INFORMATION MEMORANDUM

for the listing of Smartpay Holdings Limited (ARBN 160 712 210)
on the Official List of the Australian Securities Exchange

No Shares will be allotted or issued on the basis of this Information Memorandum

DATED 2 August 2013

Smartpay Holdings Limited

New Zealand Company Number 304625
ARBN: 160 712 210
Proposed ASX Code: SMP

IMPORTANT NOTICE

This Information Memorandum is dated 2 August 2013 and has been prepared by Smartpay Holdings Limited in conjunction with its application to have its Shares listed on the Australian Securities Exchange (ASX).

No Prospectus

This document is not a prospectus. It will not be lodged with the Australian Securities & Investments Commission (ASIC). No securities will be allotted or issued on the basis of this Information Memorandum and Smartpay is not seeking to raise any funds under this Information Memorandum. However, all the information that would be required under section 710 of the Corporations Act, if this Information Memorandum were a prospectus offering for subscription the same number of securities for which quotation on the ASX will be sought, is contained in this Information Memorandum.

This Information Memorandum does not constitute or contain any offer of Shares for subscription or purchase or any invitation to subscribe for or buy Shares, either expressly or by implication.

No action has been taken to register or qualify this Information Memorandum or to otherwise permit a public offering of Shares in any jurisdiction.

No financial product advice

This Information Memorandum does not take into account the investment objectives, financial situation or particular needs of investors. It is not financial product advice. This Information Memorandum contains general information only and is prepared solely in connection with a compliance listing of Smartpay's Shares on the ASX. Accordingly nothing in this Information Memorandum should be construed as a recommendation by Smartpay that an investment in Smartpay's Shares is appropriate for you. Before making a decision to acquire Shares in Smartpay, investors should read this Information Memorandum in its entirety. In particular, investors should consider the risk factors that could affect Smartpay's performance (including those set out in the section entitled *Risks* on page 24), particularly with regard to the investor's personal circumstances. If a potential investor is in any doubt as to any aspect of this Information Memorandum or whether an investment in Smartpay is right for them, they should obtain professional advice from a sharebroker, solicitor, accountant or other appropriately qualified professional advisor.

No person has been authorised to give any information or make any representation other than contained in this document and, if given or made, such information or representation must not be relied on as having been so authorised.

Forward looking statements

Certain statements in this Information Memorandum constitute "forward looking statements". "Forward looking statements" includes all statements other than statements of historical facts, including Smartpay's financial position, business strategy, plans and objectives of management for future operations and any statements preceded by words such as "estimates", "expects", "aims", "intends", "may", "anticipates", "should", "could", or similar expressions or the negative of any such expression. Such forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Smartpay and which may cause actual results, performance or achievements of Smartpay to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to, those discussed in the section entitled *Risks* on page 24.

Undue reliance should not be placed on such forward looking statements. None of Smartpay, its subsidiaries, nor any of their respective directors, officers or employees gives any assurance that actual outcomes will not differ materially from the forward looking statements contained in this Information Memorandum, and the inclusion of forward looking statements should not be regarded as a representation by any person that they will be achieved. Other than as required by law or by the NZSX Listing Rules or ASX Listing Rules, none of Smartpay, its subsidiaries, nor their respective directors, officers and employees undertakes any obligation to update any such risk factors or publicly announce the result of any revisions to the forward looking statements contained in this Information Memorandum to reflect future developments or events.

Disclaimer

This Information Memorandum is not, and nor is it intended to be, an exhaustive statement of information in relation to the activities of Smartpay. While care has been taken in preparing this Information Memorandum, Smartpay does not warrant the accuracy or completeness of the information in this Information Memorandum. The information in this Information Memorandum has not been audited (unless otherwise stated).

To the maximum extent permitted by law, none of Smartpay and its advisors, directors, officers or employees or any other person, firm or corporation associated with the preparation and issue of this Information Memorandum guarantees, warrants or underwrites the performance of Smartpay or the achievement of any particular rate of capital or income return from an investment in Smartpay Shares.

ASX

Smartpay has applied to the ASX for admission to the Official List and for Official Quotation of the Shares on issue at the date of this Information Memorandum. The fact that the ASX may admit Smartpay to its Official List is not to be taken in any way as an indication of the merits of Smartpay. ASX accepts no responsibility for the contents of this Information Memorandum or for the merits of an investment in Smartpay.

Admission to the Official List of the ASX, and Official Quotation of the Shares, if granted, pursuant to this Information Memorandum, will commence as soon as practicable after ASX requirements for listing on the ASX have been met.

No guarantee can be given that Smartpay will be granted admission to the Official List of the ASX or that the Shares will be granted Official Quotation.

Smartpay has applied for certain relief from ASX in respect of a number of ASX Listing Rule requirements, further details of which are set out in section 10.10.

NZX MAIN BOARD

Smartpay is already listed on the NZX Main Board operated by NZX Limited (NZX) and the Shares are quoted on the NZX Main Board. As a consequence, Smartpay is bound by the NZSX Listing Rules, including Section 10: Disclosure of Information (commonly called the continuous disclosure obligations). If accepted for listing by ASX, Smartpay will continue to be bound by the NZSX Listing Rules and will also be bound by the ASX Listing Rules.

NZX has not examined or approved this Information Memorandum and accepts no responsibility for any statement contained herein. The NZX Main Board is a registered market operated by NZX, which is a registered exchange regulated under the Securities Markets Act.

This Information Memorandum is intended to be read in conjunction with the publically available information released by Smartpay to NZX in connection with Smartpay's continuous disclosure obligations under the NZSX Listing Rules. Investors should have regard to that information lodged with NZX as well as the information contained in this Information Memorandum. As a listed company, Smartpay is subject to disclosure obligations which require it to notify certain material information to NZX for the purpose of that information being made available to participants in the NZX Main Board securities market. A copy of the material information notified to NZX may be viewed on its website at http://www.nzx.com under the ticker code SPY.

Corporations Act Does Not Apply

As Smartpay is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act 2001 of the Commonwealth of Australia or by the Australian Securities and Investment Commission but instead are regulated by the Companies Act 1993 of New Zealand, the New Zealand Companies Office and the New Zealand Financial Markets Authority.

No New Capital

Smartpay has not raised any capital for the 3 months before the date of issue of this Information Memorandum and will not need to raise any capital for 3 months after the date of issue of this Information Memorandum.

Supplementary Information Memorandum

A supplementary information memorandum will be issued if Smartpay becomes aware of any of the following between the issue of this Information Memorandum and the date Smartpay's Shares are quoted on the ASX:

- A material statement in this Information Memorandum is misleading or deceptive;
- There is a material omission from this Information Memorandum;
- There has been a significant change affecting a matter included in this Information Memorandum; or
- A significant new circumstance has arisen and it would have been required to be included in this Information Memorandum.

Definitions

Capitalised terms used in this Information Memorandum have the specific meaning given to them in the Glossary section on page 66.

Unless otherwise indicated:

- any reference to dollars, $ or cents refers to New Zealand dollars and cents; and
- all references to dates and time are to dates and time in New Zealand.

Copies of all New Zealand statutes and regulations referred to in this Information Memorandum can be viewed online, free of charge, at http://www.legislation.co.nz.

SMARTPAY HOLDINGS LIMITED

INFORMATION MEMORANDUM

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1. Key information

1.1 Smartpay's business

Smartpay Holdings Limited is the holding company of the Smartpay Group. The Smartpay Group designs, develops and implements payment solutions for customers in New Zealand and Australia. The Smartpay Group offers a variety of advanced payment and data management solutions for retail, business payment and transactional processing requirements and aims to add value to its clients' businesses by providing a total payments solution.

Smartpay is one of New Zealand's leading providers of technology services for merchants and retailers and has a growing business in Australia. Smartpay has more than 30,000 EFTPOS terminals under rental contract in New Zealand and approximately 10,000 terminals under rental contract in Australia.

Smartpay's Business Model

The core component of Smartpay's business is the rental of EFTPOS terminals to merchant customers. The revenue from the rental of EFTPOS terminals (which comprises operating lease, software and support revenue) accounted for approximately 84 per cent of Smartpay's total revenue in the financial year ended 31 March 2013.

Smartpay typically enters into a fixed term contract with each applicable merchant for a term of between 36 and 48 months under which the merchant pays Smartpay a monthly fee covering the rental of the physical EFTPOS terminal, service and support for the duration of the rental term and a licence to use Smartpay's proprietary software loaded onto the terminal. Smartpay has a broad range of customers from corner stores and schools through to corporates such as Air New Zealand and Mitre 10.

In addition to its EFTPOS terminal rental business Smartpay provides specialised transaction switching and reporting services using its own proprietary transaction switching system. Smartpay's proprietary switching system allows Smartpay to provide transaction processing services and reporting information over and above the simple processing of an EFTPOS payment transaction, and is therefore an important "value-add" service to a number of Smartpay's customers.

Further information on Smartpay and the industry in which it operates is contained in the sections entitled *Industry overview* on page 13 and *Smartpay's business* on page 17. In addition, information on Smartpay is contained on the NZX website (www.nzx.com) under the ticker code "SPY" and on the New Zealand Companies Office website (www.business.govt.nz/companies).

Suppliers

Smartpay does not manufacture EFTPOS terminals itself; it purchases EFTPOS terminals from specialised EFTPOS terminal manufacturers. Information on Smartpay's relationship with its EFTPOS terminal suppliers is contained in sections 2.4 and 4.1 of this Information Memorandum.

Certification of Products

An EFTPOS terminal needs to be certified by the relevant payment authorities in Australia or New Zealand, as applicable, before it can be deployed for use by merchants. Certification needs to cover both the EFTPOS terminal itself (hardware certification) as well as certification of any software applications loaded onto the physical EFTPOS terminal.

Further information on the applicable certification processes and requirements is contained in sections 2.3 and 4.1 of this Information Memorandum.

1.2 Viaduct business

On 23 January 2013, Smartpay Limited (a wholly-owned subsidiary of Smartpay Holdings Limited) completed the purchase of the business and assets of Viaduct from TEOV Limited (then Viaduct Limited). The transaction was structured as an acquisition of the assets of Viaduct rather than a purchase of the shares in Viaduct. The purchase price was $16,310,000 which was satisfied in part by the issue of 15,400,000 fully paid Shares in Smartpay at 15 cents per Share with the balance of $14,000,000 being paid in cash.

Viaduct was established in 2001 by its two directors and majority shareholders, Mark Unwin and Martyn Pomeroy. Viaduct operated a well-established EFTPOS terminal fleet with approximately 9,000 terminals leased to over 7,000 customers at the time of its acquisition by Smartpay in January 2013. Following the acquisition of Viaduct by Smartpay, both Mark Unwin and Martyn Pomeroy have joined the Smartpay Group in senior executive roles and are now responsible for the on-going management and development of Smartpay's New Zealand operations.

Further information in relation to Viaduct is contained in section 3.2 of this Information Memorandum.

1.3 Growth, outlook and opportunities

Smartpay's primary near to medium term growth opportunities relate to its organic and acquisitive growth strategies across its two key markets of Australia and New Zealand with the possibility of longer term growth potential beyond these two key markets, possibly into the broader Asia/Pacific region.

Growth in Australia in the near to medium term is likely to be organic whereas growth in New Zealand in the near to medium term is likely to be achieved from a combination of organic and acquisitive growth and from Smartpay leveraging further value from its extensive existing terminal base.

Further information on Smartpay's growth, outlook and opportunities is contained in section 3.6 of this Information Memorandum.

1.4 Market Capitalisation, Share options and Share Price Performance

Market Capitalisation

Shares on issue(1)	343,504,304
Market capitalisation(2)	NZ$54,548,483
Net debt (3)	NZ$24,229,000
Implied enterprise value(4)	NZ$78,777,483
Options on issue(5)	134,000,000 (which are exercisable with respect to 53,000,000 shares in aggregate)

(1) This is the number of Shares on issue as at 30 June 2013, being prior to the 2013 Share Consolidation referred to in section 1.13 below.

(2) Based on a share price of $0.1588 per Share, being the weighted average price at which Shares traded on the NZX Main Board over the 20 trading days ended 30 June 2013.

(3) Debt less cash and cash equivalents as at 30 June 2013 (as per unaudited management accounts).

(4) The sum of the market capitalisation as per note 2 above and the net debt as per note 3 above.

(5) 90 million of the options are currently exercisable over 1/10th of a Share each and 44 million of the options are exercisable over one Share each. The maximum number of Shares that will be issued if all of these options are exercised is currently 53,000,000 Shares. The exercise prices of the options currently range from NZ$0.15 to NZ$0.50. Following the 2013 Share Consolidation the maximum number of Shares that will be issued if all of these options is exercised will be 26,500,000 Shares and the exercise prices will range from NZ$0.30 to NZ$1.00. Further information regarding these options is contained in section 8.6 of this Information Memorandum.

Share options

The table below provides a high-level summary of the Share options currently on issue. The exercise prices and number of shares are stated on a pre-2013 Share Consolidation basis. Immediately following the 2013 Share Consolidation the exercise prices will be twice those recorded in the table below and the number of shares over which the options are exercisable will be half that recorded in the table below. More detailed information regarding these share options is contained in Section 8.6 of this Information Memorandum.

Exercise Price	No. of Shares	Expiry
$0.50	3,500,000	31/03/2016
$0.40	5,500,000	31/03/2014 – 31/03/2016
$0.30	16,000,000	31/03/2018 – 31/12/2019
$0.20	16,000,000	31/03/2017 – 31/12/2017
$0.15	12,000,000	31/12/2014
Total	**53,000,000**	

Share Price Performance

During the twelve month period ended 30 June 2013:[(1) (2)]

- the Shares have traded on the NZX Main Board at between NZ$0.101 per Share and NZ$0.185 per Share;
- the volume weighted average price at which the Shares have traded on the NZX Main Board was NZ$0.1575 per Share; and
- the average daily volume of Shares traded on the NZX Main Board was 135,920 Shares.

(1) The information set out above relates to a period prior to the 2013 Share Consolidation.

(2) Past performance is no guarantee of future performance.

The closing price of Smartpay's Shares on the NZX on 31 July 2013 was NZ$0.143.

1.5 Selected pro forma financial information

The pro forma financial information in the table below incorporates historical audited financial information for Smartpay for the financial year ended 31 March 2013. It also incorporates unaudited financial information relating to the Viaduct business which was acquired by Smartpay in January 2013. Financial information for Viaduct has been included in the pro forma numbers as if the business and assets of Viaduct formed part of the Smartpay Group at all times during the financial year ended 31 March 2013. Further information in relation to these pro forma numbers is contained in the pro forma financial statements attached as Appendix B.

	FY 2013[(1)]
Pro forma Revenue (NZ$000's)	$21,990
Pro forma earnings before interest, tax, depreciation, share options, amortisation and impairment (NZ$000's)	$7,895
Pro forma profit/(loss) before tax (NZ$000's)	($4,245)
Pro forma profit / (loss) from continuing operations (NZ$000's)	($5,219)

Leverage Ratio(2)	0.83

(1) Twelve month period ended 31 March 2013.
(2) Total liabilities/total assets.

1.6 Directors and Key Managers

Brief information on the Directors and key management of Smartpay is set out below.

Directors

- ***Ivan Jeremy Hammerschlag, Chairman and Non-Executive Director - BCom, CTA***

  Ivan Hammerschlag is an accountant. He has been a director of Smartpay since 1 July 2012. Ivan has extensive investment and listed company experience in Australia and South Africa and is currently Chairman of ASX listed RCG Limited, a retail group with 147 stores throughout Australia and New Zealand selling athletic and lifestyle footwear.

- ***Bradley Gavin Gerdis, Managing Director B.Bus (Hons), MCom***

  Bradley Gerdis joined the Smartpay Group in December 2011 and has been a director of Smartpay since 1 July 2012. Bradley has expertise and experience in managing high growth payments businesses. He was a founding executive of Customers Limited, an ASX listed ATM and payments company which grew from start-up to become Australia's largest ATM operator during his time with the business.

- ***Gregor John Barclay, Non-Executive Director – LLB, Dip. Bus***

  Gregor Barclay has been a director of Smartpay since 1 April 2010. He was a founding partner of Auckland law firm Claymore Partners and brings expertise in commercial law including corporate structuring, mergers and acquisitions.

- ***Matthew George Turnbull, Non-Executive Director – BCom, CA***

  Matthew Turnbull has been a director of Smartpay since 1 April 2013. Matthew is a Chartered Accountant and is a member of the New Zealand Institute of Chartered Accountants. He commenced his career with PWC (then PriceWaterhouse) and has over 20 years' experience providing accounting and corporate advisory services to a wide range of clients.

Key Managers

- ***Martyn Pomeroy, General Manager – Operations and Strategy***

  Martyn Pomeroy has been involved in the payments and EFTPOS industry in New Zealand for over 12 years, most recently as one of the founding directors of Viaduct, which was acquired by Smartpay in January 2013. Martyn Pomeroy is now General Manager – Operations and Strategy at Smartpay.

- ***Mark Unwin, General Manager – Sales and Marketing***

  Mark Unwin has been involved in the payments and EFTPOS industry in New Zealand for over 15 years, most recently as one of the founding directors of Viaduct, which was acquired by Smartpay in January 2013. Mark Unwin is now General Manager – Sales and Marketing at Smartpay.

- ***Linc Burgess, Product & Payment Strategy Manager***

Linc Burgess has more than 30 years' experience in the financial services and payments industry. He has been heavily involved at a management level in the development of fleet/fuel cards and loyalty systems, and the technology that supports those services.

- ***Pat O'Brien, General Manager – Smartpay Australia***

  Pat O'Brien has held management positions in Australia and the United Kingdom working in the telecommunications and financial services industries for over 25 years. Pat has been General Manager of Smartpay's Australian operations since it acquired the business of ProvencoCadmus in August 2009.

Further information on the Directors and key management of the Smartpay group is set out in the section entitled *Board, Management and Corporate Governance* on page 33.

1.7 Other notable interests

Details of Director and related party interests are contained in the Section entitled *Capital Structure* on page 46 and the Section entitled *Director and Related Party Interests* on page 55 of this Information Memorandum. Set out below is a summary of the more material interests disclosed in those Sections:

- Bradley Gerdis, the Managing Director of Smartpay, is paid an annual salary of AUD$350,000. In addition he is entitled to the minimum employer superannuation contributions prescribed under Australian law and, subject to achievement of KPIs agreed by the Board, is entitled to an annual short term performance bonus, payable at the discretion of the Board, of between 25 per cent to 50 per cent of his base annual salary;

- Haymaker Investments Pty Limited, a trustee of a trust of which Bradley Gerdis is a discretionary beneficiary, held 11,142,217 Shares in Smartpay as at 30 June 2013 which equates to 3.24 per cent of the total issued share capital of Smartpay as at that date;

- Haymaker Investments Pty Limited, a trustee of a trust of which Bradley Gerdis is a discretionary beneficiary, holds 10 million Share options which are exercisable with respect to 10 million Shares at NZ$0.15 per Share on or before 31 December 2014, 10 million Share options which are exercisable with respect to 10 million Shares at NZ$0.20 per Share on or before 31 March 2017, and 10 million Share options which are exercisable with respect to 10 million Shares at NZ$0.30 per Share on or before 31 March 2018;(1)

- Drumalbyn Holdings Pty Limited, a company of which Ivan Hammerschlag (the Chairman of Smartpay) is a director and shareholder, holds 2 million Share options which are exercisable with respect to 2 million Shares at NZ$0.15 per Share on or before 31 December 2014, 2 million Share options which are exercisable with respect to 2 million Shares at NZ$0.20 per Share on or before 31 March 2017, and 2 million Share options which are exercisable with respect to 2 million Shares at NZ$0.30 per Share on or before 31 March 2018;(1)

- Drumalbyn Holdings Pty Limited, a company of which Ivan Hammerschlag (the Chairman of Smartpay) is a director and shareholder, held 4,983,193 Shares in Smartpay as at 30 June 2013 which equates to 1.45 per cent of the total issued share capital of Smartpay as at that date;

- Ivan Hammerschlag and Honeystone Pty Limited (a related company of Ivan Hammerschlag) are party to a consultancy agreement with Smartpay Australia Pty Limited pursuant to which Honeystone has agreed to provide Mr Hammerschlag's services as a consultant to Smartpay to give general advice, guidance and assistance to the Board and Smartpay's management including with respect to Australian strategy and opportunities in Australia. Honeystone is paid an annual fee of A$75,000 (plus GST) for these services. These fees are in addition to the fees payable to Ivan Hammerschlag as a director;

- Claymore Partners Trustees (2011) Limited, a trustee of a trust of which Gregor Barclay (a director of Smartpay) is a discretionary beneficiary, holds 10 million Share options which are exercisable with respect to 1,000,000 Shares at NZ$0.40 per Share on or before 31 March 2014 and 10 million Share options which are exercisable with respect to 1,000,000 Shares at NZ$0.50 per Share on or before 31 March 2016;(1)

- Each of Mark Unwin and Martyn Pomeroy (the General Managers of Smartpay's New Zealand operations) holds 2 million Share options which are exercisable with respect to 2 million Shares at NZ$0.20 per Share on or before 31 December 2017 and 2 million Share options which are exercisable with respect to 2 million Shares at NZ$0.30 per Share on or before 31 December 2019;(1)

- TEOV Limited (formerly Viaduct Limited), a company of which each of Mark Unwin and Martyn Pomeroy (the General Managers of Smartpay's New Zealand operations) is a director and shareholder, held 13,596,212 Shares in Smartpay as at 30 June 2013 which equates to 3.95 per cent of the total issued share capital of Smartpay as at that date;

- Blackrock Capital Limited, a company in which Matthew Turnbull (a director of Smartpay) is both a director and shareholder, has previously been engaged by Smartpay to provide corporate advisory services in connection with matters such as the capital raising and refinance undertaken in July 2012 and the acquisition of the business and assets of Viaduct in January 2013. In the financial year ended 31 March 2013 Smartpay paid fees of $126,000 to Blackrock Capital ($35,000 in the financial year ended 31 March 2012);

- In the financial year ended 31 March 2013 Claymore Partners Limited, a law firm in which Gregor Barclay (a director of Smartpay) was a director and shareholder, invoiced Smartpay for fees (excluding GST and disbursements) for legal services in the amount of NZ$316,500 ($322,000 in the financial year ended 31 March 2012). Gregor Barclay ceased to be a director of, and shareholder in, Claymore Partners Limited on 1 April 2013.

(1) The exercise prices of these options and the number of Shares over which each option is exercisable are stated on a pre-2013 Share Consolidation basis. The exercise prices will be twice those recorded in this section 1.7 and the number of Shares over which the options are exercisable will be half that recorded in this section 1.7, immediately following the 2013 Share Consolidation.

1.8 Risk Factors

Smartpay's business is exposed to a variety of commercial and other risks, all of which have the potential to affect the future profitability and financial viability of Smartpay and to influence the returns that might be achieved from an investment in Smartpay Shares. The risks detailed below should not be taken as exhaustive of the risks faced by Smartpay or its investors, but rather risks that have been encountered to date or that are reasonably foreseeable at this time.

Risk	Issue
Supply chain risk	An interruption in the supply of EFTPOS terminals from the current key supplier of terminals to Smartpay could adversely impact operations and profitability. Information in relation to Smartpay's supply arrangements is contained in section 2.4 of this Information Memorandum.
Technology risk	The introduction of new technology by Smartpay's competitors (whether existing or emerging) could render one or more of Smartpay's product and service offerings obsolete with a resultant adverse impact on Smartpay's profitability and financial viability.
Disruption of systems	Smartpay is heavily reliant on the capability of its IT systems and back-up systems as well as those of its external service providers such as communication carriers and ISPs. A failure or disruption of

	one or more of these internal or external systems could adversely impact Smartpay's operations and profitability.
Customer Risk	Smartpay's five largest customers currently account for approximately 27 per cent of Smartpay's current revenue, with the largest customer accounting for approximately 10 per cent of Smartpay's current revenue. Default by one or more of these customers, termination of the relevant rental contract and/or the failure to renew any such arrangement on expiry of its current term could adversely affect Smartpay's financial position and profitability. The contract with Smartpay's largest customer (an Australian taxi payments operator) expires on 31 December 2014 and is not expected to be renewed beyond that date. Given recent regulatory changes announced in the Victorian taxi industry which are expected to come into effect in the near to medium term (refer to the risk disclosure entitled "Changes in the regulatory environment" on page 29), Smartpay is currently developing a strategy aimed at participating directly in the Australian taxi payments industry rather than through the current model of supplying terminals and transaction services to a single customer. While there can be no guarantee of the success of this strategy to replace the current contracted revenue by the time of the expiry of the existing contract on 31 December 2014, Smartpay believes that its experience and technology in the taxi industry provides a solid platform to continue to deliver revenue from this segment.
Competition Risk	Smartpay has a strong market position in the New Zealand eftpos rental market but only a small share of the Australian eftpos rental market. Both the New Zealand and Australian eftpos rental markets are competitive. There is no guarantee that Smartpay will maintain its strong position in the New Zealand eftpos rental market or that it will be able to grow its market share in the Australian market. Increased competition in the markets in which Smartpay operates may adversely impact Smartpay's financial performance going forward, either as a result of a loss of market share, lower margins or both.
Software/Product Failure Risk	Smartpay may not achieve projected sales targets due to software or product failure that cannot be resolved in a timely fashion due to circumstances and/or changes outside Smartpay's control. A major product recall or software fault could cost a significant amount of money and could lead to negative publicity resulting in a loss of existing and/or prospective customers and an adverse impact on future sales and profitability.
Certification risks	Smartpay's payment solutions products need to be certified by the relevant bodies in New Zealand and Australia (as applicable) before they can be marketed and sold by Smartpay to existing and prospective customers. Any failure on the part of Smartpay to maintain existing certifications, obtain certifications for future product/service offerings or comply with the terms of any mandate issued by Visa, Mastercard or any applicable bank could have a material adverse impact on Smartpay's profitability and financial position (including the value of its rental book, being its largest asset by value).

More detailed information on the above risks and other general and specific risks facing the Smartpay Group and the risks associated with investing in Smartpay is contained in the section entitled *Risks* on page 24.

1.9 NZX Main Board

Smartpay is listed on the NZX Main Board under the ticker code "SPY". While Smartpay is listed on the NZX Main Board, its Constitution is deemed to incorporate all the provisions of the NZSX Listing Rules required to be contained or incorporated in a listed company constitution. For so long as the Shares are quoted on the NZX Main Board, Smartpay must comply with the NZSX Listing Rules as amended from time to time. Subject to certain conditions (including any waivers obtained by Smartpay), Smartpay will also be required to comply with the ASX Listing Rules once the Shares have been admitted to listing and quotation on the ASX.

1.10 ASX Listing

Smartpay considers that the proposed secondary listing of its Shares on the ASX will have the following strategic benefits for the business:

- improved visibility and marketing opportunities in Australia, particularly with the main trading banks which dominate the Australian payments industry;
- improved liquidity of its Shares; and
- improved access to capital markets for any future fund raisings.

1.11 ASX Waivers and Disclosure

Smartpay intends to apply for waivers and confirmations from the ASX which are standard for a New Zealand company listed on the ASX (including confirmation that ASX will accept accounts denominated in New Zealand dollars and prepared and audited in accordance with New Zealand generally accepted accounting principles and New Zealand auditing standards). Further information on the waivers and confirmations that Smartpay has applied for is contained in section 10.10 of this Information Memorandum.

1.12 Dividend Policy

Smartpay has not paid a dividend since it listed on the NZX Main Board via a reverse listing in May 2006. In addition, Smartpay will not pay a dividend for the financial year ended 31 March 2013. The payment of dividends by Smartpay in the future will depend on the availability of distributable earnings, Smartpay's imputation credit position, operating results, available cash flows, financial condition, taxation position, future capital requirements, general business and financial conditions, and other factors the Directors consider relevant. It is intended that any dividends declared will be fully imputed to the greatest extent possible. No person, including the Directors, can give any assurances regarding the payment of dividends or the extent of imputation credits on those dividends.

The terms of the facilities made available by ASB Bank Limited to the Smartpay Group restrict Smartpay from paying a dividend or making any other form of distribution to its Shareholders without the prior consent of ASB Bank until such time as the net leverage ratio of the Smartpay Group (being net debt/adjusted EBITDA, in each case as calculated in accordance with the terms of the ASB facility agreements) is less than 2. As at 31 March 2013 the net leverage ratio of the Smartpay Group (as calculated in accordance with the terms of the ASB facility agreements) was 2.4 and therefore Smartpay is currently precluded from paying any dividend without ASB's consent as the current net leverage ratio exceeds 2.

1.13 Share Consolidation

Smartpay will undertake a 2 to 1 share consolidation prior to Listing on the ASX to ensure that it meets the requirement under the ASX Listing Rules to have a share price of not less than AUD$0.20 at the time of Listing. It is expected that Smartpay will have approximately 171,752,152 Shares on issue immediately following this Share Consolidation (subject to rounding for any fractional entitlements resulting from the Share Consolidation).

2. Industry overview

2.1 New Zealand

The EFTPOS System

EFTPOS stands for Electronic Funds Transfer at Point Of Sale. The parties involved in the provision of EFTPOS are:

- The Merchant;
- The Acquiring Bank;
- The EFTPOS Network/Payment Switch; and
- The terminal or hardware supplier.

The Merchant

This is a business/person which has an EFTPOS terminal which enables it to accept payments for goods or services.

The Acquiring Bank

The acquiring bank provides merchant facilities for businesses wanting to accept EFTPOS and credit cards as a form of payment for their business.

In New Zealand, if the merchant chooses to accept debit only as a form of payment there is generally no charge from the bank. However if the business wishes to also accept credit cards such as Visa or Mastercard the bank will charge a merchant service fee which is a percentage of the businesses monthly credit card revenue, subject to a minimum monthly fee.

The EFTPOS Network/Payment Switch

All EFTPOS terminals are required to connect to a payment switch in order to operate. A payment switch routes card (EFTPOS) transactions from an EFTPOS terminal to the applicable bank or card issuer for approval. A payment switch essentially acts as a middleman between the merchant's bank and their customer's bank. There are two primary payment switches that operate in the New Zealand market, being:

- Paymark (which is owned by the four main trading banks, being ASB, ANZ, Westpac and BNZ); and
- EFTPOS New Zealand (owned by Verifone).

Over 75 per cent of all EFTPOS transactions in New Zealand are processed on the Paymark network with the balance being processed on the EFTPOS New Zealand network.

The Terminal or Hardware Supplier

Smartpay is a terminal or hardware supplier.

The New Zealand EFTPOS equipment market is primarily comprised of independent providers/resellers of EFTPOS terminals. Banks in New Zealand do not generally include EFTPOS equipment in their merchant offerings, with only a small number of terminals rented by the banks direct to their retail customers. Banks generally partner with specialist EFTPOS equipment companies such as Smartpay if they wish to provide a full service offering to their customers.

Smartpay estimates that there are currently approximately 120,000 EFTPOS terminals in operation in New Zealand. The main EFTPOS terminal providers in New Zealand are Smartpay (publicly listed), EFTPOS NZ (owned by Verifone) and DPS (privately owned).

Smartpay estimates that there are approximately 20 providers of EFTPOS terminals in New Zealand that have an installed customer base of more than 500 terminals. There are also a large number of point of sale vendors that offer EFTPOS terminals that interface to their point of sale systems. Smartpay estimates that it currently has the largest market share at around 30 per cent.

