smartpay holdings limited

annual report and financial statements 2013

welcome

to Smartpay's annual report.

SmartPay designs, develops and implements innovative payment solutions for customers in Australia and New Zealand. SmartPay offers a variety of advanced payment and data management solutions for retail, business payment and transactional processing requirements.

Contents

reports from the board and management

chairman and
chief executive's review

The 2013 financial year has been a landmark year in the history of Smartpay. Indeed the business today bears little resemblance to the business in the previous period.

Major changes in the period under review include:

- Significant recapitalisation of the business facilitating lower funding costs and a move to an annuity type revenue model.
- Completion of an operational restructure including a restructure of the cost base.
- These two factors together represent a complete turnaround of the business from loss making to generating substantial positive operating profit and cashflow.
- A substantial change in the composition of the Board with three out of four Directors having joined the Board in the last 12 months, including a new Chairman.
- Appointment of new Auditors in KPMG.
- Completion and integration of a major acquisition in Viaduct Limited. This brought with it two seasoned EFTPOS executives who now lead our New Zealand team.

As these events occurred progressively over the course of the financial year, the financial result for the period reported here belies the combined effect of these changes. The reported result is therefore not reflective of the current business which with the benefit of these changes is now performing at a significantly higher level.

Compared to the full year result reported here which has revenue of $16.7m, EBITDA[1] of $5.5m and Net Loss After Tax of $5.0m, with the benefit of these changes now fully realised the business is currently delivering revenue in the order of $22.2m and EBITDA[1] in the order of $9.4m on an annualised run-rate basis.

One of the key changes made during the period is the way in which the company recognises and reports revenue and classifies leases. In previous financial years the methodology was to recognise the majority of the revenue from EFTPOS terminal rental contracts up front in the period in which the contracts were signed as a finance lease transaction. It has subsequently been determined that the correct treatment of around 95% of the rental contracts (by annual revenue) is that of operating leases. These results are therefore represented on this basis with the previous period's results restated accordingly for comparison purposes. The effect of this change is to recognise revenue evenly over the term of the rental contracts reflecting the timing of the services performed.

Operational Review

Following the integration of the Viaduct acquisition the business has benefitted from the opportunity to combine the best aspects of each business which has resulted in greater operational capacity and sales capability. We are already seeing the early signs of these benefits through increased sales and operational efficiencies.

Progress has also been made on the product side of our business from which we expect to see the benefits starting to come through in the current financial year as we introduce new terminal hardware and merchant applications to the market. Our objective is to increase average Revenue Per Unit across our terminal fleet by generating incremental revenue lines through the introduction of these new products.

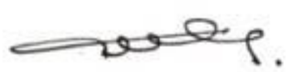
Progress in our Australian business has been slow during the year with the majority of our focus having been on the changes and opportunities in our New Zealand business. With those changes now behind us our focus is firmly on

[1] = Earnings before interest, tax, depreciation, share options expense, amortisation and impairments

the development of our Australian business to capitalise on the substantial opportunities in this market which we expect will begin to yield tangible results in the current year.

Summary and Outlook

Overall we are pleased with the progress we have made to date and the current position of our business. In particular we would like to recognise the contribution of our staff though a period of significant change in the business. With the restructure of the business and the integration of the Viaduct acquisition now behind us, the focus is firmly on driving growth in both the New Zealand and Australian markets. As we now have the management team, operational structures and financial capacity in place for growth we of are confident of the business's ability to continue to add value to our shareholders.



Ivan Hammerschlag
Chairman

Bradley Gerdis
Chief Executive Officer

directors' report

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 Holdings Limited (the Parent) and its subsidiaries (the Group) as at 31 March 2013 and the results of their operations and cash flows for the year ended 31 March 2013.

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 Parent 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 controls 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 note that there has been no material change in the nature of the business undertaken by the Parent and Group in the past year.

The Directors are pleased to present the financial statements of the Parent and the Group for the year ended 31 March 2013.

Further information required by the Companies Act is set out under the Statutory Information on page 54.

This annual report is dated 28 June 2013 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,

Ivan Hammerschlag
Chairman

Bradley Gerdis
Chief Executive Officer

directors' profiles

1. Ivan Hammerschlag - Independent Chairman

Ivan is a chartered accountant. Ivan's career began at Foschini one of South Africa's largest retailers where he grew up from the shop floor to an executive position. Ivan started his own furniture retail business in South Africa, listed it on the South African stock exchange and successfully sold control of the company.

