----------------|---------------|----------------|----------------|
| Operations | (2,679) | (1,392) | (1,514) | (1,371) | (6,956) |
| <i>% Change on prior quarter</i> | <i>n/a</i> | <i>(48%)</i> | <i>9%</i> | <i>(9%)</i> | <i>n/a</i> |
| Investing | (1,450) | (471) | 804 | (49) | (1,166) |
| <i>% Change on prior quarter</i> | <i>n/a</i> | <i>(68%)</i> | <i>(271%)</i> | <i>(106%)</i> | <i>n/a</i> |
| Financing | 132 | 0 | - | (38) | 94 |
| <i>% Change on prior quarter</i> | <i>n/a</i> | <i>n/a</i> | <i>n/a</i> | <i>n/a</i> | <i>n/a</i> |
| Total | (3,997) | (1,863) | (710) | (1,459) | (8,028) |

Cash outflows from operations (Q4FY12: \$1.371m, FY12 \$6.956m)

Cash outflows from operations have improved over the first quarter of the year which included a large outflow for previously unsettled working capital expenditure following the Emerchants acquisition. The second quarter was strong due to revenues generated from product sales during the Christmas holidays and the second and third quarters included a number of one off cash outflows for restructuring the staff and operations of the operating subsidiary.

Going forward it is anticipated that the operating cashflows will improve as the costs associated with restructuring of senior staff and operations has largely been completed and revenues are expected to continue to grow in line with the strong growth in the operating metrics associated with Emerchants (table 2). It is noted that Adept Solutions has received a tax refund of \$400k from the R&D Tax Concession program for FY12 which will be reflected in 1QFY13 with a similar inflow for the FY13 year expected in 2QFY13.

Table 2: Emerchants key operating metrics

| <i>Thousands</i> | Q1FY12 | Q2FY12 | Q3FY12 | Q4FY12 | FY12 | FY11 |
|---|------------|------------|--------------|-------------|-----------------|-----------------|
| No. Cards activated | 137 | 222 | 172 | 204 | 735 | 370 |
| <i>% Change on prior quarter / year</i> | <i>36%</i> | <i>62%</i> | <i>(22%)</i> | <i>19%</i> | <i>98%</i> | |
| \$ Funds loaded | \$10,737 | \$19,647 | \$16,781 | \$16,261 | \$63,425 | \$29,951 |
| <i>% Change on prior quarter</i> | <i>32%</i> | <i>83%</i> | <i>(15%)</i> | <i>(3%)</i> | <i>112%</i> | |
| No. Revenue generating | 439 | 660 | 664 | 709 | 2,472 | 1,256 |

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| | | | | | | |
|----------------------------------|------------|------------|-----------|-------------|-----------------|----------------|
| transactions | | | | | | |
| <i>% Change on prior quarter</i> | <i>22%</i> | <i>50%</i> | <i>1%</i> | <i>7%</i> | <i>97%</i> | |
| \$ Funds under management | \$10,595 | \$14,770 | \$15,411 | \$15,298 | \$15,298 | \$8,150 |
| <i>% Change on prior quarter</i> | <i>30%</i> | <i>39%</i> | <i>4%</i> | <i>(1%)</i> | <i>88%</i> | |

Cash outflows from Investing activities (Q4FY12: \$49k, FY12 \$1.166m)

The net outflow from investing activities for the year comprised the 1HFY12 relocation of the operating subsidiaries operations to larger premises and the establishment of dual third party remote data centres to provide higher levels of risk mitigation to align to the increase in transaction volumes currently experienced and projected to be experienced in the future. The third quarter's net inflow comprised a \$360k receipt of a lease incentive on the fit out of the Brisbane office premises and a \$475k receipt as an initial part payment for the sale of Adept Solutions' Northern Territory mining tenement, as reported in the ASX release dated 8 March 2012.

Over the next 12 months, management expect the net cash outflows from investing activities to be minimal and directly revenue dependant, with outflows on future product development largely being offset by a further inflow of \$125k in 1HFY13 for the Northern Territory mining tenement, with the remaining \$400k expected to be received in FY14.

Cash outflows from Financing activities (Q4FY12: (\$38), FY12 \$94k)

Cash flows from Financing activities were largely immaterial in FY12 following the capital raise in FY11.

Adept Solutions expects to receive approximately \$2.5m net of fees in Q1FY13 from its recent rights issue and private placement. Costs of \$50k associated with the rights issue were settled in Q4FY12. No further financing activities are expected in the near term as the Board considers the current funding and capital structure appropriate based on the Company's operating outlook.