The New Zealand EFTPOS market is competitive. There are relatively low barriers to entry into that part of the market comprising the sale or lease of EFTPOS terminals to small business customers and, as referred to above, there are a number of small resellers operating in this area of the market in New Zealand. There are, however, significant barriers to entry in the corporate/value-added services market as most payment solutions need to be developed and then certified with Paymark.

2.2 Australia

Smartpay estimates that there are approximately 800,000 EFTPOS terminals installed in Australia. In 2012 Australian consumers performed more than 2.2 billion EFTPOS transactions.

In contrast to the New Zealand model, in Australia the EFTPOS market is largely dominated by the banks. Smartpay is one of a very small number of independent providers of EFTPOS terminals to Australian merchants. Smartpay estimates that its market share in Australia is approximately 1 per cent.

While not a requirement, Smartpay works in conjunction with its bank relationships in Australia to offer retail merchants a joint terminal and bank acquiring facility.

Another point of difference between the Australian and New Zealand markets is that there are a larger number of payments processing switches in Australia with each of the major banks owning and operating their own payments processing switch as well as a number of the smaller banks and a number of independent providers. In addition, Australia has a different charging structure to New Zealand in that the banks in Australia generally charge merchants for each EFTPOS transaction processed whereas in New Zealand the banks only charge a fee for credit card transactions.

Outside of some very recent product development by the Commonwealth Bank of Australia, there has been very little technical innovation in the Australian EFTPOS industry.

As the Australian EFTPOS market is largely dominated by the banks there are higher barriers to entry into the Australian market than in the New Zealand market. Smartpay's model is to work in conjunction with the Australian banks (rather than to compete against them) to increase its market share in Australia.

2.3 Security Standards/Certifications

Before a new model of EFTPOS terminal or new payment solution can be connected to the payments system in New Zealand or Australia and deployed into the market it needs to achieve many levels of testing and certification. These are rules mandated by the relevant payment authorities in the relevant jurisdiction and/or by the acquiring bank or payments switch.

There are various levels of certification but they can generally be classified as broadly hardware certification and software certification. Hardware certification involves testing an EFTPOS terminal's protection mechanisms against a physical attack. This is measured against the Payment Card Industry Pin Transaction Security (PCI PTS) international testing standard. Software certification generally involves a series of logical tests such as regression testing to validate the operational performance and financial integrity of the payment software application.

Due to the difference in the structure of the markets between Australia and New Zealand, the certification process is different in each market.

In New Zealand each new model of EFTPOS terminal requires approval from Payments NZ Limited before it is able to be connected to an EFTPOS network in New Zealand. This generally takes about one month to complete. The terminal is then required to be certified by Paymark which is the primary switch in the New Zealand market and is responsible for issuing certifications for an EFTPOS terminal's software applications and approving its use on the network. To obtain a full Paymark certification generally takes 6-8 weeks and includes approvals from Visa and MasterCard. Upon the completion of the certification process each new terminal and application is piloted in the market and following a 1-2 week pilot Paymark will issue a General Release notification which completes the certification process.

Similarly, in Australia each new model of EFTPOS terminal generally requires at least 2 levels of certification. Hardware certification is a requirement of the Australian Payments Clearing Association (APCA) and is a one-off process done through an independent testing facility. This usually takes around 6 weeks. The resulting certification can be used by all banks and switches as proof that the relevant terminal meets the required hardware security protocols.

Software certification in Australia needs to be completed in respect of each switch or bank the model of terminal will connect to. So if a particular model of terminal is intended to be connected to more than one switch (for example multiple banks), then the relevant model will typically need to undergo separate software certifications on each switch.

In Australia the certification process is therefore both a barrier and an opportunity. The barrier is that Smartpay is reliant on the availability and willingness of third party switches to accept a product for certification. This can be a costly exercise and can involve unpredictable time frames depending on the timeslot available from the relevant switch. The costs, timing and level of technical resource required to complete a certification process create a certain level of barrier to entry into this market which is beneficial to Smartpay given it already has a number of models of terminal certified in this market and has the technical skills, experience and relationships to complete the certification process with new models of terminals and new payment applications.

2.4 Key Suppliers and Customers

Suppliers

Smartpay sources the bulk of its EFTPOS terminals direct from a large Chinese manufacturer. If for any reason Smartpay could no longer purchase EFTPOS terminals from this supplier then, in order to ensure continuity for its business, it would need to source certified terminals/products from other suppliers. There is a significant lead-in time (6 months or more) to introduce new versions of terminal products into the New Zealand and Australian markets due to the software development lead-time and the requirement to go through the certification processes as outlined in Section 2.3 above. However the lead-in time is expected to be negligible with respect to sourcing terminals which are already certified and where the customer does not require one of Smartpay's proprietary software offerings to be installed on their terminal.

In addition to its primary supplier, Smartpay also sources and supplies terminals from another major international supplier and intends adding a third brand as part of its product/service offering.

Key Customers

Smartpay has in excess of 17,000 customers in Australia and New Zealand. Smartpay's top five customers account for approximately 27 per cent of the total current revenue of the Smartpay Group. Smartpay's largest contract by revenue is with an Australian taxi payments operator and represents in the order of 10 per cent of Smartpay's total current revenue. The current contract expires on 31 December 2014 and is not expected to be renewed beyond that date. Given recent regulatory changes announced in the Victorian taxi industry which are expected to come into effect in the near to medium term (refer to the risk disclosure entitled "Changes in the regulatory environment" on page 29), Smartpay is currently developing a strategy aimed at participating directly in the Australian taxi payments industry rather than through the current model of supplying terminals and transaction services to a single customer. While there can be no guarantee of the success of this strategy to replace the current contracted revenue by the time of the expiry of the existing contract on 31 December 2014, Smartpay believes that its experience and technology in the taxi industry provides a solid platform to continue to deliver revenue from this segment.

2.5 Regulatory Framework

There are no specific laws in Australia or New Zealand governing the rental of EFTPOS terminals or the other material aspects of Smartpay's business. However, there are a number of general laws and regulations in New Zealand and Australia which are applicable to Smartpay's business and with which Smartpay must comply, including:

- Privacy laws with respect to holding and dealing with personal information (being the Privacy Act 1993 in New Zealand and the Privacy Act 1988 in Australia);
- Anti-Money laundering laws with respect to finance leases entered into by Smartpay (being the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 in New Zealand and the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 in Australia);
- Fair trading laws with respect to the sale of goods and the provision of services;
- Personal Property Securities laws with respect to the security interests which Smartpay holds in EFTPOS terminals which it leases to its customers; and
- Corporate legislation such as the Companies Act 1993 in New Zealand and the Corporations Act 2001 Cth in Australia (to the extent applicable).

While there are differences between the regulatory environments in Australia and New Zealand insofar as they apply to Smartpay's business and operations, Smartpay does not consider the differences to be material.

3. Smartpay's business

3.1 Overview

Smartpay is one of New Zealand's leading providers of payment technology services for merchants and retailers and has a growing business in Australia.

Smartpay designs, develops and implements innovative payment solutions for its customers. It offers a variety of advanced payment and data management solutions for retail, business payment and transactional processing requirements and aims to add value to its clients' businesses by providing a total payments solution.

To consumers, the most visible part of the merchant payment solutions sector is EFTPOS terminals, which are a familiar tool in the retail and service sectors in both New Zealand and Australia.

Smartpay has more than 30,000 EFTPOS terminals under rental contract in New Zealand. These terminals can be found in outlets operated by well-known corporates such as Air New Zealand and Mitre 10. Smartpay's New Zealand customer base also includes recognised international retail brands such as Pizza Hut, Starbucks and KFC outlets. In addition to these high profile outlets, Smartpay's terminals are installed in a diverse range of businesses including corner dairies, dental clinics, schools and restaurants. Smartpay also has approximately 10,000 EFTPOS terminals under rental contract in Australia.

Apart from EFTPOS terminals, Smartpay, as an integrated payment solutions provider, also offers a range of products and services to support merchants and retailers in their businesses to increase revenues, reduce costs and/or enhance their operational environment.

The products and services provided by Smartpay include:

Payments	Marketing Media
• Broadband EFTPOS (enables payments to be made over a high-speed broadband link)	• In-store radio (tailored in-store radio solutions for retailers)
• Wireless terminals (terminals which use either Wi-Fi or GPRS connectivity)	• In-store audio advertising (tailored in-store audio advertising solutions for retailers)
• Pre-paid vouchers (mobile phone top-up vouchers for pre-pay mobile users)	• In-store video (in-store television and visual advertising solutions for retailers)
• Taxi systems and processing (specialist payment solutions and transaction reporting for taxi companies)	
• IP-POS EFTPOS network (enables legacy EFTPOS terminals to connect to the internet)	
• On-line payments	

The merchant payment solutions industry was stimulated by the introduction of EFTPOS in New Zealand in the 1980s. Significantly, New Zealanders have been early adopters of this technology and there are now approximately 3 million EFTPOS transactions processed in New Zealand every day. While the up-take of EFTPOS in Australia was slower than in New Zealand, the use of EFTPOS in Australia has increased dramatically and there are now approximately 6 million EFTPOS transactions in Australia every day.

Smartpay estimates that there are currently approximately 120,000 EFTPOS terminals in use in New Zealand and approximately 800,000 EFTPOS terminals in use throughout Australia.

3.2 Viaduct

Viaduct was established in 2001 by Mark Unwin and Martyn Pomeroy. Viaduct specialised in selling and leasing EFTPOS hardware to small and medium enterprises throughout New Zealand. At the time of the purchase of Viaduct by Smartpay in January 2013 the business had grown to a rental book of approximately 9,000 EFTPOS terminals installed at over 7,000 merchants throughout New Zealand. Viaduct's growth strategy was underpinned by its entry into preferred supplier agreements with a number of major New Zealand banks as well as with a number of industry associations. In addition, Viaduct tailored a number of unique product offerings specifically designed to meet the needs of the small business customer.

Whereas Smartpay has a number of revenue streams from a range of product/service offerings, the primary revenue streams of the Viaduct business are rental fees from the lease of EFTPOS terminals and, to a lesser extent, sales revenue from the sale of EFTPOS terminals and accessories. These revenue streams are now for the account of Smartpay following settlement of the Viaduct acquisition in January 2013.

3.3 Smartpay's Business Model

Rental Business:

Smartpay offers its services by way of a contracted "subscription agreement" which requires the merchant to pay a minimum monthly fee for the services provided. Under the "subscription agreement" Smartpay leases the merchant an EFTPOS terminal or other point-of-sale device. For smaller merchants the application software loaded onto the leased terminal is a basic form of software which enables the terminal to communicate with the Paymark network (in New Zealand) or the various bank networks (in Australia) to process transactions for the merchant's business. In the case of larger corporate customers which lease multiple EFTPOS terminals the software loaded onto the terminals is sometimes bespoke proprietary software developed and owned by the Smartpay Group which enables the terminals to accept and process payments using the corporate customer's loyalty cards or third party cards and to provide the corporate customer with various transaction processing reports.

Smartpay's smaller customers typically enter into a fixed term rental contract for a term of between 36 to 48 months. The monthly fee payable depends on the length of the contract term and the model of EFTPOS terminal leased. The monthly fee payable to Smartpay covers the rental of the physical EFTPOS terminal, a service and support contract for the duration of the term of the rental and a licence to use Smartpay's proprietary software loaded on the terminal (and to receive certain software upgrades during the rental term). Payment is typically via direct debit directly into the bank account of the relevant member of the Smartpay Group.

For larger corporate customers Smartpay operates a "flexi-rent" agreement which generally allows the customer to vary the number of EFTPOS terminals by up to 10 per cent over the term of the contract. Smartpay calculates the monthly rental with payment being made by direct debit or via internet banking.

The subscription agreements provide reliable and consistent cash flow over the term of the contract. Before the end of the contract term the merchant is contacted to sign up to a new rental agreement for a further term, providing the opportunity for an ongoing, renewable and reliable revenue stream.

The New Zealand and Australian rental business generated approximately NZ$14 million of revenue for the Smartpay Group in the financial year ended 31 March 2013, being approximately 84 per cent per cent of the total revenue of the Smartpay Group for that period.

Transaction Processing Business:

Smartpay owns a specialised proprietary transaction switching system which, amongst other things, receives EFTPOS transaction data from certain EFTPOS terminals supplied by Smartpay. This specialised proprietary system has been developed to allow for high transaction volume processing. Smartpay's transaction switching system is different from the payment switches referred to in section 2.1 as Smartpay's switching system does not communicate directly with a merchant's bank; it simply receives transaction or other data from a linked EFTPOS terminal and on-sends any payment instruction to the applicable payment switch (eg Paymark).

Not every EFTPOS terminal supplied by Smartpay is linked to the transaction switching system owned by Smartpay as it depends on the services required by a particular merchant. The terminals which are linked to the proprietary system are typically those which accept and process value-added services. In addition, EFTPOS terminals supplied to certain corporate customers of Smartpay are linked to the proprietary system so that Smartpay can provide such customers with transaction processing services and reporting information over and above the simple processing of an EFTPOS payment transaction. Smartpay charges corporate customers transaction processing fees for the processing of transactions switched using this proprietary system.

Mobile Top-up:

Smartpay is party to agreements with each of the main mobile phone network providers in New Zealand, being Vodafone, Telecom and 2Degrees, and acts as agent for those network providers with respect to mobile phone top-up services. Smartpay owns proprietary software which enables selected merchants to offer mobile phone credit top-up services using an EFTPOS terminal and other hardware leased from Smartpay. All mobile phone top-up funds received by the relevant merchants are credited to Smartpay which in turn accounts to the relevant mobile network provider for such funds on a regular basis, net of commissions payable to Smartpay and the merchants.

EFTPOS Equipment Sales:

In addition to EFTPOS terminal leasing, Smartpay sells EFTPOS terminals (both new and refurbished) and accessories for EFTPOS terminals such as receipt paper and EFTPOS terminal holders.

Other Operations:

In addition to its rental business, transaction processing business, mobile top-up business and equipment sales business, Smartpay offers a range of other value-add and complimentary products and services as detailed in section 3.1 above.

3.4 Smartpay's Australian Business

The Australian market is the key focus for Smartpay's organic growth. Smartpay's current Australian business is in the early growth phase and currently comprises two main contractual relationships, one in the taxi industry and one with a mid-tier bank. In addition to the two main contractual relationships, Smartpay has a small but growing network of direct merchant relationships where it provides terminals direct to merchants under a similar model to that in New Zealand. The expansion of the direct merchant customer base in Australia (either directly or through co-operation with banks) is the core focus of Smartpay's Australian growth strategy.

Australian Business Model – Direct to Merchant

The Australian direct to merchant business model is similar to the New Zealand business model (see section 3.3 above) in that Smartpay enters into a fixed term EFTPOS terminal rental contract with each merchant customer for a term which is generally between 36 and 48 months. The two key differences to the New Zealand model are as follows:

(a) Revenue model

In Australia, Smartpay's revenue model generally consists of two components:

- A monthly merchant rental fee which varies depending on terminal type and volume; and
- A share of the acquiring bank's merchant service fee (being a percentage of a merchant's turnover through the terminal charged by the acquiring bank to the merchant). This fee is payable by the bank direct to Smartpay.

(b) Bank acquiring partnership

The other key difference to the New Zealand model for direct to merchant relationships is that in Australia Smartpay typically includes a partner bank's acquiring service with the terminal rental (this is a separate arrangement between the bank and the merchant in New Zealand). This is a key driver for attracting a share of the acquiring bank's merchant service fee as outlined above. While there are some non-bank acquirers in the Australian market, Smartpay's preferred approach is to partner with a bank where possible. Smartpay currently has two bank acquiring relationships and is seeking to expand this to include other banks over time.

Australian Business Model – Banks/Financial institutions

In addition to the direct to merchant sales model, Smartpay seeks to provide EFTPOS terminals and related services to banks, financial institutions and large corporates on various rental, sales and service models. These can vary according to the nature and potential of the opportunity and are quite often bespoke tailored solutions.

Growth

As the key focus in Australia is for organic growth, Smartpay is currently investing in the Australian business. As the intention is to leverage off the New Zealand resource capability and operational infrastructure as far as possible, there is no intention to replicate the operational infrastructure from New Zealand in Australia. There is, however, expected to be significant investment in resource into the Australian business to target the growth potential of that market, in particular in the areas of sales and service.

Financial Performance

In the financial year ended 31 March 2013 the Smartpay Group's Australian operations accounted for approximately 19 per cent of the total revenue of the Smartpay Group.

3.5 Revenue Streams

The revenue streams of the Smartpay Group from the various business segments outlined in sections 3.1 and 3.3 above are set out in the table below.

Revenue Drivers	Revenue Type
EFTPOS equipment rental	Hardware rental fees, service and support fees and software licence/services fees
EFTPOS equipment sales	Hardware/product margin
Transaction processing	Fee per transaction
Mobile top-up payments	Commission fee

In store Audio and Video	Recurring license fee / margin on advertising
Gift cards / gift vouchers / loyalty schemes	Fee per transaction

3.6 Growth, Outlook and Opportunities

Smartpay's primary near to medium term growth opportunities relate to its organic and acquisitive growth strategies across its two key markets of Australia and New Zealand with the possibility of longer term growth potential beyond these two markets, possibly into the broader Asia / Pacific region.

Organic growth opportunities – Australia

Australia is the key focus for Smartpay's organic growth in terms of the number of EFTPOS terminals deployed.

Smartpay estimates that the Australian market consists of approximately 800,000 installed EFTPOS terminals which tend to grow in line with the rate of general economic growth. Although the vast majority of these terminals have historically been provided by banks to their retail customers, increasing demand by retail merchants for additional functionality and flexibility around their payments solutions is creating an opportunity for specialised providers such as Smartpay to service this increasing need.

Smartpay's model is to service the needs of these retail merchants in co-operation with Australian banks by providing the technical, sales and service capability that Smartpay believes will increasingly become non-core activities of many of these banks.

As a merchant facing business Smartpay believes it is well placed to emulate the success of its New Zealand business model and experience to grow its market share in Australia through supplying merchants with innovative payments solutions in cooperation with Smartpay's bank relationships.

Organic growth opportunities – New Zealand

As the New Zealand market is relatively mature in terms of terminal numbers, the opportunity for organic growth in terminal numbers will largely be a factor of market share growth. Smartpay believes that by leveraging its significant scale and its technology and product capability it is well placed to grow its market share in New Zealand.

Smartpay sees the key organic growth opportunity in its New Zealand business as being more around leveraging further value from its extensive existing terminal base than from growth in terminal numbers alone. Smartpay is doing this through making additional value-add products available through the terminals to both its existing and new customers. These value-add products are driven by Smartpay's technology development capability and offer potential for incremental revenue lines through Smartpay's existing and growing terminal fleet.

General

In addition to opportunities for organic growth in terminal numbers, one of Smartpay's core strategies is to target growth in other payment products and solutions. Examples may be card-not present payment solutions (such as internet payments) and other payment related products. These growth initiatives and products will either be complementary to Smartpay's terminal solutions or other aspects of its merchants' payment or business solution requirements.

Acquisitive Growth Opportunities

To complement its organic growth, Smartpay regularly evaluates acquisition opportunities. Notwithstanding the largely mature nature of the New Zealand terminal market Smartpay believes that there may be further consolidation opportunities for Smartpay to acquire existing networks and integrate them into its existing infrastructure. While the occurrence of such opportunities is unpredictable, Smartpay will continue to evaluate such opportunities on their merits as and when they present themselves.

Given the market structure in Australia which has been historically dominated by the banks, acquisitive growth opportunities of terminal networks are expected to be limited in the near to medium term in this market. Smartpay therefore expects that any potential acquisition opportunities in the Australian market will more likely be of a strategic nature of businesses that offer complementary capability to Smartpay's terminal and other payments businesses.

3.7 Debt Funding

Smartpay has the following debt Facilities (the "Facilities") with ASB Bank Limited (a wholly-owned subsidiary of Commonwealth Bank of Australia) which have been provided to Smartpay New Zealand Limited, a New Zealand operating subsidiary of Smartpay:

Facility	Facility Limit as at 30 June 2013	Amount drawn as at 30 June 2013	Term
Term Loan	$30,060,000	$28,250,000	4 years to 11 July 2016
Cash Advances Facility	$4,500,000	$0	4 years to 11 July 2016
Total	$34,560,000	$28,250,000	

As at 30 June 2013 Smartpay had cash and cash equivalents of approximately $4,021,000, net debt (being debt less cash and cash equivalents) of approximately $24,229,000 and total assets of approximately $38,850,000 (in each case, as per unaudited management accounts). Based on these figures, as at 30 June 2013 Smartpay's total indebtedness to ASB Bank equated to approximately 73 per cent of Smartpay's total assets and Smartpay's net debt equated to approximately 62 per cent of Smartpay's total assets.

The Facilities are subject to events of default, financial covenants and other covenants which are usual for facilities of their kind and purpose in New Zealand. In addition to usual events of default, the Facilities are also subject to events of review which include Bradley Gerdis ceasing to be involved in the day-to-day running of the Smartpay Group and a member of the Smartpay Group making a disposal (other than certain permitted disposals) in a single transaction where the consideration payable exceeds $50,000. If an event of review occurs ASB Bank can request that the Facilities be re-negotiated and, if new terms cannot be agreed, make demand for repayment of the Facilities. The Facilities are repayable in full on 11 July 2016.

Each of Smartpay Holdings Limited, Smartpay New Zealand Limited and each other operating subsidiary of the Smartpay Group have entered into a cross-guarantee under which they have guaranteed the indebtedness of each other to ASB Bank. In addition, each such company has granted ASB Bank first ranking security over its property and assets as security for its obligations to ASB Bank.

3.8 Smartpay Corporate History

Smartpay was incorporated in New Zealand on 11 June 1986 under the Companies Act 1955 as a private company under the name Damba Holdings Limited and was reregistered as a public company on 11 December 1986. Smartpay was reregistered under the Companies Act 1993 on 8 March 1996. The Company changed its name to Cube Capital Limited on 30 April 2001, further changed its name to Smartpay Limited on 17 May 2006, and subsequently changed its name to its present name, Smartpay Holdings Limited, on 15 July 2011.

The Company was listed on NZX Main Board on 12 March 1987. It commenced operating in the payments solutions sector in May 2006 when it acquired the business of Smartpay New Zealand Limited by means of a reverse takeover.

3.9 Group Companies

The following companies comprise the Smartpay Group. All of the companies other than Smartpay Holdings Limited (being the listed entity) are directly or indirectly wholly-owned by Smartpay Holdings Limited.

Entity	Main Business Activity	Country of Incorporation
Smartpay Holdings Limited	This entity is the holding company for the Smartpay Group. Its main assets are its investment in the various subsidiary companies.	New Zealand
Smartpay New Zealand Limited	This is a trading entity in New Zealand.	New Zealand
Smartpay Limited	This is the main trading entity in New Zealand.	New Zealand
Smartpay Australia Pty Limited	This is the main trading entity in Australia.	Australia
Smartpay Rental Services Limited	This company enters into EFTPOS terminal rental contracts in New Zealand.	New Zealand
Smartpay Rentals Pty Limited	This company enters into EFTPOS terminal rental contracts in Australia.	Australia
Smartpay Software Limited	This company owns certain proprietary software of the Smartpay Group.	New Zealand
Viaduct Limited	This company owns certain intellectual property of the Smartpay Group.	New Zealand
Smartpay Ethos Limited	This company owns certain proprietary software of the Smartpay Group.	New Zealand
Cadmus Payment Solutions Pty Limited	This entity is party to certain historical contracts.	Australia
Product Rentals Pty Limited	This entity is party to certain historical contracts.	Australia
PAX Technology Pty Limited	Non-trading entity.	Australia

3.10 General

For further information on the Smartpay Group please visit www.smartpayltd.com. In addition, in accordance with its continuous disclosure obligations under the NZSX Listing Rules, all material announcements concerning the Smartpay Group are released to NZX and are available for viewing at www.nzx.com (ticker code: SPY).

4. Risks

The business activities of Smartpay are subject to risk factors, both specific to those business activities and of a general nature. Individually, or in combination, these may affect the future operating performance of Smartpay, and the value of an investment in Smartpay. Some of these factors can be mitigated by appropriate commercial action, including use of appropriate safeguards and systems, but many are outside the control of Smartpay and cannot be mitigated. Prospective investors should also note that this section does not purport to list every risk that may affect Smartpay, now or in the future.

There can be no guarantee that Smartpay will achieve its stated objectives or that any forward looking statements or forecasts will eventuate. An investment in Smartpay should be considered in light of the risks, both general and specific. Before making an investment in Smartpay, prospective investors should read the whole of this Information Memorandum and should specifically consider the factors contained within this section in order to fully appreciate the risks. These could each materially adversely impact on the financial performance of Smartpay and reduce the value of an investment in Shares or the returns received as a result of holding Shares in Smartpay.

Shares

The principal risk for Shareholders is an inability to recover some or all of their investment. This could happen for a number of reasons, including in the event that:

- the returns which investors receive from holding their Shares (which may consist of dividends and other distributions, and the price received on a sale of Shares) is less than the price they have paid due to Smartpay's operating and/or financial performance, market volatility or for other reasons;
- Shareholders are unable to sell their Shares at all; or
- Smartpay is placed in administration, receivership or liquidation. Shareholders could receive no returns or less than the returns mentioned above, if Smartpay becomes insolvent for any reason.

If Smartpay's operating and/or financial performance is worse than investors expect, the future market price of the Shares may be less than the price paid for them and returns on the Shares may be less than anticipated. While not an exhaustive list, some of the principal factors which may affect Smartpay's Share price or its performance are detailed in this section.

General

There are also risks that are common to all investments in shares and which are not specific to an investment in Smartpay. These include the general volatility of share prices, which could occur as a result of general economic conditions in New Zealand, Australia or elsewhere and other events outside the usual course of Smartpay's business such as environmental disasters, acts of terrorism or war or other catastrophic events.

The economic uncertainties facing the global economy as well as domestic influences may affect the sector in which Smartpay operates in a manner or to an extent which has not been foreseen by Smartpay. For instance, deterioration in the New Zealand economy may affect the payments to be received by Smartpay for the sale or rental of its products and services. In addition, a worsening economy may mean that Smartpay may have to reduce pricing on its products and/or services with corresponding lesser margins.

Prospective investors should carefully consider the following risk factors, in addition to the other information in this Information Memorandum. You should satisfy yourself that you have a sufficient understanding of these matters, including the risks described in this section of the Information

Memorandum, and have regard to your own investment objectives, financial circumstances, and taxation position before investing in Smartpay. No representation, express or implied, is given to investors as to the tax consequences of their acquiring, owning or disposing of any Shares in Smartpay and neither Smartpay nor its directors, employees or advisers will be responsible for any tax consequences for any such investors. If you do not understand any part of this Information Memorandum, it is recommended that you seek professional guidance from a sharebroker, solicitor, accountant or other qualified professional adviser.

4.1 Smartpay Group specific risks

Supply Chain risk

As at the date of this Information Memorandum, Smartpay relies on one key supplier for the majority of its EFTPOS terminal requirements. This supplier is based in China. There is a significant lead-in time (6 months or more) to introduce new versions of terminal products into the New Zealand and Australian market as such new versions of terminals need to go through rigorous certification processes. If for any reason Smartpay could no longer purchase EFTPOS terminals direct from its primary supplier then, in order to ensure continuity for its business, it would need to source certified terminals/products from other suppliers. Smartpay is confident that it would be able to find acceptable replacement suppliers in due course but there may be a risk that Smartpay may not be able to achieve its revenue and earnings targets should there be delays in securing replacement certified supplies in time to meet customer demand. It is also possible that substitute terminals/products may be more expensive than those currently purchased, resulting in an adverse impact on Smartpay's profitability and an increase in capital expenditure going forward.

While there are various strategies that Smartpay could implement to reduce the adverse impacts associated with a disruption/termination of its current supply arrangements, it is possible that the potential adverse impacts may not be able to be mitigated entirely.

Disruption of information systems

Smartpay is heavily reliant on the capability and reliability of its IT systems and backup systems, and those of its external service providers such as communication carriers and ISPs, to process transactions and generally to enable it to operate its transaction processing services business. Although it has implemented security measures, disaster recovery systems and backup procedures, its systems may be vulnerable to unauthorised access, viruses, human error, natural disasters, flood, fire, power loss, communications failure, sabotage or terrorism. A significant disruption, repeated or ongoing failure, loss of data or security breach could adversely impact the Smartpay Group's financial performance.

Any disruption or failure of Smartpay's own proprietary transaction switching system could have a material adverse impact on Smartpay's operations, reputation and financial performance as the EFTPOS terminals linked to the proprietary system include those leased to some of Smartpay's largest customers.

Risk of technology changes

The industries in which Smartpay operates are constantly evolving with the development and introduction of new technology and the introduction of new applications of existing technologies. In these sectors Smartpay faces possible competition from other companies offering competing products and services but may also be affected by any downturn in demand for such products and services generally. If new or cheaper merchant payment technology solutions are developed by Smartpay's competitors (whether existing or emerging), there is a risk that the products and services developed by Smartpay may become obsolete. The effects of future technological change cannot be predicted. Increased competition in the merchant payment technology solutions market may develop, resulting in a negative impact on profit margins, market share and future profitability.

Smartpay is constantly seeking ways to improve its product offering to mitigate risk from competition and obsolescence.

Customer Risk

While Smartpay is party to rental or subscription agreements with a large number of customers across a range of industry sectors, the five largest customers account for approximately 27 per cent of Smartpay's current revenue, with the largest customer accounting for approximately 10 per cent of Smartpay's current revenue. Default by one or more of these customers, termination of the relevant rental agreement by any such customer on account of a breach by Smartpay and/or the failure to renew any such arrangement on expiry of its current term is likely to have a material adverse impact on Smartpay's financial position and profitability going forward.

The contract with Smartpay's largest customer (an Australian taxi payments operator) expires on 31 December 2014 and is not expected to be renewed beyond that date. Given recent regulatory changes announced in the Victorian taxi industry which are expected to come into effect in the near to medium term (refer to the risk disclosure entitled "Changes in the regulatory environment" on page 29), Smartpay is currently developing a strategy aimed at participating directly in the Australian taxi payments industry rather than through the current model of supplying terminals and transaction services to a single customer. While there can be no guarantee of the success of this strategy to replace the current contracted revenue by the time of the expiry of the existing contract on 31 December 2014, Smartpay believes that its experience and technology in the taxi industry provides a solid platform to continue to deliver revenue from this segment.

Certification risks

Smartpay's payment solutions products need to be certified by the relevant bodies in New Zealand and Australia (as applicable) before they can be marketed and sold by Smartpay to existing and prospective customers. In New Zealand, approval for each terminal needs to be obtained from Payments NZ Limited and certifications for each payment solution need to be obtained from Paymark (which processes over 75 per cent of all EFTPOS transactions in New Zealand). In Australia, hardware certification needs to be obtained from the Australian Payments Clearing Association and software certifications need to be obtained from each bank's switch to which the payment solution is connected. At the date of this Information Memorandum Smartpay has certification from Paymark for each of its current payment solutions offered in New Zealand and has obtained certification from two switches in Australia for the payment solutions it currently offers in Australia. The ability of Smartpay to continue to grow its business and to market and sell its payment solutions is dependent on Smartpay maintaining the existing certifications it holds for its payment solutions, obtaining certifications from other switches/banks in Australia for its current payment solutions, and obtaining certification for future payment solutions both in New Zealand and Australia (as relevant).