Ivan emigrated to Australia in 1990 where he has been very successful. Ivan purchased Freedom Furniture, a chain of retail furniture stores that was doing $60 million sales at purchase. During Ivan's years of ownership the business grew to sales in excess of $200 million. Ivan exited the business prior to a public listing.

In 1994 Ivan invested into a Retail Software company Divergent Technologies. After engineering four acquisitions it was listed on the NASDAQ in 1998.

Ivan then spent 5 years working with Rand Merchant Bank in Australia co-investing with them in 5 private equity transactions. Ivan was the executive chairman of the 5 businesses which were successfully exited over that period. These 5 businesses were in the wholesale distribution area.

In 2006 Ivan was instrumental in rescuing a retail conglomerate listed on the Australian Stock Exchange called RCG Limited. The market cap was $8million and the company was in severe financial stress. Today the business is highly profitable, with a market cap in excess of $150million. The business consists of 147 stores selling athletic footwear. It also has a wholesale division selling international brands into the Australian market.

2. Bradley Gerdis - Managing Director

Bradley joined Smartpay in January 2012 bringing to the company significant and relevant experience in managing high growth payments businesses. He was a founding executive of Customers Ltd, an ASX listed ATM and payments company which grew from start-up to become Australia's largest ATM operator during his time with the business. Bradley also played a leading role as a founding Director in the development of Strategic Payments Services Pty Ltd, a payments processing business in joint venture with Customers Limited, Bendigo Bank Ltd and MasterCard International. Bradley's experience includes direct investment roles with ANZ Private Equity and Gresham Private Equity, he has held executive and non-executive director positions in both publicly listed and private companies.

3. Gregor Barclay -Independent Director

Gregor is a founding principal of Auckland law firm Claymore Partners and he currently consults to that organisation. He specialises in commercial law including corporate structuring, mergers and acquisitions and deals with new enterprises, venture capital and project commercialisation.

Gregor has a law degree from the University of Canterbury and a post graduate diploma qualification in marketing from Auckland University and is a member of the New Zealand Institute of Directors.

He is a past or present director of a number of high profile private New Zealand companies including acting as chairman of both Pacific Forest Products Group (a leading log and export marketing company) and Franchised Businesses Limited (the largest franchise company in New Zealand with over 700 franchisees). At present he chairs Experience Group, a national sports and event management company. He is also a previous chairman of Northern Districts Cricket and currently sits on the Board of New Zealand Cricket.

4. Matthew Turnbull - Independent Director

Matthew is an accounting graduate from University of Otago. He is a Chartered Accountant and is a member of the New Zealand Institute of Chartered Accountants.

He commenced his career with a big four accounting firm and has over 20 years experience providing accounting and corporate advisory services to a wide range of clients. Matthew currently provides corporate advisory services through his own private consulting company.

Matthew has a detailed understanding of SmartPay, having assisted in the company's recent recapitalisation and restructure, and the recent acquisition of Viaduct Limited during 2012.

corporate governance statement

This section of the Annual Report provides an overview of Smartpay's main corporate governance policies, practices and processes adopted and followed by the Board. More information is available to view on www.smartpayltd.com, including the policies referred to in this section.

ETHICAL STANDARDS

The Board of SmartPay Holdings Ltd is committed to the guiding values of the company as being:

- Australasian focused,
- Innovative,
- Pursuit of excellence,
- Leadership,
- Integrity, and
- Honesty

It has put in place the following measures to assist with achieving high ethical standards and to meeting its guiding values:

- **Ethics Policy and Code of Conduct**
  This policy and code articulates acceptable practices for board members, senior executives and employees and guides all in compliance with their ethical, legal and statutory obligations.

- **Trading in Smartpay Securities**
  Directors, officers, employees and contractors of Smartpay are subject to limitations on their ability to trade in Smartpay securities in accordance with the company's Securities Trading Policy, the NZSX Listing Rules and the Securities Markets Act 1988. This policy has recently been updated in line with the ASX Listing rule requirements in anticipation of the company's ASX listing.

- **Avoiding conflicts of interest**
  To maintain integrity in decision making each Director must advise the Board of any potential conflict of interest. If a significant conflict exists the Director concerned will have no involvement in the decision making process relating to that matter. In accordance with its legal requirements the company maintains an Interests Register in which relevant transactions involving directors and officers of the company are recorded.

- **Disclosure and Communications Policy**
  The company is committed to providing forthright, timely, accurate, complete and equal access to information and has developed this policy to commit the company to the continuous disclosure obligations.

- **Director re-election**
  Under the terms of the constitution, one third of Directors (two) 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 20th September 2012 Bradley Gerdis and Ivan Hammerschlag stood for re-election and were re-elected by the shareholders as Directors of the Company.