-ENDS-

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments (Parent Company and Exploration-related Subsidiaries)

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

(Internal document only)

Name of entity

Adept Solutions Limited

ABN

93 104 757 904

Quarter ended ("current quarter")

30 June 2012

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|----------------------------|--|
| 1.1 Receipts from customers | 1,096 | 2,973 |
| 1.2 Payments for: | | |
| (a) staff costs | (1,689) | (5,104) |
| (b) advertising and marketing | (27) | (138) |
| (c) research and development | - | - |
| (d) leased assets | (16) | (25) |
| (e) other working capital | (139) | (2,461) |
| (f) accounting and administrative services | - | (395) |
| (g) acquisition-related expenses | - | (723) |
| (h) exploration expenditure | (30) | (93) |
| (i) software and systems infrastructure | (306) | (806) |
| (j) risk and compliance | (288) | (504) |
| (k) rent and utilities | (151) | (473) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 180 | 798 |
| 1.5 Interest and other costs of finance paid | - | (4) |
| 1.6 Income taxes paid | - | - |
| 1.7 Other | - | - |
| Net operating cash flows | (1,371) | (6,956) |

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

| | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--|----------------------------|--|
| 1.8 Net operating cash flows (carried forward) | (1,371) | (6,956) |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | - | (805) |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non-current assets * | (47) | (264) |
| (e) other non-current assets (deposits) ** | (2) | (402) |
| (f) cash included on consolidation of subsidiary | - | 305 |
| 1.10 Proceeds from disposal of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non-current assets | - | - |
| (e) other non-current assets | - | - |
| 1.11 Loans to other entities | - | - |
| 1.12 Loans repaid by other entities | - | - |
| 1.13 Other | - | - |
| Net investing cash flows | (49) | (1,166) |
| 1.14 Total operating and investing cash flows | (1,420) | (8,122) |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. | - | 135 |
| 1.16 Proceeds from sale of forfeited shares | - | - |
| 1.17 Proceeds from borrowings | - | - |
| 1.18 Repayment of borrowings | - | - |
| 1.19 Dividends paid | - | - |
| 1.20 Other – Share Issue costs*** | (38) | (41) |
| Net financing cash flows | (38) | 94 |
| Net increase (decrease) in cash held | (1,458) | (8,028) |
| 1.21 Cash at beginning of quarter/year to date | 3,748 | 10,318 |
| 1.22 Exchange rate adjustments to item 1.20 | - | - |
| 1.23 Cash at end of quarter | 2,290 | 2,290 |

* Physical non-current assets relates capital expenditure incurred in migrating Adept Solutions' wholly owned subsidiary, Emerchants, to larger office premises to accommodate the expansion of the business and two separate third party data centres (Melbourne & Brisbane). The decision to migrate to remote data centres was made to enable Emerchants to provide higher levels of risk mitigation, service uptime and capacity to align to the increase in transaction volumes currently experienced and projected to be experienced in the future.

** expenditure for other current assets (deposits) relates to two deposits placed during the year for a new Emerchants office premises lease in Brisbane and a deposit that was paid to Emerchants settlement bank for security over the settlement service provided to Emerchants. This money is placed in a term deposit with interest accruing to Emerchants.

***Share issue costs in the current quarter relate to the payment of legal fees incurred on issuing the Adept Solutions' prospectus for the rights issue and placement. The proceeds from the rights issue and the placement are expected to be received in Q1FY13.

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.24 | Aggregate amount of payments to the parties included in item 1.2 | 115 |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11 | Nil |

1.26 Explanation necessary for an understanding of the transactions

Payments to Executive Directors, Non-Executive Directors and Associates of the directors is broken down as follows:

\$000's

| | |
|--|------------|
| Directors and Executive Directors fees | 106 |
| Superannuation | 9 |
| Associates of the directors | - |
| Total | 115 |

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

In addition to cash consideration of \$2,468,998 (of which \$1,664,124 was paid 30 June 2011) for the acquisition of all of the issued capital of Emerchants Limited, the Company was required to issue to the vendors the Initial Consideration Shares being 11,500,000 fully paid ordinary post-consolidation shares of the Company, priced at 85c per share. These shares were duly issued on 8 July 2011.

At the Extraordinary General Meeting held on 29 June 2011, shareholders approved the issue to Directors of 4,600,000 options to take up fully paid ordinary shares in the Company at \$1.45 exercisable on or before 18 July 2014. These options were issued on 8 July 2011. The fair value of these equity-settled options was estimated at the date of grant using the Black and Scholes model to be a total of \$1,124,240. That amount is scheduled to be expensed over the 2012, 2013 and 2014 financial years.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | Nil | Nil |
| 3.2 Credit standby arrangements | Nil | Nil |

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|----------------------------|-----------------------------|
| 4.1 Cash on hand and at bank | 2,290 | 1,334 |
| 4.2 Deposits at call | - | 2,414 |
| 4.3 Bank overdraft | - | - |
| 4.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.23) | 2,290 | 3,748 |

Acquisitions and disposals of business entities

| | Acquisitions <i>(Item 1.9(a))</i> | Disposals <i>(Item 1.10(a))</i> N/A |
|---|---|--|
| 5.1 Name of entity | Emerchants Limited | N/A |
| 5.2 Place of incorporation or registration | Western Australia | N/A |
| 5.3 Consideration for acquisition or disposal | See Item 2.1 | N/A |
| 5.4 Total net assets | \$107,696 | N/A |
| 5.5 Nature of business | Development and provision of payment systems with a core product of host-based prepaid cards and custom stored value products | N/A |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Director

Date: 31 July 2012

Print name: Bob Browning

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.