In addition to the certifications required to bring new products/services to market, Smartpay is also required to comply with all security mandates issued by Visa or Mastercard from time to time to the extent that they relate to any of Smartpay's product/service offerings. Such a mandate may specify a time by which a real or perceived security risk with any such product/service offering must be rectified. If Smartpay is unable to comply with the requirements of the mandate by the designated time it could face increased charges for the continued connection of the relevant product/service to the payments network or it could potentially be required to withdraw the product/service from the market.

Any failure on the part of Smartpay to maintain existing certifications, obtain certifications for future product/service offerings or comply with the terms of any mandate issued by Visa, Mastercard or any applicable bank, and any change by Paymark to the dates by which certain models of EFTPOS terminal must be decommissioned, could have a material adverse impact on Smartpay's profitability and financial position (including the value of its rental book, being its largest asset by value).

These risks are not unique to Smartpay but are risks faced by any business providing payment solutions in New Zealand and Australia.

Security

Smartpay is heavily reliant on the security of its payment systems to ensure that Smartpay's merchant customers retain confidence when using Smartpay's products and services. Breaches of security or breaches of customer data privacy, could impact customer trust and confidence in Smartpay and have an adverse impact on Smartpay's financial performance.

Competition

Smartpay has a strong market position in the New Zealand eftpos rental market but only a small share of the Australian eftpos rental market. Both the New Zealand and Australian eftpos rental markets are competitive. There is no guarantee that Smartpay will maintain its strong position in the New Zealand eftpos rental market or that it will be able to grow its market share in the Australian market. There are relatively low barriers to entry into that part of the market comprising the sale or lease of EFTPOS terminals to small business customers and there are a number of small resellers operating in this market in New Zealand. There are, however, significant barriers to entry in the corporate/value-added services market as each payment solution generally needs to be developed and then certified with the relevant bodies in New Zealand or Australia, as applicable.

Increased competition in the markets in which Smartpay operates may adversely impact Smartpay's financial performance going forward, either as a result of a loss of market share, smaller margins or both.

Further information on the industry in which Smartpay operates is included in the section entitled *Industry overview* on page 13.

Growth strategy execution

The future profitability of Smartpay will depend largely on its ability to continue to provide ongoing service and support to its customers and to ensure that customers sign up to new EFTPOS rental and subscription agreements as their current agreements expire. If the targeted take-up of the product and service offering is not achieved then Smartpay may not be able to meet its overall growth targets which could, in turn, adversely affect its profitability. Smartpay's sales team has a programme of targeting existing customers prior to expiry of their current contract in order to maximise the likelihood of existing customers signing up to new rental and subscription agreements. In addition, the sales team is constantly targeting new SME and corporate customers to grow the customer base.

Software/Product Failure Risk

Smartpay may not achieve projected sales targets due to software or product failure that cannot be resolved in a timely fashion due to circumstances and/or changes outside Smartpay's control or issues in relation to quality of the manufactured product which may occur due to manufacturing and/or design requiring a recall and/or redesign of product. A major product recall or software fault could cost a significant amount of money and could lead to negative publicity resulting in a loss of existing and/or prospective customers and an adverse impact on future sales and profitability.

Key people

Smartpay's success depends on key people in the business, including the senior management team discussed in the section entitled *Board, Management and Corporate Governance* on page 33 and the sales team. Smartpay may not be able to recruit suitably skilled or experienced replacements to implement growth strategies within a short timeframe. Although efforts have been made to retain the services of these key people, vacancies may arise and could have an adverse effect on Smartpay's financial performance going forward.

Refinance Risks

As at 30 June 2013 Smartpay was indebted to ASB Bank Limited in the amount of NZ$28.25 million in connection with certain facilities made available to the Smartpay Group by ASB Bank. These facilities are repayable in full on 11 July 2016. These facilities will be immediately repayable if an event of default occurs. In addition, they will be repayable within 30 days if an event of review occurs and ASB Bank is not willing to continue to provide the facilities on the contracted basis and an alternative basis for the continuation of the facilities cannot be agreed. If Smartpay is unable to extend or refinance these facilities when due for repayment or does not otherwise have sufficient cash to repay the facilities on the due date then Smartpay will be in default and ASB Bank will be able to take steps to enforce the security it holds over each member of the Smartpay Group.

Intellectual Property

The intellectual property being developed or in use by Smartpay may be subject to patent applications by unrelated parties in New Zealand or other jurisdictions, with the result that Smartpay may, in carrying out its business activities, infringe the patents of such third parties. In addition, other parties may develop and patent other very similar, potentially substitutable, technologies or processes to those developed and used by Smartpay. Such events may have adverse consequences for the future business and profitability of Smartpay.

Maturity of the New Zealand Market

The New Zealand EFTPOS terminal rental market is reasonably mature. As such, there is a risk that competition on price may become more intense and that margins may be further squeezed as a result. In an effort to counteract the adverse effects of such competition Smartpay intends to market its value-added services in order to ensure it maintains a competitive advantage over the majority of its competitors.

4.2 Investment risks

Shareholder Spread

As at 30 June 2013 the top 10 shareholders in Smartpay by volume held approximately 46 per cent of the total issued Shares in Smartpay. Consequently, the main shareholders in Smartpay may have the ability to influence the election of the Directors, the appointment of new management and the potential outcome of all matters submitted to a vote of Shareholders.

The sale of Shares in the future by one or more of the top 10 shareholders in Smartpay could adversely affect the market price of the Shares.

Liquidity risk

During the twelve months ended 30 June 2013 there were 790 trades in Smartpay Shares on the NZX Main Board at an average daily volume of 135,920 Shares. Given the relatively low volume of Smartpay Shares traded on the NZX Main Board it may be difficult for a Shareholder to dispose of their Shares at the times and at the prices they may require. While the ASX listing is expected to increase the liquidity of Smartpay's Shares it could take a considerable time for a more liquid market for Smartpay's Shares to develop.

Dilution

Smartpay has various share options on issue which, if they are all exercised in accordance with their terms, will result in Smartpay issuing 26,500,000 new Shares on a post-2013 Share

Consolidation basis (being approximately 15 per cent of the post-2013 Share Consolidation issued Shares). This will have a dilutionary impact on all Shareholders.

In addition, Smartpay may need to raise additional equity finance in the future to fund debt repayment and/or to fund future acquisitions. Subject to certain limitations under the Listing Rules, the Board of Smartpay is free to issue Shares in such quantities and on such terms as it thinks fit. Given the costs associated with making a retail public offer, future capital raisings may not be undertaken by means of a pro rata offer to all Shareholders in which case such future capital raisings may have a dilutionary effect on a Shareholder's shareholding in Smartpay.

Market volatility in technology stocks

The market prices of technology stocks have, historically, been volatile particularly in response to changes in the stock market or the technology industry generally. This trend may continue in the future.

4.3 General risks

Interest Rate Risks

Any potential increase in interest rates may have an adverse impact on Smartpay's financial performance in that it may reduce the demand for Smartpay's product and service offerings as the economy slows down as a result of interest rate pressures. In addition, Smartpay is exposed to movements in interest rates where funds are borrowed at a floating interest rate and where fixed rate debt is being refinanced. The Smartpay Group is a significant user of debt which increases the sensitivity of interest rate movements on its cash flows and net earnings position.

Smartpay has entered into interest rate swaps with respect to 75 per cent of its interest payment obligations under the facilities made available to the Smartpay Group by ASB Bank Limited. These interest rate swaps are derivative financial instruments which are categorised 'at fair value through profit and loss' on the date the interest rate swaps are entered into and are subsequently remeasured to their current fair value at each reporting date. The resulting gain or loss of any interest rate swap is recognised immediately in the profit and loss account.

Taxation Risk

Any changes to the current rate of company income tax in jurisdictions where Smartpay operates will impact on Shareholder returns. In addition, any change in the tax rules and arrangements between New Zealand and Australia could have an adverse impact on Smartpay, and Shareholder returns.

Foreign Exchange Rates

The majority of EFTPOS terminals that are imported by Smartpay from China are priced in US$ and consequently Australian imports are exposed to movements in the A$/US$ exchange rate and New Zealand imports are exposed to the NZ$/US$ exchange rate.

Smartpay's results are also impacted by movements between the NZ$/A$ exchange rate. Smartpay does not currently undertake any hedging with respect to these exchange rate exposures.

Changes in the regulatory environment

Changes to laws or accounting standards which apply to Smartpay could have an adverse effect on Smartpay's future financial performance. The payments industry is subject to increasing regulation, particularly with respect to matters such as money laundering and countering the financing of terrorism. While, to date, such regulation has not had a material adverse impact on Smartpay there is a risk that further regulatory developments in this area could have an adverse impact on Smartpay's business and operations.

Regulatory authorities in the state of Victoria, Australia have recently completed investigations into the practice of imposing surcharges on non-cash payments in the taxi industry (i.e. payments by debit and credit card). A law has recently been passed to reduce the current surcharge of 10% on non-cash payments on taxi fares to 5% of the fare. The new surcharge limit is currently expected to come into effect on 30 June 2014, although this may be subject to change pending the outcome of further review by the relevant regulatory bodies. While there is uncertainty of the impact of this change on the Victorian taxi industry, should the change progress in its current form this will likely have a negative impact on the revenues of those business which rely on these surcharge fees. Although Smartpay has no direct exposure to surcharge fees in the taxi industry, its largest customer (which accounts for approximately 10% of Smartpay's current revenue) operates a taxi payments system in Australia and its primary revenue stream is from surcharges levied on taxi fares. Smartpay's contract with this customer is not dependent on the level of surcharge or the regulatory changes as they affect surcharges. While Smartpay has no reason to believe that the recent legislative change in Victoria will impact the ability of this customer to meet its contractual obligations to Smartpay (noting that this customer is not solely reliant on revenue from the Victorian taxi industry), depending on the impact of the regulatory change on the revenues and profits of this business, there may be a follow on risk for Smartpay's revenue from this customer for the balance of the contract period (noting that the contract expires on 31 December 2014 in any event). To mitigate this risk, Smartpay is currently developing a strategy aimed at participating directly in the Australian taxi payments industry rather than through the current model of supplying terminals and transaction services to a single customer. While there can be no guarantee of the success of this strategy, Smartpay believes that its experience and technology in the taxi industry provides a solid platform to continue to deliver revenue from this segment.

Foreign regulatory structures and laws

Smartpay is incorporated in New Zealand and is therefore subject to New Zealand laws in relation to corporate matters such as corporate governance, directors duties, substantial shareholdings and takeovers, rather than being subject to the relevant provisions of the Corporations Act.

A summary of the rights attaching to the Shares and a summary of other applicable New Zealand corporate law matters is contained in Section 7 of this Information Memorandum.

5. Financial information

5.1 Summary Historical Financial Information

The table below contains certain key historical financial information in relation to the Smartpay Group and the Viaduct business.

The first column in the table below (headed "2013 FY Smartpay Audited") contains certain key historical financial information in relation to the Smartpay Group for the financial year ending 31 March 2013. The figures in this column have been taken from, or calculated by reference to, the audited consolidated financial statements of the Smartpay Group for the year ended 31 March 2013 as attached at Appendix A.

The second column in the table below (headed "2013 FY Pro Forma Combined") contains historical financial information in relation to both the Smartpay Group and the Viaduct business and has been prepared as if the Viaduct business formed part of the Smartpay Group from 1 April 2012 (notwithstanding that the Viaduct business was only acquired by Smartpay in January 2013). The figures in this column have been taken from, or calculated by reference to, the unaudited pro forma financial statements attached at Appendix B which have been prepared based on the audited financial statements of the Smartpay Group for the year ended 31 March 2013 and the unaudited financial statements of TEOV Limited (the vendor of the Viaduct business) from 1 April 2012 to 23 January 2013 (being the date on which Smartpay completed the purchase of the Viaduct business). Refer to Section 5.3 below and the notes included in Appendix B for further information with respect to the basis of preparation of the unaudited pro forma financial statements.

	2013 FY Smartpay Audited(1)	2013 FY Pro Forma Combined(2)
Revenue ($000's)	$16,672	$21,990
Earnings before interest, tax, depreciation, share options, amortisation and impairment ($000's)	$5,468	$7,895
EBITDA Margin(3)	32.8%	35.9%
Profit / (loss) from continuing operations ($000's)	($5,037)	($5,219)
Net Debt ($000's)(4)	$24,821	$24,821
Working Capital Ratio(5)	0.915	0.915
Gearing Ratio(6)	0.80	0.80

(1) These figures have been taken from, or calculated by reference to, the audited consolidated financial statements of the Smartpay Group for the year ended 31 March 2013 as attached at Appendix A.

(2) These figures have been taken from, or calculated by reference to, the unaudited pro forma financial statements for the combined Smartpay and Viaduct businesses as attached at Appendix B.

(3) Earnings before interest, tax, depreciation, share options, amortisation and impairment/Revenue.

(4) Debt less cash and cash equivalents. As the pro forma statement of financial position as at 31 March 2013 (as included in Appendix B) is the same as the audited statement of financial position of the Smartpay Group as at 31 March 2013 (as included in Appendix A) the Net Debt is the same in both instances.

(5) Current assets/current liabilities. As the pro forma statement of financial position as at 31 March 2013 (as included in Appendix B) is the same as the audited statement of financial position of the Smartpay Group as at 31 March 2013 (as included in Appendix A) the Working Capital Ratio is the same in both instances.

(6) Debt/Debt plus Equity. As the pro forma statement of financial position as at 31 March 2013 (as included in Appendix B) is the same as the audited statement of financial position of the Smartpay Group as at 31 March 2013 (as included in Appendix A) the Gearing Ratio is the same in both instances.

5.2 Historical Financial Statements

Attached as Appendix A to this Information Memorandum are the audited consolidated financial statements of the Smartpay Group for the financial year ended 31 March 2013. The consolidated financial statements attached at Appendix A have been audited by KPMG who were appointed as auditors of Smartpay in 2012 and they are the first annual financial statements of the Smartpay Group which KPMG has audited. These financial statements include restated financials for the Smartpay Group for the year ended 31 March 2012 to correct a prior error in the recognition of a number of operating leases as finance leases and to record a change in presentation of mobile top-up revenues by only recognising the margin on that revenue rather than recognising the gross revenue. Refer to Note 33 to the financial statements attached as Appendix A for further details with respect to the restatement of the financial statements of the Smartpay Group for the year ended 31 March 2012.

The financial statements at Appendix A only incorporate financial information relating to the Viaduct business for the period of two months and eight days from 23 January 2013, being the date on which Smartpay settled the purchase of the Viaduct business.

When considering the historical financial statements attached at Appendix A and the pro forma statements attached at Appendix B prospective investors should bear in mind that past performance is not a guide to future performance.

5.3 Pro Forma Financial Statements

Attached as Appendix B to this Information Memorandum are unaudited pro forma financial statements of the combined Smartpay and Viaduct businesses for the full year ended 31 March 2013.

The unaudited pro forma financial information has been prepared to assist Shareholders to understand the historical performance had Smartpay owned and operated the business of Viaduct Limited (now TEOV Limited) for the full twelve month period ended 31st March 2013. The pro forma financial information is intended to support the application for listing on the Australian Securities Exchange by providing an indication of the scale and size of the combined group. It does not necessarily represent the financial performance that would have occurred had Smartpay acquired Viaduct as at 1 April 2012.

The pro forma financial information included in Appendix B and elsewhere in this Information Memorandum should be read in conjunction with the notes and commentary included in Appendix B, the accounting policies of Smartpay as contained in the notes to the audited financial statements attached as Appendix A, and the risk factors and other information contained in this Information Memorandum.

The New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) do not currently have standards for the preparation and reporting of pro forma information. The pro forma financial statements are not intended to comply with NZ IFRS but have been prepared in accordance with the accounting policies of Smartpay as detailed in the audited financial statements attached in Appendix A and in accordance with the recognition and measurement principles of NZ GAAP. The financial information is presented in an abbreviated form in so far as it does not include all the disclosures or statements of comprehensive information as required by New Zealand Accounting Standards applicable to annual financial reports prepared in accordance with the Financial Reporting Act 1993.

5.4 Subsequent Events

Following Smartpay's balance date on 31 March 2013 Smartpay has sold its Voice over IP telecommunications services business and its Wifi services business. Smartpay has had limited success with these businesses and they were not considered to be related to the future direction and growth of Smartpay. Neither of the sales represents a material transaction for Smartpay.

6. Board, Management and Corporate Governance

6.1 Board of Directors

The Directors of Smartpay are:

Ivan Jeremy Hammerschlag, Chairman - BCom, CTA

Ivan is an accountant and has extensive experience in retail, property and investment in both listed and unlisted companies in South Africa and Australia. In 1990, he purchased Freedom Furniture which, during Ivan's years of ownership, grew to sales in excess of A$200 million. Ivan spent 5 years in Australia working alongside private equity fund investors and was executive chairman of five of the businesses purchased by the private equity fund investors. In 2006 Ivan was instrumental in taking control of a retail conglomerate listed on the ASX called RCG Limited. At that time the market capitalisation of RCG was A$8 million and the company was in severe financial stress. Today the business is highly profitable, with a market capitalisation in excess of A$125 million. The business consists of 147 stores selling athletic and lifestyle footwear in Australia and New Zealand. It also has a wholesale division selling international brands into the Australian market.

Ivan Hammerschlag ordinarily resides in Sydney, Australia.

In addition to being Chairman of the Board, Ivan is the Chair of the Board's Remuneration and Appointments Committee.

Bradley Gavin Gerdis, Managing Director - B.Bus (Hons), MCom

Bradley joined Smartpay in December 2011 bringing to the company expertise and experience in managing high growth payments businesses. He was a founding executive of Customers Ltd, an ASX listed ATM and payments company which grew from start-up to become Australia's largest ATM operator during his time with the business. Bradley also played a leading role as a founding director in the development of Strategic Payments Services Pty Ltd, a payments processing business in joint venture with Customers Limited, Bendigo Bank Ltd and MasterCard International. Bradley's experience includes direct investment roles with ANZ Private Equity and Gresham Private Equity. He has held executive and non-executive director positions in both publicly listed and private companies.

Bradley Gerdis ordinarily resides in Sydney, Australia.

In addition to being on the Board, Bradley serves on the Board's Audit and Finance Committee and Remuneration and Appointments Committee.

Gregor John Barclay, Non-Executive Director – LLB, Dip. Bus

Greg was a founding principal of Auckland law firm Claymore Partners and currently acts as a consultant to that firm. He specialises in commercial law including corporate structuring, mergers and acquisitions and deals with new enterprises, venture capital and project commercialism. Greg has a law degree from the University of Canterbury and a post graduate diploma qualification in marketing from Auckland University and is a member of the New Zealand Institute of Directors. He is a past or present director of some high profile New Zealand corporate or sporting entities including Rugby Sales LP (a partner in the commercial programme for Rugby World Cup 2011) and Experience Group (a leading national sports and event management company). He is currently a director of New Zealand Cricket and a former chairman of Northern Districts Cricket. He is a chairman of Pacific Forest Products Group (a significant log and export marketing company in New Zealand) and currently chairs Franchised Businesses Limited (the largest franchise company in New Zealand with over 700 Green Acres and Hire-A-Hubby franchisees).

Greg Barclay ordinarily resides in Auckland, New Zealand.

In addition to being on the Board, Greg serves on the Board's Remuneration and Appointments Committee and Audit and Finance Committee.

Matthew George Turnbull, Non-Executive Director - ***BCom, CA***

Matthew Turnbull is a Chartered Accountant and is a member of the New Zealand Institute of Chartered Accountants. He commenced his career with PWC (then PriceWaterhouse) and has over 20 years' experience providing accounting and corporate advisory services.

Matthew has a detailed understanding of Smartpay, having assisted the company in the 2012 recapitalisation and restructure, and the recent acquisition of Viaduct.

Matthew Turnbull ordinarily resides in Auckland, New Zealand.

In addition to being on the Board, Matthew serves on the Board's Remuneration and Appointments Committee and is the Chair of the Audit and Finance Committee.

6.2 Independent Directors

Smartpay has determined that each of Ivan Hammerschlag, Gregor Barclay and Matthew Turnbull are Independent Directors in terms of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, Principle 2.

As regards each of Ivan Hammerschlag and Matthew Turnbull, each such person is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of the director's judgement.

Blackrock Capital Limited, a company in which Matthew Turnbull is both a director and shareholder, has previously been engaged by Smartpay to provide corporate advisory services in connection with matters such as the capital raising and refinance undertaken in July 2012 and the acquisition of the business and assets of Viaduct in January 2013. In the financial year ended 31 March 2013 Smartpay paid fees of $126,000 to Blackrock Capital ($35,000 in the financial year ended 31 March 2012). Notwithstanding the existence of this past relationship, the Board considers Matthew Turnbull to be independent as the services provided by Blackrock Capital were provided in connection with specific, discrete projects, there was no general retainer in place and there is no ongoing reliance by Smartpay on Blackrock Capital.

Up until 31 March 2013 Greg Barclay was a director of, and shareholder in, Claymore Partners Limited, the New Zealand legal advisers to Smartpay. Greg is now a consultant to Claymore Partners Limited. In the financial year ended 31 March 2013 Claymore Partners Limited invoiced Smartpay for fees (excluding GST and disbursements) for legal services in the amount of NZ$316,500 ($322,000 in the financial year ended 31 March 2012). Notwithstanding the existence of the relationship between Smartpay and Claymore Partners Limited, the Board considers Gregor Barclay to be independent as:

(a) Gregor Barclay ceased to be a director of, and shareholder in, Claymore Partners Limited on 1 April 2013;

(b) There is no formal contract in place between Smartpay and Claymore Partners Limited and Smartpay remains free to engage such New Zealand counsel as it considers fit; and

(c) Gregor Barclay was not actively involved in providing any of the legal services performed by Claymore Partners Limited for Smartpay.

6.3 Senior Management

Martyn Pomeroy, General Manager – Operations and Strategy

Martyn Pomeroy has been involved in the payments and EFTPOS industry in New Zealand for over 12 years, most recently as one of the founding directors of Viaduct, which was acquired by Smartpay in January 2013.

Martyn Pomeroy now has responsibility as General Manager – Operations and Strategy at Smartpay, for the delivery of distribution and service platforms for Smartpay to support both the New Zealand and Australian operations. Additionally Martyn is responsible for the strategic bank and channel relationships for Smartpay.

Mark Unwin, General Manager – Sales and Marketing

Mark Unwin has been involved in the payments and EFTPOS industry in New Zealand for over 15 years, most recently as one of the founding directors of Viaduct, which was acquired by Smartpay in January 2013.

Mark, as General Manager – Sales and Marketing at Smartpay, is responsible for product development, brand evolution and sales to Smartpay's customers. Mark is involved in a number of industry forums that include representation from the major fuel, grocery and payments brands in the New Zealand market.

Linc Burgess, Product & Payment Strategy Manager

Linc Burgess has more than 30 years' experience in the financial services and payments industry. He has been heavily involved at a management level in the development of fleet/fuel cards and loyalty systems, and the technology that supports these services. He also launched Taxicharge - a payment system specifically for the taxi industry before being appointed Chairman of Taxicharge New Zealand, a role he held until 2004.

Linc joined Smartpay in 2004, playing a leading role in the establishment of Smartpay's current core business.

Pat O'Brien, General Manager – Smartpay Australia

Pat O'Brien has held management positions in Australia and the United Kingdom working in the telecommunications and financial transaction services industries for over 25 years. Pat has been General Manager of Smartpay's Australian operations since August 2009 when Smartpay acquired the payments business and assets of ProvencoCadmus.

Pat holds a Degree in Electronics Engineering from the University of Limerick, Ireland.

6.4 Corporate Governance Best Practice Code and Corporate Governance Principles and Recommendations

Smartpay is committed to the guiding values of the Company as being Australasian focussed, innovative, pursuit of excellence, leadership, integrity and honesty in its role of being a profitable provider of end-to-end payment solutions. It expects that management and staff subscribe to these values and use them as a guide in making decisions.

Smartpay has modelled its corporate governance on the Corporate Governance Best Practice Code issued by NZX with the only material exception being that Bradley Gerdis (an executive Director) is a member of the Audit Committee. Section 3.1 of the NZX's Corporate Governance Best Practice Code states that the audit committee should comprise solely of non-executive Directors.

The specific policies of Smartpay on corporate governance matters are contained in its Board Charter and the following policy documents that are attached to or form part of its Board Charter:

- Corporate Values
- Ethics Policy and Code of Conduct
- Financial Delegations and Guidelines
- Guidance for Determining Independence of Directors
- Director and Key Executives Remuneration Policy
- Disclosure and Communications Policy
- Shareholder Relations Policy and Practices

Smartpay's Board Charter is available on its website (www.smartpayltd.com) or by request to Smartpay (at the address provided in the directory at the end of this Information Memorandum).

The Board is responsible for the overall corporate governance of Smartpay, including adopting the appropriate policies and procedures and seeking to ensure that the Directors, management and employees fulfil their functions effectively and responsibly. The Board has ultimate responsibility to Shareholders for the proper direction and control of the Company's activities. This includes strategic direction, capital expenditure, policy determination, and stewardship of the Company's assets, risk management, legal compliance and monitoring management performance. The Board guides and monitors the affairs of Smartpay on behalf of the Shareholders by whom they are elected and to whom they are accountable.

Corporate Governance Statement

Subject to the matters referred to in the table below, Smartpay complies with the ASX Corporate Governance Principles and Recommendations:

Recommendation Not Complied With	Explanation
Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	The NZSX Listing Rules have, until recently, not required companies to have diversity policies and Smartpay has not adopted a formal policy concerning diversity. However, the Board is committed to the establishment and maintenance of appropriate ethical standards and in its recruitment practices is committed to recruiting individuals with the appropriate skills and qualifications required for the role. Specifically, Smartpay's Ethics Policy and Code of Conduct (as set out in Appendix B of Smartpay's Board Charter) includes policies against discrimination. Smartpay is committed to ensuring that the rights of all people to obtain and hold employment without unlawful discrimination are upheld and that all employees are treated fairly and with dignity and respect; its Staff Handbook details its policy and implementation procedures in this regard.
Recommendation 3.3: Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in	As outlined above in Recommendation 3.2, Smartpay has not established a formal policy concerning diversity.

accordance with the diversity policy and progress towards achieving them.	As at the date of this Information Memorandum, no annual reports have been published that require the inclusion of such information.
Recommendation 4.2: The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	The current composition of Smartpay's Audit and Finance Committee does not strictly comply with Recommendation 4.2. Specifically, the role of Bradley Gerdis on the committee means that the Audit and Finance Committee does not only consist of non-executive directors. However, the Board believes that the current composition of the Audit and Finance Committee is the most appropriate means for discharging its responsibilities and duties. Other than the inclusion of a non-executive director, Smartpay complies with the other structural requirements of Recommendation 4.2. The terms of reference of the Audit and Finance Committee (as set out in Smartpay's Board Charter): • require that the Audit and Finance Committee consist of a minimum of three directors, two of which are independent, and be chaired by an independent director appointed by the board; and • provide that appointments to the Audit and Finance Committee are made by the Board on the recommendation of the Remuneration and Appointments Committee and are reviewed every three years.
Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Being a New Zealand company, Recommendation 7.3 is not applicable to Smartpay.

Investors should note that a complete copy of Smartpay's Corporate Governance Statement detailing Smartpay's compliance with the ASX Corporate Governance Principles and Recommendations will be released to ASX simultaneously with the release of this Information Memorandum to ASX.

7. Rights attaching to the Shares

Smartpay is seeking to list its Shares on the ASX. The Shares are ordinary shares with the rights and liabilities described below. The Shares are the only class of share that Smartpay has on issue.

Smartpay is not seeking to list on the ASX its options described in the section entitled Capital Structure on page 46.

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, the Companies Act and other statutes, the Listing Rules and general law.

A summary of the significant rights attaching to the Shares and a description of the other material provisions of the Constitution and the Companies Act are set out below. This summary is not intended to be an exhaustive summary or constitute a definitive statement of the rights and obligations of the Company's Shareholders. A copy of Smartpay's Constitution can be obtained through a search for Smartpay Holdings Limited on www.business.govt.nz/companies or by request to Smartpay (contact details are provided in the Directory section of this Information Memorandum).

7.1 Rights attaching to the Shares

Each Share gives the holder the right to:

(a) Attend and vote at a meeting of Shareholders of Smartpay, including the right to cast one vote per Share on a poll on any resolution, including but not limited to a resolution to:

- appoint or remove a Director or auditor;
- adopt, revoke or alter the Constitution;
- approve a major transaction (as that term is defined in the Companies Act);
- approve the amalgamation of Smartpay (under section 221 of the Companies Act); or
- place Smartpay in liquidation.

(b) Receive an equal share in any distribution, including dividends, if any, authorised by the Board and declared and paid by Smartpay in respect of that Share.

(c) Receive an equal share with other Shares in the distribution of surplus assets in any liquidation of Smartpay.

(d) Be sent certain company information, including notices of meeting and company reports, sent to Shareholders generally.

(e) Exercise all other rights conferred upon a Shareholder by the Companies Act and the Constitution.

7.2 Precedence of Listing Rules:

Despite anything in the Constitution, once Smartpay is admitted to the official list of ASX, if there is any inconsistency between the Constitution and the ASX Listing Rules, the ASX Listing Rules will prevail.

If any provisions in the Constitution are inconsistent with the NZSX Listing Rules, the NZSX Listing Rules will prevail.

While Smartpay is listed on both ASX and the NZX Main Board, it will be required to comply with both the ASX Listing Rules and the NZSX Listing Rules (and requirements of the ASX Listing Rules may differ to those of the NZSX Listing Rules).

7.3 Voting:

Subject to the Listing Rules and any rights or restrictions for the time being attached to any class of shares, at general meetings of Shareholders (other than audio visual meetings) voting shall be by voice or show of hands, whichever is determined by the chairperson, unless a poll is demanded.

A poll may be called:

(a) By the chairperson; or

(b) By not less than five Shareholders who are present and have the right to vote at the meeting; or

(c) By a Shareholder or Shareholders holding at least 10 per cent of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) By a Shareholder or Shareholders holding shares in the Company that confer a right to vote at the meeting and on which the aggregate amount paid up is not less than 10 per cent of the total amount paid up on all shares that confer that right.

Where voting is by voice or a show of hands, every Shareholder present in person or by representative has one vote. Shareholders have the right to appoint proxies to attend and vote at Shareholder meetings on their behalf.

On a poll, every Shareholder present in person or by representative has one vote for every fully paid ordinary share, and a fraction of a vote for every partly paid ordinary share equivalent to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited and amounts paid in advance of a call).

In the case of audio-visual meetings, unless a poll is demanded, voting at the meeting shall be by Shareholders signifying individually their assent or dissent by voice.

Unless the Board determines otherwise, Shareholders may not cast postal votes. If the Board determines postal voting is available, clause 7 of the first schedule to the Companies Act will apply with such modifications as the Board thinks fit.

A Shareholder is not entitled to vote at a meeting of Shareholders in respect to any Share if any amount is due and payable on that Share by the Shareholder to the Company.

No Shareholder shall be entitled to vote:

(a) In respect of Shares on which any call or other money is due and unpaid; or

(b) In favour of a resolution when that person is disqualified from doing so by virtue of any applicable voting restriction in the ASX Listing Rules (upon the Company's admission to the official list of ASX) or the NZSX Listing Rules.

