smartpay 2011

smartpay limited annual report

welcome

to SmartPay's annual report.

We design, develop and implement innovative payment solutions for customers in New Zealand and Australia. SmartPay aims to add value to its clients' businesses, providing a total payments solution. We know the products, the industry and the technology - inside and out.

Contents

about **smartpay**

SmartPay is a listed company on the New Zealand stock exchange (nzx:spy), and a leader in electronic commerce in Australasia with more than 30,000 users.

We are a one-stop-shop offering a variety of advanced payment and data management solutions for retail, business payment and transactional processing requirements.

our business

SmartPay is New Zealand's number one provider of technology services for merchants and retailers and has a growing business in Australia.

It is our vision to own the merchant space, and in doing so develop sustainable and ongoing revenue streams, delivering products and services that add value to our 30,000 users.

Our products and services include:

Payments

- Broadband EFTPOS
- Wireless terminals
- Pre-paid vouchers
- Taxi systems and processing
- IP-POS EFTPOS network
- On-line payments

Telecommunications

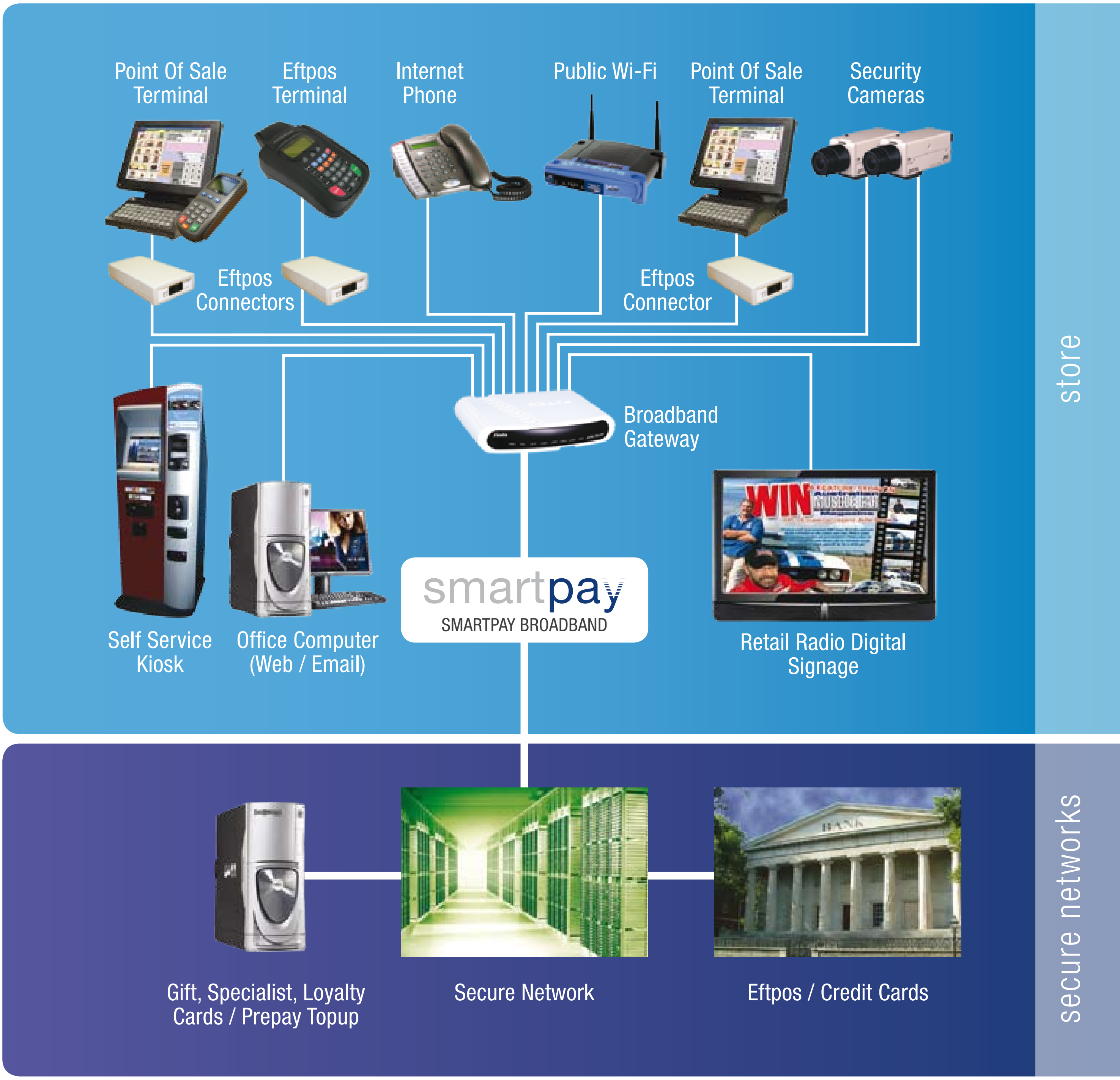
- Wi-Fi and GPRS
- VoIP telephony
- GPRS wireless terminals
- IP-PBX hardware

Marketing Media

- In-store radio
- In-store audio advertising
- In-store video
- Music licensing
- Managed services

merchant infrastructure

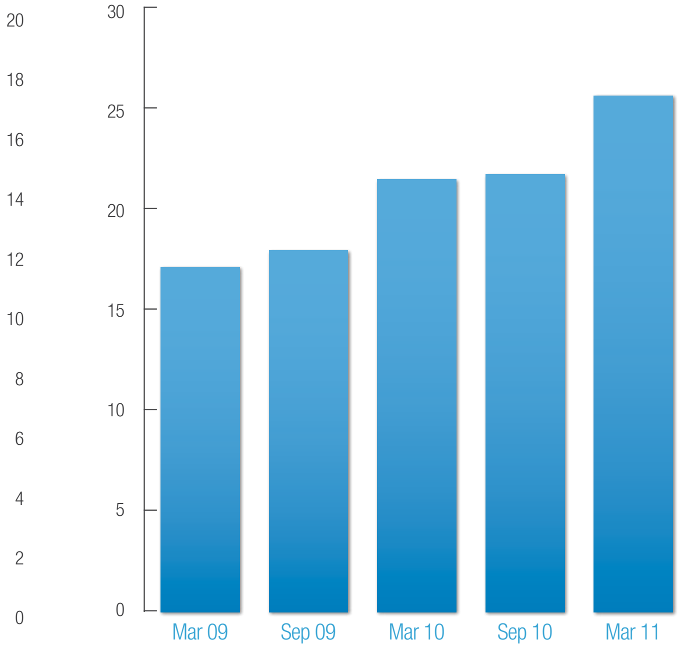
SmartPay provides services to its customer base earning recurring and repeatable revenue streams – using broadband as a delivery mechanism.



business performance

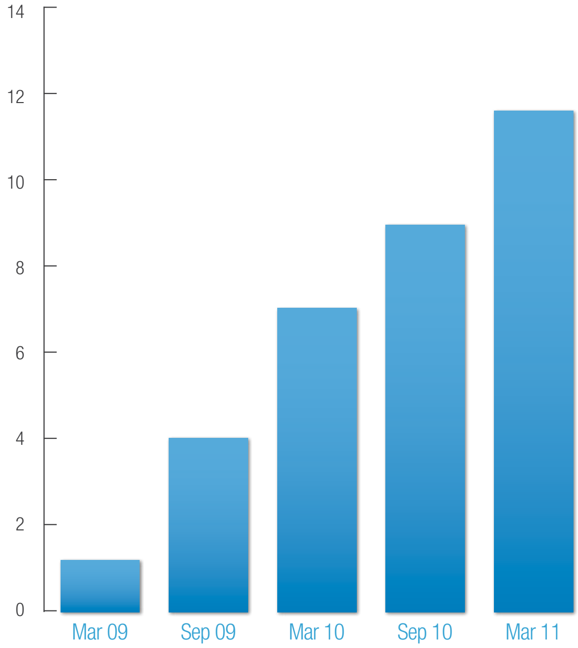
Revenue Six Monthly Performance

$ MILLIONS



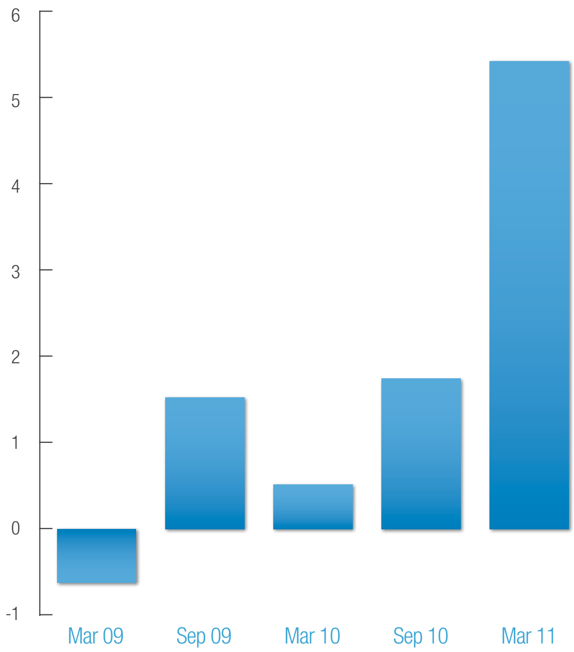
Gross Profit Six Monthly Performance

$ MILLIONS



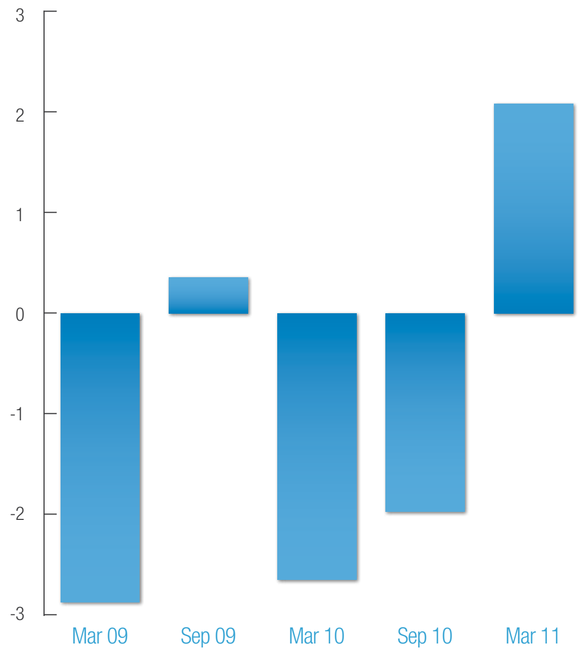
EBITDA Six Monthly Performance

$ MILLIONS



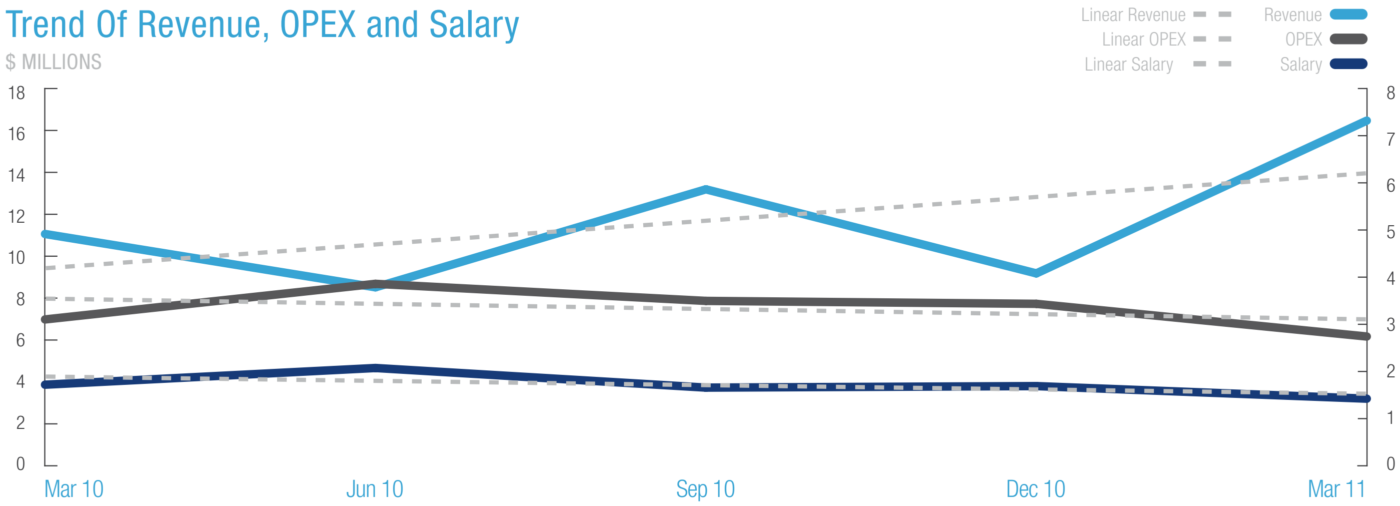
Net Profit After Tax Six Monthly Performance

$ MILLIONS



Trend Of Revenue, OPEX and Salary

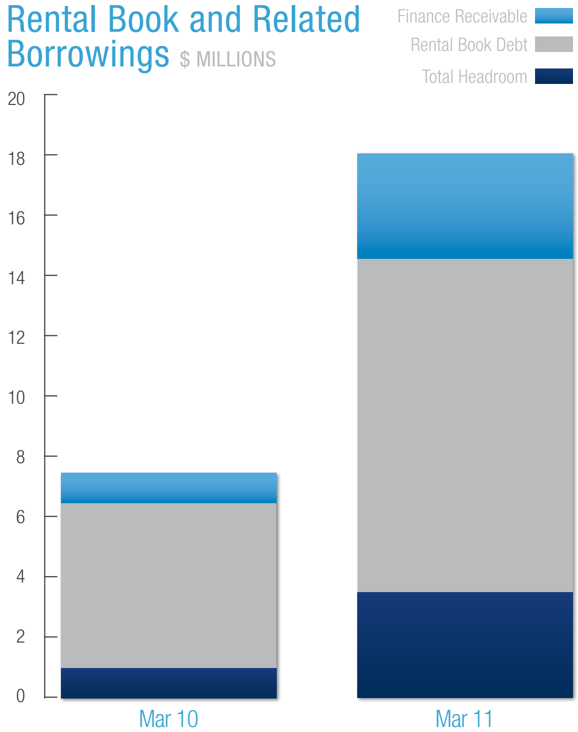
$ MILLIONS



By restructuring our business and carefully managing our costs we have been able to establish an improving linear relationship between revenue and overheads.

Rental Book and Related Borrowings

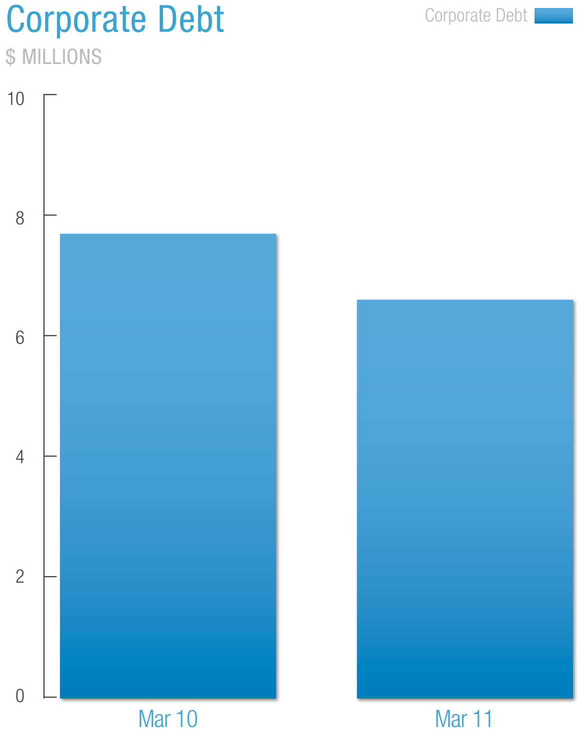
$ MILLIONS



This graph shows the growth in our rental book (the total amount owing by customers for rental contracts), the related debt (we factor 80% of the face value of the rental contracts to provide money to run the business, which is repaid as customers make their monthly payments) and the growing headroom in our rental book receivables.