THE BOARD

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 which identifies the measures it takes to meeting these responsibilities:

- **Delegation**
  The Board has delegated day to day responsibility for the leadership and management of the Company to the Managing Director, who is required to do so in accordance with the Board Charter, Board direction and within the guidelines agreed in the Annual Budget, Strategic Plan and Delegated Authorities.

- **Board composition and focus**
  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 three independent directors, one of whom is the chairman, and one executive director in the Managing Director. Individual board members work directly with management on major initiatives. The Board generally meets every alternate month to review business operations and performance.

- **Director Board Meeting Attendance**
  Directors' board 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. For the period all Directors were present at all board meetings.

BOARD COMMITTEES

The Board recognizes that its Committees add to the effectiveness of the Board by being able to provide 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 two 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, they meet at least four times a year. The Committee's Board approved terms of reference are contained within the Board Charter which is available on the Company's website.

  Members:
  Matthew Turnbull (Chair of the Committee)
  Gregor Barclay
  Bradley Gerdis

  The current composition of Smartpay's Audit and Finance Committee differs from the principles set out in the NZX Code to Corporate Governance. The role of Bradley Gerdis on the Committee means that the Audit and Finance Committee does not consist only of non-executive directors. However, the Board believes that the current composition of the Audit and Finance Committee is the most appropriate means for discharging its responsibilities and duties.

- **Remuneration and Appointments Committee**
  The Committee's terms of reference require it to consist of at least three 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 contained within the Board Charter which is available on the Company's website.

  Members:
  Ivan Hammerschlag (Chair of the Committee)
  Gregor Barclay
  Matthew Turnbull
  Bradley Gerdis

DISCLOSURES, SHAREHOLDER & STAKEHOLDER COMMUNICATION

Smartpay has written policy and procedures in place to keep investors and staff informed of all material information about Smartpay and to ensure compliance with its continuous disclosure obligations under legislation and stock exchange listing rules. Its' Board Charter and policies of public relevance are published on its website at www.smartpayltd.com .

REMUNERATION AND PERFORMANCE MANAGEMENT

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions.

- **Executives**
  Smartpay has a performance management system which includes detailed job descriptions, key performance indicators and regular appraisals which applies to all employees including the executive management group. The business's remuneration policies are reviewed by the Remuneration & Appointments Committee and are designed to link directly to the performance and development processes to ensure the achievement of business goals are appropriately recognised and rewarded.

- **Non Executive Directors**
  Smartpay's non executive directors are paid a basic fee as ordinary remuneration for their appointment as Director of the company. In addition they may be paid extra remuneration for their membership of board appointed Committees and in consideration for their appointment as Chairman or Deputy Chairman. The level of remuneration to be paid is reviewed annually by the Remuneration and Appointments Committee who consider the skills performance, experience and level of responsibility of the Directors in undertaking the review and is authorised to obtain independent advice on market conditions.

- **Board Evaluation**
  The Directors review the Board's own performance, including the individual performance of the Chairman and the Non-Executive Directors. Oversight of this process is the responsibility of the Chairman. The Remuneration and Appointments Committee is responsible for succession planning and the Board has an orientation and education policy for all board members to ensure that each member is able to appropriately and effectively perform their duties.

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 basis as required.

INDEPENDENCE OF EXTERNAL AUDIT

The Audit and Finance Committee regularly reviews the external audit function and makes recommendations to the Board. At the Annual General Meeting in September 2012 shareholders were asked to approve the appointment of new auditors KPMG.

DIVERSITY

The Board has not yet adopted a Diversity Policy however it is committed to the establishment and maintenance of appropriate ethical standards and in its recruitment practices is committed to recruiting individuals with the appropriate skills and qualifications required for the role. Its Ethics Policy and Code of Conduct includes policies against discrimination. The business is committed to ensuring that the rights of all people to obtain and hold employment without unlawful discrimination are upheld and its Staff Handbook details its policy and implementation procedures to ensure all employees are treated fairly and with dignity and respect. This will be monitored as the company develops and if deemed necessary an appropriate diversity policy may be established.

audit report

Independent auditor's report

To the shareholders of Smartpay Holdings Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of Smartpay Holdings Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 13 to 52. The financial statements comprise the statements of financial position as at 31 March 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion the financial statements on pages 13 to 52:

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

Other matter

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

Report on other legal and regulatory requirements

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

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

KPMG.