7.4 Dividends:

Subject to the rights of holders of any Shares or other Equity Securities that confer special rights as to dividends, the holder of a Share in the Company has the right to an equal share in dividends authorised by the Board. Dividends will be payable to those persons registered as Shareholders on the entitlement date fixed by the Board.

The authorisation and payment of distributions (which includes dividends) are subject to certain procedural preconditions prescribed in the Companies Act and the Constitution.

If the Directors are satisfied on reasonable grounds that the Company will, immediately after the distribution, satisfy the tests prescribed in the Companies Act as to solvency of the Company, they may authorise such distribution at a time, and of an amount, as the Directors think fit. If, after a distribution is authorised and before it is paid, the Directors cease to be so satisfied, the distribution is deemed not to have been authorised.

In addition, the Directors must not authorise a dividend in respect of some but not all Shares in a class, or that is of a greater value per share in respect of some shares of a class than it is in respect of other shares of that class, unless:

(a) The amount of the dividend in respect of a share of that class is in proportion to the amount paid to the Company in satisfaction of a liability of the Shareholder under the Constitution; or

(b) This ability is specifically prescribed in the terms of issue of the shares (the Shares issued as at the date of this Information Memorandum do not contain any such term).

All dividends unclaimed for one year after having been declared may be used for the benefit of the Company until claimed. All dividends unclaimed for five years after having been declared may be forfeited by the Board for the benefit of the Company. The Company shall, nevertheless, annul the forfeiture and pay a claimant who produces satisfactory evidence of entitlement.

The facility agreements entered into between members of the Smartpay Group and ASB Bank Limited restrict the Company from paying dividends without ASB Bank's consent until such time as the net leverage ratio of the Smartpay Group (being net debt/adjusted EBITDA, in each case as calculated in accordance with the terms of the ASB facility agreements) is less than 2.0.

7.5 General Meetings and Notices:

Every Shareholder must be sent notice of a general meeting of the Company at least 10 working days before the meeting. Holders of Shares are entitled to attend and vote at general meetings and to receive all notices, accounts, and other documents required to be sent to Shareholders under the Constitution, the Companies Act, and the Listing Rules.

Equity Security holders of all classes are entitled to attend meetings of Shareholders and to receive copies of all notices, reports, and financial statements issued generally to holders of securities carrying votes.

A quorum for a meeting of Shareholders is present if five Shareholders are present in person or by representative.

The Board is required to call a special meeting of Shareholders on the written request of Shareholders holding Shares carrying together not less than 5 per cent of the voting rights entitled to be exercised on any of the questions to be considered at the meeting.

7.6 Issue of Further Shares:

The Board may issue shares or other Equity Securities to any person and in any number it thinks fit provided that, while the Company is listed, the issue is made in compliance with the NZSX Listing Rules and (upon the Company's admission to the official list of ASX) the ASX Listing Rules.

7.7 Liquidation:

Subject to the rights of the holders of any securities in the Company (including the rights attaching to any shares ranking in priority to the Shares for any distribution on liquidation, of which there are none as at the date of this Information Memorandum), upon a liquidation of the Company the surplus assets of the Company must be distributed among the Shareholders in proportion to their respective shareholdings. If any Shareholder's shares in the Company are not fully paid up, the liquidator may require those shares to be fully paid up before the Shareholder receives any distribution of the surplus assets of the Company in respect of those shares.

The liquidator may, with the approval of the Shareholders, divide amongst the Shareholders in kind the whole or any part of the surplus assets of the Company. The liquidator may attribute values to the assets as the liquidator considers appropriate and determine how the division will be carried out as between Shareholders or different classes of Shareholders.

7.8 Transfer of Shares:

Subject to any restrictions in the Constitution, shares may be transferred under a system of transfer approved under section 7 of the Securities Transfer Act 1991 (NZ), which is applicable to the Company, or by a written transfer document in the usual or common form or any form approved by the Board. CHESS is an approved system of transfer under section 7 of the Securities Transfer Act 1991 (NZ).

The Directors may, in limited circumstances as described in the Constitution, refuse to register a transfer if the Company has a lien on any of the shares or the registration (together with the registration of any further transfer then held by the Company and awaiting registration) would result in the proposed transferee holding shares of less than a minimum holding.

The Company must refuse to acknowledge a disposal of any restricted securities during an applicable escrow period, except as permitted by the ASX Listing Rules or ASX.

7.9 Share Buy Back:

The Company may, in accordance with the Companies Act, the Listing Rules, and the Constitution purchase or otherwise acquire Shares or other Equity Securities from holders, hold any Shares or Equity Securities so purchased, or acquire and redeem any redeemable shares or other Equity Securities.

7.10 Unmarketable Parcel:

If a Shareholder holds a number of Shares which is less than a Minimum Holding (as defined in the NZSX Listing Rules), after being given three months' notice by the Company, the Company may sell the Shares held by each unmarketable parcel holder through the NZX Main Board and in accordance with the procedures in the Constitution.

7.11 Director Appointment:

The minimum number of Directors is three and the maximum number of Directors (other than alternate Directors) is six. At least two Directors must be ordinarily resident in New Zealand. The Company must have not less than the minimum number of independent directors prescribed by the NZSX Listing Rules (which require a minimum of two independent directors, unless there are eight or more directors, in which case three or one third (rounded down to the nearest whole number) of the directors must be independent).

At least one third of the Directors or, if their number is not a multiple of three, then the number nearest to one third, shall retire from office every annual general meeting but shall be eligible for re-election at that meeting.

Directors are appointed and removed by ordinary resolution of Shareholders. The Board may appoint additional Directors who shall only hold office until the next annual general meeting but shall be eligible for re-election at that meeting.

7.12 Remuneration of Directors:

Nothing in the NZSX Listing Rules concerning the payment of remuneration to Directors in their capacity as directors of the Company or any subsidiary shall affect the remuneration of executive Directors in their capacity as executives.

Notwithstanding any NZSX Listing Rules governing the authorisation of remuneration payable to Directors in their capacity as directors of the Company or any subsidiary by holders of securities, but subject to the NZSX Listing Rules applicable to transactions with related parties of the Company, the Board may authorise special remuneration to any Director who is or has been engaged by the Company or a subsidiary to carry out any work or perform any services that are not in the capacity of director of the Company or a subsidiary. The Constitution also makes provision for the Company to pay all reasonable expenses of Directors in attending meetings and carrying out their duties.

The New Zealand Companies Act does not contain any equivalent to the "two strikes" rule in relation to remuneration reports in Part 2G.2 Division 9 of the Corporations Act.

7.13 Indemnification and Insurance of Directors:

Every Director shall be indemnified by the Company for any costs referred to in section 162(3) of the Companies Act and any liability or costs referred to in section 162(4) of the Companies Act.

In addition, the Company may indemnify a director or employee of the Company or a related company for any costs referred to in section 162(3) of the Companies Act and any liability or costs referred to in section 162(4) of the Companies Act. The Company may also effect insurance for any liability or costs referred to in section 162(5) of the Companies Act.

7.14 Shareholding Qualifications:

There are no shareholding qualifications for Directors.

7.15 Variation of Rights Attaching to Shares and Amendment of Constitution:

The Constitution may be altered by special resolution of Shareholders. Rights attaching to Shares or to a class of Shares may be altered by special resolution of Shareholders as a whole, together with a separate special resolution of each group of shareholders whose rights will be affected by the proposed change. The issue of further Shares or other securities which rank equally with, or in priority to, the Shares, whether as to voting rights, distributions, dividends or otherwise, is deemed not to be an action affecting the rights of Shareholders.

In the event of any amendment being made to the Listing Rules, that amendment automatically becomes part of the Constitution without the need for any shareholder resolution.

7.16 Transactions requiring Shareholder approval

The following transactions require approval by Shareholders by either ordinary resolution (50 per cent majority of those voting and entitled to vote) or special resolution (75 per cent majority of those voting and entitled to vote):

(a) a major transaction under s129 of the Companies Act (special resolution);

(b) the issue of Equity Securities, except for any issue of Equity Securities which is permitted under the Listing Rules without Shareholder approval (ordinary resolution under NZSX Listing Rule 7.3.1);

(c) transactions which change the essential nature of the business of Smartpay or in respect of which the gross value exceeds half of Smartpay's average market capitalisation (ordinary resolution under NZSX Listing Rule 9.1.1); and

(d) the entry into a material transaction with a related party (ordinary resolution under NZSX Listing Rule 9.2.1).

7.17 Minority Buy-out Rights:

If, by special resolution, the Company resolves to:

(a) Alter or revoke its Constitution in a way which imposes or removes a restriction on the activities of the Company;

(b) Approve a major transaction; or

(c) Approve a statutory amalgamation,

any Shareholder voting against the resolution is entitled to require the Company to purchase, or to arrange for another person to purchase, that Shareholder's Shares for a fair and reasonable price nominated by the Company or, if the Shareholder objects to such a price, a price determined by arbitration. The Company must comply with this requirement unless it obtains a Court exemption or arranges to have the resolution rescinded.

7.18 Relief for Oppressive Conduct:

A Shareholder or former Shareholder who considers that Smartpay's affairs have been, or are being, conducted in a manner that is, has been, or is likely to be, oppressive, unfairly discriminatory, or unfairly prejudicial to them, may apply to the High Court of New Zealand for an order under section 174 of the Companies Act. The Court has discretion to make a number of orders, including requiring Smartpay to acquire the relevant Shareholder's Shares, requiring Smartpay to pay compensation or putting Smartpay into liquidation.

7.19 Derivative Actions:

Under section 165 of the Companies Act a Shareholder may apply to the High Court of New Zealand for an order granting the Shareholder leave to bring proceedings in the name of or on behalf of Smartpay or to intervene in proceedings to which Smartpay is a party.

7.20 Forfeiture of Shares:

The Company has a lien over the Shares (and all distributions made in respect of the Shares) for any unpaid amounts in respect of those Shares, and may exercise rights of forfeiture in respect of any unpaid amounts on Shares.

All Shares are fully paid and Smartpay is incorporated with limited liability. Accordingly, no further calls for payment can be made on any Shares currently on issue.

7.21 Other New Zealand Corporate Law matters

Takeovers Code:

The Company is a code company regulated by the New Zealand Takeovers Code. The Takeovers Code, amongst other things, prohibits any person from becoming the holder or controller of an increased percentage of voting rights in the Company if, after that increase, that person (together with its Associates (as defined in the Takeovers Code)) will hold or control more than 20 per cent of the voting rights in the Company, other than in compliance with the Takeovers Code. Generally, the Takeovers Code only permits increases above a 20 per cent holding or controlling of voting rights with prior shareholder approval or pursuant to a takeover offer where the offeror has acquired at least 50 per cent of the voting rights. Unlike the Corporations Act, a person cannot, without shareholder approval, increase its holding or controlling of voting rights through the 20 per cent to 50 per cent range. Once a person holds or controls more than 50 per cent of the voting rights then it may increase its holding or control by up to 5 per cent every 12 months.

Under the Takeovers Code, if a person or two or more persons acquiring jointly or in concert become a dominant owner of the Company (that is become the holders or controllers of 90 per cent or more of the voting rights of the Company) that dominant owner must immediately send a written notice of that fact to the Company, the Takeovers Panel and NZX. The dominant owner will then have the right to acquire all outstanding securities in the Company and similarly each other security holder will have the right to sell their outstanding securities in the Company to the dominant owner, in each case in accordance with the Takeovers Code.

As the Company is incorporated in New Zealand it is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares in relation to substantial holdings and takeovers.

Substantial Security Holder Notices:

Under the Securities Markets Act 1988 (NZ), every person who acquires a relevant interest (as defined in the Securities Markets Act) in 5 per cent or more of the voting securities in the Company will be required to provide a substantial security holder notice disclosing that interest to the Company and NZX. That person must also provide notice of certain subsequent changes in the total number of voting securities in which the person is interested, or any change in the nature of their relevant interest. Failure to give such notices can result in serious consequences.

Restricted Transactions:

Subject to certain exceptions, the NZSX Listing Rules require the approval of the Company's Shareholders by ordinary resolution (or special resolution if the transaction is a major transaction under section 129 of the Companies Act) for any transaction entered into by any member of the Smartpay Group in which the gross value of the transaction is greater than 50 per cent of the Average Market Capitalisation (as defined in the NZSX Listing Rules) of the Company or that will change the essential nature of the Company's business.

Section 129 of the Companies Act requires special resolution approval prior to the Company entering into any transaction involving more than half the value of the Company's assets before the transaction.

Subject to certain exceptions, the NZSX Listing Rules also require the approval of the Company's Shareholders by ordinary resolution for any material transaction entered into by any member of the Smartpay Group where a related party is a direct or indirect party to that transaction (or at least one of a related series of transactions of which the material transaction forms part).

The NZSX Listing Rules also restrict any issue, acquisition or redemption of securities by Smartpay if there is a significant likelihood that such transaction will result in any person or group of associated persons (who already hold at least 1 per cent of the votes attaching to securities of the Company) materially increasing their ability to exercise, or direct the exercise of, effective control of the Company.

Corporations Act Does Not Apply:

As Smartpay is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act 2001 of the Commonwealth of Australia or by the Australian Securities and Investment Commission but instead are regulated by the Companies Act 1993 of New Zealand, the New Zealand Companies Office and the New Zealand Financial Markets Authority.

8. Capital Structure

8.1 Capital Structure and Options

Capital Structure

The capital structure of Smartpay as at 30 June 2013 is set out in the table below:

Shares on issue	343,504,304
Options on issue	134,000,000(1)
Maximum Number of Shares to be issued on exercise of all Options(1)	53,000,000
Fully Diluted	396,504,304

(1) 90 million of the options are only exercisable over 1/10th of a Share each and 44 million of the options are exercisable over one Share each.

The expected capital structure of Smartpay immediately following the 2013 Share Consolidation is set out in the table below:

Shares on issue	171,752,152(1)
Options on issue	134,000,000(2)
Maximum Number of Shares to be issued on exercise of all Options(2)	26,500,000
Fully Diluted	198,252,152

(1) Subject to rounding for any fractional entitlements resulting from the 2013 Share Consolidation.

(2) 90 million of the options will be exercisable over 1/20th of a Share each and 44 million of the options will be exercisable over one half of a Share each.

Options

The table below provides a high-level summary of the Share options currently on issue. The exercise prices and number of shares are stated on a pre-2013 Share Consolidation basis. Immediately following the 2013 Share Consolidation the exercise prices will be twice those recorded in the table below and the number of shares over which the options are exercisable will be half that recorded in the table below. More detailed information regarding these share options is contained in Section 8.6 of this Information Memorandum.

Exercise Price	No. of Shares	Expiry
$0.50	3,500,000	31/03/2016
$0.40	5,500,000	31/03/2014 – 31/03/2016
$0.30	16,000,000	31/03/2018 – 31/12/2019
$0.20	16,000,000	31/03/2017 – 31/12/2017
$0.15	12,000,000	31/12/2014
Total	**53,000,000**	

8.2 Shares issued in the last 5 years

Smartpay has issued the following Shares since 1 April 2008.

Date of Issue	Number Issued [1]	Issue Price [1]	Cash / Non-cash Consideration	Explanation
5 February 2013	815,217	$0.1705 per share	Non-cash	Consideration for consultancy services
5 February 2013	24,951,064	$0.1500 per share	Cash	Private placement
23 January 2013	15,400,000	$0.1500 per share	Non-Cash	Issue of Shares for acquisition of Viaduct business and assets
23 August 2012	8,043,430	$0.1150 per share	Cash	Share purchase plan
17 August 2012	110,609	$0.1150 per share	Cash	Private placement
20 July 2012	2,053,043	$0.1150 per share	Cash	Private placement
11 July 2012	20,394,780	$0.1150 per share	Cash	Private placement
11 July 2012	10,000,000	$0.1000 per share	Cash	Conversion of convertible notes
9 July 2012	14,979,130	$0.1150 per share	Cash	Private placement
6 July 2012	92,932,203	$0.1150 per share	Cash	Private placement
6 July 2012	1,788,930	$0.1150 per share	Non-cash	Consideration for consultancy services
6 July 2012	600,000	$0.1150 per share	Non-cash	Consideration for services
29 June 2012	3,318,260	$0.1150 per share	Cash	Private placement
21 March 2012	120,750	$0.1000 per share	Non-cash	Consideration for employment services
20 March 2012	961,028	$0.1000 per share	Cash	Private placement
9 March 2012	12,500,000	$0.1000 per share	Cash	Private placement
8 March 2012	4,164,453	$0.1000 per share	Cash	Private placement
21 December 2011	10,000,000	$0.1000 per share	Cash	Private placement
20 December 2010	1,067,075	$0.0120 per share	Non-cash	Consideration for employment services
20 December 2010	72,750,000	$0.0200 per share	Cash	Private placement
17 December 2010	41,000,000	$0.0200 per share	Cash	Private placement
4 October 2010	2,008,634	$0.0334 per share	Non-cash	Consideration for employment services

4 October 2010	160,000,000	$0.0200 per share	Cash	Private placement
9 September 2010	55,000,000	$0.0200 per share	Cash	Private placement
23 June 2010	26,082,252	$0.0334 per share	Cash	Share purchase plan
29 April 2010	11,991,845	$0.0334 per share	Cash	Private placement
31 March 2010	18,748,086	$0.04045 per share	Cash	Exercise of options
31 March 2010	1,000,000	$0.0347 per share	Non-cash	Consideration for employment services
31 March 2010	10,092,272	$0.0200 per share	Cash	Private placement
19 January 2010	49,599,307	$0.0200 per share	Cash	Exercise of options
30 November 2009	10,890,693	$0.0200 per share	Cash	Exercise of options
16 November 2009	43,683,472	$0.0379 per share	Cash	Private placement
29 September 2009	3,333,333	$0.0150 per share	Non-cash	Consideration for services
17 August 2009	3,600,000	$0.0141 per share	Non-cash	Consideration for consultancy services
21 April 2009	37,496,172	$0.0131 per share	Cash	Private placement
21 April 2009	550,000	$0.0131 per share	Non-cash	Shares issued in repayment of debt
15 December 2008	8,000,000	$0.0100 per share	Non-cash	Consideration for consultancy services
15 December 2008	10,000,000	$0.0100 per share	Non-cash	Shares issued in consideration for purchase of business
15 December 2008	7,500,000	$0.0100 per share	Non-cash	Shares issued in consideration for acquisition of software
14 October 2008	10,000,000	$0.0100 per share	Non-cash	Settlement of earnout obligations in respect of acquisition
15 August 2008	622,599	$0.0179 per share	Non-cash	Consideration for employment services
11 June 2008	309,398,037	$0.0120 per share	Cash	Rights issue

(1) On 20 May 2011 Smartpay undertook a 10 to 1 share consolidation. The number of shares and issue prices recorded in the above table have not been adjusted to take account of this share consolidation.

8.3 Options, convertible notes and other securities issued in the last 5 years

Smartpay has issued the following options, convertible notes and other securities (excluding Shares) since 1 April 2008.

Date of Issue	Type of Security	No. of Securities Issued (1)	Exercise/Conversion Price (1)	Issue/Subscription Price	Explanation
5 February 2013	Option	4,000,000	$0.30 per share	Non-cash	Issued pursuant to employment agreements
5 February 2013	Option	4,000,000	$0.20 per share	Non-cash	Issued pursuant to employment agreements
29 June 2012	Option	2,000,000	$0.30 per share	Non-cash	Issued pursuant to a subscription agreement
29 June 2012	Option	2,000,000	$0.20 per share	Non-cash	Issued pursuant to a subscription agreement
29 June 2012	Option	2,000,000	$0.15 per share	Non-cash	Issued pursuant to a subscription agreement
26 February 2012	Option	10,000,000	$0.30 per share	Non-cash	Issued pursuant to a consultancy agreement
26 February 2012	Option	10,000,000	$0.20 per share	Non-cash	Issued pursuant to a consultancy agreement
27 February 2012	Convertible Note	1,000,000	$0.10 per share	$1,000,000 Cash	Capital raising
21 December 2011	Option	10,000,000	$0.15 per share	Non-cash	Issued pursuant to a subscription agreement
6 December 2011	Convertible Note	1,000,000	$0.15 per share	$1,000,000 Cash	Capital raising
1 August 2011	Option	20,000,000	$0.40 per share	Non-cash	Issued pursuant to a consultancy agreement
13 May 2011	Option	35,000,000	$0.50 per share	Non-cash	Directors incentive options
13 May 2011	Option	35,000,000	$0.40 per share	Non-cash	Directors incentive options
28 April 2011	Convertible Note	650,000	$0.15 per share	$650,000 Cash	Capital raising
16 February 2011	Convertible Note	350,000	$0.15 per share	$350,000 Cash	Capital raising
16	Convertible	1,000,000	$0.15 per share	$1,000,000 Cash	Capital raising

December 2010	Note				
23 November 2010	Option	1,558,940	$0.033356 per share	Non-cash	Part consideration for extension of loan term
23 November 2010	Option	12,041,264	$0.033356 per share	Non-cash	Part consideration for extension of loan term
4 October 2010	Option	23,081,160	$0.033356 per share	Non-cash	Issued in connection with subscription for Shares
4 March 2010	Option	61,000,000	$0.05 per share	Non-cash	Part consideration for extension of loan term
18 November 2009	Option	19,966,666	$0.05 per share	Non-cash	Part consideration for extension of loan term
16 November 2009	Option	14,561,152	$0.05 per share	Non-cash	Part consideration for certain investors subscribing for Shares in Smartpay
18 August 2009	Option	60,490,000	$0.02 per share	Non-cash	Part consideration for services
21 April 2009	Option	18,748,086	$0.02 per share	Non-cash	Part consideration for certain investors subscribing for Shares in Smartpay

(1) On 20 May 2011 Smartpay undertook a 10 to 1 share consolidation. The number of securities and exercise/conversion prices recorded in the above table have not been adjusted to take account of this share consolidation.

8.4 Substantial shareholders in Smartpay

The table below contains details of the substantial shareholders in Smartpay as at 30 June 2013, being persons who hold a relevant interest of 5 per cent or more of the voting power of Smartpay's Shares under their control and/or the control of their associates.

Holder	Shares held(1)	Percentage
Hunter Hall Investment Management Limited (and associated funds and entities)	33,182,609	9.66%
Allan Walker Tattersfield	24,750,668	7.20%
Devon Funds Management Limited	17,456,292	5.08%

(1) These are the number of Shares held prior to the 2013 Share Consolidation.

8.5 Shareholder spread

The following table sets out the spread of Shareholders as at 30 June 2013 (being prior to the 2013 Share Consolidation).

No. of Shares	No. of Shareholders	Shares	Percentage
1 – 1,000	278	113,300	0.03%
1,001 – 5,000	241	718,472	0.21%
5,001 – 10,000	139	1,118,380	0.33%
10,001 – 100,000	376	14,686,777	4.27%
100,001 and over	184	326,867,375	95.16%

8.6 Share options

Smartpay currently has 134,000,000 options on issue which are exercisable with respect to 53,000,000 Shares in aggregate. These options will be exercisable with respect to 26,500,000 Shares in aggregate following the 2013 Share Consolidation. The table below contains a summary of the exercise prices, expiry dates and number of shares over which these options are exercisable (in each case on a pre-2013 Share Consolidation basis).

Exercise Price	No. of Shares	Expiry
$0.50	3,500,000	31/03/2016
$0.40	5,500,000	31/03/2014 – 31/03/2016
$0.30	16,000,000	31/03/2018 – 31/12/2019
$0.20	16,000,000	31/03/2017 – 31/12/2017
$0.15	12,000,000	31/12/2014
Total	**53,000,000**	

All of the options are over fully paid ordinary Shares in the capital of Smartpay. No other member of the Smartpay Group has granted any options to subscribe for securities of any member of the Smartpay Group. Further details of the options on issue are set out in the table below. There are no options or convertible securities on issue by Smartpay other than those listed in the table below. Note that the number of Shares over which the options are exercisable and the relevant exercise prices per Share, as set out in the tables above and below, are stated on a pre-2013 Share Consolidation basis. Immediately following the 2013 Share Consolidation the exercise prices will be twice those recorded in the tables above and below and the number of Shares over which the options are exercisable will be half that recorded in the tables above and below.

	No. of Options Issued	No. of Shares over which Options are exercisable	Exercise Price Per Share	Consideration for the issue of the Options	Expiry Date	Option Holder
1.	35 million March 2016 Director Incentive Options (see note 1	3,500,000 fully paid Shares	NZ$0.50	The options were issued in part consideration for services provided by Directors and as an incentive for Directors to improve the financial	31/03/16	Claymore Partners Trustees (2011) Limited, as to 10,000,000 options Nimmo Trustee Limited, as to 10,000,000 options Baroda Hills Investments

	below)			performance of Smartpay.		Limited, as to 15,000,000 options
2.	35 million March 2014 Director Incentive Options (see note 1 below)	3,500,000 fully paid Shares	NZ$0.40	The options were issued in part consideration for services provided by Directors and as an incentive for Directors to improve the financial performance of Smartpay.	31/03/14	Claymore Partners Trustees (2011) Limited, as to 10,000,000 options. Nimmo Trustee Limited, as to 10,000,000 options, Baroda Hills Investments Limited, as to 15,000,000 options
3.	20 million March 2016 Options (see note 2 below)	2,000,000 fully paid shares	NZ$0.40	The options were issued as a performance bonus for services provided by Mr Ian Bailey while acting as Managing Director of Smartpay.	31/03/16	Riverhorse Trustee Limited
4.	12 million March 2018 Incentive Options	12,000,000 fully paid Shares	NZ$0.30	The options were issued as an incentive for the Managing Director and Chairman to improve the financial performance of Smartpay.	31/3/18	Haymaker Investments Pty Limited, as to 10,000,000 options Drumalbyn Holdings Pty Limited, as to 2,000,000 options
5.	4,000,000 December 2019 Incentive Options	4,000,000 fully paid Shares	NZ$0.30	The options were issued as an incentive for the General Managers to improve the financial performance of Smartpay following the acquisition of the Viaduct business in January 2013.	31/12/19	Mark Unwin, as to 2,000,000 options Martyn Pomeroy, as to 2,000,000 options
6.	4,000,000 December 2017 Incentive Options	4,000,000 fully paid Shares	NZ$0.20	The options were issued as an incentive for the General Managers to improve the financial performance of Smartpay following the acquisition of the Viaduct business in January 2013.	31/12/17	Mark Unwin, as to 2,000,000 options Martyn Pomeroy, as to 2,000,000 options
7.	12 million March 2017 Incentive Options	12,000,000 fully paid Shares	NZ$0.20	The options were issued as an incentive for the Managing Director and Chairman to improve the financial performance of Smartpay.	31/3/17	Haymaker Investments Pty Limited, as to 10,000,000 options Drumalbyn Holdings Pty Limited, as to 2,000,000 options
8.	10 million December 2014 Options	10,000,000 fully paid Shares	NZ$0.15	The options were issued in part consideration for Haymaker Investments Pty Limited (a related company of Mr Bradley Gerdis, the Managing	31/12/14	Haymaker Investments Pty Limited

				Director of Smartpay) subscribing for Shares in Smartpay.		
9.	2 million December 2014 Incentive Options	2,000,000 fully paid Shares	NZ$0.15	The options were issued as an incentive for the Chairman to improve the financial performance of Smartpay.	31/12/14	Drumalbyn Holdings Pty Limited

Total Number of Shares over which all of the above options are exercisable: 53,000,000

Notes:

(1) Each of these options was issued prior to the Company's 10 to 1 share consolidation on 20 May 2011. Each option was originally an option to acquire one fully paid Share, however as a result of this share consolidation and in accordance with the NZSX Listing Rules each option is currently only exercisable over 1/10th of a fully paid Share.

(2) While these options were issued after the May 2011 share consolidation referred to at (1) above, they were approved prior to such consolidation and therefore each option is currently only exercisable over 1/10th of one fully paid Share.

A brief summary of the material terms and rights of the options recorded in the table above in this Section 8.6 is set out below:

(a) The options referred to at 1 to 3 and 7 to 9 in the table have vested and are currently exercisable;

(b) The options referred to at 4 in the table vest on 1 April 2014 subject to the Managing Director or Chairman, as applicable, remaining the Managing Director or a Director, as applicable, of Smartpay as at that date. The options will vest earlier in certain limited circumstances including if there is a takeover offer for 50 per cent or more of Smartpay's Shares;

(c) The options referred to at 6 in the table vest on 31 December 2015 and the options referred to at 5 in the table vest on 31 December 2017 subject, in each case, to the relevant option holder (being Mark Unwin or Martyn Pomeroy) remaining an employee of Smartpay as at the applicable date. The options will vest earlier in certain limited circumstances including if there is a takeover offer for 50 per cent or more of Smartpay's Shares, if Bradley Gerdis ceases to be an employee or director of, or consultant to, Smartpay and Haymaker Investments Pty Limited ceases to hold at least 750,000 Shares in Smartpay, or if the option holder's employment with Smartpay is terminated without cause;

(d) There are no restrictions on the issue of Shares upon the exercise of any of the options except that the options referred to at 4 to 9 in the table may not be exercised if the exercise of such options would result in a person and their associates holding or controlling, in aggregate, more than 19.99 per cent of the voting rights in Smartpay (with "associates", "holding or controlling" and "voting rights" having the meanings given to them in the New Zealand Takeovers Code);

(e) The exercise price and the number of Shares over which each option is exercisable are subject to adjustment on any capital reconstruction of Smartpay (including consolidation, subdivision, reduction or return);

(f) The options referred to at 4 to 9 in the table will automatically lapse if the relevant person ceases to be the Managing Director, Director or employee, as the case may be, of Smartpay for cause (which includes wilful misconduct, bringing Smartpay into disrepute, fraud or dishonesty and material breach of duties);

(g) The options referred to at 1 to 3 in the table contain a cashless exercise clause which entitles the option holder to elect not to pay cash on the exercise of their options but instead to be issued a lesser number of Shares of a value equal to the difference between the value of Shares that would have been issued had the exercise price been paid in full and the amount of the aggregate exercise price that would otherwise have been payable.

8.7 Escrow Restrictions

On 23 January 2013 Smartpay issued 15,400,000 Shares at 15 cents per Share to TEOV Limited (then Viaduct Limited) in part payment of the purchase price for the business and assets of Viaduct. TEOV Limited and its majority shareholders are party to an escrow deed with Smartpay which imposes certain restrictions on dealing in 87.5 per cent of the Shares issued to TEOV Limited (the "Restricted Shares"). The Restricted Shares are attributable to ownership interests in TEOV Limited associated with Martyn Pomeroy and Mark Unwin, Smartpay's General Managers. Except in certain limited circumstances (including in the event of a takeover offer being made for Smartpay) TEOV Limited and its majority shareholders are precluded from disposing of any of the Restricted Shares on or before 23 January 2014 and may only dispose of up to 50 per cent of the Restricted Shares between 24 January 2014 and 23 January 2015. The restrictions on disposal of the Restricted Shares cease entirely on 25 January 2015.

The balance of the Shares issued to TEOV Limited in connection with the acquisition of the business and assets of Viaduct, being 1,925,000 Shares, (962,500 Shares on a post-2013 Share Consolidation basis) are not subject to any formal escrow restrictions however the holders of those Shares have undertaken to notify Smartpay if they wish to dispose of such Shares and to follow all reasonable instructions of Smartpay with respect to such disposal.