Corporate Debt

$ MILLIONS



The corporate debt associated with our acquisition programme has been steadily declining. We have successfully renegotiated interest rates and terms with the majority of our corporate lenders following our strong financial performance.

smartpay in New Zealand & Australia

SmartPay is a leading provider of payments and transactional solutions. We have a market leading position in New Zealand and a growing business in Australia.

new zealand

- 30,000 users
- New Zealand's number one provider of technology services for merchants and retailers
- Electronic commerce leader providing payment products, Wi-Fi services, internet banking products, in-store marketing media products and telephony services
- Strong relationships with taxi companies
- Large share of the corporate market
- In house team that can develop applications to operate on EFTPOS networks
- Bespoke financing through SmartPay Subscriptions Limited
- Marketing the PAX range of EFTPOS products at the forefront of compliance and security standards
- Listed on the NZX.

australia

- Approximately 5 years' experience in the market
- Growing customer base
- 4,500 terminals installed in taxi fleets
- 12,000 terminals installed with a major regional bank
- Obtained certification for PAX products
- Agreement signed with Generate Group to drive into the club and hospitality sector
- Pursuing an ASX listing
- Processing approximately 16% of taxi transactions
- Agreement signed with Live Group.

our customers

Our 30,000 strong user base spans all industries and sectors. We provide advanced payment and data management solutions to businesses ranging in size from small owner-operaters to large multi-site trans-Tasman companies. Here is a snapshot of our customers.

reports from the board and management

chairman's **report**

It has been a transformational year for SmartPay. We have achieved market guidance, recorded our first net profit, upgraded thousands of customers with new terminals and firmly set our sights on expanding the existing Australian business.

By any measure we have done well.
18 months ago we set ourselves the goal of substantially lifting earnings before interest, tax, depreciation and amortisation (EBITDA) in 2011 from $2.0 million in 2010, to between $7.0 million and $7.5 million. And we got there, improving EBITDA by 252%.

Runs on the Board

We have demonstrated success, and proven – without a doubt – the inherent value in the SmartPay model which is based on recurring revenues, and the development of our rental book. We have future rental book receivables of $18.32 million, well in excess of the related $14.65 million funding and every rental contract financed builds on SmartPay's future.

Your directors are confident that the business is capable of delivering long term and sustainable earnings growth, providing we continue to grow the rental book, and ensure that funding is available to support that growth. In New Zealand, more than 60,000 merchants across the country upgraded their EFTPOS terminals to comply with new banking standards. From a base of 110,000 terminals, there still remains a significant number to upgrade over the next 12 – 18 months. As a leader in our sector, we upgraded a portion of our 30,000 strong user base and won new business or renewed contracts with large retail chains such as Noel Leeming and Restaurant Brands. We now start a programme to upgrade the remaining merchants and expand into the Australian market.

Growing in Australia

In Australia, where SmartPay has had a presence for some time, the market is poised to undergo a similar terminal upgrade. We believe that now is the time to expand our operations in Australia and replicate our success in the New Zealand terminal upgrade process. Australia is expected to be the source of considerable growth for our business. We already have over 12,000 terminals installed with a major regional bank; have a significant part of the taxi market in conjunction with partner Live Group, processing approximately 16% of taxi transactions and have now signed an agreement with Generate Group to drive our products, using the rental model, into major clubs throughout Australia.

We estimate that we will have over 20,000 terminals installed in the Australian market over the next 12 - 18 months. We will do this via organic growth, focused acquisitions and partnerships with other parties who operate in specialist market segments.

New CEO Andrew Donaldson will focus on the operational business in both New Zealand and Australia. He is supported by other senior executives and sales staff who are working to further develop our Australian business alongside Pat O'Brien, General Manager Australia. This leaves Managing Director, Ian Bailey, to focus on funding, strategy and growth potential (particularly in the Australian market).

To help our cause we intend to list our shares on the Australian Stock Exchange, creating a dual listing with the NZX. This step underpins our Australian strategy as it potentially:

- provides a stronger presence in an important market
- introduces our stock to a new group of retail and institutional investors
- broadens our shareholder base and will assist to improve the liquidity of our stock and shareholder value
- provides access to a greater range of capital funding options, both debt and equity

- exposes more acquisition targets with greater potential to grow the business quickly

We believe an ASX listing will assist in lifting our price earnings ratio, where companies similar to SmartPay have P/Es between 8 and 14.

Our listing will be a full listing, comprising a prospectus and full application for access to the main ASX board. We have already completed a share consolidation to lift our share price towards the minimum A$0.20 requirement. Following the completion of a prospectus, we will lodge our application with the ASX and the Australian Securities and Investments Commission (ASIC). We are working towards completing the ASX listing by late September, early October, dependant on legal and regulatory requirements.

The company is also searching for an additional director, resident in Australia, with the right skills and experience to help the board establish a greater footprint in the merchant services market and to support the ASX listing.

Naturally we are putting a lot of resource into achieving this milestone. The collective experience of the board includes sound knowledge of the Australian capital markets and listed companies, and we are confident that we can deliver on this timeline and support the business' growth objectives.

"As far as SmartPay's future is concerned, we believe it is brighter than ever"

A Team Effort

With hard work and a solid team effort we have improved our revenue, gross profit and EBITDA for three consecutive years, and yet our task is far from over. Aside from expanding in Australia we will be focusing on consolidating our position in the New Zealand market and working on reducing our interest costs so that we can improve our bottom line. We have made significant progress since year end on the interest front and expect that – having met guidance – mainstream banks will begin to view SmartPay in a new light, helping us to lower our cost of funds even further.

Summary

As far as SmartPay's future is concerned, we believe it is brighter than ever. Our business model is proven and we are well positioned to capitalise on emerging technologies such as contactless cards, mobile payments and internet payments to drive further revenue. While we are not giving guidance for 2012 - at this early stage of the new financial year – we do expect EBITDA to be consistent or slightly improved on 2011 with an improved bottom line due to lower interest costs and a focus on overhead control.

As we pause to reflect on the company's performance and our journey over the past three years, it is appropriate to thank the entire SmartPay team – directors, management, employees and shareholders - for their support and belief in the company. We couldn't have done it without you.

Wayne Johnson
Chairman

managing director's **report**

SmartPay is a changed company. Three years ago our focus was on a low margin, volume based product set, related to the prepaid mobile phone market. Now we have higher margins, recurring revenue streams and a solid business strategy. The results of restructuring and an aggressive acquisitions strategy are paying off.

A Solid Strategy

Consistent and improving operational and financial performance over the past three years has seen SmartPay deliver on its promise. In 2010 and 2011 we delivered double digit growth in top line revenue. A focus on higher margin products saw gross profit lift from 7% in 2009 to 44% of revenue this year. This, alongside harnessing the potential in the ProvencoCadmus payments acquisition, has been the key to the turnaround in the fortunes of our business.

We achieved our EBITDA target through hard work and by focusing on delivering an ever increasing range of value added services to our customers. SmartPay's business model is similar to that of pay television. Customers rent SmartPay's EFTPOS terminals and to this base of customers we market an increasing range of software and value added services including Wi-Fi, online payments, in-store advertising and a number of specialist payment services. This approach provides for recurring and ongoing revenue streams.

A massive effort has gone into turning our business around over the past 18 months. Many times we have asked our team to go above and beyond the call of duty as we integrated the ProvencoCadmus payments business - four times the size of SmartPay - into our operations while moving to a new business model based on subscriptions and rentals as opposed to the historical ProvencoCadmus model of hardware sales only. We have re-set our strategy, restructured our business to become more efficient, recruited a new CEO, and risen to the challenge of upgrading many of our customer base to new terminals, with new software and higher levels of security. This will be an ongoing process with the first tranche being completed in May of 2011 and we will continue to re-sign and upgrade our customers and ensure we have a solid business based on recurring revenues. As you heard from Chairman Wayne Johnson, we achieved our guidance target, recording a rate of growth that would be the envy of many companies.

The Next Big Challenge

With progress in the New Zealand market largely achieved and the core business now performing well, our focus turns to Australia and our plans for further growth. It is the right time to focus on the Australian market. Many of our larger corporate customers have a presence in Australia, and we are confident of leveraging both our relationships with these companies and our New Zealand experience in this much larger market.

This is a market that we know well. SmartPay has had a presence in Australia for many years providing payment solutions and value added EFTPOS to niche markets such as the taxi industry, through Live Group, through our relationships with Bank of Bendigo and our recently announced agreement with Australian clubs and hospitality specialist Generate Group.

We won't be entering the market "cold", with little experience and overblown expectations. This is a natural step for our business, and one we are taking with equal measures of optimism, confidence and prudence. Many of the management and sales teams have experience operating in the Australian market and we will be using that experience to assist the company's growth.

The Australian market comprises approximately 600,000 terminals and we are only looking to achieve a 5% market share over the next 12 – 18 months to provide the expansion we need for SmartPay. Providing we continue to expand the rental base, and ensure funding is in place to support the growth of the rental book, then the company will rapidly reach a point whereby the ongoing monthly cashflows will exceed all costs and overheads, leaving a residual cash component available to repay corporate debt. Management's view is that this is simply now a timing issue and growth of our rental book will provide shareholders with a significant future value.

As the New Zealand market consolidates we expect SmartPay's growth to come from Australia, both next year and beyond. Apart from the fact that the Australian merchant services market is five to six times larger than New Zealand, new banking security requirements are being introduced, and with that – over the next three to five years - the requirement to upgrade the existing hardware and software platforms for installed EFTPOS terminals. This is a major, once-in-a-decade opportunity for our business that cannot be overlooked.

Our experience in New Zealand, where we are a significant presence in the market, and where we have recent experience of a large-scale terminal upgrade will stand us in good stead as we pursue this next phase of growth. We expect to grow our business in two ways: by winning new customers, particularly during the upgrade process, and by purchasing complementary businesses.

> "It is the right time to focus on the Australian market"

One of the issues for the company will be identifying suitable lower cost funding for the business in Australia as we grow significantly in that market and expand our rental book. We will also be looking for additional funders in New Zealand to supplement our SmartPay Subscriptions Limited debt product, which is focused on funding the rental book growth. In both cases this is occurring in a very tight market. We are expecting our future funding costs to decrease as we work directly with banks as opposed to mezzanine funders as we have now.

A presence on the Australian Stock Exchange will be beneficial to both the company and its shareholders as we look to substantially increase shareholder value.

Summary

Three years ago I joined SmartPay with a vision of what this company could become. It is pleasing to see that vision all-but realised. My focus for the foreseeable future is securing growth in our Australian operations, identifying suitable acquisitions, completing the ASX listing, and bringing on board funders to support our growth. I take this opportunity to thank the entire staff for all their efforts as this result would simply not have been possible without the huge amount of effort from many people over a short timeframe. I also thank my fellow directors who have put so much into this business and have performed well in excess of what would normally be asked of a director of a public company.

Ian Bailey
Managing Director

chief executive officer's **report**

In my first report to shareholders I am proud to say that SmartPay is a stronger company than it was 12 months ago. Last year we succeeded in substantially growing our operating margins and hitting our market guidance realising a 252% increase in EBITDA. We also recorded our first net profit, a significant milestone for any company. This signals a dramatic turnaround from 2010.

Improving Our Business

We announced a new strategy focusing on our core areas of expertise, greatest value and opportunities for growth with SmartPay aiming to become a leading provider of payments and transactional solutions in New Zealand and Australia. We reorganised the company around this new strategy removing costs and improving our cashflow outlook and have now completed the integration of ProvencoCadmus. We saw strong growth in our customer base and sales increased 20% as customers upgraded to terminals with the latest security standards and prepared for the influx of tourists for the Rugby World Cup. SmartPay is now a clear leader of payment solutions in New Zealand.

2012 will be an exciting year as we turn our attention to growing our Australian business, delivering great service to our customers and adding value through our related payment and transactional services. There will also be the usual challenges for a growing company like SmartPay in an environment where the credit and capital markets remain tight. We remain focused on securing the additional funding to support our rental book growth and replace our corporate debt at more competitive market interest rates.

Confirming our intention to list on the ASX is another significant step forward in our plans to grow in Australia and attract new investors and customers in that market.

Lowering Interest Costs

We now have a strong and improving track record. We have grown revenue and gross profit over the past five half-years and EBITDA is positive and growing. This year we are pleased to report:

- A 20% lift in revenue, up from $39.4 million to $47.3 million
- An 86% lift in gross profit, up from $11.1 million to $20.6 million
- A 252% lift in EBITDA, up from $2 million to $7.2 million
- A $2.7 million turnaround in net profit, from -$2.6 million to $0.1 million

All of which is no small achievement for a growing company like SmartPay especially given our funding situation and the continued tight credit markets. The company has also taken a number of significant steps this year to address its funding costs including:

- Launching SmartPay Subscriptions Limited – a bespoke vehicle to provide lower cost funding to support growth in the rental book
- Issuing a redeemable preference share offer to reduce the cost of the company's corporate debt
- Welcoming Kiwibank as a funder of our growing rental book

SmartPay is a company that has grown quickly. We have completed a number of acquisitions over the past few years, but none more important than the purchase of ProvencoCadmus payments in August 2009. This acquisition was made possible by short term borrowing at mezzanine interest rates. In the intervening 18 months we have successfully extended our repayment periods and in the past 12 months repaid 20% of the balance owing. We have also recently agreed new extensions and interest rate reductions to the majority of these loans, reflecting the improved performance of the business.

Different Kinds of Debt

We use borrowing for two distinct purposes: the first is to support our sales growth. Customers sign contracts with us for a fixed term of usually 36 months. We obtain funding by securitising our rental contracts, whilst maintaining an equity level of no less than 20% thereby providing the company with a longer term revenue stream. We call customer receivables the "rental book". We typically obtain debt funding for our rental book contracts at 80% of their face value. The growth of the equity represents ongoing recurring revenue and building cashflow. As customers pay their monthly instalments we use this money to repay our rental book borrowings.

Our corporate debt is used to fund acquisitions and provide additional working capital. Despite New Zealand's challenging debt market we were successful in securing growth capital and debt finance to fund our working capital and operational requirements.

All of the initiatives taken will substantially reduce our interest costs during the 2012 financial year and in doing so improve our bottom line and cashflow. We hope that our improved financial performance will also result in the big banks viewing SmartPay in a new light, helping us to lower our cost of funds even further.

In addition to our efforts to reduce interest costs we have taken a number of other important steps to consolidate our market leading position and ensure that SmartPay is ready and able to enter its next growth phase.

Our sales team secured a large number of customer accounts with nationwide retail chains including Postie Plus, Foodstuffs, Noel Leeming and Restaurant Brands along with other large customers such as Air New Zealand.

We have simplified our business model, and reduced our headcount – without compromising on service. Our manufacturing – not a specialist area for our business - is outsourced to a large international specialist, PAX. The PAX range has proven very reliable, improving our customer experience and reducing our cost to serve. We have obtained market certification for PAX hardware by dominant EFTPOS switch Paymark in New Zealand and Westpac in Australia, and are actively working on gaining certification with some of the remaining Australian banks.

To be successful as a trans-Tasman company we will have to make the most of our resources. This means leveraging our New Zealand experience and intellectual property to best advantage. By choosing PAX, we can offer market-leading innovative products at the forefront of compliance and security standards to both markets secure in the knowledge that we have the right hardware partner.

We continue to carefully manage our expenses and cashflow, and have made significant savings in inventory and other overheads such as service and support. The relationship between our revenue and costs is moving in the right direction and showing steady improvement.

"We now have a strong and improving track record"

Summary

The challenges in the year ahead are to consolidate the business, secure the additional funding required to support our growth, reduce our interest costs further and provide a solid platform from which to support our growth objectives in Australia. SmartPay is delivering on its objective of being a leading provider of payments and transactional solutions in New Zealand and Australia. I look forward to sharing our interim financial results with you later in the year.

Andrew Donaldson
Chief Executive Officer

smartpay profiles

directors' **profiles**

With the guidance of the board, SmartPay maintains its position as one of New Zealand's leading providers of payments and transactional solutions.