28 June 2013
Auckland

financial statements

statement of comprehensive income

for the year ended 31 March 2013

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

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 17 to 52 form part of the financial statements.

statement of changes in equity

for the year ended 31 March 2013

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

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 17 to 52 form part of the financial statements.

statement of financial position

for the year ended 31 March 2013

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

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 17 to 52 form part of the financial statements.

statement of cash flows

for the year ended 31 March 2013

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

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 17 to 52 form part of the financial statements.

notes to the financial statements

for the year ended 31 March 2013

1. General Information

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

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

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

2. Summary of Significant Accounting Policies

a. Statement of Compliance

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

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

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

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

b. Basis of Preparation

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

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

c. Functional and Presentation Currency

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

d. Accounting Judgements and Major Sources of Estimation Uncertainty

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

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

e. Adoption of New and Revised Standards and Interpretations

i) Standards and Interpretations Effective in the Current Period

Standards with a disclosure impact include:

FRS 44 New Zealand Additional Disclosures

- Other Clarifications

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

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

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

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

f. Consolidation

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

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

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

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

Business Combinations

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

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

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

g. Foreign Currencies

i) Foreign Currency Transactions

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

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

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

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

ii) Foreign Operations

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

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

h. Comparatives

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

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

i. Revenue Recognition

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

i) Operating Lease Income

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

ii) Finance Lease Income

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

iii) Service and Software Revenue

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

iv) Terminals and ancillary devices sold

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

v) Finance Income

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

vi) Dividends

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

j. Share-based Payment Transactions

Equity Settled Transaction

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

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

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

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

- The grant date fair value of the award;

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

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

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

k. Finance Costs

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

l. Taxation

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

i) Current Tax

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

ii) Deferred Tax

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

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

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

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

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

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

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

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

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

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

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

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

iii) Goods and Services Tax (GST)

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

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

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

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

m. Statement of Cash Flows

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

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

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

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

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

n. Financial Assets

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

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

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

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

The Group has the following classifications:

i) Financial Assets at Fair value through Profit & Loss

This category has two sub categories

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

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

ii) Loans and Receivables

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

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

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

Impairment of Financial Assets

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

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

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

Derecognition of Financial Assets

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

o. Derivative Financial Instruments

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

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

p. Merchant Terminals and Property, Plant and Equipment

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

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

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

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

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

Disposal

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

q. Leases

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

i) Group as Lessor

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

ii) Group as Lessee

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

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

r. Intangibles

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

i) Computer Software and Development Costs

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

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

ii) Intangible Assets Acquired in a Business Combination

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

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

iii) Research and Development

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

iv) Amortisation

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

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

s. Impairment of Non-financial Assets Other Than Goodwill

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

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

t. Goodwill

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

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

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

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

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

u. Financial Liabilities and Equity Instruments

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

i) Equity Instruments

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

ii) Financial Liabilities

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

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

v. Provisions and Employee Leave Benefits

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

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

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

Employee Leave Benefits

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

w. Earnings Per Share

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

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

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

x. Fair value of financial assets and liabilities

Fair Value Methodologies

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

> *Certain Short Term Financial Assets*

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

> *Finance Receivables*

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

> *Other Financial Assets*

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

> *Payables and Other Financial Liabilities*

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

> *Borrowings*

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

y. Government Grants

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

z. Changes in Accounting Policies

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

a. Significant Accounting Judgements

i) Impairment of Non-Financial Assets Other Than Goodwill

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

ii) Revenue Recognition

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

iii) Recovery of Deferred Tax Assets

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

iv) Provisions

Judgements were required to determine the likely levels of provisioning.

b. Significant Accounting Estimates and Assumptions

i) Impairment of Goodwill and Intangibles with Indefinite Useful Lives

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

ii) Allowance for Impairment Loss on Trade and Lease Receivables

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

iii) Deferred Tax Asset

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

iv) Estimation of Useful Lives of Assets

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

v) Provisions

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

4. Financial Risk Management Objectives and Policies

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

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

a. Market Risk

(i) Foreign Currency Risk

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

(ii) Cash Flow and Fair Value Interest Rate Risk

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

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

b. Credit Risk

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

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

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

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

c. Liquidity Risk

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

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

d. Fair Values

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

5. Segment Information

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

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

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

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

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

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

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

6. Other Income

6. Other Income

The following items are included in sundry income:

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

7. Expenditure

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

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

Other specific costs included in expenditure

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

8. Taxation Expense / (Credit)

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

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

9. Earnings per Share

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

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

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

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

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

10. Cash and Cash Equivalents

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

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

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

11. Trade and Other Receivables

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

An allowance for impairment loss is recognised when there is objective evidence that a receivable is impaired.
The Group manages its receivables in line with its approved credit control procedures see note 4 b.