9. Director and Related Party Interests

9.1 Interests of Directors and Others

Other than as stated below and elsewhere in this Information Memorandum:

(i) No amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or proposed Director to induce them to become, or qualify as, a Director;

(ii) None of the following persons:

- a Director or proposed Director of Smartpay;
- each person named in this Information Memorandum as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Information Memorandum; or
- a promoter of Smartpay,

holds or has held at any time in the two years before lodgment of this Information Memorandum with ASX, an interest in the formation or promotion of Smartpay, property acquired or proposed to be acquired by Smartpay in connection with its formation or promotion, or was paid or given or agreed to be paid or given, any amount or benefit for services provided by such persons in connection with the formation or promotion of Smartpay, except as set out elsewhere in this Information Memorandum and below.

9.2 Director's Salary and Fees:

The NZSX Listing Rules provide that Directors are entitled to be paid for their services as a Director such remuneration by the Company as the Directors decide. However, under the NZSX Listing Rules the aggregate amount paid to all Directors for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting. This amount has been fixed by Smartpay at NZ$200,000.

The fees currently payable to Directors for their services as Directors are as follows:

Director	Annual directors fees	Superannuation contribution	Total
Ivan Hammerschlag (Chairman)	AUD$45,000	Nil	AUD$45,000
Matthew Turnbull	NZD$43,000	Nil	NZD$43,000
Gregor Barclay	NZD$38,000	Nil	NZD$38,000
Bradley Gerdis (Managing Director)(1)	$0	Nil	$0

(1) Bradley Gerdis receives remuneration for his role as Managing Director of the Smartpay Group (refer below). He does not receive any separate remuneration for his role as a Director.

In addition to the remuneration referred to in the table above, each Director is entitled to be reimbursed for all reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as a Director. There is no dollar limit on the expenses that the Directors are entitled to recover from Smartpay however there are internal approval processes in place with respect to any such expenditure over prescribed limits.

Chairman

In addition to the services performed as a Director of Smartpay, Ivan Hammerschlag, the Chairman of Smartpay, is party to a Consultancy Agreement with Smartpay Australia Pty Limited dated 1 July 2012 pursuant to which Honeystone Pty Limited (a related company of Mr Hammerschlag) has agreed to provide Mr Hammerschlag's services as a consultant to give general guidance, advice and assistance to the Board of Smartpay and the management of Smartpay including with respect to Australian strategy and opportunities in Australia. Under the terms of the Consultancy Agreement, Honeystone Pty Limited is paid an annual fee of A$75,000 (plus GST). This fee is in addition to the annual fee of A$45,000 payable to Mr Hammerschlag for his services as Director and the services performed under the Consultancy Agreement are in addition to the services performed by Mr Hammerschlag as Chairman of Smartpay.

Managing Director

Bradley Gerdis is employed by Smartpay Australia Pty Limited under an employment agreement entered into with Smartpay Australia Pty Limited and the Company. The employment agreement was entered into with effect from 1 July 2013 and replaced a management consultancy agreement between Smartpay Australia Pty Limited, Smartpay, Active Capital Partners Pty Ltd (a related company of Mr Gerdis) and Mr Gerdis dated 19 December 2011 ("Management Consultancy Agreement"). Under the employment agreement Mr Gerdis has been appointed to act as the Managing Director of the Smartpay Group. As Managing Director, Mr Gerdis is responsible for, amongst other things, setting the strategy for the Smartpay Group for approval by the Board and for implementing the Board approved strategy.

Mr Gerdis is paid an annual salary of A$350,000 for his services. In addition, Mr Gerdis is entitled to the minimum employer superannuation contributions prescribed under Australian law and, subject to achievement of KPIs agreed by the Board, he is also entitled to an annual short term performance bonus, payable at the discretion of the Board, of between 25 per cent to 50 per cent of his base annual salary.

At the time of entering into the Management Consultancy Agreement, Haymaker Investments Pty Ltd, a trustee of a trust of which Bradley Gerdis is a discretionary beneficiary, was issued the following share options as a long term incentive:

(i) 10,000,000 March 2017 Incentive Options which are exercisable with respect to 10 million Shares at $0.20 per Share on or before 31 March 2017; and

(ii) 10,000,000 March 2018 Incentive Options which are exercisable with respect to 10 million Shares at $0.30 per Share on or before 31 March 2018.

The above options remain on issue in accordance with their terms notwithstanding the termination of the Management Consultancy Agreement and the entry into the employment agreement.

In addition to payment of his base salary and other payments referred to above, Mr Gerdis is entitled to be reimbursed for all authorised business-related expenses.

In addition to being able to terminate the employment for summary dismissal in the event of serious misconduct, the agreement contains a number of other termination provisions which are usual for an agreement of this type.

Either party can terminate the employment agreement on 12 weeks' notice without cause. If Smartpay terminates the employment agreement without cause it will be liable to pay Mr Gerdis a termination payment of between 6 and 18 months' base salary (with the relevant period being at the Board's election) plus superannuation ("termination payment"). This termination payment is in addition to any payment in lieu of notice.

If the employment agreement is terminated without cause upon a change in control of Smartpay, in addition to the termination payment, Mr Gerdis will be entitled to the maximum amount of the annual short term incentive bonus to which he is then entitled in that financial year.

Mr Gerdis is subject to certain restraint of trade obligations for a period of 6 months following termination of the employment agreement if the agreement is terminated by Smartpay Australia Pty Limited for cause. If the employment agreement is terminated without cause the length of the restraint will be the same as the period used to calculate the termination payment (i.e. a minimum period of 6 months and a maximum period of 18 months).

Employee Incentive Schemes

The Directors are not entitled to participate in any current employee incentive scheme established by Smartpay.

9.3 Directors' Holdings of Shares and Options:

Set out below are details of the interests of Directors (and their associates) in Shares and options issued by the Company as at 30 June 2013 (being prior to the 2013 Share Consolidation):

Director	Shares	Percentage of Voting Rights	Options
Gregor Barclay	1,220,636 Shares(1) 1,153,819 Shares(2) 4,891,529 Shares(3)	0.035% 0.034% 1.4%	10 million March 2014 Director Incentive Options(6) 10 million March 2016 Director Incentive Options(6)
Matthew Turnbull	Nil	N/A	Nil
Bradley Gerdis	11,142,217 Shares(4)	3.24%	10 million December 2014 Options(7) 10 million March 2017 Incentive Options(7) 10 million March 2018 Incentive Options(7)
Ivan Hammerschlag	4,983,193 Shares(5)	1.45%	2 million December 2014 Incentive Options(8) 2 million March 2017 Incentive Options(8) 2 million March 2018 Incentive Options(8)

Notes:

(1) Greg Barclay is a trustee (no beneficial interest) of the Abergeldie Trust which owns 1,220,636 Shares.

(2) Greg Barclay is a potential beneficiary of the Ngatapa Trust (discretionary trust) which owns 1,153,819 Shares.

(3) Greg Barclay is a director of Claymore Trustees Limited which is a trustee (no beneficial interest) of the Cicero Trust which owns 4,891,529 Shares.

(4) Bradley Gerdis is a director of, and shareholder in, Haymaker Investments Pty Limited which owns 11,142,217 Shares as trustee of the Haymaker Trust, being a trust of which Bradley Gerdis is a potential beneficiary.

(5) Ivan Hammerschlag is a director of, and shareholder in, Drumalbyn Holdings Pty Limited which holds 4,983,193 Shares.

(6) These options are held by Claymore Partners Trustees (2011) Limited (a company of which Mr Barclay is a director) as trustee of a trust of which Mr Barclay is a potential beneficiary. The key terms of these options are set out in the section entitled *Capital Structure* on page 46.

(7) These options are held by Haymaker Investments Pty Limited (a company of which Bradley Gerdis is a director and shareholder) as trustee of the Haymaker Trust (a trust of which Bradley Gerdis is a potential beneficiary).The key terms of these options are set out in the section entitled *Capital Structure* on page 46.

(8) These options are held by Drumalbyn Holdings Pty Limited, a company of which Ivan Hammerschlag is a director and shareholder. The key terms of these options are set out in the section entitled *Capital Structure* on page 46.

9.4 Indemnities and Insurance:

The Company has arranged Directors' and Officers' liability insurance with QBE covering Directors acting on behalf of the Company. Cover is for damages, judgments, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for the Company. The types of acts that are not covered are dishonest, fraudulent, malicious acts, or omissions, willful breach of statute or regulations, or duty to the Company, improper use of information to the detriment of the Company or breach of professional duty.

The Constitution provides that every Director shall be indemnified by the Company:

- for any costs incurred by him or her in any proceeding that relates to liability for any act or omission in his or her capacity as a director or a director of a subsidiary of the Company and in which judgment is given in his or her favour, or in which he or she is acquitted, or which is discontinued; and
- in respect of liability to any person other than the Company or a related company for any act or omission by him or her in his or her capacity as a director or a director of a subsidiary of the Company, and costs incurred by him or her in defending or settling any claim or proceeding relating to any such liability.

In addition, the Constitution provides that every director of a related company of the Company, or an employee of the Company or a related company shall be indemnified by the Company:

- for any costs incurred by him or her in any proceeding that relates to liability for any act or omission by him or her in such capacity and in which judgment is given in his or her favour, or in which he or she is acquitted, or which is discontinued; and
- in respect of liability to any person other than the Company or a related company for any act or omission by him or her in such capacity, and costs incurred by him or her in defending or settling any claim or proceeding relating to any such liability.

None of the above indemnities apply in respect of:

- any criminal liability; or
- in the case of an employee of the Company or a related company, any liability in respect of a breach of any fiduciary duty owed to the Company or related company; or
- in the case of a Director or a director of a related company, any liability in respect of a breach of the duty specified in section 131 of the Companies Act (broadly a failure to act in good faith and in what the director believes to be the best interests of the Company).

Smartpay has entered into a deed of indemnity with each director pursuant to which it has agreed to indemnify each director in the manner described above.

9.5 Related Party Transactions:

The Company has entered into the following transactions and agreements with related parties:

(a) Consultancy agreement dated 1 July 2012 between Smartpay Australia Pty Limited, Honeystone Pty Limited and Ivan Hammerschlag as referred to in section 9.2 above;

(b) Employment Agreement between Bradley Gerdis, Smartpay Australia Pty Limited and the Company as referred to in section 9.2 above;

(c) Deeds of indemnity with each of its Directors as described in Section 9.4.

Transactions between the Company and its related parties are regulated by the NZSX Listing Rules and will also be regulated by the ASX Listing Rules upon the Company being admitted to the official list of ASX. Accordingly, the Company will have to comply with the requirements of both the ASX Listing Rules and the NZSX Listing Rules in relation to related party transactions while Smartpay is listed on both the ASX and the NZX Main Board.

As Smartpay is a New Zealand company, it will not be required to comply with the related party transaction provisions contained in Chapter 2E of the Corporations Act, which require shareholder approval for all transactions between a public company and its related parties (including its directors) unless a relevant exemption applies. Unlike the Corporations Act, New Zealand legislation does not require shareholder approval for all transactions between Smartpay and its related parties (including its directors).

9.6 Options issued to General Managers

Under the employment agreements entered into between Smartpay and each of Mark Unwin and Martyn Pomeroy, each of Mark Unwin and Martyn Pomeroy was issued:

(a) 2,000,000 options, with each option entitling the holder to subscribe for one Share in Smartpay for $0.20 on or before 31 December 2017 (the "December 2017 Options"); and

(b) 2,000,000 options, with each option entitling the holder to subscribe for one Share in Smartpay for $0.30 on or before 31 December 2019 (the "December 2019 Options").

Following the 2013 Share Consolidation each of these options will be exercisable over $1/2^{th}$ of a Share and the exercise prices will increase to $0.40 and $0.60 respectively.

The material terms of these options are set out in paragraphs (c), (d), (e) and (f) at the end of section 8.6 of this Information Memorandum

10. Other information

10.1 Details of incorporation of Smartpay

Smartpay was incorporated under the Companies Act 1955 on 11 June 1986 and was re-registered under the Companies Act 1993 on 7 March 1996. Its registered number is 304625. Smartpay is registered in Australia as a foreign company under ARBN 160 712 210. Smartpay's registered office is at 182-190 Wairau Road, Glenfield, Auckland and its registered office in Australia is at Level 2, 3 Carlingford Road, Epping, NSW 2121.

Smartpay has a financial year end of 31 March.

Smartpay's public files may be viewed on the Companies Office website at www.business.govt.nz/companies.

10.2 Consents & Disclosures

None of the parties referred to below has made any statement that is included in this Information Memorandum or any statement on which a statement made in this Information Memorandum is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Information Memorandum, other than the reference to its name and a statement included in this Information Memorandum with the consent of that party, as specified below.

(a) KPMG has given its consent to:

(i) being named in this Information Memorandum as the auditor of Smartpay, in the form and context in which it is named and has not withdrawn its consent before the date of this Information Memorandum; and

(iii) the inclusion of its auditor's report in the form that it appears in Appendix A to this Information Memorandum and has not withdrawn its consent before the date of this Information Memorandum.

Smartpay estimates that it will pay KPMG approximately NZ$35,000 (exclusive of GST and disbursements) for the work undertaken in connection with this Information Memorandum;

(b) Claymore Partners Limited has given its consent to being named in this Information Memorandum as the New Zealand legal advisers to Smartpay in the form and context in which it is named and has not withdrawn its consent before the date of this Information Memorandum. Smartpay estimates that it will pay Claymore Partners Limited approximately NZ$85,000 (exclusive of GST and disbursements) for the work undertaken in connection with this Information Memorandum;

(c) Arnold Bloch Leibler has given its consent to being named in this Information Memorandum as the Australian legal advisers to Smartpay in the form and context in which it is named and has not withdrawn its consent before the date of this Information Memorandum. Smartpay estimates that it will pay Arnold Bloch Leibler approximately AUD$50,000 (exclusive of GST and disbursements) for the work undertaken in connection with this Information Memorandum; and

(d) Each of Computershare Investor Services Limited and Computershare Investor Services Pty Ltd has given its consent to being named in this Information Memorandum as Smartpay's share registrar in the form and context in which it is named and has not withdrawn its consent before the date of this Information Memorandum. Smartpay does not expect to pay any amount to either Computershare Investor Services Limited or Computershare Investor Services Pty Ltd for work undertaken in connection with this

Information Memorandum. Computershare Investor Services Limited invoiced Smartpay approximately $33,000 (exclusive of GST) in the financial year ended 31 March 2013 in connection with share registry services provided to Smartpay ($34,000 in the financial year ended 31 March 2012).

Except as set out in this Information Memorandum, no person named in this Information Memorandum as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Information Memorandum has any interest or has had any interest during the last two years, in the formation or promotion of Smartpay or in property acquired or proposed to be acquired by Smartpay in connection with its formation or promotion. In addition, no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of Smartpay.

10.3 Restrictions on directors' powers

Smartpay's Constitution incorporates by reference the requirements of the NZSX Listing Rules and the ASX Listing Rules and the Constitution requires Smartpay to comply with the NZSX Listing Rules and, once it is listed on the ASX, the ASX Listing Rules. The principal restrictions on the powers of the Board imposed by the Constitution, the NZSX Listing Rules and, once Smartpay is listed on the ASX, the ASX Listing Rules are as follows:

- Smartpay may not issue or acquire any of its equity securities except in accordance with the provisions of the Companies Act, Constitution, the NZSX Listing Rules and the ASX Listing Rules;
- Smartpay may not give financial assistance for the purpose of, or in connection with, the acquisition of equity securities issued or to be issued by Smartpay, except in accordance with the provisions of the Companies Act, Constitution, the NZSX Listing Rules and the ASX Listing Rules;
- the Board may not cause Smartpay to enter into any transaction or series of linked or related transactions to acquire, sell, lease, exchange or otherwise dispose of (otherwise than by way of charge) assets of Smartpay which would change the essential nature of the business of Smartpay, or in respect of which the gross value is in excess of 50 per cent of the average market capitalisation (as defined in the NZSX Listing Rules) of Smartpay, without the prior approval of an ordinary resolution of Shareholders; and
- the Board may not allow Smartpay to enter into certain material transactions if a related party is, or is likely to become, a direct or indirect party to the material transaction, without the prior approval of an ordinary resolution of Shareholders.

In addition, a Director may not vote on any matter in which he or she is interested unless permitted by the Companies Act and the NZSX Listing Rules where he or she has complied with the relevant provisions and signed a certificate in respect of the matter.

The Companies Act contains a number of other provisions that could have the effect, in certain circumstances, of imposing modifications, exceptions or limitations on the powers of the directors of Smartpay. For example, the Directors must not allow Smartpay to enter into any major transaction (as that term is defined in the Companies Act) without the prior approval of a special resolution of shareholders and Smartpay must not take any action which affects the rights attaching to the Shares without the prior approval of a special resolution of each interest group (being a group of Shareholders with similar or identical rights). These provisions apply to any company registered under the Companies Act.

10.4 Appointment and Removal of Directors

The method by which Directors of Smartpay may be appointed to, or be removed from, or otherwise vacate, office is the same as that set out in the NZSX Listing Rules and, from the date that Listing of Smartpay takes effect, the ASX Listing Rules. No person (other than the members of Smartpay by ordinary resolution or the directors of Smartpay acting as a board to fill a casual vacancy) has the right to appoint a director or directors of Smartpay.

Each Director has the power to appoint any person as an alternate Director, provided that person has not been disqualified under the Companies Act from holding the position of a director of a company, and provided that person is approved by a majority of the other Directors.

10.5 Litigation

As far as the Directors are aware, except as disclosed elsewhere in this Information Memorandum, there is no current or threatened litigation, arbitration, or administrative appeal or criminal or governmental prosecution in which Smartpay or any of its subsidiaries is directly or indirectly concerned, which would be likely to have a material adverse effect on their business, financial condition, or the results of their operations.

10.6 Restrictions on Smartpay

Restrictions on distributions

The terms of the facilities made available by ASB Bank Limited to the Smartpay Group restrict Smartpay from paying a dividend or making any other form of distribution to its Shareholders without the prior consent of ASB Bank until such time as the net leverage ratio of the Smartpay Group (being net debt/adjusted EBITDA, in each case as calculated in accordance with the terms of the ASB facility agreements) is less than 2. As at 31 March 2013 the net leverage ratio of the Smartpay Group (as calculated in accordance with the terms of the ASB facility agreements) was 2.4 and therefore Smartpay is currently precluded from paying any dividend without the consent of ASB Bank as the current net leverage ratio exceeds 2.

There are no other restrictions on the ability of any member of the Smartpay Group to make distributions where such restrictions result from any undertaking given, or contract or deed entered into, by any member of the Smartpay Group.

Restrictions on borrowing

The terms of the facilities provided by ASB Bank Limited restrict members of the Smartpay Group from incurring any indebtedness without the Bank's prior written consent.

Under the terms of the facility agreements and security documents entered into with ASB Bank Limited, Smartpay and other members of the Smartpay Group are prevented from creating, permitting, suffering to exist or agreeing to security interests or other encumbrances over any of its assets except in certain limited circumstances or with the consent of ASB Bank Limited.

10.7 Places of Inspection of documents

The Constitution of Smartpay and the audited financial statements of the Smartpay Group for the year ended 31 March 2013 may be inspected (without charge) at any time during normal business hours at the registered office of Smartpay at 182-190 Wairau Road, Glenfield, Auckland.

The Constitution is also available for public inspection on the Companies Office website at www.business.govt.nz/companies. Copies of the financial statements referred to above can be viewed on Smartpay's website at www.smartpayltd.com.

10.8 Expenses of Listing

All expenses in connection with this Information Memorandum and application for admission to the Official List of ASX and for Official Quotation of the Shares on the ASX are being borne by Smartpay. Total expenses including professional advisory fees, printing costs and listing fees in relation to the listing and issue of this Information Memorandum are estimated to be a one-off cost of approximately NZ$340,000.

10.9 CHESS

Smartpay will apply to participate in ASX's Clearing House Electronic Subregister System (CHESS), in accordance with the ASX Listing Rules and the ASTC Settlement Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become Approved Financial Products (as defined in the ASTC Settlement Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister.

Following completion of the listing process, investors who elect to hold their Shares through CHESS will be sent an initial statement of holding that sets out the number of Shares that they will hold in Smartpay. This statement will also provide details of the Shareholder's Holder Identification Number (HIN) or, where applicable, the Security Holder Reference Number (SRN) of issuer sponsored Shareholders.

Shareholders will subsequently be issued statements showing any changes to their shareholding. Certificates will not be issued.

10.10 Exemptions, consents and waivers

ASX waivers

Smartpay intends to apply for the following waivers/confirmations from ASX. The granting of these waivers/confirmations is at the discretion of ASX and there can be no assurance that all or any of the waivers/confirmations sought will be granted:

(a) A waiver from ASX Listing Rule 6.10.3 to the extent necessary to set the "specified time" to determine whether a Shareholder is entitled to vote at a Shareholders' meeting in accordance with section 125 of the New Zealand Companies Act rather than in accordance with ASX Listing Rule 6.10.3;

(b) A waiver from ASX Listing Rule 7.1 to permit Smartpay to issue securities without Shareholder approval in accordance with the NZSX Listing Rule 7.3.5 rather than in accordance with ASX Listing Rule 7.1, subject to certain conditions;

(c) A waiver from ASX Listing Rules 7.1 and 10.11 to the extent necessary to permit Smartpay to issue securities without Shareholder approval in circumstances similar to those in Exception 5 in ASX Listing Rule 10.12;

(d) A waiver from ASX Listing Rule 15.13 to the extent necessary to permit Smartpay to follow the procedures detailed in its Constitution and the NZX Listing Rules for the divestiture of small shareholdings;

(e) A waiver from ASX Listing Rule 15.7 to permit Smartpay to provide announcements simultaneously to both ASX and NZX; and

(f) Confirmation that ASX will accept financial statements denominated in New Zealand dollars and prepared and audited in accordance with New Zealand generally accepted accounting principles and New Zealand auditing standards.

10.11 Disclosure and Reporting Obligations

Smartpay has been continuously quoted on the NZX Main Board since 12 March 1987 and is subject to the continuous disclosure obligations under the NZSX Listing Rules. A copy of the Material Information notified by Smartpay to the NZX may be viewed and obtained on its website at www.nzx.com under the ticker code SPY.

Below is a ‘snapshot’ of the disclosures made by Smartpay to NZX since 1 April 2012.

Announcement	Date
Annual Report and Financial Statements	28 June 2013
Substantial Shareholder (ceasing) – Pakihi Pension Scheme	12 June 2013
Initial Disclosure Notice - Peter Trengrove	12 June 2013
Substantial Shareholder – Devon Funds Management	5 June 2013
Full Year Results Presentation	31 May 2013
Preliminary Full Year Results	30 May 2013
Board Changes	4 Mar 2013
Initial Disclosure Notices – Mark Unwin and Martyn Pomeroy	14 Feb 2013
Substantial Shareholder – Hunter Hall Investment Management	13 Feb 2013
Ongoing Disclosure Notices	12 Feb 2013
Issue of Securities	7 Feb 2013
Resolutions Passed at Special Meeting of Shareholders	31 Jan 2013
Issue of Securities	23 Jan 2013
Completion of Viaduct Acquisition	23 Jan 2013
Special Meeting of Shareholders	14 Jan 2013
Interim Report	28 Dec 2012
Viaduct Acquisition	12 Dec 2012
Interim Result	29 Nov 2012
Investor Presentation	20 Sep 2012
Resolutions passed at Annual Meeting of Shareholders	20 Sep 2012
Annual Meeting of Shareholders	5 Sep 2012
Issue of Securities	23 Aug 2012
Shareholder Share Purchase Plan Completed	23 Aug 2012
Issue of Securities	17 Aug 2012
Annual Meeting and Director Nominations	14 Aug 2012
Shareholder Share Purchase Plan Opens	27 Jul 2012
Ongoing Disclosure notice	20 Jul 2012
Issue of Securities (Amended)	20 Jul 2012
Disclosure of ceasing to have a substantial holding	18 Jul 2012
Disclosure of ceasing to have substantial holding	18 Jul 2012
Disclosure of ceasing to have a substantial holding	18 Jul 2012
Share Purchase Plan	16 Jul 2012
Substantial Shareholder - Pakihi Pension Scheme	12 Jul 2012
Substantial Shareholder - Hunter Hall Investment Management	11 Jul 2012
Issue of Securities	11 Jul 2012
Issue of Securities	10 Jul 2012
Issue of Securities	6 Jul 2012
Disclosure Notice	5 Jul 2012

Board Changes	2 Jul 2012
Ongoing Disclosure Notice	2 Jul 2012
Annual Report	29 Jun 2012
Issue of Securities	29 Jun 2012
Shareholder Approval For Capital Raising Passed – ASX Listing	29 Jun 2012
Share Purchase Plan	28 Jun 2012
Notice of Special Meeting of Shareholders	13 Jun 2012
Final Results and Completion of Major Recapitalisation	30 May 2012

10.12 Working capital statement

The Board of Smartpay has determined that Smartpay has sufficient working capital to carry out its stated objectives as recorded in this Information Memorandum.

10.13 Directors' authorisation

This Information Memorandum is authorised by each of the Directors of Smartpay who consent to its lodgement with the ASX and its issue. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. This Information Memorandum has been signed by all Directors of Smartpay.

Dated: 2 August 2013

Ivan Jeremy Hammerschlag (Chairman)

Bradley Gavin Gerdis (Managing Director)

Gregor John Barclay (Director)

Matthew George Turnbull (Director)

11. Glossary

2013 Share Consolidation	Means the 2 to 1 consolidation of Shares in Smartpay which will take place prior to Listing.
A$ or AUD	Australian dollars.
ASTC Settlement Rules	The rules of ASX Settlement and Transfer Corporation Pty Limited.
ASX	ASX Limited or the financial market operated by ASX Limited, as the context requires.
ASX Listing Rules	The listing rules of ASX.
Board	The board of directors of Smartpay and, where applicable, has the meaning set out in section 127 of the Companies Act.
CHESS	ASX's Clearing House Electronic Subregister System.
Companies Act	Companies Act 1993 (NZ)
Company	Smartpay Holdings Limited, a company incorporated in New Zealand (company number 304625) and registered in Australia as a foreign company (ARBN 160 712 210).
Constitution	The constitution adopted by Smartpay.
Corporations Act	Corporations Act 2001 (Cth).
Corporate Governance Best Practice Code	The code of this title contained in the NZSX Listing Rules.
Corporate Governance Principles and Recommendations	The 2nd Edition of the principles and recommendations (with 2010 amendments) of this title published by the ASX Corporate Governance Council.
Director	A member of the Board.
EBITDA	Earnings before interest, tax, depreciation, share options, amortisation and impairment.
Equity Securities	Has the meaning given to it in the NZSX Listing Rules.
Information Memorandum	This document and any supplementary or replacement information memorandum in relation to this document.
Listing	The official quotation of the Shares on ASX.
Listing Rules	The ASX Listing Rules, the NZSX Listing Rules or both, as the context may require.
Official List	The official list of securities admitted to ASX.
Official Quotation	Quotation on the Official List.
NZ$, NZD or $	New Zealand dollars.
NZSX Listing Rules	The listing rules of NZX Main Board.

NZX	NZX Limited.
NZX Main Board	The main equities board of NZX.
Securities Markets Act	Securities Markets Act 1988 (NZ).
Share	A fully paid ordinary share in the capital of Smartpay.
Shareholder	A holder of Shares.
Smartpay	Means the Company or the Smartpay Group, as the context requires.
Smartpay Group	The Company and its subsidiaries.
Subsidiary	Has the meaning given to that term in section 5 of the Companies Act
Takeovers Code	The code set out in the New Zealand Takeovers Code Approval Order 2000 (NZ).

12. Directory

Company

Smartpay Holdings Limited
New Zealand company number 304625
ARBN 160 712 210

Website: www.smartpayltd.com

Registered Office

182-190 Wairau Road
Glenfield
Auckland
New Zealand

Postal Address

PO Box 100490
North Shore Mail Centre
Auckland 0745
New Zealand

Directors

Ivan Jeremy Hammerschlag
Bradley Gavin Gerdis
Gregor John Barclay
Matthew George Turnbull

Share Registrar

New Zealand:
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Level 2
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Takapuna Central
Auckland 0622
New Zealand

Australia:
Computershare Investor Services Pty Ltd
GPO Box 3329
Melbourne
VIC 3001
Australia

Auditors

KPMG
18 Viaduct Harbour Avenue
Auckland 1010
New Zealand

Legal Advisers

New Zealand:
Claymore Partners Limited
Level 2
63 Fort Street
PO Box 1382
Shortland Street
Auckland
New Zealand

Australia:
Arnold Bloch Leibler
Level 24
Chifley Tower
2 Chifley Square
Sydney NSW 2000
Australia

APPENDIX A – Audited Consolidated Financial Statements of the Smartpay Group for the year ended 31 March 2013

Independent auditor's report

To the shareholders of Smartpay Holdings Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of Smartpay Holdings Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 72 to 111. The financial statements comprise the statements of financial position as at 31 March 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate 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 company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm has also provided other services to the company and group in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements on pages 72 to 111:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 March 2013 and of the financial performance and cash flows of the company and the group for the year then ended.

Other matter

The financial statements of Smartpay Holdings Limited and the group, for the year ended 31 March 2012, were audited by another auditor who expressed an unmodified opinion on those statements on 29 June 2012.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Smartpay Holdings Limited as far as appears from our examination of those records.