1 Wayne Johnson

Chairman and Independent Director

Wayne has over 25 years' business and financial transaction experience gained in Australia, New Zealand, Asia and North America. He has founded and helped manage a range of businesses from start-ups through to public listings and has been responsible for a number of large business sales in the technology and telecommunications industries to multinational buyers. Wayne provides a wealth of experience in mergers and acquisitions, corporate advisory and general business development to the board.

2 Ian Bailey

Managing Director

Ian has been involved in the EFTPOS and IT industries for over 25 years. He has been Managing Director of a number of successful start-up companies in the EFTPOS and IT industries including five years as Managing Director of Provenco's Australian subsidiary until 1996, and subsequently founder of Cadmus Technology Limited from inception to listing, in New Zealand, until his departure in 2007. He is also a member of the Institute of Directors and owns management consultancy company Riverhorse Consultants Limited.

3 Greg Barclay

Non Independent Director

Greg practices in general commercial law providing advice on mergers and acquisitions, corporate structuring and commercial property. He is a founding principal of Claymore Partners Limited, and has a law degree from the University of Canterbury and a postgraduate diploma in business from Auckland University. Greg brings experience as a present or past director of high profile New Zealand companies including Kim Crawford Wines, Pacific Forest Products Group and Hospitality New Zealand to the SmartPay board. As a principal of a key service provider to the company, the board has determined that Greg is a non-independent director.

4 John Nimmo

Independent Director

John has had over 20 years' experience as Chief Executive of manufacturing, marketing, exporting and distribution businesses with turnovers of up to $100 million. In conjunction with Ian Bailey, John was a founder of Cadmus Technology Ltd (CTL) listing it on the NZX in November 2000. He served as Commercial Director until his retirement in December 2007, prior to the merger with Provenco.

In July and August 2009 he assisted SmartPay with the purchase of the payments division of ProvencoCadmus and provided consultancy services to SmartPay until his appointment to the board in December 2010.

management profiles

Our management team has a wealth of specialised payments industry as well as broad financial and commercial experience.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1 Linc Burgess

General Manager - Sales

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 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 the company. Since then he has had responsibility for group sales management. Linc played a key role integrating the ProvencoCadmus assets into SmartPay, leading the sales team and securing a substantial part of the business that had been previously held by ProvencoCadmus.

2 Carey Davis

Manager MIPS Financial Services

Carey comes from a strong customer service and finance background, with over 25 years' experience in the life insurance and financial services sectors. A career change saw her move to credit control and credit assessment at Fisher & Paykel Finance Ltd. Taking that experience she took on the role of Product Rentals Limited Manager at Cadmus Technology Limited. In December 2009 she joined SmartPay subsidiary MIPS Financial Services Limited to manage the growing finance book. She brings a wealth of knowledge and best practice to the organisation with much enthusiasm.

3 Andrew Donaldson

Chief Executive Officer

Andrew joined SmartPay in September 2010, as Chief Financial Officer. He has extensive executive experience in both the UK and NZ most recently as Managing Director for Brightstar. Prior to joining Brightstar, he was CFO at Telecom Retail. Andrew's experience covers listed companies, start-ups, entrepreneurial technology businesses and venture capitalists. He is adept at knowing how to quickly scale up and build credibility for technology groups like SmartPay.

In January, Andrew was promoted to the role of CEO. He will oversee all aspects of the New Zealand business, lead product development across the group and deliver operational support to Australia, playing a key role in helping SmartPay to deliver on its aggressive growth plans.

4 Andrew MacIntyre

Development Manager - Software Apps

Andrew has 16 years' experience in information technology operations and software development. He has spent the last seven years developing software within the payments industry. With experience in integrated, interfaced, and stand-alone solutions, he has designed and implemented EFTPOS and associated applications for the New Zealand, Australia and Singapore markets. As the team leader for the software development team, Andrew's main responsibilities are the design and delivery of embedded terminal applications, as well as customised solutions. Andrew has a degree in Computer Science and Information Systems.

5 Lauren Midgley

Operations Manager

Lauren brings 10 years of business and finance experience in the merchant services industry to SmartPay's operational team. Her responsibilities include providing operational services to customers and ensuring customer satisfaction. Lauren joined the company in 2007 as the management accountant. Prior to this she contracted with various companies as a systems analyst. Earlier in her career Lauren spent five years with Cadmus Technology Limited prior to its merger with Provenco. Lauren's vast experience including many years working for publicly listed companies is invaluable in her current role.

6 Pat O'Brien

General Manager SmartPay Australia

Pat has held executive positions in Australia and the United Kingdom working in telecommunications and financial transaction services for over 25 years. As General Manager of SmartPay's Australian operation he has built a significant business and created the foundation for future growth in this key market. These activities include the establishment of the Australian taxi payments business, becoming an approved ISO reselling banking services with three banks both directly and through our reseller capability. Pat is now working on the introduction of the PAX devices across multiple banks in several vertical markets having already contracted existing and new partners. He holds a Degree in Electronics and Software Engineering from the University of Limerick, Ireland.




frequently asked **questions**

1 How does SmartPay make its money?

Our strategy is to provide an increasing range of products and services to our customers that help them run their businesses better, increase their revenues or add value to their customers. We lease both EFTPOS related hardware and software on a subscription basis, where customers sign a contract for a fixed term – typically 36 months – paying a fixed monthly rental. We also sell a range of other services such as in-store advertising, Wi-Fi, on-line payments and mobile phone top ups.

2 SmartPay's debt is growing – why?

Our debt reflects our growing business. We have two kinds of debt. The first is corporate debt, where we borrowed to undertake a range of acquisitions and to provide working capital. The second relates to our rental book, where we fund receivables from contracts signed by our customers. This provides money "up front" to run the business that is repaid as customers make their monthly contracted payments. The future cashflows from the rental contracts is significantly more than the debt related to our rental book. As at 31 March 2011, debt of the rental book was $14.65 million with related receivables of $18.32 million.

3 Does SmartPay have the ability to service its rental book debt?

Yes. The liabilities relating to the financing of the rental book are exceeded by the value of the future cashflows from customer contracts, including interest on those debts. As we have a large number of small value contracts the overall exposure and risk is relatively low. We are also looking for Australian based funders to to grow the Australian rental book to ensure the company protects itself from exchange rate fluctuations.

4 Why are interest costs so high?

Most of our current borrowings, both corporate and rental book are from second tier lenders. This type of funding commands a higher interest rate than main bank funding. We intend to source lower cost funds to meet the anticipated growth in our rental book, and our new relationship with Kiwibank is an example of this, as is the recent release of our own financing product, SmartPay Subscriptions Limited, targeted to high net worth individuals. Following the renegotiation of interest rates and terms with the majority of our corporate debt lenders lenders we expect to see interest costs reduce significantly over the coming year, adding to the net profit of the group.

5 Why is SmartPay in the market so frequently for funding?

The recent acquisitions were accomplished using short term debt. We have been to the market to raise funds to replace this debt as it matures, and to provide working capital for the growing business. The size of our rental book continues to grow rapidly both in New Zealand and Australia and this requires additional funding linked to and secured by those contracts' cashflows. We are working hard to make SmartPay more attractive to main bank lenders who typically require a stronger balance sheet. Providing we undertake this strengthening we envisage access to a greater pool of funds at lower interest rates.

6 How is SmartPay's financial performance tracking?

We achieved EBITDA guidance for the year to 31 March 2011, at $7.2 million compared to $2.0 million for 2010. We are beginning to establish a solid track record of revenue and EBITDA growth.

7 When will SmartPay begin to make net profits?

We made our first net profit this year, driven by our strong EBITDA performance. The next step is to secure more cost effective forms of finance which will reduce interest costs and improve our profitability. We will also see the benefit of lower costs from our recent business restructure flowing into 2012. Once achieved, we would expect our "bottom line" performance to improve in 2012 and grow in future years.

8 Is the company setting guidance for 2012?

Not at this stage, but we do expect to maintain or even improve slightly on our 2011 EBITDA, and as result of lower interest costs, expect to have an improved net profit.

9 What action is being taken to reduce interest costs?

We have taken a number of steps including launching our own financing facility – SmartPay Subscriptions Limited, targeted at those who can invest $500K or more - at better than bank interest rates - to provide funding for our rental book, the issuing of a redeemable preference share offer at lower interest rates to replace corporate debt and sourcing lower-cost funds from banks. We have also negotiated interest rate reductions with most of our corporate lenders, based on our improved financial performance and will soon be approaching the main banks for finance to replace our second tier lenders.

10 What actions have been taken to reduce other costs in the business?

We have reviewed the business and removed layers of costs, without impacting on our ability to service customers. We have moved to an outsourced manufacturing model and rationalised the number of stock lines we carry.

11 What are SmartPay's plans for the Australian market?

Alongside our New Zealand business, we plan to put more of our focus and effort into the Australian market in future years. As a substantially bigger market, there is more opportunity for SmartPay to significantly expand its business, generating revenues, profits and shareholder value. As part of this process we are pursuing a listing on the ASX. SmartPay already has a significant customer base in Australia and a growing business in that market. Many of our NZ corporate customers are also Australian owned and/or have operations there, giving us further opportunity.

12 Why is SmartPay considering an ASX listing?

It supports our aspirations in the Australasian market, providing a local presence as we seek to acquire new customers. It may also provide greater access to capital to help fund our growth in Australia and expose the company to a larger pool of investors and additional sources of finance.

13 What is the timeline for the ASX listing?

We expect to lodge our application to list and issue a prospectus with the ASIC (Australian Securities and Investment Commission), and we hope for conditional listing approval from the ASX in mid-August, and listing in late September or October this year.

14 What are the benefits of an ASX listing?

It will give us a stronger local presence as we grow our market share in Australia ahead of the new terminal security standards being introduced and a requirement to upgrade approximately 600,000 terminals. It will also expose SmartPay to new investors, new sources of finance and new acquisition targets – all of which will help to grow the value of the company and make it stronger.

15 Why do a share consolidation?

The share consolidation was part of our preparation for meeting the ASX listing. A minimum share price of A$0.20 is typically required by the Australian Stock Exchange.

16 What are the opportunities associated with the expansion to Australia?

Overall it is the chance to grow our business significantly. Specifically Australia provides access to a much greater pool of potential customers, more sources of finance and an increased number of acquisition targets. We also expect to introduce SmartPay to a new group of retail and institutional investors which will also broaden the shareholder base aiming to achieve an increase in the share market stock liquidity.

corporate governance **statement**

The Board of SmartPay Ltd is committed to the guiding values of the company as being Australasian focused, 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.

We pride ourselves on transparency and accountability in all our business dealings. As a listed company SmartPay strives to go beyond mere compliance and achieve best practice standards.

SmartPay has modelled its corporate governance on the New Zealand Exchange (NZX) Corporate Governance Best Practice Code and also has had regard to the Principles and Guidelines of Corporate Governance as recommended by the New Zealand Securities Commission. In addition, SmartPay is aware of the guidelines of the New Zealand Institute of Chartered Accountants when it comes to best practice in terms of reporting requirements expected in terms of annual reports and other statutory documents.

Responsibility

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. The Board operates under a Board Charter which is available on the Company's website.

Delegation

The Board has delegated day to day responsibility for the leadership and management of the Company to the Managing Director and Chief Executive Officer, who are required to do so in accordance with the Board Charter, Board Direction and within the guidelines agreed in the Annual Budget and Strategic Plan.

Board Composition and Focus

The Board currently comprises three non executive directors (including the chairman) and one executive director. The board recognises the importance of independent directors in ensuring an optimal balance between board members who are able to bring a wide range of business experience and skills and those with direct company knowledge and operational responsibility. It has two independent directors, one of whom is the chairman. Individual Board members work directly with management on major initiatives. The Board will meet generally six to eight times a year (more if required).

Committees

Board committees add to the effectiveness of the Board by being able to inject a more detailed analysis of key issues and help to bring a degree of efficiency to decision making. The Board regularly reviews its committee structure and Board Charter and have approved the terms of reference for three committees. Each committee is empowered to seek any information it requires from employees and to obtain independent legal or other professional advice it may deem necessary.

Audit and Finance Committee

The committee's terms of reference require it to consist of three directors, at least two of whom must be independent. They review financial data and facilitate the annual audit. Its Board approved terms of reference are available on the Company's website. Its current members are:

- John Nimmo (Chairman of the committee)
- Wayne Johnson
- Greg Barclay

This committee meets at least 4 times a year.

Risk and Compliance Committee

The committee's terms of reference require it to consist of a minimum of two directors. Its role is to ensure controls are in place to minimise business risk and to require and monitor legislative and regulatory compliance and will meet at least 4 times a year. It's Board approved terms of reference are available on the Company's website. Its current members are:

- Greg Barclay (Chairman of the Committee)
- Wayne Johnson

Remuneration and Appointments Committee

The committee's terms of reference require it to consist of two non-executive directors of the Company. It is constituted to approve appointments and terms of remuneration for senior executives of the Company, review and agree terms of any bonus incentive or share option scheme; it meets at least once a year. The Managing Director submits recommendations to the committee for consideration. Its Board approved terms of reference are available on the Company's website. Its current members are:

- Greg Barclay (Chairman of the Committee)
- John Nimmo

Director Board Meeting Attendance

Directors meet 10 times per year and regularly in between with considerable dialogue and communications between management and the Directors typically weekly as the company's strategy and direction, funding and reporting are reviewed on a regular basis.

Directors meeting attendance is monitored and, as required by the constitution, if a director misses more than three consecutive meetings without leave being granted by resolution of the board the position is vacated.

	24/5/10	28/6/10	30/6/10	20/7/10	30/08/10	4/10/10	26/10/10	18/11/10	14/12/10	01/02/11	23/3/11
John Seton*	Yes	Yes	Yes	Yes	Yes	Apologies	Yes	Yes	Yes	n/a	n/a
Wayne Johnson	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ian Bailey	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Greg Barclay	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
John Nimmo*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Yes	Yes

*John Seton resigned and John Nimmo was appointed on 14th December 2010.

Insider Trading

All directors and management have endorsed the insider trading procedure as issued under the Securities Amendment Act 1988 which sets the criteria for dealing in securities by directors and employees.

Director re-election

Under the terms of the constitution, one third of directors are required to retire by rotation at the annual meeting of the Company but may seek re-election at that meeting. At the annual meeting of shareholders held on 4th October 2010 Wayne Johnson and Gregor Barclay stood for re-election and were re-elected by the shareholders as Directors of the Company.

Recognising Risk

SmartPay takes a proactive approach to risk management and reviews major decisions and deals with a view to every potential risk that the Company may be exposed to as a result. The Board is responsible for ensuring that risks, and opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the board.

Risk mitigation strategies are updated on an ongoing commercial basis.




directors' **responsibility statement**

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of SmartPay Limited (the Parent) and the Parent and it's subsidiaries (the Group) as at 31 March 2011 and the results of their operations and cash flows for the year ended 31 March 2011.

The Directors consider that the financial statements of the Parent and the Group have been prepared using accounting policies appropriate to the Parent and Group circumstances, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable New Zealand equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Parent and Group and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the financial statements of the Parent and the Group for the year ended 31 March 2011.

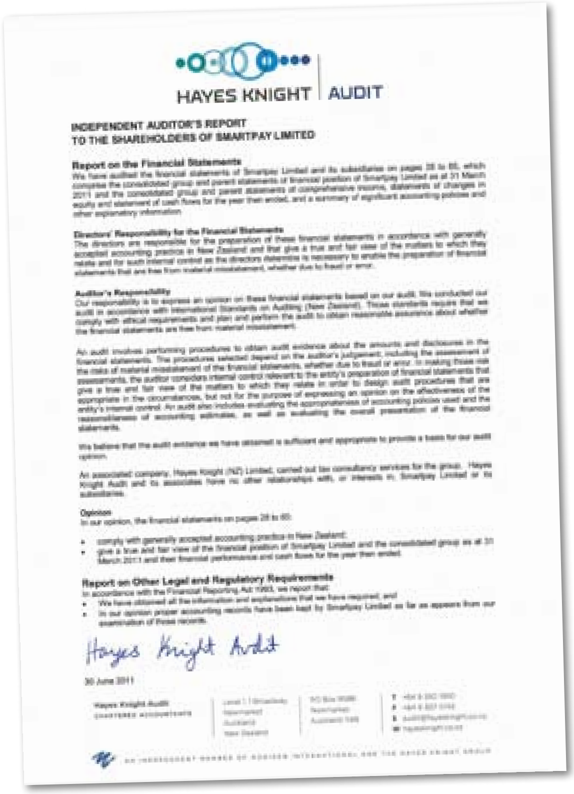
This annual report is dated 30 June 2011 and is signed in accordance with a resolution of the directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors

Wayne Johnson	Ian Bailey
Chairman	Managing Director

audit report

Independent Auditor's Report to the Shareholders of SmartPay Limited


HAYES KNIGHT | AUDIT

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SMARTPAY LIMITED

Report on the Financial Statements

We have audited the financial statements of SmartPay Limited and its subsidiaries on pages 28 to 65, which comprise the consolidated group and parent statements of financial position of SmartPay Limited as at 31 March 2011 and the consolidated group and parent statements of comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 entity's preparation of 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 entity'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 overall 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.