12. Non Current Assets Held for Sale

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

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

13. Derivative Financial Instruments

a. Foreign currency instruments

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

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

Fair Value

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

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

b. Interest rate instruments

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

Fair Value

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

14. Non Current Finance Receivables

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

Finance Lease Receivable

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

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

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

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

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

15. Investments

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

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

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

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

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

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

> NetPay Limited

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

> SmartPay HL Limited

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

> SmartPay Saffill Limited

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

16. Business Combinations

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

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

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

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

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

The fair values have been determined on a provisional basis.

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

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

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

Equity Instruments Issued

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

Costs of the Acquisition:

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

17. Property, Plant and Equipment - Merchant Terminals

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

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

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

18. Property, Plant and Equipment - Other

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

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

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

19. Computer Software and Development

Computer software and development costs are intangible assets.

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

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

Significant Computer Software and Development

(i) ARMS

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

(ii) STANDS

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

(ii) Other Internally Developed Software

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

20. Customer Contracts

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

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

21. Goodwill

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

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

a. Impairment

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

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

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

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

22. Deferred Tax Asset / (Liability)

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

a. Tax losses

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

23. Trade Payables and Accruals

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

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

24. Provisions

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

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

- A provision for warranty cost in respect of faulty equipment supplied was made in 2010. It is anticipated that the warranty costs will largely be covered by manufacturers warranty.

- A provision for terminal equipment upgrades required by the lease agreements was established in 2010 as part of the Provenco acquisition. This was completed in 2012.

25. Income Tax Payable (Asset)

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

Imputation credit account balances

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

26. Borrowings

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

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

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

a. Summary of borrowing arrangements

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

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

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

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

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

i) Interest cover ratio

ii) Net leverage ratio

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

27. Share Capital

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

a) Ordinary Shares

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

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

Movements in the Number of Ordinary Shares on issue

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

b) Share Options

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

Movements in the Number of Share Options on issue

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

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

Movements in the Number of Directors Incentive Share Options on issue

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

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

Options Issued Alongside Share Capital

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

2013

Nil

2012

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

Option Pricing Assumptions

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

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

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

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

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

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

c) Convertible Notes on issue

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

Capital Management

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

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

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

Gearing Ratio's

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

28. Foreign Currency Translation Reserve

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

Movements are shown in the Statement of Changes in Equity.

29. Operating Cash Flows Reconciliation

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

30. Operating Leases

Leases as Lessee

Non cancellable operating lease rentals are payable as follows:

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

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

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

Leases as Lessor

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

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

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

31. Contingencies

Guarantees

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

32. Capital Commitments

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

33. Impact of Restatement

a. Lease Classification

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

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

Lease related adjustments

In connection with the restatement of lease classification, accounting for the leasing of Eftpos terminals involving funding from two financiers have been corrected and the terminal assets are now not derecognised and the funding received has been accounted for as deferred revenue (and taken to earnings as services are delivered).

In connection with the restatement of lease classification, accounting for the Provenco Cadmus acquisition has been restated. Previously a provision of $3,800,000 was recognised on acquisition, reflecting the cost of technology upgrades of the Eftpos terminals post acquisition. In light of accounting for these Eftpos terminals as operating leases the provision has been reduced to $318,000 at 1 April 2011.

b. Change in Presentation

Previously telephony revenue was accounted for as a principal and has been restated to be accounted for as an agent. The change had no impact on previously reported profit results and the comparative periods reported have been restated to reflect the changed reporting format.

Restatement of Comparative period to 31 March 2012
Statement of Comprehensive Income

	As Reported	Adjustments			Restated
		Finance Leases Changed to Operating Leases	Other Lease Related Adjustments	Telephony and Other Presentation Changes	
	$'000	$'000	$'000	$'000	$'000
Continuing operations					
Revenue	28,946	(2,051)	777	(11,914)	15,758
Other Income	12	-	-	-	12
Expenditure	(30,912)	3,255	(1,092)	12,967	(15,782)
Earnings before interest, tax, depreciation, share option expense, amortisation and impairments	(1,954)	1,204	(315)	1,053	(12)
Depreciation and amortisation	(3,568)	(1,851)	677	-	(4,742)
Share option amortisation	-	-	-	(395)	(395)
Interest expense and related costs	(5,285)	-	-	-	(5,285)
Plant and equipment impairment	(500)	-	-	(658)	(1,158)
Software impairment	(1,419)	-	-	-	(1,419)
	(10,772)	(1,851)	677	(1,053)	(12,999)
Profit / (loss) before tax	(12,726)	(647)	362	-	(13,011)
Basic earnings/(loss) per share - cents	(9.74)				(10.016)
Diluted earnings/(loss) per share -cents	(9.74)				(10.016)

The impact of the convertible notes and share options was not dilutionary in any of the periods.