KPMG

28 June 2013
Auckland

statement of comprehensive income
for the year ended 31 March 2013

	Note	Group 2013 $'000	Group 2012 Restated $'000	Parent 2013 $'000	Parent 2012 $'000
Continuing operations					
Revenue					
Operating lease, software and support revenue		13,960	11,143	-	-
Other service revenue		1,850	3,124	-	-
Sale of goods		653	1,405	-	-
Finance revenue		116	20	-	-
Other revenue		93	66	-	-
Total Revenue		16,672	15,758	-	-
Other income	6	50	12	-	-
Expenditure					
Buyout of customers old contracts		153	866	-	-
Finance lease and direct sales costs		372	1,531	-	-
Installation and transportation costs		126	928	-	-
Telecommunication costs of installations		619	740	-	-
Transactional costs		98	141	-	-
Other terminal costs		149	145	-	-
Compliance and IT		1,153	710	-	192
Communications		578	757	-	-
Consultancy services		72	330	-	205
Employee costs		5,731	7,113	-	730
Legal expenses		745	1,081	-	-
Occupancy costs		821	813	-	-
Other administration costs		383	374	236	420
Travel and accommodation		254	253	-	-
		11,254	15,782	236	1,547
Earnings / (losses) before interest , tax, depreciation, share options expense, amortisation and impairments		5,468	(12)	(236)	(1,547)
Depreciation and amortisation	7	(4,485)	(4,742)	-	-
Share option amortisation		(373)	(395)	(373)	-
Net finance costs	7	(3,410)	(5,285)	2,434	844
Property, plant and equipment impairment	17,18	(510)	(1,158)	-	-
Software impairment	19	-	(1,419)	-	-
Investment impairment	15,35	-	-	(53,572)	-
Goodwill impairment	21	(753)	-	-	-
		(9,531)	(12,999)	(51,511)	844
Profit/(loss) before tax		(4,063)	(13,011)	(51,747)	(703)
Tax credit/(expense)	8	(974)	575	(93)	19
Loss for the year from continuing operations of owners		(5,037)	(12,436)	(51,840)	(684)
Other comprehensive income					
Foreign currency translation differences for foreign operations	28	(11)	130	-	-
Total comprehensive income of owners		(5,048)	(12,306)	(51,840)	(684)
Earning / (losses) per share from continuing operations attributable to the equity holders of the company during the year.	9				
Basic earnings/(loss) per share - cents		(1.886)cents	(10.016) cents		
Diluted earnings/(loss) per share - cents		(1.886)cents	(10.016) cents		

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 75 to 110 form part of the financial statements.

statement of changes in equity

for the year ended 31 March 2013

	Group				Parent		
	Share Capital	Foreign Currency Translation Reserve	Retained Deficits	Total	Share Capital	Retained Deficits	Total
Balance at 31 March 2011 (restated)	27,431	(22)	(29,912)	(2,503)	40,292	(10,864)	29,428
Total comprehensive income (restated)	-	130	(12,436)	(12,306)	-	(684)	(684)
Convertible notes issued - equity component	63	-	-	63	63	-	63
Share options recognised at fair value	395	-	-	395	395	-	395
Shares issued (note 27)	2,696	-	-	2,696	2,696	-	2,696
Total changes in equity (restated)	3,154	130	(12,436)	(9,152)	3,154	(684)	2,470
Balance at 31 March 2012 (restated)	30,585	108	(42,348)	(11,655)	43,446	(11,548)	31,898
Total comprehensive income	-	(11)	(5,037)	(5,048)	-	(51,840)	(51,840)
Share options recognised at fair value	373	-	-	373	373	-	373
Shares issued (note 27)	23,420	-	-	23,420	23,420	-	23,420
Total changes in equity	23,793	(11)	(5,037)	18,745	23,793	(51,840)	(28,047)
Balance at 31 March 2013	54,378	97	(47,385)	7,090	67,239	(63,388)	3,851

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 75 to 110 form part of the financial statements.

statement of financial position
for the year ended 31 March 2013

	Note	Group 2013 $'000	Group 2012 Restated $'000	Parent 2013 $'000	Parent 2012 $'000
Current assets					
Cash and bank balances	10	4,429	3,871	-	-
Trade and other receivables	11	2,595	1,623	76	79
Non current assets held for sale	12	158	-	-	-
Group advances	35	-	-	3,759	21,856
Total current assets		7,182	5,494	3,835	21,935
Non-current assets					
Finance receivables	14	834	1,121	-	-
Investments in subsidiary companies	15	-	-	16	14,067
Property, plant and equipment - merchant terminals	17	11,786	7,890	-	-
Property, plant and equipment - other	18	1,151	1,513	-	-
Intangible assets - computer software and development	19	3,187	4,165	-	-
Intangible assets - customer contracts	20	2,016	-	-	-
Intangible assets - goodwill	21	14,842	5,350	-	-
Deferred tax	22	-	1,473	-	93
Total non-current assets		33,816	21,512	16	14,160
Total assets		40,998	27,006	3,851	36,095
Current liabilities					
Bank overdrafts	10	-	29	-	-
Trade payables and accruals	23	4,972	9,095	-	332
Provisions	24	50	50	-	-
Income tax payable	25	48	49	-	-
Borrowings	26				
Group A - Corporate		2,784	9,367	-	3,865
Group B - Rental Book		-	13,362	-	-
Total current liabilities		7,854	31,952	-	4,197
Non-current liabilities					
Borrowings	26				
Group A - Corporate		25,969	-	-	-
Group B - Rental Book		-	6,709	-	-
Deferred tax liabilities	22	85	-	-	-
Total non-current liabilities		26,054	6,709	-	-
Total liabilities		33,908	38,661	-	4,197
Net assets / (liabilities)		7,090	(11,655)	3,851	31,898
Equity					
Share capital	27	54,378	30,585	67,239	43,446
Foreign currency translation reserve	28	97	108	-	-
Retained deficits		(47,385)	(42,348)	(63,388)	(11,548)
Total equity / (deficit)		7,090	(11,655)	3,851	31,898

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 75 to 110 form part of the financial statements.

statement of cash flows

for the year ended 31 March 2013

	Note	Group		Parent	
		2013	2012 Restated	2013	2012
		$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers		15,708	15,045		
Interest received		194	4		
Payments to suppliers & employees		(14,819)	(15,677)		
Interest paid		(2,547)	(3,779)		
Net cash inflow/(outflow) from operating activities	29	(1,464)	(4,407)	-	-
Cash flows from investing activities					
Proceeds from disposal of assets		-	1		
Purchase of terminal assets and other property, plant and equipment		(1,910)	(2,679)		
Purchase of Viaduct	16	(14,211)	-		
Development of computer software		(728)	(389)		
Net cash inflow/(outflow) from investing activities		(16,849)	(3,067)	-	-
Cash flows from financing activities					
Proceeds from borrowings		33,750	13,476		
Repayments of borrowings		(34,226)	(5,925)		
Shares issued		19,376	1,434		
Net cash inflow/(outflow) from financing activities		18,900	8,985	-	-
Net increase/(decrease) in cash equivalents		587	1,511	-	-
Add opening cash equivalents		3,842	2,331		
Closing cash equivalents		4,429	3,842	-	-
Reconciliation of closing cash equivalents to the balance sheet:					
Cash and cash equivalents		4,429	3,871		
Bank overdraft		-	(29)		
Closing cash equivalents	10	4,429	3,842	-	-

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 75 to 110 form part of the financial statements.

notes to the financial statements
for the year ended 31 March 2013

1. General Information

SmartPay Holdings Limited (the "Parent") is a New Zealand company registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The Parent is an issuer in terms of the Financial Reporting Act 1993. The addresses of its registered office and principal place of business are disclosed in the directory to the annual report.

The consolidated financial statements of SmartPay Holdings Limited comprise the Parent and its subsidiaries (together referred to as the "Group").

The Parent is a profit-oriented entity. The Group is a provider of technology products, services and software to merchants and retailers in New Zealand and Australia.

2. Summary of Significant Accounting Policies

a. Statement of Compliance

The Parent is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

The financial statements comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Directors on 28 June 2013.

b. Basis of Preparation

The Group financial statements have been prepared on a historical cost basis except for certain assets, which have been measured at fair value. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The principal accounting policies are set out below.

The going concern assumption is applied, whilst noting a working capital deficit at 31 March 2013 of $672,000. The going concern assumption is supported by current cash flow and cash flow forecasts for 2013 / 2014.

c. Functional and Presentation Currency

The financial statements are presented in New Zealand dollars ($), which is the Parent's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

d. Accounting Judgements and Major Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 3 for a discussion of judgements in applying the accounting policies, and major sources of estimation uncertainty.

e. Adoption of New and Revised Standards and Interpretations

i) Standards and Interpretations Effective in the Current Period

Standards with a disclosure impact include:

FRS 44 New Zealand Additional Disclosures

- Other Clarifications

There have been a number of other clarifying amendments to various standards which have not had a material impact on the Group in 2013.

ii) Standards on Issue Not Yet Adopted	Effective Date*
NZ IFRS 9 Financial Instruments	1 January 2015
NZ IFRS 10 Consolidated Financial Statements	1 January 2013
NZ IFRS 11 Joint Arrangements	1 January 2013
NZ IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
NZ IFRS 13 Fair Value Measurement	1 January 2013

* The effective date for the Group is the commencement date of the next accounting period after the Effective Date

Directors expect to adopt the above Standards and Interpretations in the period in which they become mandatory however none are expected to have a material impact on the measurement or recognition policies of the Group. There may be further disclosures required by those standards.

f. Consolidation

The Group financial statements incorporate the financial statements of the Parent and entities controlled by the Parent (its subsidiaries). Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of the subsidiaries are prepared using consistent accounting policies which may involve making adjustments to the financial statements of subsidiaries to bring them into line with other members of the Group.

All intra-group balances, transactions, income and expenses have been eliminated in full on consolidation.

Investments in subsidiaries are recorded at cost less any impairment provision in the Parent company's financial statements.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any costs directly attributable to the business combination are expensed in the Statement of Comprehensive Income.

Any excess of the cost of acquisition over the aggregate fair values of the identifiable net assets acquired is recognised as goodwill. Goodwill arising on acquisition is recognised as an asset and initially measured at cost. Refer to note 2.t for the Group's accounting policy on Goodwill.

Where equity instruments are issued in a business combination, the fair value of the instruments is the published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. The 20 days volume weighted average prior to the date of exchange is used when there is low trading volume in the shares. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

g. Foreign Currencies

i) Foreign Currency Transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of any group entity whose functional currency is not New Zealand dollars is converted to New Zealand dollars being the functional currency of the Parent.

Transactions in currencies other than an entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated to the entity's functional currency at rates prevailing at the end of the reporting period.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the Statement of Comprehensive Income in the period in which they arise.

ii) Foreign Operations

For the purpose of presenting the Group financial statements, the assets and liabilities of the Group's foreign operations are expressed in New Zealand dollars using exchange rates prevailing at the end of the reporting period. Items in the Statement of Comprehensive Income are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in Other Comprehensive Income and accumulated as a separate component of equity in the Group's Foreign Currency Translation Reserve. Such exchange differences are reclassified from equity to income (as a reclassification adjustment) on disposal of the net investment.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

h. Comparatives

When the presentation or classification of items is changed, comparative amounts are reclassified unless the reclassification is impractical.

During the period the changes to lease accounting has necessitated substantial restatement of the comparative period reported (see Note 33). Other than that there have been only minor presentation or classification changes in the current period.

i. Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

i) Operating Lease Income

Rental agreements for terminals recognised as operating leases result in revenue being recognised on a straight line basis over the term of the lease.

ii) Finance Lease Income

Rental agreements for terminals where substantially all the risks and rewards are considered to have transferred to the customer are recognised as a sale of the terminal hardware and as a finance lease transaction. The income from the sale of the terminal is recognised according to 2.i.(iv) below and the finance lease transaction is recognised based on the net present value of the future cash flows over the term of the agreement using the effective interest method.

iii) Service and Software Revenue

The component of revenue relating to servicing of terminal assets subject to rental agreements including provision for software upgrades for terminals is recognised as the services are provided over the term of the agreement.

iv) Terminals and ancillary devices sold

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

v) Finance Income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the finance income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

vi) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

j. Share-based Payment Transactions

Equity Settled Transaction

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). Similarly share based benefits have been provided to other parties such as consultants and financiers, in settlement of services rendered.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of SmartPay Holdings Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of:

- The grant date fair value of the award;

- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

- The expired portion of the vesting period. The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

k. Finance Costs

Interest expense is accrued on a time basis using the effective interest method and are recognised as an expense when incurred.

l. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

i) Current Tax

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit as reported in the Statement of Comprehensive Income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date. Current tax assets and liabilities are the tax balances due from or owing to taxation authorities.

ii) Deferred Tax

Deferred income tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Current and deferred tax are recognised as an expense or income in profit or loss except when they relate to items recognised in other comprehensive income or directly in equity in which case the tax is also recognised in other comprehensive income or directly in equity, or where they arise from initial accounting for a business combination.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to off-set current tax assets against current tax liabilities and when they are levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

iii) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

m. Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash, net of outstanding bank overdrafts and which are subject to an insignificant risk of changes in value.

The following terms are used in the Statement of Cash Flows:

- operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities; and

- investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

- financing activities are the fund raising activities of the Group from both owners and financiers. Any dividends paid are classified as part of financing activities.

n. Financial Assets

Financial assets are classified by NZ IAS 39 Financial Instruments: Recognition and Measurement into the following categories:

- financial assets at fair value through profit and loss
- held-to maturity investments
- available-for-sale financial assets
- loans and receivables

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and when allowed and appropriate, re-evaluates this designation at each reporting date.

When financial assets are initially recognised they are measured at fair value, plus, in the case of assets not at fair value through profit and loss, directly attributable transaction costs.

The Group has the following classifications:

i) Financial Assets at Fair value through Profit & Loss

This category has two sub categories

- financial assets held for trading
- those designated at fair value through profit and loss on initial recognition

The Group's derivative financial instruments are categorised 'at fair value through profit and loss' on initial recognition.

ii) Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as loans and receivables.

Trade receivables are amounts due from customers for services performed and goods provided in the ordinary course of business. Trade receivables, which generally have 30-60 day terms, are recognised at fair value less an allowance for any uncollectible amounts. Some trade receivables relating to Telephony have one week payment terms.

Finance lease receivables are amounts due from customers who have taken out rental agreements at the time of taking possession of their EFTPOS terminals. See note 2.i. (ii).

Impairment of Financial Assets

Collectability of trade receivables and finance lease receivables are reviewed on an on-going basis. Trade receivables that are known to be uncollectible are written off when identified. Finance lease receivables that are known to be uncollectible will have the terminal repossessed and the debt written off.

Financial assets, other than those financial assets at fair value through profit and loss are assessed for indicators of impairment at the end of each reporting period including trade and finance lease receivables on a collective basis. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows.

Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

o. Derivative Financial Instruments

The Group's derivative financial instruments are categorised 'at fair value through profit and loss' on the date a derivative contract is entered into and are subsequently remeasured to their current fair value at each reporting date. The resulting gain or loss of any derivative is recognised immediately in the profit and loss.

The balance outstanding of derivative financial instruments are classified as current assets or liabilities if they are expected to be realised within 12 months otherwise they are treated as non-current assets or liabilities.

p. Merchant Terminals and Property, Plant and Equipment

Merchant terminals and plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Comprehensive Income as incurred.

Terminals on hand are held in capital works in progress and are valued at cost after due consideration for excess and obsolete items. Costs are assigned on the basis of standard costs which are reassessed periodically as the costs change.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets and charged to the Statement of Comprehensive Income as follows:

- Merchant terminals - 6 years
- Computer equipment – between 3 and 10 years
- Furniture, fixtures and office equipment - between 2 and 12 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal

A merchant terminal or an item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is de-recognised.

q. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

i) Group as Lessor

Refer to notes 2.i.(i) & (ii) and 2.n.(ii).

ii) Group as Lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction in the lease obligation. The finance lease costs are charged directly to the Statement of Comprehensive Income.

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

r. Intangibles

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

i) Computer Software and Development Costs

All costs directly incurred in the purchase or development of major computer software or subsequent upgrades and material enhancements, which can be reliably measured and are not integral to a related asset are capitalised as intangible assets. Direct costs may include payroll and on-costs for employees directly associated with the project. Costs incurred on computer software maintenance are expensed to the Statement of Comprehensive Income as they are incurred. Computer software is amortised on a straight line basis over the period of time during which benefits are expected to arise, being three to ten years. Amortisation commences once the computer software is available for use.

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

ii) Intangible Assets Acquired in a Business Combination

Intangible assets other than goodwill acquired in a business combination are identified and recognised separately where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition (including any adjustment to previous provisionally assessed fair values), intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses where they have finite useful life's.

iii) Research and Development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the Statement of Comprehensive Income when incurred.

iv) Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- capitalised development costs	2-5 years
- customer contracts	8 years

s. Impairment of Non-financial Assets Other Than Goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

t. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated across the Group's cash-generating unit or units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit/group of cash-generating units, to which the goodwill relates. When the recoverable amount of the cash-generating unit/group of cash-generating units is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit/group of cash-generating units and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

u. Financial Liabilities and Equity Instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

i) Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares are classified as equity. The equity portion of compound financial instruments is included in equity.

ii) Financial Liabilities

Financial liabilities, including borrowings and trade payables and accruals, are initially measured at fair value, plus directly attributable transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with any interest expense recognised on an effective interest basis.

Preference shares, which are mandatorily redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised in the Statement of Comprehensive Income as interest expense.

Compound financial instruments issued by the Parent comprise convertible notes that can be converted to share capital at the option of the holder and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognised initially at their fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound equity instrument is not remeasured subsequent to initial recognition except on conversion or expiry.

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 end of the reporting period.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

v. Provisions and Employee Leave Benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in interest costs.

Employee Leave Benefits

Wages, salaries, annual leave and sick leave: Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

w. Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members of the Group, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the Group, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

x. Fair value of financial assets and liabilities

Fair Value Methodologies

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

> Certain Short Term Financial Assets

For cash and short term funds, balances with other financial institutions with maturities for less than 3 months and other types of short term financial assets, the carrying value of these financial instruments are considered to approximate fair values as they are short term in nature or are receivable on demand.

> Finance Receivables

The fair value is the net present value of the future cash flows over the term of the agreement using the effective interest method.

> Other Financial Assets

The carrying value of accrued interest and income receivable approximate fair values as they are short term in nature or are receivable on demand. Prepaid expenses are not considered financial assets.

> Payables and Other Financial Liabilities

This category includes accrued interest and payables for which the carrying amount is considered to approximate fair value, as they are short term in nature or are payable on demand. Income tax liabilities, provisions and accrued charges are not considered financial liabilities.

> Borrowings

The fair value of borrowings is the amount payable on demand as at balance date. The carrying values of all liabilities with maturities of less than 12 months are considered to approximate fair values as they are short term in nature. In respect of borrowings with maturities greater than 12 months they are recognised at fair value.

y. Government Grants

Government grants that compensate the Group for expenses incurred are recognised as profit and loss in the same periods in which the expenses are recognised.

z. Changes in Accounting Policies

There have been no changes in accounting policies during the year.

3. Significant Accounting Judgments, Estimates and Assumptions

In applying the Group's accounting policies management continually evaluate judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by the Directors and management in the preparation of these financial statements are outlined below.

a. Significant Accounting Judgements

i) Impairment of Non-Financial Assets Other Than Goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product sales expectations. If an impairment trigger exists the recoverable amount of the asset is determined.

ii) Revenue Recognition

In making their judgement, the Directors considered the detailed criteria for recognising income on terminal lease agreements with customers, see note 2.i (i) and 2.i (ii).

iii) Recovery of Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences as the Directors consider that it is probable that future reversal of deferred tax liabilities will off-set the temporary differences. However the Directors have reversed the deferred tax asset that arose from the partial recognition of the prior years tax losses as it was no longer probable that the losses could be utilised over the next 2 to 3 years. Utilisation of tax losses requires that the shareholder continuity remains above 49%. Currently shareholder continuity is 50.6% so there is no longer certainty all the current tax losses will be able to be retained. These are reassessed regularly as circumstances change but it is anticipated a substantial level of losses will still be available in the future based on resetting the start date for the determination of continuity of ownership.

iv) Provisions

Judgements were required to determine the likely levels of provisioning.

b. Significant Accounting Estimates and Assumptions

i) Impairment of Goodwill and Intangibles with Indefinite Useful Lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with useful lives are discussed in note 20 and 21.

ii) Allowance for Impairment Loss on Trade and Lease Receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. Assessment is based on supportable past collection history and historical write-offs of bad debts. Receivables have been disclosed at the carrying value in note 11.

iii) Deferred Tax Asset

A deferred tax benefit has been recognised historically. This year this has been considered in the context of the sizable tax losses already being carried forward from prior years. As a result no deferred tax benefit has been recognised on the current year tax losses. As mentioned above the existing tax losses recognised have been reversed see note 3.a.(iii) above.

iv) Estimation of Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary. Depreciation and amortisation charges are included in notes 17, 18 and 19.

v) Provisions

A number of provisions (see note 24) have been established where the Group has a present obligation requiring an outflow of resources. The Directors have assessed the likelihood and timing of the obligations maturing in the future and provided for those. See additional comment in note 3.a.(iv) above.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise loans and interest rate swaps. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as overdrafts, cash, accounts receivable, finance lease receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments, assets and liabilities are risks in the movement of, interest rates and foreign exchange rates, liquidity risk, and credit risk. The Board reviews and agrees policies for managing each of these risks as summarized below.

a. Market Risk

(i) Foreign Currency Risk

The Group has a growing Australian business and an exposure to foreign exchange risk. The Group acquires terminal assets from foreign suppliers and they are denominated in USD.

(ii) Cash Flow and Fair Value Interest Rate Risk

The Group's only significant financial assets subject to floating interest rates is its cash held in the bank, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from its borrowings. When the Group refinanced its borrowings in July 2012 an interest rate swap agreement was entered into in October 2012 in respect of 75% of the interest obligations which mirrors the amortisation profile of the ASB facility see note 26. The Group entered into a second interest rate swap to cover 75% of the interest obligations in respect of the increase in the facility in Jan 2013 for the purposes of the acquisition of the business of Viaduct Limited and this also mirrors the amortisation profile of the ASB facility.

b. Credit Risk

In the normal course of business, the Group incurs credit risk (defined as the risk of failure of a counterparty to a transaction) from accounts receivable, finance lease receivables and transactions with financial institutions.

Management have a credit policy in place and the exposure to credit risk is monitored on an on-going basis with the review of payment history of trade and lease receivable and finance lease receivables. A review of all types of accounts takes place daily with active measures taken to collect outstanding amounts and prevent them becoming non performing accounts. On the lease receivables the terminals remain the property of the Group and in New Zealand a financing statement is registered under the Personal Property Securities Act 1999 in respect of each terminal and repossession can be undertaken in the event of default of the debt. In Australia financing statements are registered where possible under the Personal Property Securities Act 2009 which came into force in October 2011.

See note 36 for more explanation on determining objective evidence that an impairment has occurred and an analysis of accounts overdue and concentrations of credit risk.

With financial institutions the Group deals with high credit quality financial institutions in placing its cash and deposits.

c. Liquidity Risk

Liquidity risk arises from the financial liabilities of the Group and the ability to meet their obligations to repay their financial liabilities as and when they fall due. The objective is to maintain a balance between continuity of funding and committed available credit lines. See note 27 for more information on the Group's Capital Management processes.

The Group manages its liquidity by forecasting and monitoring the total cash flows on a daily, monthly and annual basis (see note 36e). The Group refinanced its various facilities in July 2012 and now has all its facilities with one financial institution and the Directors do not foresee any issues in maintaining sufficient cash to meet its commitments.

d. Fair Values

The carrying value of all debt and finance leases is the fair value of these liabilities.

5. Segment Information

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments, whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

The Group's business provides technology solutions through various product lines into the same markets, to the same customers, with all product lines being reported as a single business.

The management of SmartPay has undergone change during 2012 and as a result there has been a change of emphasis in the information required by the chief operating decision maker.

The only data that is reviewed by management that is analysed by any segment breakdown is revenue showing the various revenue streams split geographically.Costs and funding are not analysed for decision making purposes to a segment level.

	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue								
Operating lease, software and support revenue	11,920	9,071	2,040	2,072			13,960	11,143
Other service revenue	852	1,985	998	1,139			1,850	3,124
Sale of goods	653	208	-	1,197			653	1,405
Finance revenue	7	11	109	9			116	20
Other revenue	93	66	-	-			93	66
Inter segment sales	371	306	-	-	(371)	(306)	-	-
Total segment revenue	13,896	11,647	3,147	4,417	(371)	(306)	16,672	15,758
Capital expenditure	2,306	1,794	234	1,032			2,540	2,826
Non current assets	31,769	18,806	2,047	2,706			33,816	21,512

In New Zealand no customer represents more than 10% of total revenues so there is no concentration of customers. In Australia two customers make up 91% of sales, one of those represents 48% of total Australian revenues.

The inter segment sales are for terminals and software sold by New Zealand to Australia at wholesale prices.

6. Other Income

6. Other Income

The following items are included in sundry income:

	Group		Parent	
	2013	2012 Restated	2013	2012
	$'000	$'000	$'000	$'000
Bad debts recovered	19	11	-	-
Foreign exchange gains	31	-	-	-
Gains on disposal of fixed assets	-	1	-	-
	50	12	0	0

7. Expenditure

The following items are included within the Statement of Comprehensive Income:

	Group		Parent	
Net finance costs	2013	2012 Restated	2013	2012
	$'000	$'000	$'000	$'000
Intercompany interest paid / (received)	-	-	(2,487)	(1,213)
Other interest received	(79)	(4)	-	-
Interest on bank overdrafts and borrowings	2,034	3,253	-	-
Interest on convertible notes	111	182	111	182
Interest on redeemable preference shares	-	10	-	-
Finance transaction fees amortisation	1,344	1,844	(58)	187
	3,410	5,285	(2,434)	(844)

Other specific costs included in expenditure

	Group		Parent	
Auditors fees:				
Audit fees to the principal auditor	350	78	-	-
Taxation services - consultancy - to an affiliate company of the principal auditor	-	17	-	-
Non audit fees to principal auditor	27	-	-	-
Depreciation of property, plant and equipment				
Merchant terminals	2,200	1,851		
Computer equipment	298	616	-	-
Motor vehicles	4	-		
Furniture, fixtures and office equipment	45	17	-	-
Amortisation of intangible assets				
Software	1,844	2,258	-	-
Customer contracts	94	-	-	-
Bad debts	297	503	-	-
Impairment of receivables	12	(241)	-	-
Directors fees	183	136	183	136
Foreign exchange losses	-	27	-	21
Operating lease payments	612	615	-	-

8. Taxation Expense / (Credit)

	Group		Parent	
	2013 $'000	2012 Restated $'000	2013 $'000	2012 $'000
Income tax expense / (credit) comprises:				
Current income tax	-	(4)	-	-
Deferred tax	974	(571)	93	(19)
Income tax expense / (credit)	974	(575)	93	(19)
Reconciliation between charge for year and accounting profit				
Profit/(loss) before tax	(4,053)	(13,008)	(51,840)	(703)
Income tax at 28%	(1,135)	(3,642)	(14,515)	(197)
Add/(deduct) the tax effect of:				
Non-deductible expenses	323	160	15,224	225
Non-assessable income	(945)	-	-	-
Australian tax rate difference	(16)	4	-	-
Write off tax losses	1,009	(4)	-	-
Current year tax losses not recognised	1,738	2,907	(616)	(47)
Income tax expense / (benefit)	974	(575)	93	(19)

The tax rate used in the above reconciliation is the corporate tax rate applicable at 31 March 2013 payable on taxable profits under New Zealand (28%) and Australian tax law (30%). The parent company current year tax liability of $616,000 (2012 : $47,000) has been offset by SmartPay Group losses.

9. Earnings per Share

The calculation of basic and fully diluted earnings per share is as follows:

	Group	
	2013	2012 Restated
Basic earnings/(loss) per share - cents	$'000	$'000
Profit/(loss) for the period	(5,037)	(12,436)
Weighted average number of shares ('000)	267,144	124,159
Basic earnings/(loss) per share - cents	(1.886)	(10.016)

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares issued during the year.

Diluted earnings/(loss) per share - cents	Group	
Diluted weighted average number of shares	**2013**	**2012 Restated**
Weighted average number of shares	267,144	124,159
Weighted average number of shares attributable to the share options and convertible notes	44,784	28,489
Diluted weighted average number of shares	311,928	152,648
Diluted earnings/(loss) per share - cents	(1.886)	(10.016)

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares whether issued or able to be issued during the year. All the convertible notes were either converted or redeemed in 2013 so there are none to be included in the calculation. In 2012 the calculation excluded the impact of 30,000,000 shares - after consolidation potentially issuable as a result of the convertible notes on issue during that year as they were not dilutionary. For 2013 the share options were not dilutionary so the calculation excludes the impact of 53,000,000 shares (2012: 39,000,000 shares) potentially issuable.

10. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding overdrafts.

	Group		Parent	
Cash and cash equivalents	**2013**	**2012 Restated**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and in hand	4,429	3,871	-	-
Bank overdraft - secured	-	(29)	-	-
Total cash and bank balances	4,429	3,842	-	-

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

11. Trade and Other Receivables

	Note	Group		Parent	
		2013	**2012 Restated**	**2013**	**2012 Restated**
		$'000	**$'000**	**$'000**	**$'000**
Accounts receivable		1,897	1,357	-	-
Less impairment provision on receivables		(222)	(424)	-	-
Finance lease receivable - current	14	268	247	-	-
Accrued revenue		327	-	-	-
Prepayments		236	129	-	3
GST		70	292	76	76
Other receivables		19	22	-	-
Total trade and other receivables		2,595	1,623	76	79

An allowance for impairment loss is recognised when there is objective evidence that a receivable is impaired.

The Group manages its receivables in line with its approved credit control procedures see note 4 b.

12. Non Current Assets Held for Sale

	Group		Parent	
	2013	2012 Restated	2013	2012
	$'000	$'000	$'000	$'000
FIVO non current assets	108	-	-	-
VoIP non current assets	50	-	-	-
	158	-	-	-

Subsequent to balance date sales were concluded of both the FIVO Wi-Fi assets and the VoIP telephony assets.

13. Derivative Financial Instruments

a. Foreign currency instruments

In 2012 the Group entered into forward currency hedging contracts covering Australian dollar receipts from customers that had been used as security for New Zealand dollar interest bearing loans from FE Investments Ltd (FE). The contracts were in a subsidiary company - the Parent has no derivative financial instruments. The contracts provided cover for the Australia dollar receipts that were required to be repaid to FE in New Zealand dollars through to March 2015. This loan from FE was repaid in July 2012 and the forward currency hedging contracts were closed out.

The average rates are:	2013	2012
Sell A$ maturity 0-12 months	-	0.7690
Sell A$ maturity from 1 year - 5 years	-	0.7784

Fair Value

The Group estimates the fair value of its derivatives using inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), this method is known as Level 2. The Group values these by comparing the contracted rate to the market rates for contracts with the same or similar lengths of maturity and accruing for the difference. At 31 March 2012 the fair value of the contracts was negligible. The face value of the contracts at 31 March 2012 were:

	Group		Parent	
	2013	2012 Restated	2013	2012
Assets	$'000	$'000	$'000	$'000
Fair Value of derivatives used as cover for revenue - current	-	1,110	-	-
Fair Value of derivatives used as cover for revenue - term	-	1,485	-	-

b. Interest rate instruments

The Group's subsidiary Smartpay New Zealand Limited has entered into two interest rate swap transactions with ASB Bank Limited. The first interest rate swap was entered into on 17 October 2012 for a notional amount of $14,175,000 decreasing by $375,000 per quarter and terminating on 30 June 2015 whereby the Group pays fixed 2.88% and receives floating rate (90 day bill rate BKBM). The second swap was entered into on 20 February 2013 for a notional amount of $8,512,000 decreasing by $187,500 per quarter and terminating on 30 June 2015 whereby the Group pays fixed 3.28% and receives floating (90 day bill rate BKBM). The fair value is included in the borrowings balance.

Fair Value

	Group		Parent	
	2013	2012 Restated	2013	2012
	$'000	$'000	$'000	$'000
Swap A receives floating, pay fixed 2.88%	8	-	-	-
Swap B receives floating, pay fixed 3.28%	(60)	-	-	-
Total	(52)	-	-	-

14. Non Current Finance Receivables

	Group		Parent	
	2013	2012 Restated	2013	2012 Restated
	$'000	$'000	$'000	$'000
Total finance lease receivables	1,102	1,368	-	-
less current portion of finance lease receivables	(268)	(247)	-	-
Non current finance lease receivables	834	1,121	-	-

Finance Lease Receivable

2013	Current	1-5 Years	Total
Finance leases - gross receivable	361	956	1,317
less unearned finance income	(93)	(122)	(215)
	268	834	1,102
less provision for impairment of finance leases	-	-	-
Total finance lease receivables	268	834	1,102

2012	Current	1-5 Years	Total
Finance leases - gross receivable	367	1,339	1,706
less unearned finance income	(120)	(218)	(338)
	247	1,121	1,368
less provision for impairment of finance leases	-	-	-
Total finance lease receivables	247	1,121	1,368

There is no residual value and the lessee is required to provide insurance on the terminals and the lease payments are made monthly during the term of the lease.