An associated company, Hayes Knight (NZ) Limited, carried out tax consultancy services for the group. Hayes Knight Audit and its associates have no other relationships with, or interests in, SmartPay Limited or its subsidiaries.

Opinion

In our opinion, the financial statements on pages 28 to 65:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of SmartPay Limited and the consolidated group as at 31 March 2011 and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with 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 Limited as far as appears from our examination of those records.

Hayes Knight Audit

Hayes Knight Audit
30 June 2011

HAYES KNIGHT | AUDIT

statement of comprehensive income

for the year ended 31 March 2011

	NOTE	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Continuing operations					
Revenue	6	47,339	39,388	-	-
Cost of sales		26,751	28,319	-	-
Gross Profit		20,588	11,069	-	-
Gain on sale of fixed assets		1	11	-	-
Other income		9	2	-	-
Expenditure					
Administration expenses		1,429	780	-	142
Communications		1,004	600	12	-
Consultancy services		260	34	198	-
Employee costs		8,969	6,310	279	327
Marketing expenses		263	214	-	9
Occupancy costs		739	427	-	15
Other costs		545	535	194	320
Travel and accommodation		234	148	-	2
	7	13,443	9,048	683	815
Earnings before interest expense, tax, depreciation and amortisation (EBITDA)		7,155	2,034	(683)	(815)
Depreciation and amortisation	7	(3,774)	(2,279)	-	-
Interest expense and related costs	7	(4,120)	(2,403)	108	(664)
		(7,894)	(4,682)	108	(664)
Profit/(loss) before tax		(739)	(2,648)	(575)	(1,479)
Tax credit/(expense)	8	846	2	(46)	141
Profit/(loss) for the year from continuing operations of owners		107	(2,646)	(621)	(1,338)
Other comprehensive income					
Foreign currency translation differences for foreign operations		(22)	-	-	-
Total comprehensive income of owners		85	(2,646)	(621)	(1,338)
Earning per share from continuing operations attributable to the equity holders of the company during the year.	9				
Basic earnings/(loss) per share - cents		0.011 cents	(0.36) cents		
Diluted earnings/(loss) per share - cents		0.011 cents	(0.35) cents		

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 32 to 65 form part of the financial statements.

statement of **changes in equity**

for the year ended 31 March 2011

	GROUP				PARENT		
	SHARE CAPITAL $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	RETAINED DEFICITS $000	TOTAL $000	SHARE CAPITAL $000	RETAINED DEFICITS $000	TOTAL $000
Balance at 31 March 2009	14,179	-	(7,435)	6,744	27,040	(8,905)	18,135
Total comprehensive income of owners	-	-	(2,646)	(2,646)	-	(1,338)	(1,338)
Share options recognised at fair value	1,033	-	-	1,033	1,033	-	1,033
Shares issued	4,228	-	-	4,228	4,228	-	4,228
Total changes in equity	5,261	-	(2,646)	2,615	5,261	(1,338)	3,923
Balance at 31 March 2010	19,440	-	(10,081)	9,359	32,301	(10,243)	22,058
Total comprehensive income of owners	-	(22)	107	85	-	(621)	(621)
Convertible notes issued - equity component	50	-	-	50	50	-	50
Share options recognised at fair value	259	-	-	259	259	-	259
Shares issued	7,682	-	-	7,682	7,682	-	7,682
Total changes in equity	7,991	(22)	107	8,076	7,991	(621)	7,370
Balance at 31 March 2011	27,431	(22)	(9,974)	17,435	40,292	(10,864)	29,428

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 32 to 65 form part of the financial statements.

statement of **financial position**

as at 31 March 2011

		GROUP		PARENT	
	NOTE	2011 $000	RESTATED 2010 $000	2011 $000	2010 $000
Current assets					
Cash and bank balances	10	2,331	914	-	-
Trade and other receivables	11	11,129	7,446	247	487
Inventories	12	3,605	2,109	-	-
Group advances	29	-	-	17,232	9,938
Total current assets		17,065	10,469	17,479	10,425
Non-current assets					
Receivables	13	12,252	2,466	-	-
Investments in subsidiary companies	14	-	-	14,067	14,067
Property, plant and equipment	16	2,584	3,902	-	-
Computer software and development	17	8,469	9,977	-	-
Goodwill	18	5,350	5,350	-	-
Deferred tax	19	961	114	74	120
Total non-current assets		29,616	21,809	14,141	14,187
Total assets		46,681	32,278	31,620	24,612
Current liabilities					
Bank overdrafts	10	-	14	-	-
Trade payables and accruals	20	6,117	5,595	264	554
Provisions	21	1,788	3,043	-	-
Income tax payable	22	53	33	-	-
Borrowings	23				
Group A - Corporate		4,846	7,685	-	2,000
Group B - Rental Book		5,860	5,031	-	-
Total current liabilities		18,664	21,401	264	2,554
Non-current liabilities					
Borrowings	23				
Group A - Corporate		1,794	-	1,928	-
Group B - Rental Book		8,788	1,518	-	-
Total non-current liabilities		10,582	1,518	1,928	-
Total liabilities		29,246	22,919	2,192	2,554
Net assets		17,435	9,359	29,428	22,058
Equity					
Share capital	24	27,431	19,440	40,292	32,301
Foreign currency translation reserve	25	(22)	-	-	-
Retained deficits		(9,974)	(10,081)	(10,864)	(10,243)
Total equity		17,435	9,359	29,428	22,058

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 32 to 65 form part of the financial statements.

statement of **cash flows**

for the year ended 31 March 2011

		GROUP		PARENT	
	NOTE	2011 $000	2010 $000	2011 $000	2010 $000
Cash flows from operating activities					
Receipts from customers		33,592	33,512	-	-
Interest received		10	6	-	-
Payments to suppliers & employees		(41,974)	(35,917)	-	-
Interest paid		(3,534)	(1,303)	-	-
GST received / (paid)		146	(27)	-	-
Net cash inflow/(outflow) from operating activities	26	(11,760)	(3,729)	-	-
Cash flows from investing activities					
Proceeds from disposal of assets		1	11	-	-
Purchase of property, plant & equipment		(19)	(232)	-	-
Development of computer software		(1,499)	(1,056)	-	-
Investment in subsidiaries	15	-	(6,261)	-	-
Cash acquired on purchase of subsidiaries	15	-	43	-	-
Net cash inflow/(outflow) from investing activities		(1,517)	(7,495)	-	-
Cash flows from financing activities					
Proceeds from borrowings		13,072	11,459	-	-
Repayments of borrowings		(6,084)	(3,619)	-	-
Shares issued		7,963	4,228	-	-
Share issue costs		(243)	-	-	-
Net cash inflow/(outflow) from financing activities		14,708	12,068	-	-
Net increase/(decrease) in cash equivalents		1,431	844	-	-
Add opening cash equivalents		900	56	-	-
Closing cash equivalents		2,331	900	-	-
Reconciliation of closing cash equivalents to the balance sheet:					
Cash and cash equivalents		2,331	914	-	-
Bank overdraft		-	(14)	-	-
Closing cash equivalents	10	2,331	900	-	-

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 32 to 65 form part of the financial statements.

notes to the **financial statements**

for the year ended 31 March 2011

1 General Information

SmartPay 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 Limited comprise the Parent and its subsidiaries (together referred to as the "Group").

The Parent is a profit-oriented entity. The Group is a leading provider of technology products and services 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 30 June 2011.

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.

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 Judgments 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 ongoing 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

No new standards have been adopted in the current period that had a measurement impact on the Group. No new standards have been adopted early.

Standards with a disclosure impact and potential future measurement impact:

- NZ IFRS 3 Business Combinations (revised 2008)
  Business Combinations requires all payments to purchase a business to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the Statement of Comprehensive Income and all acquisiton related costs to be expensed. The change has not impacted on 2011 income but will impact on future business combinations.
- NZ IAS 27 Consolidated and Separate Financial Statements (revised 2008)
  This requires that a change in the ownership interest of a

subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the Statement of Comprehensive Income. This had no impact on 2011.

- NZ IAS 1 Presentation of Financial Statements
  Changed to clarify that the potential early settlement by issue of equity instruments does not affect a liability current / non current classification. Clarification also of the components in the Statement of Changes in Equity.
- 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 2011.

ii) Standards on Issue Not Yet Adopted

	EFFECTIVE DATE
NZ IAS 24 Related Party Disclosures (revised 2009)	1 January 2011
NZ IFRS 9 Financial Instruments	1 January 2013

There are also a number of minor changes amending various standards including the annual Improvement Standards that have various implementation dates that are applicable for accounting periods commencing after 1 February 2010 to 1 January 2012 including NZ IFRIC Interpretations.

Directors expect to adopt the above Standards and Interpretations in the period in which they become mandatory however none are expected to have significant impact on the Group.

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 in the Parent company's financial statements.

i) 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. From 1 April 2010 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 are converted to New Zealand dollars being the functional currency of the Parent.

2 Summary of Significant Accounting Policies (continued)

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.

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.

The following specific recognition criteria must also be met before revenue is recognised:

i) Sale of Goods

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.

ii) Rendering of Services

Revenue from the installation and ongoing maintenance of hardware is recognised when the service is performed and the rewards can be measured reliably. A large part of support or maintenance service is expected to be provided in the first 12 months subsequent to installation.

iii) Rental Agreements

Rental agreements are entered into by the Group with its customers for EFTPOS terminals and bundled software where substantially all the risks and rewards are considered to have transferred to the customer. As a consequence the contracts are recognised as a sale of the terminals and as a finance lease transaction. The income from the sale of the terminal is recognised according to 2.i.(i) above 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. Any service aspect of the rental agreements is separated and recognised in accordance with the above policy.

For a small number of rental agreements, where the risks and rewards have not been transferred, and acquired through the acquisition of the payments business from ProvencoCadmus Limited, the income is recognised over the remaining term of the contract as an operating lease income.

iv) Finance Lease 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.

v) Dividends

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

j. Share-based Payment Transactions

i) 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 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

2 Summary of Significant Accounting Policies (continued)

- 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 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 classified at fair value through profit and loss are recognised at fair value. In the case of investments not at fair value through profit and loss, these are initially recorded at fair value plus directly attributable transaction costs.

Financial assets are classified into the following categories:

- held-to maturity investments
- available-for-sale financial assets
- loans and receivables

The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

i) 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. (iii).

ii) Impairment of Financial Assets

Collectability of trade receivables and finance lease receivables are reviewed on an ongoing 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.

iii) 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. Inventories

Inventories are valued at the lower of cost and net realisable value 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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

p. Property, Plant and Equipment

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.

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:

- Terminal and 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.

i) Disposal

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.(iii) and 2.n.(ii).

ii) Group as Lessee

Assets held under finance leases are initially recognised as

2 Summary of Significant Accounting Policies (continued)

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

Other 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.

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.

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. Mandatorily redeemable preference shares are classified as liabilities. 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 the 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.

2 Summary of Significant Accounting Policies (continued)

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 the balance sheet 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.

i) 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:

i) 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.

ii) 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.

iii) 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.

iv) 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.

v) 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. Changes in Accounting Policies

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

3 Significant Accounting Judgements, Estimates and Assumptions

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, 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 judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by the Directors and management in the preparation of these financial statements are outlined below.

a. Significant Accounting Judgments

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 agreements with customers, see note 2.i (ii) and 2.i (iii).

iii) Recovery of Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences and tax losses as the Directors consider that it is probable that future taxable profits will be available to utilise those temporary differences. The decision to recognise the asset is based on the judgement of the likely timing and level of future taxable profits over the next 1 to 2 years as assessed by Directors from the forecasts calculated by management from time to time. Utilisation of tax losses requires that the shareholder continuity remains above 49%. Given the fact that currently shareholder continuity is 68% it is not anticipated that this will reduce to below 49% within the next 2 years. These are reassessed regularly as circumstances change.

iv) Provisions

Judgements were required to determine the likely levels of provisioning required for the Australian equipment technology upgrade provision established as part of the asset allocation in the acquisition accounting of Provenco Cadmus in 2010. This has been established using the experience gained over the time since acquisition. See note 21.

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 18.

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 but this has been increased in the current year based on the estimated utilisation of tax losses as explained above in note 3.a.(iii) and is considered appropriate based on the expected results for the next 1 to 2 years.

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 lifes are made when considered necessary. Depreciation and amortisation charges are included in notes 16 and 17.

v) Provisions

A number of provisions (see note 21) 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.

c. Going Concern

The financial statements have been prepared under the going concern assumption. The Directors have reviewed and approved the 2012 business plan and forecast. This indicates there are sufficient cash flows together with the debt rollovers to satisfy its obligations and operate the business. In respect of the "current" corporate debt, confirmation has been received post balance date from the majority of lenders to rollover the debt.

The remainder of corporate debt is expected to be repaid from a combination of operating cash flows together with current and future capital raising initiatives, which include the current offer of Fixed Return Securities by SmartPay Investments Limited and the proceeds of SmartPay Subscriptions Limited's bulk funding facility (refer Note 31). Subsequent to year end, approximately $800,000 has been received to date in relation to these initiatives.

4 Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise convertible notes, loans, overdrafts, and cash. 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 accounts receivable, finance lease receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, and credit risk. Up to 31 March 2011 the Group had not entered into any derivative transactions. The Board reviews and agrees policies for managing each of these risks as summarised below.

a. Market Risk

i) Foreign Currency Risk

The Group's operations have been predominantly in New Zealand and therefore the exposure to foreign exchange risk has been considered to be minimal. To 31 March 2011 there are small foreign currency implications with its Australian operations and from the importation of EFTPOS terminals and componentary. To 31 March 2011 these risks have been considered on a transaction by transaction basis and not considered of sufficient magnitude to warrant derivative cover. Since balance date, with the expected growth in the Australian operations, a derivative plan has been put in place as part of the overall treasury strategy (see note 31).

ii) Cash Flow and Fair Value Interest Rate Risk

As the Group has no significant financial assets subject to floating interest rates, the Group's income and operating cash flows are substantially independent of changes in market interest rates on interest bearing assets.

The Group's interest rate risk arises from its borrowings. The borrowings are largely fixed interest loans with varying maturity dates. In the last 12 months $4.4million has been refinanced and a further $4.9million will require refinancing within the next twelve months. There is a risk that the interest on the refinanced debt could be higher than the interest rates currently obtained (refer to note 30c), however it is anticipated the interest rate will be lower in some cases.

b. Credit Risk

In the normal course of business, the Group incur credit risk from accounts receivable and finance lease receivables and transactions.

Management have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis with reviews of payment history. On the lease rental receivables the EPTPOS 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 reposession can be undertaken in the event of default of the debt.

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.

The Group manages its liquidity by forecasting and monitoring the total cash flows on a daily, monthly and annual basis (see note 30d)

d. Fair Values

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

5 Segment Information

Management has determined the operating segments of the business based on the information that is used for control and decision making purposes. 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. There is no discrete management information by any segmentation of the business except some geographical reporting primarily for internal control purposes between New Zealand and Australia.