Statement of Financial Position

	As Reported	Adjustments			Restated
		Finances Leases Changed to Operating Leases	Other Lease Related Adjustments	Telephony and Other Presentation Changes	
Current assets	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	3,871	-	-		3,871
Trade and other receivables	11,705	(10,082)			1,623
Inventories	2,244	(2,244)	-		-
Total current assets	**17,820**	**(12,326)**	**-**	**-**	**5,494**
Non-current assets					
Finance receivables	13,112	(11,991)			1,121
Property, plant and equipment - merchant terminals	-	7,890			7,890
Property, plant and equipment - other	1,513				1,513
Computer software and development	4,504		(339)		4,165
Goodwill	5,350				5,350
Deferred tax	1,582	(109)			1,473
Total non-current assets	**26,061**	**(4,210)**	**(339)**	**-**	**21,512**
Total assets	**43,881**	**(16,536)**	**(339)**	**-**	**27,006**
Bank overdraft	29				29
Trade payables and accruals	5,839		3,256		9,095
Provisions	50				50
Income tax	49				49
Borrowings	29,438				29,438
Total liabilities	**35,405**	**-**	**3,256**	**-**	**38,661**
Net assets	**8,476**	**(16,536)**	**(3,595)**	**-**	**(11,655)**
Equity					
Share capital	30,585	-	-		30,585
Foreign currency translation reserve	(34)	142	-		108
Retained deficits	(22,075)	(16,678)	(3,595)		(42,348)
Total equity	**8,476**	**(16,536)**	**(3,595)**	**-**	**(11,655)**

Restatement of Opening Statement of Financial Position as at 1 April 2011

	As Reported	Adjustments		Restated
		Finance Leases Changed to Operating Leases	Other Lease Related Adjustments	
Current assets	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	2,331	-	-	2,331
Trade and other receivables	11,129	(7,996)		3,133
Inventories	3,605	(3,605)	-	-
Total current assets	**17,065**	**(11,601)**	**-**	**5,464**
Non-current assets				
Finance receivables	12,252	(12,156)		96
Merchant terminals	-	7,835		7,835
Property, plant and equipment - other	2,584			2,584
Computer software and development	8,469		(1,016)	7,453
Goodwill	5,350			5,350
Deferred tax	961	(59)		902
Total non-current assets	**29,616**	**(4,380)**	**(1,016)**	**24,220**
Total assets	**46,681**	**(15,981)**	**(1,016)**	**29,684**
Trade payables and accruals	6,117		4,361	10,478
Provisions	1,788		(1,420)	368
Income tax	53			53
Borrowings	21,288			21,288
Total liabilities	**29,246**	**-**	**2,941**	**32,187**
Net assets	**17,435**	**(15,981)**	**(3,957)**	**(2,503)**

Equity				
Share capital	27,431	-	-	27,431
Foreign currency translation reserve	(22)	-	-	(22)
Retained deficits	(9,974)	(15,981)	(3,957)	(29,912)
Total equity	**17,435**	**(15,981)**	**(3,957)**	**(2,503)**

34. Related Parties

Parent and ultimate controlling party

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

Identity of related parties with whom material transactions have occurred.

Note 15 identifies all entities within the Group. All those entities are related parties of the Parent. In addition, the directors, companies with which the directors and key management are associated and key management personnel of the Group are also related parties.

a. Subsidiaries

During the year the Company and various subsidiary companies advanced and repaid loans amongst themselves by way of internal loan accounts. In presenting the financial statements of the Group these inter company transactions and accounts have been eliminated. Some of the inter company group loans are interest bearing, repayable on demand and disclosed as a current liability. The loan balances outstanding between the Company and its subsidiaries totalling $43,280,000 (2012: $21,856,000) are shown in note 35.

During the year interest of $2,487,000 (2012: $1,213,000) was charged by the Parent to subsidiary companies and a further $3,977,000 (2012: $2,200,000) was charged between subsidiary companies. The rate of interest charged is sufficient to cover the cost to the companies making the loans.

In addition there are operating transactions and recovery of expenses between subsidiary companies undertaken in the normal course of business and provided on commercial terms.

During the year sales and purchases between subsidiary companies totalled $732,000 (2012: $3,508,000) along with a fixed asset and software usage charge of $1,281,000 (2012: $1,338,000) and expenses recovered of $485,000 (2012: $1,261,000) which were eliminated from the Group financial statements.