The Group manages its receivables in line with its credit control procedures.

An allowance for impairment loss is recognised when there is objective evidence that a receivable is impaired. Finance lease receivables are generally recoverable evenly over the relevant lease period . They are initially recorded at their discounted value using a market discount rate for similar activities (currently and last year 8.25%).

15. Investments

The cost of investments in subsidiaries owned by the parent company are:

	Parent	
	2013	2012
	$'000	$'000
Subsidiaries		
SmartPay New Zealand Limited	6,000	6,000
SmartPay Software Limited (formerly Software International Limited)	480	480
SmartPay Technologies Limited	-	2,086
Retail Radio Limited	-	1,850
Merchant IP Services Limited	-	1,755
FIVO Limited	-	1,880
SmartPay Rentals Limited (formerly MIPS Financial Services Limited)	16	16
Total investments	6,496	14,067
Provision for impairment	(6,480)	-
Net investments	16	14,067

An amalgamation of subsidiaries occurred in 2013 and the cost of investments in the Parent of those subsidiaries, where the assets had already been transferred, resulted in a write off of the SmartPay Technologies Limited, Retail Radio Limited, Merchant IP Services Limited and FIVO Limited loans totalling $7,571,000. In addition a provision for impairment in the Parent of $6,480,000 was provided against the remaining companies.

The consolidated financial statements include the financial statements of SmartPay Holdings Limited and the subsidiaries listed in the following table.

	Equity Interest		Place of Incorporation	Activities
Subsidiaries	**2013**	**2012**		
SmartPay Limited (formerly SmartPay Cadmus Limited)	100%	100%	NZ	Product and services
SmartPay New Zealand Limited	100%	100%	NZ	Product and services
SmartPay Software Limited (formerly Software International Limited)	100%	100%	NZ	Software ownership
Retail Radio Limited	-	100%	NZ	Amalgamated into Viaduct Limited
Merchant IP Services Limited	-	100%	NZ	Amalgamated into Viaduct Limited
FIVO Limited	-	100%	NZ	Amalgamated into Viaduct Limited
Sampro Limited	-	100%	NZ	Amalgamated into Viaduct Limited
Viaduct Limited (formerly NetPay Limited)	100%	100%	NZ	Non-trading
SmartPay Rental Services Limited (formerly MIPS Financial Services Limited)	100%	100%	NZ	Rental of equipment
Fonefill Limited	-	100%	NZ	Amalgamated into Viaduct Limited
Next Generation Networks Limited	-	100%	NZ	Amalgamated into Viaduct Limited
SmartPay Investments Limited	-	100%	NZ	Amalgamated into Viaduct Limited
SmartPay Rentals Limited	-	100%	NZ	Amalgamated into Viaduct Limited
SmartPay Transactions Limited	-	100%	NZ	Amalgamated into SmartPay Software Limited
SmartPay HL Limited	-	100%	NZ	Amalgamated into Viaduct Limited
SmartPay Saffill Limited	-	100%	NZ	Amalgamated into Viaduct Limited
SmartPay Transaction Delivery Services Limited	-	100%	NZ	Amalgamated into Viaduct Limited
SmartPay Technologies Limited	-	100%	NZ	Amalgamated into Viaduct Limited
SmartPay Subscriptions limited	-	100%	NZ	Amalgamated into Viaduct Limited
SmartPay Australia Pty Limited	100%	100%	Aust	Product and services
SmartPay Rentals Pty Limited (formerly Merchant IP Financial Services Pty Limited)	100%	100%	Aust	Rental
Cadmus Payment Solutions Pty Limited	100%	100%	Aust	Product and services
SmartPay Ethos Limited	100%	100%	NZ	Software ownership
Product Rentals Pty Limited	100%	100%	Aust	Rental of equipment

All the companies that were amalgamated were done so on 16 October 2012 and de-registered.

> NetPay Limited

changed its name to Viaduct Limited following the acquisition in note 16.

> SmartPay HL Limited
was established in February 2012 with a nominal capital and was non-trading and has subsequently been amalgamated into NetPay Limited (now Viaduct Limited).

> SmartPay Saffill Limited
was established in August 2011 with a nominal capital to provide funding lines to the Group and has subsequently been amalgamated into NetPay Limited (now Viaduct Limited).

16. Business Combinations

On 23 January 2013 the business and assets of Viaduct Limited were acquired by Smartpay Limited. Viaduct operated a large, well established EFTPOS terminal fleet and was one of the largest eftpos providers in New Zealand. The acquisition of the Viaduct business and assets significantly increased the size of Smartpay.

The fair values of the identifiable assets and liabilities acquired from Viaduct Limited as at the date of acquisition were:

	Group Fair Value at Acquisition date **$'000**
GST receivable	32
Property, plant & equipment - merchant terminals	4,066
Property, plant & equipment - merchant terminals CWIP	812
Property, plant & equipment - other	102
Intangible assets - computer software & development	29
Intangible assets - customer contracts	2,087
Intangible assets - goodwill	10,245
Employee entitlements	(37)
Deferred tax liability	(584)
Total consideration	16,752

The following summarises the major classes of consideration transferred and the recognised amounts and assets acquired and liabilities assumed at the acquisition date.

Consideration:	
Shares issued at fair value	2,541
Cash paid	14,211
Total consideration	16,752

The fair values have been determined on a provisional basis.

The fair value of customer relationships, inventory and property, plant and equipment has been determined provisionally pending completion of the valuation.

If the business of Viaduct had been owned by SmartPay for the full year the operating profit would be $2,800,000

If new information obtained within one year from the date of acquisition about the facts and circumstances that existed at the acquisition date identified adjustments to the above amount or any additional provisions that existed at the date of acquisition, then the acquisition accounting will be revised.

Equity Instruments Issued

The fair value of the ordinary shares was based on the listed share price of the company at 23 January 2013 of 16.5 cents per share.

Costs of the Acquisition:

Costs associated with issuance of ordinary shares (capitalised to equity)	13
Debt raising costs amortised over the period of the loan	126
Other costs expensed	177
Total transaction costs with respect to the Viaduct acquisition	316

17. Property, Plant and Equipment - Merchant Terminals

Merchant terminals represents the equipment leased by customers, primarily EFTPOS terminals.

	Group		Parent	
	2013	2012 Restated	2013	2012
	$'000	$'000	$'000	$'000
Opening carrying value	6,007	4,990	-	-
Purchase of Viaduct	4,066	-	-	-
Additions - other	1,429	2,921	-	-
Depreciation	(2,200)	(1,851)	-	-
Opening balance FX adjustment	(25)	(53)	-	-
Closing carrying value	9,277	6,007	-	-
Capital work in progress				
Capital work in progress	2,859	2,541	-	-
Impairment	(350)	(658)	-	-
	2,509	1,883	-	-
Total Merchant Terminals	11,786	7,890	-	-
Reconciled to:				
Cost	12,270	7,645	-	-
Less accumulated depreciation	(2,993)	(1,638)	-	-
Closing carrying value	9,277	6,007	-	-
Capital work in progress	2,509	1,883		
Total Merchant Terminals	11,786	7,890	-	-

ASB Bank Ltd has a general security over the assets of the Parent and certain subsidiaries.

18. Property, Plant and Equipment - Other

	Furniture, fixtures and office equipment at cost		Computer equipment at cost		Motor Vehicles at cost		Group Total	
	2013	2012 Restated	2013	2012 Restated	2013	2012 Restated	2013	2012 Restated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening carrying value	39	56	1,474	2,528	-	-	1,513	2,584
Purchase of Viaduct	34	-	26	-	42	-	102	-
Additions - other	7	-	60	62	54	-	121	62
Depreciation	(45)	(17)	(298)	(616)	(4)	-	(347)	(633)
Impairment	-	-	(160)	(500)	-	-	(160)	(500)
Transfer to Non current assets held for sale	-	-	(78)	-	-	-	(78)	-
Closing carrying value	35	39	1,024	1,474	92	-	1,151	1,513
Reconciled to:								
Cost	172	173	4,499	5,656	96	-	4,767	5,829
Less accumulated depreciation	(137)	(134)	(3,475)	(3,682)	(4)	-	(3,616)	(3,816)
Less accumulated impairment	-	-		(500)	-	-	-	(500)
Closing carrying value	35	39	1,024	1,474	92	-	1,151	1,513

ASB Bank Ltd has a general security over the assets of the Parent and certain subsidiaries. In July 2012 FE Securities Limited had first specific security over a number of terminals with respect to their respective loan agreements which lapsed on the repayment of those loans.

In 2012 the directors considered impairment and determined that the property, plant and equipment relating to the FIVO internet business was impaired based on its current value and wrote $500,000 off its book value in addition to the normal year's depreciation to its value in use. During 2013 this was further written down to reflect the sale value of the assets and a further $160,000 was written off and the asset transferred to Non Current Assets Held for Sale with a book value of $78,000 (see note 12).

19. Computer Software and Development

Computer software and development costs are intangible assets.

	Group Computer software and development - Group	
	2013	2012 Restated
	$'000	$'000
Opening carrying value	4,165	7,453
Additions	917	389
Purchase of Viaduct	29	-
Amortisation	(1,844)	(2,258)
Impairment	-	(1,419)
Transfer to Non current assets held for sale	(80)	-
Closing carrying value	3,187	4,165
Reconciled to:		
Cost	14,848	14,186
Less accumulated amortisation and impairment	(10,242)	(8,602)
Less accumulated impairment	(1,419)	(1,419)
Closing carrying value	3,187	4,165

The directors have considered impairment, as outlined in notes 3.(b)(i)and 18. The software associated with FIVO of $30,000 and VoIP of $50,000 have been transferred to Non Current Assets Held for Sale (see note 12). Last year $1,419,000 was provided against the Ethos software which was considered to have no value .

Significant Computer Software and Development

(i) ARMS

The ARMS software was originally purchased but has been subsequently developed further by the Group from its own resources, to manage and account for the prepaid and top-up revenues.

(ii) STANDS

STANDS is transaction processing software. The principle function is to process payment at point of sale. It has a carrying value of $880,000 (2012: $1,004,000).

(ii) Other Internally Developed Software

Other internally developed software to operate and manage the EFTPOS terminals has a carrying value of $1,841,000 (2012: $2,306,000).

20. Customer Contracts

Customer contracts relate to the lease contracts purchased as part of the business combination of Viaduct and are valued at fair value.

	Group		Parent	
	2013	2012 Restated	2013	2012 Restated
	$'000	$'000	$'000	$'000
Opening carrying value	-	-	-	-
Purchase of Viaduct	2,087	-	-	-
Additions - other	23	-		
Amortisation	(94)	-	-	-
Closing carrying value	2,016	-	-	-
Reconciled to:				
Cost	2,110	-	-	-
Less accumulated amortisation	(94)	-	-	-
Closing carrying value	2,016	-	-	-

21. Goodwill

	Group		Parent	
	2013	2012 Restated	2013	2012
	$'000	$'000	$'000	$'000
Opening value net of accumulated impairment	5,350	5,350	-	-
Purchase of Viaduct	10,245	-	-	-
Impairment	(753)	-	-	-
Closing carrying value	14,842	5,350	-	-
Reconciled to:				
Cost	16,014	5,769	-	-
Less accumulated impairment	(1,172)	(419)	-	-
Closing carrying value	14,842	5,350	-	-

The goodwill of $753,000 associated with the FIVO assets which have been transferred to Non Current Assets Held for Sale has been written off as not recoverable.

a. Impairment

At 31 March 2013 and 2012 the directors tested the goodwill for impairment. The impairment testing was performed over the New Zealand business on the basis that the goodwill relates only to New Zealand. The recoverable amount was determined by taking the value in use compared to the carrying amount. The value in use was also tested against market capitalisation. This testing indicated no impairment had occurred.

The value in use methodology has been applied using past experience of sales, growth and margin to determine the expectations for the future. These cash flows are based on the Director's view of the projected 5 years of cash flows. Cash flows beyond 5 years have been estimated using terminal growth rates of 2% (2012: 2%) considered to be in line with expected long run inflation.

The cash flows are discounted using a nominal rate of 10% (2012: 13.2%) after tax. Expected sales and margin growth of 4% is forecast based on projected new business and the cash flow projections for the years 2015-2018 has been based on long run growth forecast which is in line with inflation expectations.

Adverse changes in actual performance or future rates of growth will reduce the calculated recoverable amount. A change to a discount rate of 11.75% or reduction in revenue of 4.5% is required for the carrying amount of goodwill to equal the recoverable amount.

22. Deferred Tax Asset / (Liability)

	Group		Parent	
Movements in deferred tax:	2013	2012 Restated	2013	2012
	$'000	$'000	$'000	$'000
Opening balance	1,473	902	93	74
FX rate change on opening balance	-	-	-	-
Deferred tax arising in business acquisition	(584)	-	-	-
Credit / (charge) to profit and loss	(974)	571	(93)	19
Balance at end of the year	(85)	1,473	-	93
Deferred tax balance comprises:				
Employee entitlements	79	133	-	-
Receivables impairment provision	71	147	-	-
Impairment provisions	167	267	-	93
License fee	314	362	-	-
Merchant terminals, property, plant and equipment	(292)	(350)	-	-
Computer software and development	(424)	48	-	-
Tax losses recognised	-	866	-	-
Total deferred tax balance	(85)	1,473	-	93
Deferred tax liability - New Zealand	(85)	1,394	-	93
Deferred tax asset - Australia	-	79	-	-
	(85)	1,473	-	93

a. Tax losses

The Group has aggregate New Zealand net tax losses of $19,454,000 as at 31 March 2013 (31 March 2012: $13,387,000) and in Australia net taxable losses at the same date of $2,386,000 (31 March 2012: $3,379,000). New Zealand tax losses amounting to $Nil (31 March 2012 $3,093,000) have been recognised in the balance sheet as deferred tax. See note 3.(b)(iii) for discussion on the criteria for recognising losses. Subject to IRD confirmation and maintaining the required shareholder continuity, these losses are available to carry forward in aggregate from the individual New Zealand companies within the Group. In Australia a different test is required to carry forward and utilise the losses. This requires that the same business continues to be conducted to maintain the availability of the losses. There are no plans to change the type of business.

23. Trade Payables and Accruals

	Group		Parent	
	2013	2012 Restated	2013	2012
	$'000	$'000	$'000	$'000
Trade payables	1,854	3,458	-	-
Other payables	92	24	-	-
GST	345	105	-	-
Deferred revenue	345	3,256	-	-
Accruals	1,537	1,423	-	-
Directors fees	-	27	-	27
Employee entitlements	799	802	-	305
Total trade payables and accruals	4,972	9,095	-	332

Trade payables are typically non-interest bearing and are normally settled in 7–60 day terms.

24. Provisions

A provision totalling $50,000 at 31 March 2013 (2012: $50,000) relates to the warranty claims provision on equipment in a subsidiary company.

	Warranty		Australian Terminal Upgrade		Group	
	2013	2012 Restated	2013	2012 Restated	2013	2012 Restated
	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance	50	50	-	318	50	368
Exchange adjustment	-	-	-	(20)	-	(20)
Costs recognised against provision	-	-	-	(298)	-	(298)
Balance at end of the year	50	50	-	-	50	50

- A provision for warranty cost in respect of faulty equipment supplied was made in 2010. It is anticipated that the warranty costs will largely be covered by manufacturers warranty.
- A provision for terminal equipment upgrades required by the lease agreements was established in 2010 as part of the Provenco acquisition. This was completed in 2012.

25. Income Tax Payable (Asset)

	Group		Parent	
	2013	2012 Restated	2013	2012
Current Tax	$'000	$'000	$'000	$'000
Opening balance	49	53	-	-
Current year charge/(credit)	-	(4)	-	-
Payments and RWT credits	(1)	-	-	-
Balance at end of the year - liability	48	49	-	-

Imputation credit account balances

Neither the Parent company or any of the subsidiary companies have any material imputation credit account balances.

26. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans which are measured at amortised cost. For more information about the Groups exposure to interest rate, foreign currency and liquidity risk see note 36.

	Group		Parent	
	2013	2012 Restated	2013	2012
Group A - Corporate Debt	$'000	$'000	$'000	$'000
Secured - at amortised cost				
Current	2,784	9,367	-	3,865
Non-current	25,969	-	-	-
	28,753	9,367	-	3,865
Total corporate debt	28,753	9,367	-	3,865
Group B - Rental Book Debt				
Secured - at amortised cost				
Current	-	13,362	-	-
Non-current	-	6,709	-	-
Total rental book debt	-	20,071	-	-
Total Borrowings	28,753	29,438	-	3,865
Represented by:				
Convertible notes	-	3,865	-	3,865
ASB Bank Limited	28,753	-	-	-
Bendigo Bank	-	3,683	-	-
FE Investments Limited	-	7,990	-	-
TM Finance Limited	-	2,380	-	-
Cadmus Development Ltd (in receivership)	-	1,061	-	-
Finance Now	-	5,829	-	-
Kiwibank	-	2,677	-	-
Saffill Securities Limited	-	850	-	-
Subscriptions bulk funding facility	-	455	-	-
Other borrowings	-	648	-	-
Total Borrowings net of arrangement fees	28,753	29,438	-	3,865
The following arrangement fees have been deducted from the debt above.				
Arrangement fees	664	2,277	-	-
Amortisation of arrangement fees	(167)	(1,844)	-	-
	497	433	-	-

The outstanding balance of arrangement fees at 31 March 2012 related to the financing arrangements in place at that date. When the re-financing occurred in July 2012 these fees were expensed.

a. Summary of borrowing arrangements

On 11 July 2012 the Group's subsidiary Smartpay New Zealand Limited entered into a term loan facility and a committed cash advance facility (CAF) with ASB Bank Limited. The initial facility limit was $20,500,000 for the term loan facility and $4,500,000 for the CAF and $15,500,000 was initially drawn down on the term loan facility on 11 July 2012. A further $3,900,000 was drawn down on 28 September 2012. On 23 January 2013 the facility was increased to $34,350,000 and a further drawdown of $14,350,000. A repayment of $3,000,000 was made to the facility on 20 February 2013 in addition to the quarterly amortisation and the facility was reduced to $31,350,000.

The Group's debt outstanding at 31 March 2012 of $29,438,000 was repaid in full either in cash, or in the case of $1,000,000 of convertible notes, converted into ordinary shares according to the conditions of their issue.

The conditions of the term loan facility are that the facility has a term of 3 years with an expiry date of 11 July 2015. The interest rate is the BKBM (90 day bill rate) plus 50% of the applicable margin set at 3.00%. In addition a line fee is payable quarterly and is 50% of the applicable margin based on the facility limit. On 17 October 2012 and 20 February 2013 SmartPay entered into interest rate swap agreements in respect of 75% of the interest obligations which mirrors the amortisation profile of the term loan facility. The swap requires SmartPay to pay a fixed rate of interest of 2.88% and 3.28% and receives floating rate of interest based on the 90 day bill rate (BKBM).

The term loan facility is repayable in quarterly instalments of $750,000 the first of which was made on 30 September 2012, with the balance payable on 11 July 2015. The facility at 31 March 2013 is drawn to $29,250,000 (before the deduction of $497,000 of unamortised arrangement fees).

The specific covenants relating to financial ratios the Group was required to meet in 2013 were:

i) Interest cover ratio

ii) Net leverage ratio

The covenants were monitored and reported to the ASB Bank Limited on a quarterly basis. The Company was in compliance with its covanants during the period.

27. Share Capital

	Group		Parent	
	2013	**2012 Restated**	**2013**	**2012**
Share Capital	**$'000**	**$'000**	**$'000**	**$'000**
Opening balance	30,585	27,431	43,446	40,292
Share Issue - proceeds	20,122	2,763	20,122	2,763
Share Issue - costs	(475)	(79)	(475)	(79)
Convertible notes equity component	-	63	-	63
Convertible notes converted to equity	887	-	887	-
Shares issued as consideration for Viaduct business acquisition	2,541	-	2,541	-
Share based payments:				
- Employee remuneration	345	12	345	12
- Value of share options issued to directors and for consultancy services	373	395	373	395
Total shares issued during the year	23,793	3,154	23,793	3,154
Balance at end of the year	54,378	30,585	67,239	43,446

a) Ordinary Shares

As at 31 March 2013 there were 343,504,304 (2012: 148,117,638) ordinary shares on issue. On 23 May 2011 there was a 1 for 10 consolidation of shares which reduced the number of shares on issue from 1,203,713,912 at 31 March 2011 to 120,371,407 shares. All ordinary shares are fully paid and rank equally with one vote attaching to each share. The ordinary shares have no par value. Ordinary shares are considered equity.

The following share issues occurred:	Number of Ordinary Shares	Price per Share
6 July 2012	146,066,346	11.5 cents
23 August 2012	8,154,039	11.5 cents
23 January 2013	15,400,000	16.5 cents
5 February 2013	24,951,064	15.0 cents
5 February 2013	815,217	17.5 cents
	195,386,666	

Movements in the Number of Ordinary Shares on issue

	Group and Parent	
	2013	2012
	000's	000's
Opening balance	148,118	1,203,714
Share consolidation 1 for 10	-	(1,083,343)
Shares issued	195,386	27,747
Balance at end of the year	343,504	148,118

b) Share Options

The effect of the share consolidation on the 23 May 2011 on the options was that the number of shares over which the options can be exercised shall be divided by 10 and the exercise price of each option will be multiplied by 10.

Movements in the Number of Share Options on issue

	Group and Parent	
	2013	2012
	000's	000's
Opening balance - weighted average exercise price per share: 2013 26.3636c (2012 3.3c)	40,000	35,122
Options issued - weighted average exercise price per share: 2013 25.0c (2012 26.3636c)	8,000	40,000
Options lapsed - weighted average exercise price per share: 2013 Nil (2012 50.0c)	-	(35,122)
Closing balance - weighted average exercise price per share: 2013 26.0c (2012 26.3636c)	48,000	40,000
Weighted average remaining contractual life of outstanding options (years)	4.73	4.35

Options issued during 2013 totalled 8,000,000 (2012: 40,000,000) and if exercised will convert into 8,000,000 shares (2012: 22,000,000 shares) at an average price of 25.0c (2012 26.3636c). All these options remain outstanding at 31 March 2013. The fair value attributed to the options issued during the year that related to share based payment arrangements was $373,000 (2012: $395,000). No options were forfeited during 2013 (2012 Nil).

Movements in the Number of Directors Incentive Share Options on issue

	Group and Parent	
	2013	2012
	000's	000's
Opening balance - weighted average exercise price per share: 2013 0.45c (2012 Nil)	70,000	-
Options issued - weighted average exercise price per share: 2013 21.7c (2012 0.45c)	6,000	70,000
Closing balance - weighted average exercise price per share: 2013 34.23c (2012 0.45c)	76,000	70,000
Weighted average remaining contractual life of outstanding options (years)	2.73	3.00

The Directors Incentive Share Options were issued in May 2011 and convert into 7,000,000 ordinary shares at a weighted average exercise price of 45.0c per share. All options were still outstanding at 31 March 2013. During 2013 a further 6,000,000 options(2012: 70,000,000) for 6,000,000 shares (2012: 7,000,000) were issued at a weighted average price of 21.7 cents per share (2012: 0.45c).

Options Issued Alongside Share Capital

The following share options were granted during the 2012 and 2013 that did not relate to a share based payment arrangement:

2013

Nil

2012

10,000,000 share options were issued to Haymaker (see Note 28(b) on Bradley Gerdis) in conjunction with a placement of ordinary shares on 21 December 2011 and have not been fair valued.

Option Pricing Assumptions

The options have been valued using the Black Scholes option pricing model to obtain their fair value which has been expensed on a pro rata basis according to the time expired. Volatility was considered on an historical basis but following the acquisition of the Viaduct assets in 2013 this has been amended to reflect the significantly different scale of the Group. The assumptions used were:

	2013				
	Directors Incentive Options 2012 Tranche 1	Directors Incentive Options 2012 Tranche 2	Directors Incentive Options 2013 Tranche 1	Directors Incentive Options 2013 Tranche 2	Directors Incentive Options 2013 Tranche 3
Number of options issued (000) as performance incentive to directors					
Number of options fair valued (000)	35,000	35,000	2,000	2,000	2,000
Number of shares	3,500	3,500	2,000	2,000	2,000
Risk-free interest rate	4.4%	4.4%	3.3%	3.3%	3.3%
Exercise price (per share)	40.0c	50.0c	15.0c	20.0c	30.0c
Share price at measurement date	22 cents	22 cents	12 cents	12 cents	12 cents
Volatility	50%	50%	50%	50%	50%
Life of options	35 months	59 months	30 months	57 months	69 months
Exercise on or before	31/3/14	31/3/16	31/12/14	31/3/17	31/3/18
Dividend yield	-	-	-	-	-
Fair value	0.41 cents	0.56 cents	0.03 cents	0.03 cents	0.03 cents

	Management 2012 Tranche 1	Management 2012 Tranche 2	Management 2012 Tranche 3	Management 2013 Tranche 1	Management 2013 Tranche 1
Number of options issued (000) as performance incentive to management					
Number of options fair valued (000)	20,000	10,000	10,000	4,000	4,000
Number of shares	2,000	10,000	10,000	4,000	4,000
Risk-free interest rate	4.4%	3.3%	3.3%	3.3%	3.3%
Exercise price (per share)	40.0c	20.0c	30.0c	20.0c	30.0c
Share price at measurement date	22 cents	10.5 cents	10.5 cents	16.5 cents	16.5 cents
Volatility	50%	50%	50%	50%	50%
Life of options	59 months	48 months	60 months	59 months	83 months
Exercise on or before	31/3/16	31/3/17	31/3/18	31/12/17	31/12/19
Dividend yield	-	-	-	-	-
Fair value	6.36 cents	2.47 cents	1.50 cents	0.54 cents	0.54 cents

The options issued in 2013 above that have been valued were issued as part of the directors and chief executives incentive schemes and have been expensed through profit and loss.

	2012				
	Directors Incentive Options 2012 Tranche 1	Directors Incentive Options 2012 Tranche 2	Management 2012 Tranche 1	Management 2012 Tranche 2	Management 2012 Tranche 3
Number of options issued (000) as performance incentive to directors and management					
Number of options fair valued (000)	35,000	35,000	20,000	10,000	10,000
Number of shares	3,500	3,500	2,000	10,000	10,000
Risk-free interest rate	4.4%	4.4%	4.4%	3.3%	3.3%
Exercise price (per share)	40.0c	50.0c	40.0c	20.0c	30.0c
Share price at measurement date	22 cents	22 cents	22 cents	10.5 cents	10.5 cents
Volatility	50%	50%	50%	50%	50%
Life of options	35 months	59 months	59 months	48 months	60 months
Exercise on or before	31/3/14	31/3/16	31/3/16	31/3/17	31/3/18
Dividend yield	-	-	-	-	-
Fair value	0.41 cents	0.56 cents	6.36 cents	2.47 cents	1.50 cents

The options issued in 2012 above that have been valued were issued as part of the directors and chief executives incentive schemes and have been expensed through profit and loss.

c) Convertible Notes on issue

Refer to note 26 Borrowings, all convertible notes were either repaid or converted to equity in July 2012. Convertible notes were regarded as debt until they were converted into ordinary shares.

Capital Management

The main objective of capital management is to ensure the entity continues as a going concern, meets debts as they fall due, maintains the best possible capital structure and reduces the cost of capital.

Share capital is regarded as equity as shown in the Statement of Financial Position.

To maintain or alter the capital structure the Group has the ability to issue new shares, decide whether to pay a dividend to shareholders and what size that may be, reduce or increase debt or sell assets.

Gearing Ratio's

	Group	
	2013	**2012 Restated**
	$'000	**$'000**
Total borrowings (see note 26)	28,753	29,438
less Cash and cash equivalents (see note 10)	(4,429)	(3,842)
Net debt	24,324	25,596
Total Equity / (deficit)	7,090	(11,655)
Total Capital	31,414	13,941

28. Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all exchange rate differences arising from translating the financial statements of the foreign currency operations (see Note 2 g (ii)).

Movements are shown in the Statement of Changes in Equity.

29. Operating Cash Flows Reconciliation

	Group		Parent	
	2013	2012 Restated	2013	2012
	$'000	$'000	$'000	$'000
Profit/(loss) for the period	(5,037)	(12,436)	(51,840)	(684)
Add/(deduct) non-cash items:				
Depreciation & amortisation	4,485	4,742	-	-
Share based payments	726	395	373	395
Financing costs and bad debts	1,039	1,909		-
Deferred tax	974	(575)	93	(19)
Provisions	-	(318)	53,572	-
Impairment charges	1,263	2,577		-
Add/(deduct) changes in working capital items:				
Trade and other receivables	(898)	615	3	-
Payables and accruals	(4,016)	(1,312)	(332)	(68)
Provision for current tax	-	(4)		-
Group advances	-	-	(1,869)	376
Net cash inflow/(outflow) from operating activities	(1,464)	(4,407)	-	-

30. Operating Leases

Leases as Lessee

Non cancellable operating lease rentals are payable as follows:

	Group		Parent	
	2013	2012 Restated	2013	2012
	$'000	$'000	$'000	$'000
Within one year	561	628	-	-
After one year but not more than five years	1,146	1,646	-	-
Total operating lease commitments	1,707	2,274	-	-

The Group leases a commercial property with office and warehouse premises situated in Wairau Road which was renewed during 2011 and has a right of renewal in August 2016 for a further 3 years and small office premises in Sydney, Wellington and Hamilton.

The Group also leases various items of office machinery under cancellable operating lease agreements.

Leases as Lessor

The group leases out Eftpos terminals and associated equipment (representing the hardware component) under non cancellable operating leases which are receivable as follows:

	Group		Parent	
	2013	2012 Restated	2013	2012
	$'000	$'000	$'000	$'000
Within one year	4,236	3,202	-	-
After one year but not more than five years	3,276	2,306	-	-
Total operating lease commitments	7,512	5,508	-	-

This excludes the software and service revenue under the rental contract.

31. Contingencies

Guarantees

The Group has provided bank guarantees in favour of Telecom to the value of $160,000 (2012: $300,000) and Vodafone to the value of $300,000 (2012: $300,000).

32. Capital Commitments

The Group had no capital commitments at 31 March 2013 (2012: $Nil)

33. Impact of Restatement

a. Lease Classification

Previously contracts entered into with its customers for Eftpos terminals together with bundled software and services were treated as finance leases. This was based on an assessment of the useful life of the terminals of 3 years. After careful consideration based on a thorough assessment it has subsequently been established that the original assessment of the useful life of the terminal was incorrect and that the correct economic useful life of the Eftpos terminals is considerably longer than 3 years and on average at least 6 years. The directors have consequently determined that the correct treatment of the terminals for the bulk of the Eftpos rental contracts should have been as operating leases. The impact of this change is to recognise revenue from the terminals on a monthly basis over the term of the rental agreement rather than recognising the full rental revenue on a net present value basis at the inception of the lease. It has also been determined that the previous accounting treatment should have been to separate out the service components of the contract (software and support) and recognise as delivered. These elements have also been corrected in these financial statements.