Management assesses the performance of the two geographical segments using a measure of profit before interest, depreciation and amortisation costs. This also excludes the effects of non recurring expenditure from the operating segments such as restructuring costs, legal expenses and impairment when the impairment is the result of an isolated non-recurring event.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

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

GEOGRAPHICAL SEGMENTS	NEW ZEALAND		AUSTRALIA		ELIMINATION		TOTAL	
	2011 $000	RESTATED 2010 $000	2011 $000	RESTATED 2010 $000	2011 $000	RESTATED 2010 $000	2011 $000	RESTATED 2010 $000
Sales - external	44,254	37,793	3,085	1,595	-	-	47,339	39,388
Sales - inter segment	1,663	485	-	-	(1,663)	(485)	-	-
Total segment sales	45,917	38,278	3,085	1,595	(1,663)	(485)	47,339	39,388
Operating earnings (EBITDA)	7,019	2,030	136	4	-	-	7,155	2,034
Interest and related costs	(4,120)	(2,402)	-	(1)	-	-	(4,120)	(2,403)
Profit / loss before tax	(858)	(2,635)	119	(13)	-	-	(739)	(2,648)
Computer software and development asset	8,469	9,977	-	-	-	-	8,469	9,977
Total assets	43,569	29,918	4,391	2,360	(1,279)	-	46,681	32,278
Total liabilities	(27,689)	(20,534)	(2,836)	(2,385)	1,279	-	(29,246)	(22,919)
Capital expenditure	1,518	1,288	-	-	-	-	1,518	1,288
Depreciation and amortisation expense	3,757	2,263	17	16	-	-	3,774	2,279
Impairment losses on accounts receivable	596	103	-	-	-	-	596	103

Revenue by product line is shown in Note 6

No customer represents more than 10% of total revenues so there is no concentration of customers.

notes to the financial statements (continued)

for the year ended 31 March 2011

6 Revenue

An analysis of the revenue for the year for continuing operations is as follows:

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000
Revenue from the sale of goods	24,573	10,289	-	-
Prepaid telephony & calling card income	15,900	22,100	-	-
Revenue from rendering services	4,650	3,832	-	-
Rental operating lease income	858	2,384	-	-
Finance lease income	1,321	525	-	-
Other revenue	37	258	-	-
	47,339	**39,388**	**-**	**-**

7 Expenditure

The following items of expenditure are included in the Statement of Comprehensive Income:

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000
Interest and related costs				
Intercompany interest received	-	-	(1,000)	(240)
Other interest received	(10)	(6)	-	-
Interest on bank overdrafts and borrowings	2,677	1,485	279	365
Interest on convertible notes	32	-	32	-
Interest on finance leases	-	5	-	-
Share option amortisation	574	539	574	539
Interest on shareholder loans	-	70	-	-
Finance transaction fees amortisation	847	310	7	-
	4,120	**2,403**	**(108)**	**664**
Other specific costs included in expenditure				
Auditors fees:				
Audit fees to the principal auditor	100	130	15	18
Taxation services - consultancy - to the principal auditor	9	10	-	-
Other fees to the principal auditor [1]	13	-	-	-
Depreciation:				
Terminal and computer equipment	738	1,302	-	-
Furniture, fixtures and office equipment	29	7	-	-
Amortisation of software	3,007	970	-	-
Write off fixed assets	570	-	-	-
Bad debts	103	10	-	-
Provision for impairment of receivables	284	93	-	-
Provision for impairment of finance lease receivables	209	-	-	-
Reversal of impairment charge on service stock [2]	(695)	-	-	-
Directors fees	136	109	136	109
Foreign exchange losses	149	26	-	-
Share based payments	91	98	-	-
Operating lease payments	405	196	-	-

1 Other fees include financial reporting and advisory services

2 Service stock represents units returned to SmartPay which are refurbished and subsequently re-deployed.

8 Taxation Expense / (Credit)

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000
Income tax (benefit)/expense comprises:				
Current income tax	-	4	-	-
Deferred tax	(846)	(6)	46	(141)
Income tax (credit)/expense	**(846)**	**(2)**	**46**	**(141)**
Reconciliation between charge for year and accounting profit				
Profit/(loss) before tax	(739)	(2,648)	(575)	(1,479)
Income tax at 30%	(222)	(794)	(173)	(444)
Add/(deduct) the tax effect of:				
Non-deductible expenses	109	244	184	204
Change in tax rate from 30c to 28c	66	-	5	-
Prior year over/(under) accrual adjustments	1	-	-	-
Tax losses not recognised	-	548	30	99
Tax losses recognised	(800)	-	-	-
Income tax (credit)/expense	**(846)**	**(2)**	**46**	**(141)**

The tax rate used in the above reconciliation is the corporate tax rate applicable at 31 March 2011 of 30% payable on taxable profits under New Zealand and Australian tax law adjusted for the impact on deferred tax for the reduction in the New Zealand tax rate to 28% which is effective from 1 April 2011.

9 Earnings per Share

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

	GROUP	
	2011 $000	2010 $000
Basic earnings/(loss) per share - cents		
Profit/(loss) for the period	107	(2,646)
Weighted average number of shares ('000)	1,007,359	729,008
Basic earnings/(loss) per share - cents 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.	0.011	(0.36)
Diluted earnings/(loss) per share - cents		
Diluted earnings/(loss)		
Profit/(loss) for the period	107	(2,646)
Tax effected earnings of share options	6	25
Diluted earnings/(loss)	**113**	**(2,621)**
Diluted weighted average number of shares		
Weighted average number of shares ('000)	1,007,359	729,008
Share options ('000)	15,478	17,540
Diluted weighted average number of shares	**1,022,837**	**746,548**
Diluted earnings/(loss) per share - cents 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. The 2011 calculation excludes the impact of 89,999,999 shares potentially issuable as a result of the convertible notes issued during the year. The impact of the convertible notes was not dilutionary in 2011 year.	0.011	(0.35)

Subsequent to balance date the company has undergone a share consolidation - refer to note 31.

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	
	2011 $000	2010 $000	2011 $000	2010 $000
Cash at bank and in hand	2,331	914	-	-
Bank overdraft - secured	-	(14)	-	-
Total cash and bank balances	**2,331**	**900**	**-**	**-**

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

	GROUP		PARENT	
	2011 $000	RESTATED 2010 $000	2011 $000	2010 $000
Accounts receivable	2,003	1,889	-	-
Less impairment provision on receivables	(608)	(257)	-	-
Finance lease receivable (see note 13)	5,858	5,034	-	-
Accrued revenue	3,176	-	-	-
Prepayments	381	743	171	411
GST	274	-	76	76
Other receivables	45	37	-	
Total trade and other receivables	**11,129**	**7,446**	**247**	**487**

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. Trade receivables are generally on 30-60 day terms. Some receivables relating to Telephony have weekly terms.

12 Inventories

	GROUP		PARENT	
	2011 $000	RESTATED 2010 $000	2011 $000	2010 $000
Raw materials at cost	457	691	-	-
Finished goods at cost	2,388	1,460	-	-
Service stock at cost	760	-	-	-
Less provision for impairment	-	(42)	-	-
Total inventories	**3,605**	**2,109**	**-**	**-**

Suppliers of some inventory items maintain a claim of ownership until the goods are paid for. Service stock represents units returned to SmartPay, which are refurbished and subsequently re-deployed. Service stock is valued at net realisable value.

13 Non Current Receivables

	GROUP		PARENT	
	2011 $000	RESTATED 2010 $000	2011 $000	RESTATED 2010 $000
Total finance lease receivables	18,110	7,500	-	-
less current portion of finance lease receivables	(5,858)	(5,034)	-	-
Non current finance lease receivables	**12,252**	**2,466**	**-**	**-**

Finance Lease Receivable 2011	CURRENT	1-5 YEARS	TOTAL
2011			
Finance leases - gross receivable	7,618	13,782	21,400
less unearned finance income	(1,586)	(1,495)	(3,081)
	6,032	12,287	18,319
less provision for impairment of finance leases	(174)	(35)	(209)
Total finance lease receivables	**5,858**	**12,252**	**18,110**
2010 Restated			
Finance leases - gross receivable	6,227	3,030	9,257
less unearned finance income	(1,128)	(564)	(1,692)
	5,099	2,466	7,565
less provision for impairment of finance leases	(65)	-	(65)
Total finance lease receivables	**5,034**	**2,466**	**7,500**

Finance lease receivables relate to EFTPOS terminals, and bundled software, leased to the lessee as an integrated solution with a non-cancellable lease for predomently 3 or 4 year periods. The lessee is required to provide a guarantor. There is no residual value. The lessee is required to provide insurance on the terminals. All the significant risks and rewards of ownership are passed to the lessee. Lease payments are made monthly during the term of the lease.

The Group manages its receivables in line with its approved 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 a 3 to 4 year period and are initially recorded at their discounted value using a market discount rate for similar activities (currently 8.25%).

Finance receivables are used as security for Group B loan facilities (see note 23).

notes to the **financial statements** (continued)

for the year ended 31 March 2011

14 Investments

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

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000
Subsidiaries				
SmartPay New Zealand Limited	-	-	6,000	6,000
Software International Limited	-	-	480	480
Card Processing Services Limited	-	-	2,086	2,086
Retail Radio Limited	-	-	1,850	1,850
Merchant IP Services Limited	-	-	1,755	1,755
FIVO Limited	-	-	1,880	1,880
MIPS Financial Services Limited	-	-	16	16
Total investments	-	-	14,067	14,067

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

	EQUITY INTEREST		PLACE OF INCORPORATION	ACTIVITIES
	2011	2010		
Subsidiaries				
SmartPay Cadmus Limited	100%	100%	NZ	Product and services
SmartPay New Zealand Limited	100%	100%	NZ	Product and services
Software International Limited	100%	100%	NZ	Software ownership
Retail Radio Limited	100%	100%	NZ	Non-trading
Merchant IP Services Limited	100%	100%	NZ	Non-trading
FIVO Limited	100%	100%	NZ	Non-trading
Sampro Limited	100%	100%	NZ	Non-trading
NetPay Limited	100%	100%	NZ	Non-trading
MIPS Financial Services Limited	100%	100%	NZ	Rental of equipment
Fonefill Limited	100%	100%	NZ	Non-trading
Next Generation Networks Limited	100%	100%	NZ	Non-trading
SmartPay Investments Limited	100%	-	NZ	Financing
SmartPay Rentals Limited	100%	-	NZ	Financing
SmartPay Transactions Limited	100%	-	NZ	Financing
SmartPay Transaction Delivery Services Limited	100%	100%	NZ	Financing
SmartPay Technologies Limited	100%	100%	NZ	Non-trading
SmartPay Subscriptions Limited	100%	-	NZ	Financing
SmartPay Australia Pty Limited	100%	100%	Aust	Product and services
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
Provenco Solutions Pty Limited	100%	100%	Aust	Non-trading
Provenco Technology Pty Limited	100%	100%	Aust	Non-trading
Provenco Communication Technologies Pty Limited	100%	100%	Aust	Non-trading

- **SmartPay Cadmus Limited**

  was established in August 2009 with a nominal capital to acquire the New Zealand payments business of ProvencoCadmus Limited and some of its Australian entities.

- **SmartPay Investments Limited**

  was established in February 2011 with a nominal capital to provide funding lines through the issue of redeemable preference shares.

- **SmartPay Subscriptions Limited**

  was established in July 2010 with a nominal capital to provide funding lines for the Group's rental book.

- **SmartPay Rentals Limited**

  was established in August 2010 with a nominal capital to provide funding for the Group's rental book.

- **SmartPay Transactions Limited**

  was established in February 2011 with a nominal capital to provide funding for the Group's rental book.

15 Business Combinations

2011

There were no new acquisitions in 2011.

2010

On 19 August 2009 the New Zealand assets of ProvencoCadmus Limited's payments division were acquired by SmartPay Cadmus Limited together with 100% of the shares in the Australian legal entities associated with this business, in exchange for cash. The shares were acquired in Cadmus Payment Solutions Pty Limited, Product Rentals Pty Limited, Provenco Communications Technologies Pty Limited, Provenco Solutions Pty Limited and Provenco Technology Pty Limited. The Directors did not know the book values of the assets acquired from ProvencoCadmus Limited.

During 2011 the acquisition asset values were reassessed within the time period permited. The changes are shown below.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

FAIR VALUE ON ACQUISITION	FINAL FAIR VALUE AT ACQUISITION DATE	PROVISIONAL VALUATION AS PREVIOUSLY REPORTED
	$000	$000
Net assets acquired		
Cash and cash equivalents	43	43
Receivables (net of provision for doubtful debts)	2,467	243
Inventory	2,010	2,098
Property, plant and equipment	251	251
Intangible assets	5,628	4,815
Trade and other payables	(450)	(300)
Provisions for technology upgrades	(3,799)	(1,000)
	6,150	6,150
PURCHASE CONSIDERATION		
Cash paid	5,889	5,889
Direct costs relating to the acquisition	261	261
	6,150	6,150
Fair value of net identifiable assets	6,150	6,150
Goodwill	-	-

Initially the provision for technology upgrades in Australia of $2,224,000 was deducted in this summary from Receivables. This has now been changed to show it as part of Provisions. The other changes are from a reassessment of the fair values at the date of acquisition.

16 Property, Plant and Equipment

	FURNITURE, FIXTURES AND OFFICE EQUIPMENT AT COST		TERMINALS & COMPUTER EQUIPMENT AT COST		TOTAL	
	2011 $000	2010 $000	2011 $000	2010 $000	2011 $000	2010 $000
Opening carrying value	85	33	3,817	3,242	3,902	3,275
Additions	-	24	19	1,332	19	1,356
Disposals	-	-	(570)	(40)	(570)	(40)
Acquisitions	-	95	-	79	-	174
Depreciation	(29)	(67)	(738)	(796)	(767)	(863)
Closing carrying value	56	85	2,528	3,817	2,584	3,902
Reconciled to:						
Cost	179	175	5,594	6,261	5,773	6,436
Less accumulated depreciation	(123)	(90)	(3,066)	(2,444)	(3,189)	(2,534)
Closing carrying value	56	85	2,528	3,817	2,584	3,902

FE Securities Limited have first specific security over a number of terminals with respect to their respective loan agreements.

The directors have considered impairment, as outlined in note 18. The testing concluded no impairment had occurred.

17 Computer Software and Development

Computer software and development costs are intangible assets.

	COMPUTER SOFTWARE AND DEVELOPMENT		MERCHANT ACQUISITION		TOTAL	
	2011 $000	RESTATED 2010 $000	2011 $000	2010 $000	2011 $000	RESTATED 2010 $000
Opening carrying value	9,934	2,500	43	91	9,977	2,591
Additions	1,499	1,215	-	-	1,499	1,215
Acquisitions	-	7,628	-	-	-	7,628
Amortisation	(2,970)	(1,409)	(37)	(48)	(3,007)	(1,457)
Closing carrying value	8,463	9,934	6	43	8,469	9,977
Reconciled to:						
Cost	13,556	12,058	240	240	13,796	12,298
Less accumulated amortisation and impairment	(5,093)	(2,124)	(234)	(197)	(5,327)	(2,321)
Closing carrying value	8,463	9,934	6	43	8,469	9,977

The directors have considered impairment, as outlined in note 18. The testing concluded no impairment had occurred.

a. Significant Computer Software and Development

(i) Ethos software

The Group purchased the Ethos software for $2,000,000 during 2010 and is included in Acquisitions above. It was funded by vendor finance (see note 23). The carrying amount at 31 March 2011 was $1,642,000 (2010: $1,864,000). The software is installed in all EFTPOS terminals manufactured in New Zealand. It will be fully written off in 7 years (2010: 8 years).

(ii) 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 topup revenues. It has a carrying value of $1,275,000 (2010: $1,500,000) and a remaining life of 6 years (2010: 7 years).