Refer to Note 27 for details of guarantees provided by the Parent and subsidiary companies and cross guarantees between subsidiary companies.

b. Other transactions with directors and key management or entities related to them

Claymore Law provided legal services to the Group on normal commercial terms amounting to $513,000 (2012: $382,000). Gregor Barclay is a principal of Claymore Law Partnership and director of SmartPay Holdings Limited. The balance outstanding at 31 March 2013 was $20,000 (2012: $154,000). Gregor Barclay was not actively involved in providing any legal services performed by Claymore Partners Limited for SmartPay.

Gregor Barclay is also a director and principal of Ngatapa Trust, and provided consulting services in relation to directors' fees on normal commercial terms amounting to $38,000 (2012: $38,000). In addition he has 20,000,000 options issued in 2011 (2012: 20,000,000) as part of the directors' incentive scheme.

Bradley Gerdis is the Managing Director of SmartPay Holdings Limited. He is a Director of Haymaker Investments Pty Limited which is the Trustee of the Haymaker Trust which is a shareholder of SmartPay Holdings Limited. He is also a director and shareholder of Active Capital Partners Limited (ACP), an Australian company, which in December 2011 entered into a consultancy contract with SmartPay Holdings Limited subsidiary SmartPay Australia Pty Limited and Haymaker Investments Pty Limited (HIL).

Bradley Gerdis or his associated entities have received:

- ACP received $449,000 (2012: $101,000)

- HIL received 815,217 SmartPay shares as a bonus on 5 February 2013

HIL is a shareholder of the Company and Bradley Gerdis has an interest in these shares by virtue of being a potential beneficiary of a discretionary trust. HIL holds 11,142,217 ordinary shares as well as 30,000,000 share options which can be converted into 30,000,000 shares - 10,000,000 can be purchased at 15 cents per share by 31/12/14, 10,000,000 at 20c per share by 31/3/17 and 10,000,000 at 30 cents per share by 31/3/18. No new share options were issued in the current year.

Ian Bailey received directors fees of $6,300 for the period from 1April 2012 until his resignation on 30 May 2012 (2012 remuneration package: $305,000) to that date. Following his resignation a restraint of trade payment was made to him under his contract of $305,000 which was paid during the year. Ian Bailey also holds 20,000,000 (2012: 20,000,000) share options which would entitle him to purchase 2,000,000 shares at 40 cents per share on or before 31/3/16.

Wayne Johnson was a Director of the Company until 1 July 2012 and his corporate advisory company was appointed to provide corporate advisory services and assist in the capital raising activities of the Company. The fees relating to this activity were $12,478 (2012: $204,000). In addition Wayne Johnson is a director and shareholder of Baroda Hill Investments Limited which received directors fees amounting to $52,000 (2012: $60,000) and holds 30,000,000 (2012: 30,000,000) options which would entitle him to purchase 3,000,000 (2012: 3,000,000) shares - 1,500,000 at 40 cents per share by 31/3/14 and 1,500,000 at 50 cents per share by 31/3/16.

John Nimmo was a Director of the Company until 31 March 2013. During the year he received director's fees of $38,000 (2012: $38,000). In addition he holds 20,000,000 (2012: 20,000,000) options which would entitle him to purchase 2,000,000 shares - 1,000,000 at 40 cents per share by 31/3/14 and 1,000,000 at 50 cents per share by 31/3/16.

Linc Burgess is the Eftpos and Payment Strategy Manager for the Group, and is a director and shareholder of Manaia Management Limited which has provided consulting services to the Group on normal commercial terms amounting to $144,000 (2012: $180,000).

Pat McCammon was the Corporate Sales manager of the Group and is a director and shareholder of Life Management Limited which has provided consulting services to the Group for a base payment and commission on normal commercial terms. The base amounted to $111,000 (2012: $191,000) and the commission of $262,000 (2012: $167,000)is to be paid as to 50% in cash and 50% in shares.

Marty Pomeroy is General Manager-Operation and Strategy at SmartPay since January 2013 and is a shareholder and director of Viaduct Limited (now TEOV Limited) whose assets were acquired by SmartPay on 23 January 2013. He has received 4,000,000 options to purchase 4,000,000 shares - half can be exercised by 31/12/17 at an exercise price of 20 cents per share and half can be exercised by 31/12/19 at an exercise price of 30 cents per share.