The change in lease classification has been retrospectively applied to the prior period and the comparables for the 12 months ending on 31 March 2012 has been restated to reflect the retrospective change. The directors consider this change in lease classification provides more reliable and relevant information.

Lease related adjustments

In connection with the restatement of lease classification, accounting for the leasing of Eftpos terminals involving funding from two financiers have been corrected and the terminal assets are now not derecognised and the funding received has been accounted for as deferred revenue (and taken to earnings as services are delivered).

In connection with the restatement of lease classification, accounting for the Provenco Cadmus acquisition has been restated. Previously a provision of $3,800,000 was recognised on acquisition, reflecting the cost of technology upgrades of the Eftpos terminals post acquisition. In light of accounting for these Eftpos terminals as operating leases the provision has been reduced to $318,000 at 1 April 2011.

b. Change in Presentation

Previously telephony revenue was accounted for as a principal and has been restated to be accounted for as an agent. The change had no impact on previously reported profit results and the comparative periods reported have been restated to reflect the changed reporting format.

Restatement of Comparative period to 31 March 2012
Statement of Comprehensive Income

	As Reported	Adjustments			Restated
		Finance Leases Changed to Operating Leases	Other Lease Related Adjustments	Telephony and Other Presentation Changes	
	$'000	$'000	$'000	$'000	$'000
Continuing operations					
Revenue	28,946	(2,051)	777	(11,914)	15,758
Other Income	12	-	-	-	12
Expenditure	(30,912)	3,255	(1,092)	12,967	(15,782)
Earnings before interest, tax, depreciation, share option expense, amortisation and impairments	(1,954)	1,204	(315)	1,053	(12)
Depreciation and amortisation	(3,568)	(1,851)	677	-	(4,742)
Share option amortisation	-	-	-	(395)	(395)
Interest expense and related costs	(5,285)	-	-	-	(5,285)
Plant and equipment impairment	(500)	-	-	(658)	(1,158)
Software impairment	(1,419)	-	-	-	(1,419)
	(10,772)	(1,851)	677	(1,053)	(12,999)
Profit / (loss) before tax	(12,726)	(647)	362	-	(13,011)
Basic earnings/(loss) per share - cents	(9.74)				(10.016)
Diluted earnings/(loss) per share -cents	(9.74)				(10.016)

The impact of the convertible notes and share options was not dilutionary in any of the periods.

Statement of Financial Position

	As Reported	Adjustments			Restated
		Finances Leases Changed to Operating Leases	Other Lease Related Adjustments	Telephony and Other Presentation Changes	
Current assets	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	3,871	-	-		3,871
Trade and other receivables	11,705	(10,082)			1,623
Inventories	2,244	(2,244)	-		-
Total current assets	**17,820**	**(12,326)**	**-**	**-**	**5,494**
Non-current assets					
Finance receivables	13,112	(11,991)			1,121
Property, plant and equipment - merchant terminals	-	7,890			7,890
Property, plant and equipment - other	1,513				1,513
Computer software and development	4,504		(339)		4,165
Goodwill	5,350				5,350
Deferred tax	1,582	(109)			1,473
Total non-current assets	**26,061**	**(4,210)**	**(339)**	**-**	**21,512**
Total assets	**43,881**	**(16,536)**	**(339)**	**-**	**27,006**
Bank overdraft	29				29
Trade payables and accruals	5,839		3,256		9,095
Provisions	50				50
Income tax	49				49
Borrowings	29,438				29,438
Total liabilities	**35,405**	**-**	**3,256**	**-**	**38,661**
Net assets	**8,476**	**(16,536)**	**(3,595)**	**-**	**(11,655)**
Equity					
Share capital	30,585	-	-		30,585
Foreign currency translation reserve	(34)	142	-		108
Retained deficits	(22,075)	(16,678)	(3,595)		(42,348)
Total equity	**8,476**	**(16,536)**	**(3,595)**	**-**	**(11,655)**

Restatement of Opening Statement of Financial Position as at 1 April 2011

	As Reported	Adjustments		Restated
		Finance Leases Changed to Operating Leases	Other Lease Related Adjustments	
Current assets	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	2,331	-	-	2,331
Trade and other receivables	11,129	(7,996)		3,133
Inventories	3,605	(3,605)	-	-
Total current assets	**17,065**	**(11,601)**	**-**	**5,464**
Non-current assets				
Finance receivables	12,252	(12,156)		96
Merchant terminals	-	7,835		7,835
Property, plant and equipment - other	2,584			2,584
Computer software and development	8,469		(1,016)	7,453
Goodwill	5,350			5,350
Deferred tax	961	(59)		902
Total non-current assets	**29,616**	**(4,380)**	**(1,016)**	**24,220**
Total assets	**46,681**	**(15,981)**	**(1,016)**	**29,684**
Trade payables and accruals	6,117		4,361	10,478
Provisions	1,788		(1,420)	368
Income tax	53			53
Borrowings	21,288			21,288
Total liabilities	**29,246**	**-**	**2,941**	**32,187**
Net assets	**17,435**	**(15,981)**	**(3,957)**	**(2,503)**

Equity				
Share capital	27,431	-	-	27,431
Foreign currency translation reserve	(22)	-	-	(22)
Retained deficits	(9,974)	(15,981)	(3,957)	(29,912)
Total equity	**17,435**	**(15,981)**	**(3,957)**	**(2,503)**

34. Related Parties

Parent and ultimate controlling party

The immediate parent and controlling party of the Group is SmartPay Holdings Limited.

Identity of related parties with whom material transactions have occurred.

Note 15 identifies all entities within the Group. All those entities are related parties of the Parent. In addition, the directors, companies with which the directors and key management are associated and key management personnel of the Group are also related parties.

a. Subsidiaries

During the year the Company and various subsidiary companies advanced and repaid loans amongst themselves by way of internal loan accounts. In presenting the financial statements of the Group these inter company transactions and accounts have been eliminated. Some of the inter company group loans are interest bearing, repayable on demand and disclosed as a current liability. The loan balances outstanding between the Company and its subsidiaries totalling $43,280,000 (2012: $21,856,000) are shown in note 35.

During the year interest of $2,487,000 (2012: $1,213,000) was charged by the Parent to subsidiary companies and a further $3,977,000 (2012: $2,200,000) was charged between subsidiary companies. The rate of interest charged is sufficient to cover the cost to the companies making the loans.

In addition there are operating transactions and recovery of expenses between subsidiary companies undertaken in the normal course of business and provided on commercial terms.

During the year sales and purchases between subsidiary companies totalled $732,000 (2012: $3,508,000) along with a fixed asset and software usage charge of $1,281,000 (2012: $1,338,000) and expenses recovered of $485,000 (2012: $1,261,000) which were eliminated from the Group financial statements.

Refer to Note 27 for details of guarantees provided by the Parent and subsidiary companies and cross guarantees between subsidiary companies.

b. Other transactions with directors and key management or entities related to them

Claymore Law provided legal services to the Group on normal commercial terms amounting to $513,000 (2012: $382,000). Gregor Barclay is a principal of Claymore Law Partnership and director of SmartPay Holdings Limited. The balance outstanding at 31 March 2013 was $20,000 (2012: $154,000). Gregor Barclay was not actively involved in providing any legal services performed by Claymore Partners Limited for SmartPay.

Gregor Barclay is also a director and principal of Ngatapa Trust, and provided consulting services in relation to directors' fees on normal commercial terms amounting to $38,000 (2012: $38,000). In addition he has 20,000,000 options issued in 2011 (2012: 20,000,000) as part of the directors' incentive scheme.

Bradley Gerdis is the Managing Director of SmartPay Holdings Limited. He is a Director of Haymaker Investments Pty Limited which is the Trustee of the Haymaker Trust which is a shareholder of SmartPay Holdings Limited. He is also a director and shareholder of Active Capital Partners Limited (ACP), an Australian company, which in December 2011 entered into a consultancy contract with SmartPay Holdings Limited subsidiary SmartPay Australia Pty Limited and Haymaker Investments Pty Limited (HIL).

Bradley Gerdis or his associated entities have received:

- ACP received $449,000 (2012: $101,000)

- HIL received 815,217 SmartPay shares as a bonus on 5 February 2013

HIL is a shareholder of the Company and Bradley Gerdis has an interest in these shares by virtue of being a potential beneficiary of a discretionary trust. HIL holds 11,142,217 ordinary shares as well as 30,000,000 share options which can be converted into 30,000,000 shares - 10,000,000 can be purchased at 15 cents per share by 31/12/14, 10,000,000 at 20c per share by 31/3/17 and 10,000,000 at 30 cents per share by 31/3/18. No new share options were issued in the current year.

Ian Bailey received directors fees of $6,300 for the period from 1April 2012 until his resignation on 30 May 2012 (2012 remuneration package: $305,000) to that date. Following his resignation a restraint of trade payment was made to him under his contract of $305,000 which was paid during the year. Ian Bailey also holds 20,000,000 (2012: 20,000,000) share options which would entitle him to purchase 2,000,000 shares at 40 cents per share on or before 31/3/16.

Wayne Johnson was a Director of the Company until 1 July 2012 and his corporate advisory company was appointed to provide corporate advisory services and assist in the capital raising activities of the Company. The fees relating to this activity were $12,478 (2012: $204,000). In addition Wayne Johnson is a director and shareholder of Baroda Hill Investments Limited which received directors fees amounting to $52,000 (2012: $60,000) and holds 30,000,000 (2012: 30,000,000) options which would entitle him to purchase 3,000,000 (2012: 3,000,000) shares - 1,500,000 at 40 cents per share by 31/3/14 and 1,500,000 at 50 cents per share by 31/3/16.

John Nimmo was a Director of the Company until 31 March 2013. During the year he received director's fees of $38,000 (2012: $38,000). In addition he holds 20,000,000 (2012: 20,000,000) options which would entitle him to purchase 2,000,000 shares - 1,000,000 at 40 cents per share by 31/3/14 and 1,000,000 at 50 cents per share by 31/3/16.

Linc Burgess is the Eftpos and Payment Strategy Manager for the Group, and is a director and shareholder of Manaia Management Limited which has provided consulting services to the Group on normal commercial terms amounting to $144,000 (2012: $180,000).

Pat McCammon was the Corporate Sales manager of the Group and is a director and shareholder of Life Management Limited which has provided consulting services to the Group for a base payment and commission on normal commercial terms. The base amounted to $111,000 (2012: $191,000) and the commission of $262,000 (2012: $167,000)is to be paid as to 50% in cash and 50% in shares.

Marty Pomeroy is General Manager-Operation and Strategy at SmartPay since January 2013 and is a shareholder and director of Viaduct Limited (now TEOV Limited) whose assets were acquired by SmartPay on 23 January 2013. He has received 4,000,000 options to purchase 4,000,000 shares - half can be exercised by 31/12/17 at an exercise price of 20 cents per share and half can be exercised by 31/12/19 at an exercise price of 30 cents per share.

Mark Unwin is the General Manager-Sales and Marketing at SmartPay since January 2013 and is a shareholder and director of Viaduct Limited (now TEOV Limited) whose assets were acquired by SmartPay on 23 January 2013. He has received 4,000,000 options to purchase 4,000,000 shares - half can be exercised by 31/12/17 at an exercise price of 20 cents per share and half can be exercised by 31/12/19 at an exercise price of 30 cents per share.

c. Key management and director compensation.

Key management personnel comprises employees who are part of the Senior Management Team except Bradley Gerdis who is included in Director remuneration. Key management personnel compensation comprised short term benefits and share instruments for the year ended 31 March 2013 of $1,344,000 (2012: $1,570,000). Directors remuneration was $1,138,000 (2012: $746,000) - for details refer to the Statutory Information Directors Remuneration.

Key Management Compensation	2013 $'000	2012 $'000
Salaries and other short term employee benefits	1,344	1,570

35. Group Advances

	Parent	
	2013 $'000	2012 $'000
Amounts owing by subsidiaries:		
SmartPay New Zealand Limited	6,563	6,060
SmartPay Software Limited (formerly Software International Limited)	704	704
SmartPay Limited (formerly SmartPay Cadmus Limited)	34,226	13,392
SmartPay Ethos Limited	220	220
SmartPay Investments Limited	-	342
SmartPay Rentals Limited (formerly MIPS Financial Services Limited)	27	27
Viaduct Limited (formerly NetPay Limited)	342	-
SmartPay Australia Pty Limited	1,187	1,100
Cadmus Payment Solutions Pty Limited	11	11
Total group advances	43,280	21,856
less Impairment	(39,521)	-
Total group advances	3,759	21,856

Where advances to subsidiaries are not recoverable an impairment provision has been created in the Parent in 2013.

36. Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- foreign exchange risk
- credit risk
- interest rate risk
- liquidity risk

This note presents information about the Groups exposure to each of the above risks, the Groups objectives, policies and processes for measuring and managing risk.

a. Financial Instruments by Category

Group

2013	Group			Parent		
	Loans and receivables	Measured at amortised cost	Total	Loans and receivables	Measured at amortised cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and bank balances	4,429	-	4,429	-	-	-
Trade, finance and other receivables	2,866	-	2,866	76	-	76
Group advances	-	-	-	3,759	-	3,759
	7,295	-	7,295	3,835	-	3,835
Financial liabilities						
Trade payables and accruals		4,627	4,627	-	-	-
Financial liabilities at amortised cost		28,753	28,753	-	-	-
	-	33,380	33,380	-	-	-

2012	Group - Restated			Parent		
	Loans and receivables	Measured at amortised cost	Total	Loans and receivables	Measured at amortised cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and bank balances	3,871	-	3,871	-	-	-
Trade, finance and other receivables	2,615	-	2,615	79	-	79
Group advances	-	-	-	21,856	-	21,856
	6,486	-	6,486	21,935	-	21,935
Financial liabilities						
Bank overdrafts	-	29	29	-	-	-
Trade payables and accruals	-	5,839	5,839	-	332	332
Financial liabilities	-	29,438	29,438	-	3,865	3,865
	-	35,306	35,306	-	4,197	4,197

The financial assets and financial liabilities above are being carried at their cost less any impairment which is considered to approximate fair value.

b. Foreign currency exchange risk management

The Group has an exposure to the Australian dollar through its ownership of Australian subsidiaries and the US Dollar in respect of terminals acquired from offshore suppliers. From April 2011 to July 2012 forward exchange contracts were entered into to hedge Australian dollar cash flows into New Zealand dollars. The forward exchange contracts were closed out in July 2012 in conjunction with the repayment of AUD denominated liabilities.

Disclosure is required of the fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The Group has exposure to the following currencies, for which no hedging has been entered into.
- $US - Purchases of US$2.5 million
- $Aust - Sales of A$3.7 million

c. Credit risk

Credit risk arises from cash deposits with banks and outstanding receivables.

	Group		Parent	
	2013	2012 Restated	2013	2012
Maximum exposure to credit risk at balance date is:	$'000	$'000	$'000	$'000
Cash and cash equivalents	4,429	3,842	-	-
Trade receivables (net of impairment)	1,675	933	-	3
Finance lease receivables (net of impairment)	1,102	1,368	-	-

In respect of the lease receivables an analysis of the credit risk is performed on a monthly basis and any contracts for which payment has not been received are identified and categorised for the purposes of determining any impairment if required. The three categories are:

> payments overdue 10-60 days (arrears)

> payments overdue 61-100 days (collections) and

> greater than 101 days overdue (salvage).

The impairment provision comprises the "salvage" category. No impairment is made for overdue payments within the "arrears" and "collection" categories.

	2013		2012	
	%	$'000	%	$'000
Arrears	0.05	15	0.11	27
Collections	0.02	5	0.41	100
Salvage	0.14	45	0.70	160
		65		287

Immediate action is taken in respect of "arrears" contracts and overdue payments and the majority of overdue payments are rectified within a short period of time, consequently no impairment is recognised. Contracts that fall outside the three categories have met all their payments on time and no impairment is recognised.

Concentration of credit risk

One customer is included within finance receivables that has an amount outstanding in excess of $1 million. This customer has a history of trade with the Group.

d. Interest Rate Risk

The Group has entered into interest rate swaps which fixed the interest rate in respect of 75% of the interest payable. The Group has interest rate risk on the residual unhedged portion. At 31 March 2013 if interest rates had changed by -/+ 1% from the year end rates with all other variables held constant, the Group's post tax profit for the period (annualised) and equity would have been $73,125 higher or $73,125 lower. The notional principal of the interest rate swaps is $22,125,000 and the carrying value on the balance sheet of a liability of $52,000.

e. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In respect of the Group's debt the following table indicates the periods in which they fall due:

	Total	Within 12 Months	Within 1 to 5 years
ASB Bank Limited	29,250	3,000	26,250
	-		-
Total Group Debt	29,250	3,000	26,250

Total Aging of Financial Liabilities Commitments	Total	Within 12 Months	Within 1 to 5 years
Group			
2013			
Trade Payables and accruals	4,972	4,972	
Future interest payments on borrowings	4,725	1,755	2,970
Borrowings	29,250	3,000	26,250
	38,947	9,727	29,220
2012 - Restated			
Overdrafts	29	29	-
Trade Payables and accruals	9,095	9,095	-
Future interest payments on borrowings	4,792	2,354	2,438
Borrowings	29,438	22,729	6,709
	43,354	34,207	9,147
Parent			
2013			
Trade Payables and accruals	-	-	-
Future interest payments on borrowings	-	-	-
Borrowings	-	-	-
	-	-	-
2012 - Restated			
Trade Payables and accruals	332	332	-
Future interest payments on borrowings	387	387	-
Borrowings	3,865	3,865	-
	4,584	4,584	-

37. Subsequent Events

Following balance date the following events have occurred:

VoIP

This business provided Voice over IP telecommunication services. When it was established it was intended to be an added service offering to take to our EFTPOS customers. The business has had limited success and is not considered to be related to the future direction and growth of SmartPay and has therefore been sold.

Wifi

This business provided Wifi services and was intended to be an added value product to sell to the SmartPay customer base. Again due to the limited success of this activity it was decided to sell it.

Australian Stock Exchange

The Parent intends to file its application to the Australian Stock Exchange to list on the ASX shortly after the completion of the Annual Report.

New Group Company

On 17 April 2013 Pax Technology Pty Limited was incorporated. This is a wholly owned subsidiary of SmartPay Australia Pty Limited.

APPENDIX B – Pro Forma Financial Statements for the Combined Smartpay and Viaduct Businesses for the year ended 31 March 2013

Combined Group Overview

The unaudited pro forma financial information in this Appendix B has been prepared to assist Smartpay's Shareholders to understand the historical performance had Smartpay owned and operated the business of Viaduct Limited (now TEOV Limited) for the twelve month period ended 31 March 2013. The pro forma financial information is intended to support the application for listing on the Australian Securities Exchange by providing an indication of the scale and size of the combined group. It does not necessarily represent the financial performance that would have occurred had Smartpay acquired Viaduct as at 1 April 2012.

On the 23rd of January 2013 the Smartpay Group acquired the business and assets of the former Viaduct Limited (now TEOV Limited) and the transaction was recorded in the consolidated Financial Statements of Smartpay Holdings Limited, with those Financial Statements (attached as Appendix A to this Information Memorandum) incorporating the actual results of the Viaduct business and assets for the period from 23 January 2013 to 31 March 2013.

The pro forma financial information included in this Appendix B should be read in conjunction with the notes and commentary included in this Appendix B, the accounting policies of Smartpay as contained in the notes to the audited Financial Statements attached as Appendix A, and the risk factors and other information contained in this Information Memorandum.

Basis of Preparation

The New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) do not currently have standards for the preparation and reporting of pro forma information. The pro forma Financial Statements are not intended to comply with NZ IFRS but have been prepared in accordance with the accounting policies of Smartpay as detailed in the audited Financial Statements attached in Appendix A and in accordance with the recognition and measurement principles of NZ GAAP. The financial information is presented in an abbreviated form in so far as it does not include all the disclosures or statements of comprehensive information as required by New Zealand Accounting Standards applicable to annual financial reports prepared in accordance with the Financial Reporting Act 1993.

The historical financial information contained in this Appendix B has been extracted from the relevant Financial Statements and comprises:

- The audited consolidated Income Statement of Smartpay Holdings Limited for the financial year ended 31 March 2013;
- The audited consolidated Statement of Financial position of Smartpay Holdings Limited as at 31 March 2013;
- The audited consolidated Cash Flow Statement of Smartpay Holdings Limited for the financial year ended 31 March 2013.

The pro forma financial information in this Appendix B is unaudited and has been prepared as if Smartpay acquired the assets of Viaduct on 1 April 2012. The pro forma financial information comprises:

- The unaudited Income Statement of Viaduct Limited for the 9 months and 23 days ended 23 January 2013 (which have been adjusted to reflect Smartpay's accounting policies);
- The unaudited Statement of Cash Flows for the 9 months and 23 days of Viaduct Limited ended 23 January 2013 (which have been adjusted to reflect Smartpay's accounting policies);
- A consolidated Income Statement for the year to 31 March 2013 assuming that Smartpay had owned the assets and business of Viaduct for the reporting period;
- A consolidated Cash Flow Statement for the year to 31 March 2013 assuming that Smartpay had owned the assets and business of Viaduct for the reporting period;
- A Balance Sheet as at 31 March 2013 (this is the actual audited consolidated Balance Sheet of Smartpay Holdings Limited included in Appendix A).

The pro forma financial information includes the impact of certain adjustments which have been made based on assumptions regarding certain transactions that are directly attributable to the assumed acquisition of the Viaduct business as at 1 April 2012. In particular:

- Smartpay's drawdown of debt and issue of share capital to fund the acquisition on 1 April 2012; and
- certain assets and liabilities of Viaduct on 1 April 2012 reflect their fair value as at 23 January 2013 as recorded in the 31 March 2013 Smartpay Holdings Limited consolidated Financial Statements.

Explanation of unaudited pro forma adjustments:

(1) Capital Structure

- Smartpay's debt facilities were renegotiated when Viaduct was acquired, and applied as from 1 April 2012.

- Share options issued as part of the acquisition are applied as from the 1 April 2012 but at the share price on the day of the actual acquisition, being 23 January 2013.

The assumptions referred to above result in the following changes to finance expense, interest paid and debt reduction in the period presented in the pro forma financial information as follows (based on the principal amount of $14,350,000):

(a) A decrease in the finance charge and interest payments of $325,000 in Viaduct to $1,099,000;
(b) Quarterly loan repayments of $250,000 each are included in the 9 month pro forma period;
(c) The interest rate on the debt facility is the three month NZ Bank Bill Reference Rate [BKBM] over the year plus a margin;
(d) For the purposes of the pro forma accounts an interest rate of 6.11% was based on Smartpay's effective interest rate; and
(e) The amortisation of the share options granted on acquisition of Viaduct have been adjusted to reflect the charges for the period 1 April 2012 to 23 January 2013.

(2) Fair Value of assets and liabilities

- For the purpose of compiling the pro forma Cash Flow Statement, the 1 April 2012 opening Balance Sheet of Viaduct Limited forms the basis of the calculation, including working capital balances which were not acquired in the 23 January 2013 acquisition by Smartpay.

- The 23 January 2013 fair value of the net assets of Viaduct Limited as described in note 16 of the Smartpay Holdings Limited 31 March 2013 consolidated Financial Statements (as attached at Appendix A) are applied as from 1 April 2012.

The assumptions referred to above result in the following changes to the pro forma Statement of Comprehensive Income:

(a) An additional charge for amortisation of customer contracts intangible assets recognised on acquisition of $471,000 for the 9 months and 23 days; and

(b) An additional depreciation charge arising from the fair value of terminal assets recognised on the acquisition of $325,000 for the 9 months and 23 days, included in the Viaduct Limited unaudited Statement of Income

A nil opening cash position has been assumed as at 1 April 2012 in respect of the Viaduct pro forma Statement of Cash Flows as Smartpay did not acquire the cash and cash equivalents of Viaduct Limited.

Unaudited condensed pro forma income statement

Set out below is a summary of Smartpay Holdings Limited financial year 2013 Statement of Income per the published Financial Statements with Viaduct Limited's pro forma Statement of Income (unaudited) for the period 1 April 2012 to 23 January 2013 and the pro forma adjustments applied to give effect as if Smartpay's acquisition of the business and assets of Viaduct had occurred at 1 April 2012.

	Smartpay Holdings Limited	Pro Forma Viaduct Limited (now TEOV Limited)	Pro Forma Adjustment	Note	Pro forma Statement
Pro Forma Statement of Income		9 month and	9 month and		
For the year ended 31 March 2013	Year ended	23 day Period ended	23 day Period ended		
	31-Mar-13	23-Jan-13	23-Jan-13		
	Audited	Un-audited	Un-audited		Un-audited
	$'000	$'000	$'000		$'000
Continuing operations					
Revenue and Other Income	16,722	5,268	-		21,990
Total Expenditure	(11,254)	(2,841)	-		(14,095)
Earnings / (losses) before interest, tax, depreciation, share options expense, amortisation and impairments	**5,468**	**2,427**	**-**		**7,895**
Amortisation					
Customer contracts	(94)	-	(471)	[1]	(565)
Software	(1,844)	-	-		(1,844)
Depreciation	(2,547)	(977)	-		(3,524)
Share option amortisation	(373)	-	(62)	[2]	(435)
Net finance costs	(3,410)	(1,424)	325	[3]	(4,509)
Property, plant and equipment impairment	(510)	-	-		(510)
Goodwill impairment	(753)	-	-		(753)
Total	**(9,531)**	**(2,401)**	**(208)**		**(12,140)**
Profit/(loss) before tax	**(4,063)**	**26**	**(208)**		**(4,245)**
Taxation	(974)	(0)	0	[4]	(974)
Profit/(loss) for the year from continuing operations of owners	**(5,037)**	**26**	**(208)**		**(5,219)**

Note:

[1] The acquisition value applied to customer contracts has increased to reflect a 12 month amortisation charge.

[2] The acquisition value applied to the share options issued to Viaduct has been increased to reflect a 12 month amortisation charge.

[3] The net finance costs have been adjusted to reflect the costs that would have been incurred had the finance arrangements occurred at the beginning of the pro forma period.

(a) An interest rate of 6.11% has been assumed (based on SmartPay Holdings Limited's post acquisition hedged position).

(b) Quarterly principal repayments of $250,000 have been applied in accordance with the funding arrangements.

(c) The interest expenses includes historic loan break fees under Viaduct's previous debt funding facilities which will not be incurred going forward.

[4] The taxation position in the pro forma income statement represents the estimated tax effects of the pro forma adjustments. The tax rate applied to the pro forma adjustments is the 2013 corporate tax rate of 28%. It is assumed that the tax losses arising from the pro forma adjustments are recognised to the extent that they are utilised in satisfying the total pro forma tax liability.

Unaudited condensed pro forma statement of cash flows

Set out below is a summary of Smartpay Holdings Limited financial year 2013 Statement of Cash Flows, Viaduct's pro forma Statement of Cash Flows (unaudited) for the period 1 April 2012 to 23 January 2013 and the pro forma adjustments applied to give effect as if Smartpay's acquisition of the business and assets of Viaduct had occurred on 1 April 2012.

Pro Forma Statement of Cash Flows	Smartpay Holdings Limited	Pro Forma Viaduct Limited (now TEOV Limited)	Pro Forma Adjustment	Note	Pro forma Statement
	Year ended 31-Mar-13 Audited $'000	9 month and 23 day Period ended 23-Jan-13 Un-audited $'000	9 month and 23 day Period ended 23-Jan-13 Un-audited $'000		Un-audited $'000
Cash flows from operating activities					
Receipts from customers	15,708	5,309			21,017
Interest received	194	-			194
Payments to suppliers& employees	(14,819)	(3,886)			(18,705)
Interest paid	(2,547)	(1,424)	325	[1]	(3,646)
Net cash inflow/(outflow) from operating activities	**(1,464)**	**(1)**	**325**		**(1,140)**
Cash flows from investing activities					
Proceeds from disposal of assets					
Viaduct acquisition	(14,211)				(14,211)
Purchase of terminal assets and other property, plant and equipment	(1,910)	(498)			(2,408)
Development of computer software	(728)				(728)
Net cash inflow/(outflow) from investing activities	**(16,849)**	**(498)**	**-**		**(17,347)**
Cash flows from financing activities					
Proceeds from borrowings	33,750				33,750
Repayment of borrowings	(34,226)		(750)	[2]	(34,976)
Shares issued	19,376	-			19,376
Net cash inflow/(outflow) from financing activities	**18,900**	**-**	**(750)**		**18,150**
Net increase/(decrease) in cash equivalents	587	(499)	(425)		(337)
Add opening cash equivalents	3,842	-		[3]	3,842
Closing cash equivalents	**4,429**	**(499)**	**(425)**		**3,505**
Reconciliation of closing cash equivalents to the balance sheet:					
Cash and cash equivalents	4,429	(499)	(425)		3,505
Bank overdraft					
Closing cash equivalents	**4,429**	**(499)**	**(425)**		**3,505**

Notes:

[1] Interest paid has been reduced to reflect the payments that would have been incurred using the SmartPay Holdings Limited's debt structure had the finance arrangements occurred at 1st April 2012.

[2] Repayment of borrowings has been adjusted to reflect the repayment requirements that may have applied had the finance arrangement occurred at the beginning of the pro forma period.

[3] A nil 1 April 2012 opening cash postion in respect of Viaduct Limited is assumed.

Condensed pro forma Balance Sheet

Set out on the following page is the consolidated Balance Sheet of Smartpay Holdings Limited as at 31 March 2013.

This is an extract from the audited Financial Statements of Smartpay Holdings Limited for the year ended 31 March 2013 and is to be read as part of the audited Financial Statements attached at Appendix A.

- The Balance Sheet includes the fair value of assets acquired from Viaduct Limited on 23 January 2013.
- The Balance Sheet includes the borrowings incurred to fund the purchase of the Viaduct Limited assets on 23 January 2013.
- The Balance Sheet does not include any pro forma adjustments to the assets and liabilities of Smartpay Holdings Limited. If there were any pro forma adjustments the balances presented in the Balance Sheet would differ from those set out in the balance sheet on the following page.

Smartpay Holdings Limited
Year ended 31 March 2013 audited

	Note	Group 2013 $'000
Current assets		
Cash and bank balances	10	4,429
Trade and other receivables	11	2,595
Non current assets held for sale	12	158
Group advances	35	-
Total current assets		7,182
Non-current assets		
Finance receivables	14	834
Investments in subsidiary companies	15	-
Property, plant and equipment - merchant terminals	17	11,786
Property, plant and equipment - other	18	1,151
Intangible assets - computer software and development	19	3,187
Intangible assets - customer contracts	20	2,016
Intangible assets - goodwill	21	14,842
Deferred tax	22	-
Total non-current assets		33,816
Total assets		40,998
Current liabilities		
Bank overdrafts	10	-
Trade payables and accruals	23	4,972
Provisions	24	50
Income tax payable	25	48
Borrowings	26	
Group A - Corporate		2,784
Group B - Rental Book		-
Total current liabilities		7,854
Non-current liabilities		
Borrowings	26	
Group A - Corporate		25,969
Group B - Rental Book		-
Deferred tax liabilities	22	85
Total non-current liabilities		26,054
Total liabilities		33,908
Net assets / liabilities		7,090
Equity		
Share capital	27	54,378
Foreign currency translation reserve	28	97
Retained deficits		(47,385)
Total equity / deficit		7,090

The Notes referred to in the above balance sheet are contained in Appendix A to this Information Memorandum.