(iii) Other Internally Developed Software

Other internally developed software to operate and manage the EFTPOS terminals has a carrying value of $3,943,000 (2010: $4,800,000) and initially has a life of 3 years (2010: 3 years).

notes to the **financial statements** (continued)

for the year ended 31 March 2011

18 Goodwill

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000
Opening value net of accumulated impairment	5,350	5,350	-	-
Business acquisitions	-	-	-	-
Additional earn-out purchase payment	-	-	-	-
Impairment	-	-	-	-
Closing carrying value	5,350	5,350	-	-
Reconciled to:				
Cost	5,769	5,769	-	-
Less accumulated impairment	(419)	(419)	-	-
Closing carrying value	5,350	5,350	-	-

At 31 March 2011 the directors tested the goodwill for impairment. The impairment testing was performed over the New Zealand business on the basis that there is only one cash generating unit consistent with the business segmentation. 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. See below.

a. Impairment

The value in use methodology uses an internal discounted cash flow model using cash flows for the next five years plus a terminal value. The discount rate applied was 15.0% (2010: 13.2%) on the unleveraged post tax nominal cash flows including capital expenditure. This is higher than the discount rate used within the business which is 11%. This equates to a pre tax discount rate of 18.8% (2010: 16.7%). With the purchase of the ProvencoCadmus assets in 2009 changing the scale of the SmartPay business the forecasts have used one year of history of the enlarged business and carefully assessed growth rates in New Zealand taking into account current industry business conditions for the next two years. These have been endorsed by the Directors. For the succeeding three years the growth rates as assessed by management from past experience and industry knowledge have been used. These split income between low margin Prepaid Top Up Card revenue and Technology Services. Set out below are the growth assumptions factored into the cash flow models. Costs have used similar assumptions and factor in the recent change in sourcing hardware and changes to the business cost structure.

NEW ZEALAND	2012	2013	2014	2015	2016
Prepaid Top Up Revenue	2.0%	0%	0%	0%	0%
Technology Services					
Inflation	-	-	2.0%	2.0%	2.0%
Growth	-38.4%	2.7%	1.5%	1.5%	1.5%

The 38.4% drop in New Zealand sales is reflective of the forced technological replacement of 5.1 terminals that will be completed by June 2011. The NZ focus will then move to the 5.2 terminals that need to be replaced by 2013 and bundling of our other value added services to our customer base. As a result there will be a significant shift in focus for the business to Australia which is outside the scope of the impairment testing calculations as none of the goodwill is attributable to Australia.

A terminal value using the 2016 stable state (ie no growth above 2% inflation) cash flow has been included.

Based on the above assumptions, the valuation supports the value of the intangible assets and goodwill of the Group.

Any adverse changes in actual performance of the products and services for the year ended 31 March 2012, or future rates of growth, costs or the estimated terminal value will reduce the calculated recoverable amount and may result in recognition of impairment in the carrying values of assets in future years.

b. Sensitivities

The following table shows the effect on the recoverable amount of the New Zealand business (in $millions).The most material assumptions used in the calculation of the value in use are the 15% discount rate and the sales growth of 3.5% (2% inflation and 2014-2016 growth of 1.5%). This is higher than the discount rate used within the business which is 11%. For example if the discount rate is increased to 16% and sales growth reduced from 3.5% to 1.5% the value in use reduces by $1.7 million.

SALES GROWTH	DISCOUNT RATES IN $ MILLIONS						
	18.0%	17.0%	16.0%	15.0%	14.0%	13.0%	12.0%
6.5%	(0.6)	-	0.7	1.5	2.2	3.1	3.9
5.5%	(1.1)	(0.4)	0.3	1.0	1.7	2.6	3.4
4.5%	(1.5)	(0.9)	(0.2)	0.5	1.2	2.0	2.9
3.5%	(2.0)	(1.4)	(0.7)	-	0.7	1.5	2.4
2.5%	(2.5)	(1.8)	(1.2)	(0.5)	0.2	1.0	1.8
1.5%	(2.9)	(2.3)	(1.7)	(1.0)	(0.3)	0.5	1.3
0.5%	(3.4)	(2.8)	(2.1)	(1.5)	(0.8)	-	0.8
-0.5%	(3.8)	(3.2)	(2.6)	(2.0)	(1.3)	(0.5)	0.3
-1.5%	(4.3)	(3.7)	(3.1)	(2.4)	(1.8)	(1.0)	(0.3)

An adverse change of greater than $10,300,000 in the above sensitivity analysis will cause an impairment of the Group's assets. Based on the current sensitivity range there is no potential impairment.

19 Deferred Tax Asset / (Liability)

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000
Opening balance	114	108	120	(21)
Charge (credit) to profit and loss	847	6	(46)	141
Balance at end of the year	961	114	74	120
Deferred tax balance comprises:				
Employee entitlements	135	97	26	-
Receivables impairment provision	210	77	-	-
Impairment provisions	211	278	48	120
License fee	421	514	-	-
Property plant and equipment	(647)	(786)	-	-
Computer software and development	(235)	(318)	-	-
Tax losses recognised	866	252	-	-
Total deferred tax balance	961	114	74	120

a. Tax losses

The Group has aggregated New Zealand net taxable losses of $3,966,000 as at 31 March 2011 (31 March 2010: $4,510,000). Tax losses amounting to $3,093,000 (31 March 2010 $840,000) have been recognised in the balance sheet as deferred tax. It is expected that the tax losses will be utilised over the next two years, consistent with the assumptions and forecast used for impairment testing as outlined in note 18. Subject to IRD confirmation following the filing of the year end tax return and maintaining the required shareholder continuity, these losses are available to carry forward in aggregate from the individual companies within the Group.

20 Trade Payables and Accruals

	GROUP		PARENT	
	2011 $000	RESTATED 2010 $000	2011 $000	2010 $000
Trade payables	4,304	3,326	-	154
Other payables	25	150	-	-
GST	6	19	-	-
Accruals	952	1,000	112	268
Directors fees	62	132	62	132
Employee entitlements	768	968	90	-
Total trade payables and accruals	6,117	5,595	264	554

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

21 Provisions

Provisions totalling $1,788,000 at 31 March 2011 (2010 restated: $3,043,000) relate to the technology upgrades required as a result of the ProvencoCadmus acquisition and warranty claims provision on equipment in a subsidiary company.

	TECHNOLOGY UPGRADE AUSTRALIAN		TECHNOLOGY UPGRADE NEW ZEALAND		WARRANTY		TOTAL	
	2011 $000	RESTATED 2010 $000	2011 $000	RESTATED 2010 $000	2011 $000	RESTATED 2010 $000	2011 $000	RESTATED 2010 $000
Opening balance	1,974	-	1,019	-	50	-	3,043	-
Exchange adjustment	82	-	-	-	-	-	82	-
Recognised on acquisition	-	2,224	-	1,575	-	50	-	3,849
Reassessment of provision required	(306)	-	-	-	-	-	(306)	-
Costs recognised against provision	(176)	(250)	(855)	(556)	-	-	(1,031)	(806)
Balance at end of the year	1,574	1,974	164	1,019	50	50	1,788	3,043

- A provision of $2,224,000 was created for the technology upgrade costs on terminal equipment that required replacement under contractual terms and became the Group's responsiblility at the time of the acquisition of the Australian subsidiaries. At last balance date a provision for doubtful debts of $65,000 was included in this balance but this has now been re-classified and the provision balance restated to the technology upgrade only. See note 13 for the restated effect on Finance Receivables. Costs recognised against this provision for the technology upgrades incurred in 2011 were $176,000 (2010: $ 250,000) and the provision requirement has been reassessed down at balance date by $306,000. It is anticipated that the remaining balance will be used over the next twelve months.
- A provision of $1,575,000 was created in respect of the liabilities for the technology upgrade of New Zealand terminal equipment under the contractual terms for all customers acquired at the date of acquisition. This has been restated from $1,222,000 at last balance date. At last balance date it was anticipated that the costs would be incurred over the next twelve months. There is still a small residual balance that will be used during the remainder of 2011. The initial estimate for the fair value of this provision on acquisition was reassessed during the year and a further $575,000 has been provided for as part of the initial acquisition accounting (see note 15).
- 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.

22 Income Tax Payable (Asset)

TAX BALANCES IN CURRENT ASSETS AND LIABILITIES	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000
Opening balance	33	11	-	-
Recognised on acquisition	-	31	-	-
Current year charge/(credit)	-	4	-	-
Payments and RWT credits	20	(13)	-	-
Balance at end of the year - liability	53	33	-	-

Imputation credit account balances

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

23 Borrowings

Debt has been split into debt secured over the Rental Book and other debt designated as Corporate debt.

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Group A - Corporate Debt				
Unsecured - at amortised cost				
Current	28	38	-	-
Secured - at amortised cost				
Current	4,818	7,647	-	2,000
Non-current	1,794	-	1,928	-
	6,612	7,647	1,928	2,000
Total corporate debt	6,640	7,685	1,928	2,000
Group B - Rental Book Debt				
Secured - at amortised cost				
Current	5,860	5,031	-	-
Non-current	8,788	1,518	-	-
Total rental book debt	14,648	6,549	-	-
Total Borrowings	21,288	14,234	1,928	2,000
Represented by:				
Convertible notes	1,278	-	1,278	-
Pakihi Pension Scheme	650	-	650	-
FBL Finance Limited	-	2,000	-	2,000
FE Investments Limited	5,291	3,681	-	-
TM Finance Limited	4,583	5,112	-	-
Cadmus Development Ltd (in receivership)	1,173	1,680	-	-
Finance Now	5,003	-	-	-
Kiwibank	3,181	-	-	-
Galileo Investments Trustee Limited	-	573	-	-
Auckland Finance Limited	-	1,060	-	-
Riverhorse Holdings Limited (unsecured)	28	38	-	-
Other borrowings	101	90	-	-
Total Borrowings excluding arrangement fees	21,288	14,234	1,928	2,000
The following arrangement fees have been deducted from the debt above.				
Arrangement fees	1,840	835	-	-
Amortisation of arrangement fees	(595)	(193)	-	-
	1,245	642	-	-

In respect of the "current" corporate debt, confirmation has been received post balance date from the majority of lenders to rollover the debt. This extends the repayment date to 30 April 2012 and 30 September 2012.

a. Summary of borrowing arrangements

The Parent issued 1,350,000 10.0% convertible notes at an issue price of $1.00 per convertible note, in two tranches of 1,000,000 notes on 16 December 2010 and 350,000 notes on 16 February 2011. They are redeemable in full on 15 February 2013 if not previously converted into ordinary shares, at their issue price. The Parent may elect to redeem the convertible notes early. The convertible notes represent the debt portion of a compound financial instrument of the Parent and are secured with a general security agreement granting the holders a security interest over the Group's assets. The obligations are also guaranteed by certain of the Group's subsidiaries.

The convertible notes are convertible at anytime at the option of the holder into ordinary shares of the Parent at 1.5 cents per share. The 1,350,000 convertible notes would convert into 89,999,999 shares. The notes are convertible by the holder prior to and including the 15 February 2013. The values of the liability component and the equity conversion component were determined at the issuance of the notes.

	GROUP AND PARENT	
	2011 $000	2010 $000
Face value of convertible notes	1,350	-
less Equity component (note 24)	(50)	-
Liability component on initial recognition	**1,300**	**-**
Fees	(22)	-
Liability component	**1,278**	

A further amount of $650,000 has been received and will be exchanged for a third tranche of convertible notes. This had not been completed by balance date.

Finance Now has provided funding based on a number of rental contracts at an interest rate of 13.25%. Finance Now have security over rental contracts. The repayment dates match the relevant rental contract income. The facility has a termination date of 30 June 2012. The rental contracts have been assigned to Finance Now. The principal is repaid throughout the term of the rental contracts and the final payment is 30 Sept 2015.

Kiwibank has provided funding based on rental contracts at an interest rate of 8.25%. Kiwibank have security over rental contracts. The repayment dates match the relevant rental contract income. The rental contracts have been assigned to Kiwibank. The principal is repaid throughout the term of the rental contracts and the final payment is 30 Sept 2014. The facility has a termination date of 31 August 2015

FE Investments Limited and FE Securities Limited (jointly "FEI") have provided funding based on a number of rental contracts at an interest rate of 16% and 17.5%. FEI have security over rental contracts. The repayment dates match the relevant rental contract income. The rental contracts have been assigned to FEI. The principal is repaid throughout the term of the rental contract and the final payment is 30 June 2014.

Cadmus Developments Limited (in Receivership) completed a sale of Ethos Software to SmartPay Ethos Limited. The purchase price has been funded by the vendor and is interest free with security over the software. The principal is paid off by way of quarterly instalment based on amount/ number of Ethos installations undertaken by the Group.

TM Finance Limited has provided funding to SmartPay Cadmus Limited which is secured by way of a first ranking general security over all of the assets and undertakings of SmartPay Cadmus Limited. The interest rate varies depending on the drawdown (between 16% and 17.95%). The repayment dates also vary depending on the drawdown however all funding is due to be repaid by September 2011.

Riverhorse Holdings Limited loan was acquired with the acquisition of MIPS Financial Services Limited and accrues interest at 20% per annum. Ian Bailey is a shareholder in Riverhorse Holdings Limited and SmartPay Limited. He is also the Managing Director of SmartPay Limited.

24 Share Capital

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Opening balance	19,440	14,179	32,301	27,040
Share Issue - proceeds	7,845	2,584	7,845	2,584
Share Issue - costs	(243)	-	(243)	-
Options exercised	-	1,584	-	1,584
Convertible notes equity component	50	-	50	-
Share based payments:				
Consultancy services	29	98	29	98
Employee remuneration	62	-	62	-
Value of share options issued to debt holders	248	995	248	995
Total shares issued during the year	7,991	5,261	7,991	5,261
Balance at end of the year	27,431	19,440	40,292	32,301

In the year to 31 March 2011 the share based payments of $91,000 (2010: $98,000) were expensed in a subsidiary company but settled in a share allocation by the Parent.

NUMBER OF SHARES ON ISSUE	GROUP AND PARENT 2011 000's	GROUP AND PARENT 2010 000's
Opening balance	833,814	654,919
Shares issued	369,900	178,895
Balance at end of the year	1,203,714	833,814

NUMBER OF SHARE OPTIONS ON ISSUE	GROUP AND PARENT 2011 000's	GROUP AND PARENT 2010 000's
Opening balance - weighted average exercise price: 2011 5.0c	95,528	-
Options issued - weighted average exercise price: 2011 3.3c (2010 3.8c)	36,681	174,766
Options lapsed - weighted average exercise price: 2011 5.0c	(97,087)	-
Options exercised - weighted average exercise price: 2011 Nil (2010 5.0c)	-	(79,238)
Closing balance - weighted average exercise price: 2011 3.3c (2010 5.0c)	35,122	95,528
Weighted average remaining contractual life of outstanding options (years)	0.50	0.57

The share options convert into 1 share for each option granted. The exercise price of the converted options in 2010 was $0.02 per share which were exercised with a weighted average market price of $0.04c per share. During 2011 36,681,364 options were issued at 3.3356c. All the options at 31 March 2010 along with 1,558,940 issued in November 2010 lapsed during the 2011 financial year. The exercise price on the remaining options is $0.033356 per share. The fair value attributed to the options issued during the year that related to a share based payment arrangements was $249,000 (2010: $995,000).

a. Options Issued Alongside Share Capital

The following share options were granted during the 2010 and 2011 that did not relate to a share based payment arrangement:

2011

- Nil

2010

- 18,748,086 options were issued as part of a share capital placement on 21 April 2009
- 14,502,000 options were issued as part of a share capital placement on 16 November 2009

b. 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 ProvencoCadmus assets in 2010 this has been amended to reflect the significantly different scale of the Group.
The assumptions used were:

2011	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of options issued (000) as compensation for finance			
Number of options fair valued (000)	23,081	12,041	1,559
Risk-free interest rate	2.6%	2.6%	2.6%
Exercise price (per share)	3.3356c	3.3356c	3.3356c
Share price at measurement date	3.3 cents	2.9 cents	2.9 cents
Volatility	62%	58%	58%
Life of options	12 months	10 months	1 month
Exercise on or before	30/9/11	30/9/11	31/12/10
Dividend yield	-	-	-
Fair value	0.82 cents	0.49 cents	0.08 cents

2010	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of options issued (000) as compensation for finance facilities			
Number of options fair valued (000)	60,490	20,026	61,000
Risk-free interest rate	3%	3%	3%
Exercise price (per share)	2 cents	5 cents	5 cents
Share price at measurement date	1.5 cents	4.2 cents	4.4 cents
Volatility	183%	68%	68%
Life of options	5 months	12 months	8 months
Exercise on or before	19/1/10	12/11/10	14/10/10
Dividend yield	-	-	-
Fair value	0.55cents	0.90cents	0.79cents

The options that were fair valued were issued as part of the consideration for the TM Finance Limited finance facility with the fair value part of the effective interest rate of the facility.

c. Convertible Notes on issue

Refer to note 23 Borrowings, for the terms attaching to the convertible notes.

25 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.

26 Operating Cash Flows Reconciliation

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000
Profit/(loss) for the period	107	(2,646)	(1,621)	(1,338)
Add/(deduct) non-cash items:				
Depreciation & amortisation	3,774	2,279	-	-
Share based payments	665	637	574	539
Financing costs	(352)	-	-	-
Deferred tax	(846)	(6)	46	(141)
Provisions	(1,255)	-	-	-
Write off fixed assets	570	-	-	-
Add/(deduct) changes in working capital items:				
Trade and other receivables	(13,469)	(5,123)	-	(458)
Inventories	(1,496)	392	-	-
Payables and accruals	522	734	(290)	278
Provision for current tax	20	4	-	-
Group advances	-	-	1,291	1,120
Net cash inflow/(outflow) from operating activities	(11,760)	(3,729)	-	-

27 Commitments and Contingencies

OPERATING LEASE COMMITMENTS	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000
Within one year	524	240	-	-
After one year but not more than five years	2,013	25	-	-
After more than five years	-	-	-	-
Total operating lease commitments	2,537	265	-	-

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 January 2016 for a further 4 years and small office premises in Sydney, Wellington and Hamilton.

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

a. Guarantees

The Group has provided bank guarantees in favour of Telecom and Vodafone to the value of $300,000 each (2010: $300,000 each).

The Group has a bond with the New Zealand Stock Exchange in respect of listing costs associated with the issue of redeemable preference shares to the value of $30,000 (2010: Nil)

28 Related Parties

Parent and ultimate controlling party

The immediate parent and controlling party of the Group is SmartPay Limited.

Identity of related parties with whom material transactions have occurred.

Note 14 identifies all entities within the Group. All those entities are related parties of the Parent. In addition, the directors, companies with which the directors 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 Parent and its subsidiaries totalling $17,232,000 (2010: $9,938,000) are shown in note 29.

During the year interest of $1,000,000 (2010: $240,000) was charged by the Parent to subsidiary companies and a further $463,000 (2010: $Nil) 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 $12,412,000 (2010: $2,501,000) along with a software usage charge of $222,000 (2010: $Nil) and expenses recovered of $1,176,000 (2010: $Nil) which were eliminated from the Group financial statements.

Refer to Note 23 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 $351,000 (2010: $261,000). John Seton and Greg Barclay are principals of Claymore Law Partnership and directors of SmartPay Limited (John Seton resigned on 14 December 2010 and Greg Barclay was appointed 1 April 2010). The balance outstanding at 31 March 2011 was $78,000 (2010: $71,500)

Ian Bailey is a director and shareholder of Riverhorse Holdings Limited and the managing director and shareholder of SmartPay Limited. A subsidiary of the Group entered into a loan agreement with Riverhorse Holdings Limited. The balance at 31 March 2011 was $28,000 (2010: $38,000) and interest expensed during the year ended 31 March 2011 was $5,000 (2010: $5,000).

Ian Bailey provided consulting services to the Group on normal commercial terms amounting to $305,000 (2010: $296,000). The company entered into a consulting services agreement with Ian Bailey comprising $305,000 per annum cash component, and a $90,000 bonus.

Murray Henshall is a director and shareholder of Galileo Investments Trustee Limited ("Galileo") and is a shareholder of SmartPay Limited. Galileo has provided funding to a subsidiary of the Group through the TM Finance Facility. At 31 March 2011 there was a balance of $535,000 (2010: $573,000) owed to Galileo under this facility. During the year interest of $73,000 (2010: $70,000) was expensed.

Wayne Johnson is a director and shareholder of SmartPay Limited and is a director and shareholder of Noblemen Ventures Limited. He has provided consulting services to the Group on normal commercial terms amounting to $70,000 (2010: $Nil).

John Nimmo was a consultant to the Group until December 2010 and is a shareholder and director of SmartPay Limited. During the year he provided consulting services to the Group on normal commercial terms amounting to $166,000 (2010: $86,000). In addition he received 9,915,120 options (2010: 33,190,693) during the year as part of an association with TM Finance Limited. John Nimmo has provided funding to the Group amounting to $990,000. John Nimmo was appointed as a director of SmartPay Limited on 14 December 2010.

Holland Corporate is a shareholder of SmartPay Limited and has provided consulting services to the Group on normal commercial terms amounting to $37,000 (2010: $392,000). Peter Holland is a principal of Holland Corporate and a director and ultimate shareholder of TM Finance Limited. TM Finance Limited has provided debt funding to the Group. Refer to Note 23.

Linc Burgess is the General Manager - Sales of 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 $170,000 (2010: $153,000).

28 Related Parties (continued)

c. Key management and director compensation.

Key management personnel comprises employees who are part of the Senior Management Team as identified on page 21 of this report excluding any members who are consultants. Key management personnel compensation comprised short term benefits and share instruments for the year ended 31 March 2011 of $702,000 (2010: $449,000). Directors remuneration was $531,000 (2010: $405,000) - for details refer to the Statutory Information Directors Remuneration. Subject to the achievement of performance targets 2,500,000 share options could be issued to key management personnel.

KEY MANAGEMENT COMPENSATION	2011	2010
	$000	$000
Salaries and other short term employee benefits	640	449
Share based payments	62	-
	702	449

No other employment benefits were provided to key management personnel.

29 Group Advances

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000
Amounts owing by subsidiaries:				
SmartPay New Zealand Limited	-	-	5,525	5,556
Software International Limited	-	-	704	703
SmartPay Cadmus Limited	-	-	10,771	3,667
SmartPay Ethos Limited	-	-	220	-
Cadmus Payment Solutions Pty Limited	-	-	12	12
Total group advances	-	-	17,232	9,938

30 Financial Instruments

CATEGORIES OF FINANCIAL INSTRUMENTS	GROUP		PARENT	
	2011 $000	RESTATED 2010 $000	2011 $000	2010 $000
Financial assets				
Loans and Receivables				
Cash and bank balances	2,331	914	-	-
Trade, finance and other receivables	23,381	9,912	247	487
Group advances	-	-	17,232	9,938
Investments in subsidiary companies	-	-	14,067	14,067
	25,712	10,826	31,546	24,492
Financial liabilities				
Bank overdrafts at amortised cost	-	14	-	-
Financial liabilities at amortised cost	27,405	19,829	2,192	2,554
	27,405	19,843	2,192	2,554

The financial assets and financial liabilities above are being carried at their cost less any impairment which is considered to approximate fair value.

a. Foreign currency exchange risk management

The Group has an exposure to the Australian dollar through its ownership of Australian subsidiaries up to 31 March 2011. The exposure at 31 March 2011 was A$662,000 (NZ$896,000). At 31 March 2010 the net exposure was A$(19,000) or NZ$(25,000)

The Group did not hedge those exposures during the financial years ending 31 March 2011 and 2010.

notes to the **financial statements** (continued)

for the year ended 31 March 2011

30 Financial Instruments (continued)

b. Credit risk

Credit risk arises from cash deposits with banks and outstanding receivables.

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000
Maximum exposure to credit risk at balance date is:				
Bank balances (net of overdrafts)	2,331	900	-	-
Trade and other receivables	5,271	2,412	247	487
Finance lease receivables (net of impairment)	18,110	7,500	-	-

In respect of the finance receivables an analysis of the credit risk is performed on a daily 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 30-60 days (arrears), payments overdue 60-120 days (collections) and greater than 120 days overdue (salvage). The total provision is an aggregate of the “collections” and “salvage” categories. No impairment is made for overdue payments within “arrears”.

ARREARS		COLLECTIONS		SALVAGE		TOTAL
%	$000	%	$000	%	$000	$000
0.13	26	0.22	44	0.81	164	235

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.

Concentrations of credit risk

Included within finance receivables are three balances with individual customers that have an amount outstanding in excess of $1m. Two of these customers represent large NZ corporates’ finance receivables. Another represents an Australian corporate customer of the group’s products. These customers have a history of trade with the group.

Included within receivables was $1.2million due to a single counterparty arising from the sale of inventory. This amount is on 90 day terms and was not yet due at balance date. Also included within receivables was $1.8million due to a single counterparty arising from the sale of terminals. This amount is on 30 day terms and was not yet due at balance date.

c. Interest Rate Risk

At 31 March 2011 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 $195,000 higher or $195,000 lower.

d. Liquidity Risk

The Group’s debt is split between interest only (Group A) and debt where the principal is repaid over the term of the debt (Group B).

Group A debt relating to TM Finance Limited will require refinancing within the next twelve months. Group B debt will be repaid over the next twelve months and beyond from funds received from Finance Receivables. In respect of the “current” Corporate Debt confirmation has been received from the majority of lenders to rollover the debt. This extends the repayment date to 30 April 2012 and 30 September 2012.

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
TM Finance Limited	4,583	4,583	-
Convertible notes	1,278	-	1,278
Pakihi Pension Scheme	650	-	650
Riverhorse Holdings Limited (unsecured)	28	28	-
Other borrowings	101	235	(134)
Total Group A Corporate Debt	6,640	4,846	1,794
FE Investments Limited	5,291	2,962	2,329
Cadmus Developments Limited (in receivership)	1,173	391	782
Finance Now	5,003	1,324	3,679
Kiwibank	3,181	1,183	1,998
Total Group B Rental Book Debt	14,648	5,860	8,788
Total Debt	21,288	10,706	10,582
Expected Interest	2,924	1,696	1,228

31 Subsequent Events

On 23 November 2010 it was announced by the Parent that it will be releasing its own bulk funding finance offer via 100% owned subsidiary SmartPay Subscriptions Limited, ("SSL") to provide funding lines for its rapidly growing rental book.

The SSL offer is available to high net worth individuals with a minimum of $500,000 or more to invest, and attracted higher than bank interest rates. Further funds are anticipated.

On 28th March 2011 a prospectus was issued by SmartPay Investments Limited for Fixed Returns Securities being redeemable preference shares. The issue is open until 16th September 2011. To date no shares have been issued.

On the 28th April 2011 there was an issue of 650,000 convertible notes of $1.00 each for a total consideration of $650,000. Each convertible note represents a debt obligation of the Parent and is convertible at the option of the holder into ordinary shares of the Parent at $0.015 per share which would result in 43,333,333 ordinary shares being issued. Interest is payable on the convertible notes at 10% per annum payable monthly in arrears. The convertible notes are redeemable by SmartPay on 15th February 2013.

On 13th May 2011, 35,000,000 March 2014 Directors' Incentive Options and 35,000,000 March 2016 Directors' Incentive Options were issued. Each Directors' Incentive Option entitles the holder to subscribe for one ordinary share in the Parent on or before 31 March 2014 or 31 March 2016. All options were issued for Nil cash consideration. Ordinary shares allotted to option holders on the exercise of the March 2014 Directors' Incentive Options shall be issued at $0.04 each and the March 2016 Directors' Options shall be issued at $0.05 each. The expiry date of the options is 31 March 2014 and 31 March 2016 respectively.

On the 23rd May 2011 the Parent completed the 1 for 10 consolidation of its ordinary shares. Following the share consolidation SmartPay had 120,371,407 shares on issue. The effect of the consolidation on the options is in accordance with NZX Listing Rule 8.1.9 and the terms and conditions of the Options and in accordance with these the Board has determined 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. In accordance with NZX Listing Rule 8.1.9 and clause 7.4 of Schedule 2 to the Subscription Agreement for Convertible Notes the Board has resolved to increase the Conversion Price of the Convertible Notes from 1.5 cents to 15 cents.

A foreign exchange (FX) hedge comprising a series of forward rate agreements was entered into in April 2011 to fix the exchange rate for conversion of expected Australian dollar cashflows into New Zealand dollars. The FX hedge is for a period of three years and converts monthly Australian dollar cashflows in New Zealand dollars at fixed rates of exchange. The exchange rate commences at 0.7542 and finishes at 0.7797.

In respect of the "current" corporate debt, confirmation has been received from the majority of lenders to rollover the debt. This extends the repayment date to 30 April 2012 and 30 September 2012.

statutory **information**

Directors and Former Directors

At 31 March 2011 the directors holding office were Ian Bailey, Gregor Barclay, Wayne Johnson and John Nimmo. During the year there were the following appointments and resignations:

- Gregor Barclay - appointed 1st April 2010
- Murray Henshall - resigned 31st March 2010
- John Nimmo - appointed 14th December 2010
- John Seton - resigned 14th December 2010

At the annual meeting of shareholders held on 4th October 2010 Wayne Johnson and Greg Barclay stood for re-election and were re-elected by the shareholders as Directors of the Company.

Independent Directors

In accordance with the requirements of the Listing Rules the Board has determined that Wayne Johnson and John Nimmo are Independent Directors

Subsidiary Company Directorships

At 31 March 2011, subsidiary companies had directors as follows:

NEW ZEALAND SUBSIDIARY COMPANIES	DIRECTOR
MIPS Financial Services Limited	Ian Bailey, Greg Barclay[1]
SmartPay Cadmus Limited	Ian Bailey, Greg Barclay[2]
SmartPay Ethos Limited	Ian Bailey, Greg Barclay[1]
SmartPay Transaction Delivery Services Limited	Ian Bailey, Greg Barclay[1], Wayne Johnson
Software International Limited	Ian Bailey, Greg Barclay[1]
Fonefill Limited	Ian Bailey
SmartPay New Zealand Limited	Ian Bailey, Greg Barclay[1]
Sampro Limited	Ian Bailey
Merchant IP Services Limited	Ian Bailey
Next Generation Network Limited	Ian Bailey
SmartPay Technologies Limited	Ian Bailey, Greg Barclay[1]
Retail Radio Limited	Ian Bailey, Greg Barclay[1]
FIVO Limited	Ian Bailey
Net Pay Limited	Ian Bailey
SmartPay Subscriptions Limited[3]	Ian Bailey, Greg Barclay, Wayne Johnson
SmartPay Rentals Limited[4]	Ian Bailey, Greg Barclay
SmartPay Investments Limited[5]	Ian Bailey, Greg Barclay, Wayne Johnson, John Nimmo
SmartPay Transactions Limited[6]	Ian Bailey, Greg Barclay, Wayne Johnson, John Nimmo

1 Appointed 20th July 2010
2 Appointed 12th July 2010
3 Incorporated 23rd July 2010
4 Incorporated 27th August 2010
5 Incorporated 17th February 2011
6 Incorporated 17th February 2011
7 Formerly Cadmus Australia Pty Limited
8 Company subsequently de registered

statutory information (continued)

AUSTRALIAN SUBSIDIARY COMPANIES	DIRECTOR
Merchant IP Financial Services Pty Limited	Ian Bailey, Greg Barclay[1], Wayne Johnson
SmartPay Australia Pty Limited[7]	Ian Bailey, Greg Barclay[1], Wayne Johnson
Cadmus Payment Solutions Pty Limited	Ian Bailey, Greg Barclay[1], Wayne Johnson
Product Rentals Pty Limited	Ian Bailey, Greg Barclay[1], Wayne Johnson
Provenco Solutions Pty Limited[8]	Ian Bailey, Wayne Johnson
Provenco Communication Technologies Pty Limited[8]	Ian Bailey, Wayne Johnson
Provenco Technology Limited[8]	Ian Bailey, Wayne Johnson

Directors' Interests

The Directors have declared interests in the following entities:

DIRECTOR	INTEREST	ENTITY
John Seton	Director	Olympus Pacific Minerals Inc (TSX/ASX:OYM)
(resigned 14th December 2010)	Director	Manhattan Corporation Limited (ASX:MHC)
	Former Principal/Consultant	Claymore Partners Limited
	Chairman	Mud House Wine Group Limited
	Director	Numerous private companies
Wayne Johnson	Chairman	Nobleman Ventures Pty Limited
	Director	Tasman Pacific Capital Pty Limited
	Director	Baroda Hill Investments Limited
	Director	Ibarra Investments Limited
	Director	Greater Bendigo Gold, Mining Limited (ASX)
	Chairman	Cape Range Limited (ASX)
Ian Bailey	Director	Riverhorse Trustee Limited
	Director	Riverhorse Holdings Limited
	Director	Riverhorse Consulting Limited
	Director	Riverhorse Limited
	Director	Riverhorse Investments Limited
Greg Barclay	Principal	Claymore Partners Limited
(appointed 1st April 2010)	Director	Numerous private companies
John Nimmo	Director	Nimmo Trustee Limited
(appointed 14th December 2010)	Director	Nimrod Group Limited
	Director	Chartered Secretaries New Zealand 2002 Limited

1 Appointed 20th July 2010
2 Appointed 12th July 2010
3 Incorporated 23rd July 2010
4 Incorporated 27th August 2010
5 Incorporated 17th February 2011
6 Incorporated 17th February 2011
7 Formerly Cadmus Australia Pty Limited
8 Company subsequently de registered

Information Used by Directors

There were no notices from Directors of the Company requesting to disclose or use Company information received in their capacity as Directors which would not otherwise have been available to them.

Director and Officer Interests in Shares of the Company

Directors

Directors held interests in the following shares as at the balance date:

DIRECTOR	NAME OF SHAREHOLDER	NATURE OF RELEVANT INTEREST	BALANCE AT 31/03/2010	MOVEMENT IN PERIOD	BALANCE AT 31/03/2011
Ian Bailey	Riverhorse Trustee Limited	Owned beneficially	72,309,940	449,694#	72,759,634
Wayne Johnson	Wayne Johnson	Owned beneficially	122,121	-	122,121
	Baroda Hills Investments Ltd	Owned by associated parties	4,987,493	449,694#	5,437,187
John Seton (resigned 14th December 2010)	John Andrew Gowans Seton and Patrick James McHugh as trustees of the Ngatapa Trust ('the Ngatapa Trust')	Trustee, no beneficial interest in the trust	10,838,493	449,694#	11,288,187
	Gregor John Barclay and Maria Anne McElwee as trustees of the Abergoldie Trust ('the Albergoldie Trust')	Potential beneficiary under a discretionary trust	11,756,667	449,694#	12,206,361
Greg Barclay (appointed 1st April 2010)	Gregor John Barclay and Frederika Elfriede Crawford as trustees of the KCW Trust ('the KCW Trust')	Trustees changed during the year to Kim Crawford and Three H Limited and Frederike Elfried Crawford as trustess of the KCW Trust. Greg Barclay no longer a trustee	-	-	-
	Gregor John Barclay and Maria Anne McElwee as trustees of the Abergeldie Trust ('the Abergeldie Trust')	Trustee, no beneficial interest in the Trust	11,756,667	449,694#	12,206,361
	John Andrew Gowans Seton and Patrick James McHugh as trustees of the Ngatapa Trust ('the Ngatapa Trust')	Potential beneficiary under a discretionary trust	10,838,493	449,694#	11,288,187
John Nimmo (appointed 14th December 2010))	Nimmo Trustee Limited	Director no beneficial interest.	Became a director 14th December 2010		4,656,488

Take up of shares under the Share Purchase Plan, shares issued 23rd June 2010

statutory information (continued)

Officers

Officers of the company include anyone who reports directly to the Board or the Managing Director. All employees are required to follow the Company's policy and procedure on Share Trading when they trade in the shares of the Company. Officers held interests in the following Ordinary shares as at the balance date:

OFFICER	NAME OF SHAREHOLDER	NATURE OF RELEVANT INTEREST	BALANCE AT 31/03/2010	MOVEMENT IN PERIOD	BALANCE AT 31/03/2011
Andrew Donaldson Chief Executive Officer	Andrew Donaldson	Owned beneficially	0	1,498,981*	1,498,981
Linc Burgess GM Sales	Manaia Management Limited	Owned by associated parties	13,533,333	449,694#	13,983,027
	Lincoln John Burgess and Anne Marie Burgess (Burgess Family a/c)	Trustee and beneficial interest	5,400,000	449,694#	5,849,694
Lauren Midgley Operations Manager	Lauren Michelle Midgley	Owned Beneficially	622,599	359,755* 374,745#	1,357,099

* Issue to staff as per NZX announcement on 4th October 2010

Take up of shares under the Share Purchase Plan, shares issued 23rd June 2010

Directors Interests in Options of the Company

Directors held interests in the following September 2011 Options as at the balance date:

DIRECTOR	NAME OF HOLDER	NATURE OF RELEVANT INTEREST	BALANCE AT 31/03/2010	MOVEMENT IN PERIOD	BALANCE AT 31/03/2011
John Nimmo	John Nimmo	Beneficial	Became a director 14th December 2010	9,915,120	9,915,120

Listing

The ordinary shares of SmartPay Limited are listed on the securities exchange operated by the New Zealand Exchange Limited (NZX).

Investors Enquiries

Shareholders should address any queries regarding the operations of the Company to Mr Wayne Johnson, Chairman of the board at the Company's business address. Shareholders with administrative enquiries relating to their holdings should address these to Computershare Investor Services Limited, Private Bag 92119, Auckland.

Employee Remuneration

During the year a number of employees or former employees (excluding directors) received remuneration and other benefits in their capacity as employees of the Company. The value of which exceed $100,000 per annum were as follows:

REMUNERATION RANGES	EMPLOYEES
$100,000 - $110,000	6
$110,001 - $120,000	2
$130,001 - $140,000	2
$160,001 - $170,000	1
$270,001 - $280,000	1

Directors' Remuneration

The fees and remuneration have been entered into the interests register. The total remuneration and other benefits earned by each director during the year were:

DIRECTOR	2010	2011
Greg Barclay (appointed 1 Apr 2010)	n/a	38,000
John Nimmo (appointed 14 Dec 2010)	n/a	11,255
Wayne Johnson (appointed Chairman 14 Dec 2010)	32,000	44,516
John Seton (resigned 14 Dec 2010)	45,000	42,228
Murray Henshall	32,000	n/a
Total	109,000	136,000

Ian Bailey as managing director received a remuneration package totaling $395,000 ($296,000 in 2010).

At the Annual meeting on 4th October 2010 shareholders approved a maximum of $200,000 per annum for directors' fees, to allow scope for recruiting an additional director.

Directors' Insurance

The Group has arranged Directors and Officers Liability Insurance which is underwritten by QBE, which ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors.

Directors' Indemnity

The Company has entered into a Deed of Indemnity whereby it has agreed to indemnify directors to the maximum extent permitted by the Companies Act 1993.

other disclosures

Subsidiary Company Changes

New Companies

During the year the following companies were incorporated as subsidiary companies:

SUBSIDIARY	INCORPORATED
SmartPay Subscriptions Limited	23 July 2010
SmartPay Rentals Limited	27 August 2010
SmartPay Investments Limited	17 Feb 2011
SmartPay Transactions Limited	17 Feb 2011

Audit Fee

Particulars of the audit fees paid during the year are set out on page 44

Summary Of Waivers

NZX Regulation Decision – SPY Waiver 7.3.1 - 30 April 2010

The NZX granted a class waiver from NZSX Listing Rule 7.3.1 on 30 April 2010. As such shareholder approval was not required for the Share Purchase Plan (SPP) offer and the issue of shares under the SPP did not need to be ratified by shareholders under NZX Listing Rule 7.3.5.

NZX Regulation Decision – SPY Waiver 11.1.1 – 28 March 2011

The NZX provided a waiver from Listing Rule 11.1.1 in respect of certain of the restrictions on transfers of Fixed Returns Securities and the minimum holding of Fixed Returns Securities (as defined in Appendix 2 of the Listing Rules), to be 5,000 Fixed Returns. The NZX has also provided a waiver from Listing Rule 11.1.1 in respect of the inclusion of provisions in the Constitution restricting the transfer of Fixed Returns Securities. The effect of this approval is that the Issuer is permitted to incorporate provisions in the constitution relating to Investor Interest Size limits, in particular clause 6.15 (b) of the Constitution.

security holder **statistics**

as at 31 May 2011

Note:

The Security Holder statistics in this section are as at 31 May 2011. On 23 May 2011 the company undertook a 1 for 10 share consolidation, all statistics shown are therefore post consolidation.

The effect of the consolidation on the options is in accordance with NZSX Listing Rule 8.1.9 and the terms and conditions of the Options and in accordance with these the Board has determined 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.

Distribution of Shareholders

SIZE OF HOLDING	SHAREHOLDERS	%	NUMBER OF SHARES	%
1-4,999	525	45.77	713,672	0.59
5,000-9,999	145	12.64	934,390	0.78
10,000 – 49,999	299	26.07	6,220,336	5.17
50,000 – over	178	15.52	112,503,009	93.46
Total	1,147	100%	120,371,407	100%

Distribution of Option Holders

SIZE OF HOLDING	OPTION HOLDERS	%	NUMBER OF OPTIONS	%
0 - 999,999	0	0	0	0
1,000,000 – 9,999,999,999	6	100	35,122,422	100
Total	6	100%	35,122,424	100%

Distribution of Convertible Note Holders

SIZE OF HOLDING	OPTION HOLDERS	%	NUMBER OF OPTIONS	%
0 - 999,999	0	0	0	0
1,000,000 – 9,999,999,999	1	100	2,000,000	100
Total	1	100%	2,000,000	100%

Distribution of Directors Incentive Scheme Option Holders

SIZE OF HOLDING	OPTION HOLDERS	%	NUMBER OF OPTIONS	%
0 - 20,000,000	2	67	40,000,000	57.14
20,000,000 – 30,000,000	1	25	30,000,000	42.86
Total	3	100	70,000,000	100%

Registered Address of Shareholders

	HOLDER COUNT	COUNT %	HOLDING QUANTITY	QUANTITY %
New Zealand	1,093	95.29	118,742,477	98.65
Malaysia	8	0.7	1,133,101	0.94
Australia	39	3.4	236,632	0.19
Singapore	1	0.09	5,000	0.00
Switzerland	2	0.17	35,000	0.03
United Arab Emirates	1	0.09	200,000	0.17
United Kingdom	3	0.26	19,197	0.02
Total	1,147	100%	120,371,407	100%

Registered Address of Option Holders

	HOLDER COUNT	COUNT %	HOLDING QUANTITY	QUANTITY %
New Zealand	6	100%	35,122,424	100%

Registered Address of Convertible Note Holders

	HOLDER COUNT	COUNT %	HOLDING QUANTITY	QUANTITY %
New Zealand	1	100%	2,000,000	100%

Registered Address of Directors Incentive Scheme Option Holders

	HOLDER COUNT	COUNT %	HOLDING QUANTITY	QUANTITY %
New Zealand	4	100	70,000,000	100

Substantial Security Holders

The following persons were substantial security holders (as defined in the Securities Markets Act 1988) in SmartPay Limited as at 31 May 2011 in respect of the number of voting securities set opposite their name:

	NUMBER OF VOTING SECURITIES	% OF CAPITAL
Walker & Hall Fine Gifts Limited	10,093,345	8.38
Hubbard Churcher Trust Management Limited (Under Statutory Management)	8,048,636	6.68
Kim Crawford and Three H Limited and Frederika Elfriede Crawford (KCW A/C)	7,720,637	6.41
Galileo Investments Trustee Limited	7,560,000	6.28
River Horse Trustee Limited	7,275,963	6.04

The total number of issued voting securities of SmartPay at this date was 120,371,407.

Twenty Largest Registered Shareholders

NAME OF SHAREHOLDER	NUMBER OF SHARES	% OF ISSUED CAPITAL
Walker & Hall Fine Gifts Limited	10,093,345	8.38
Hubbard Churcher Trust Management Limited (Under Statutory Management)	8,048,636	6.68
Kim Crawford and Three H Limited and Frederika Elfriede Crawford (KCW A/C)	7,720,637	6.41
Galileo Investments Trustee Limited	7,560,000	6.28
River Horse Trustee Limited	7,275,963	6.04
Chapter 52 Trustee Limited	5,996,002	4.98
HSBC Nominees (New Zealand) Limited - NNCSD (HKBN90)	5,197,274	4.31
Gregory Kevin Molloy and Claymore Trustees Limited (Cicero A/C)	4,891,529	4.06
Walter Mick George Yovich	4,622,015	3.83
Omega Investments Limited	3,844,799	3.19
National Communications Corporation Ltd	3,105,932	2.58
Anthony James Thorpe and Marilyn Ruth Thorpe and David Alistair Thorpe (AJ & MR Thorpe Family A/C)	2,962,503	2.46
Dave Wetherell and Trish Wetherell and Pravir Tesiram (Jewell Family A/C)	2,893,768	2.40
Patrick Mccammon and North Harbour Trustee Company Ltd	2,295,684	1.90
Murray Henshall and Victoria Jane Henshall and Cyril Warren Mckenzie (Whakarua A/C)	2,084,106	1.73
Ross Purdy	1,610,682	1.33
Manaia Management Limited	1,398,303	1.16
Terence Roland Harrison	1,290,000	1.07
David Alistair Thorpe	1,250,000	1.03
Gregor John Barclay and Maria Anne Mcelwee (Abergeldie A/C)	1,220,636	1.01
Total	85,361,814	70.83%

security holder **statistics** (continued)

as at 31 May 2011

Six Largest Registered Option Holders

See note at start of this section

NAME OF OPTION HOLDER	NUMBER OF OPTIONS	% OF ISSUED OPTIONS
Nimmo Trustee Limited	9,915,120	28.23
Gregory Kevin Molloy and Claymore Trustees Limited (Cicero A/C)	6,695,420	19.06
Galileo Investments Trustee Limited	5,345,844	15.22
Murray Henshall and Victoria Jane Henshall and Cyril Warren Mckenzie (Whakarua A/C)	4,996,602	14.23
Anthony James Thorpe and Marilyn Ruth Thorpe and David Alistair Thorpe (AJ & MR Thorpe Family A/C)	4,172,156	11.88
Investment Custodial Services Limited (A/C C)	3,997,282	11.38
Total	35,122,424	100.00%

Largest Registered Convertible Note Holder

In accordance with listing Rule 8.1.9 and clause 7.4 of Schedule 2 of the Subscription Agreement the Board has resolved to increase the conversion price from 1.5 cents to 15 cents as a result of the consolidation.

NAME OF HOLDER	NUMBER OF NOTES	% OF ISSUED
Kate Hellriegel and David James Tattersfield and Joseph Walker Tattersfield and Stephanie Anne Tattersfield (Pakihi Pension Scheme A/C)	2,000,000	100.00

Directors Incentive Scheme Option Holders

See note at start of this section

NAME OF OPTION HOLDER	NUMBER OF OPTIONS	% OF ISSUED OPTIONS
Baroda Hill Investments Limited	15,000,000	21.43
Baroda Hill Investments Limited	15,000,000	21.43
Nimmo Trustee Limited	10,000,000	14.29
Nimmo Trustee Limited	10,000,000	14.29
Claymore Partners Trustees (2011) Limited as trustee of the SPY Trust	10,000,000	14.29
Claymore Partners Trustees (2011) Limited as trustee of the SPY Trust	10,000,000	14.29
Total	70,000,000	100.00%

smartpay directory

Registered Office

SmartPay Limited
182-190 Wairau Road, Glenfield
PO Box 100 490, North Shore Mail Centre,
Auckland 0745, New Zealand

Telephone: +64 9 442 2700
Facsimile: +64 9 442 2722
Email: info@smartpayltd.com
Website: www.smartpayltd.com

Australian Office

Level 2, 3 Carlingford Road
Epping, Sydney, NSW 2121

Board

Wayne Johnson	Chairman & Independent Director
Ian Bailey	Managing Director
Greg Barclay	Director
John Nimmo	Independent Director *(appointed December 2010)*

Management

Linc Burgess	General Manager, Sales
Carey Davis	Manager MIPS Financial Services
Andrew Donaldson	Chief Executive Officer
Andrew MacIntyre	Development Manager, Software Applications
Lauren Midgley	Operations Manager
Pat O'Brien	General Manager, SmartPay Australia

Auditors

Hayes Knight Audit
1 Broadway, Newmarket, Auckland

Share Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna
Private Bag 92119, Auckland 1142
Telephone: +64 9 488 8700
Email: enquires@computershare.co.nz

Solicitors

Claymore Partners Limited
Level 2, 63 Fort Street, Auckland

smartpay

www.smartpayltd.com