Mark Unwin is the General Manager-Sales and Marketing at SmartPay since January 2013 and is a shareholder and director of Viaduct Limited (now TEOV Limited) whose assets were acquired by SmartPay on 23 January 2013. He has received 4,000,000 options to purchase 4,000,000 shares - half can be exercised by 31/12/17 at an exercise price of 20 cents per share and half can be exercised by 31/12/19 at an exercise price of 30 cents per share.

c. Key management and director compensation.

Key management personnel comprises employees who are part of the Senior Management Team except Bradley Gerdis who is included in Director remuneration. Key management personnel compensation comprised short term benefits and share instruments for the year ended 31 March 2013 of $1,344,000 (2012: $1,570,000). Directors remuneration was $1,138,000 (2012: $746,000) - for details refer to the Statutory Information Directors Remuneration.

Key Management Compensation	**2013**	**2012**
	$'000	**$'000**
Salaries and other short term employee benefits	1,344	1,570

35. Group Advances

	Parent	
	2013	**2012**
	$'000	**$'000**
Amounts owing by subsidiaries:		
SmartPay New Zealand Limited	6,563	6,060
SmartPay Software Limited (formerly Software International Limited)	704	704
SmartPay Limited (formerly SmartPay Cadmus Limited)	34,226	13,392
SmartPay Ethos Limited	220	220
SmartPay Investments Limited	-	342
SmartPay Rentals Limited (formerly MIPS Financial Services Limited)	27	27
Viaduct Limited (formerly NetPay Limited)	342	-
SmartPay Australia Pty Limited	1,187	1,100
Cadmus Payment Solutions Pty Limited	11	11
Total group advances	43,280	21,856
less Impairment	(39,521)	-
Total group advances	3,759	21,856

Where advances to subsidiaries are not recoverable an impairment provision has been created in the Parent in 2013.

36. Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- foreign exchange risk
- credit risk
- interest rate risk
- liquidity risk

This note presents information about the Groups exposure to each of the above risks, the Groups objectives, policies and processes for measuring and managing risk.

a. Financial Instruments by Category

Group

	Group			Parent		
	Loans and receivables	**Measured at amortised cost**	**Total**	**Loans and receivables**	**Measured at amortised cost**	**Total**
2013	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets						
Cash and bank balances	4,429	-	4,429	-	-	-
Trade, finance and other receivables	2,866	-	2,866	76	-	76
Group advances	-	-	-	3,759	-	3,759
	7,295	-	7,295	3,835	-	3,835
Financial liabilities						
Trade payables and accruals		4,627	4,627	-	-	-
Financial liabilities at amortised cost		28,753	28,753	-	-	-
	-	33,380	33,380	-	-	-

2012	Group - Restated			Parent		
	Loans and receivables	**Measured at amortised cost**	**Total**	**Loans and receivables**	**Measured at amortised cost**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets						
Cash and bank balances	3,871	-	3,871	-	-	-
Trade, finance and other receivables	2,615	-	2,615	79	-	79
Group advances	-	-	-	21,856	-	21,856
	6,486	-	6,486	21,935	-	21,935
Financial liabilities						
Bank overdrafts	-	29	29	-	-	-
Trade payables and accruals	-	5,839	5,839	-	332	332
Financial liabilities	-	29,438	29,438	-	3,865	3,865
	-	35,306	35,306	-	4,197	4,197

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

b. Foreign currency exchange risk management

The Group has an exposure to the Australian dollar through its ownership of Australian subsidiaries and the US Dollar in respect of terminals acquired from offshore suppliers. From April 2011 to July 2012 forward exchange contracts were entered into to hedge Australian dollar cash flows into New Zealand dollars. The forward exchange contracts were closed out in July 2012 in conjunction with the repayment of AUD denominated liabilities.

Disclosure is required of the fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The Group has exposure to the following currencies, for which no hedging has been entered into.

- $US - Purchases of US$2.5 million
- $Aust - Sales of A$3.7 million

c. Credit risk

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

	Group		Parent	
	2013	2012 Restated	2013	2012
Maximum exposure to credit risk at balance date is:	$'000	$'000	$'000	$'000
Cash and cash equivalents	4,429	3,842	-	-
Trade receivables (net of impairment)	1,675	933	-	3
Finance lease receivables (net of impairment)	1,102	1,368	-	-

In respect of the lease receivables an analysis of the credit risk is performed on a monthly basis and any contracts for which payment has not been received are identified and categorised for the purposes of determining any impairment if required. The three categories are:

> payments overdue 10-60 days (arrears)

> payments overdue 61-100 days (collections) and

> greater than 101 days overdue (salvage).

The impairment provision comprises the "salvage" category. No impairment is made for overdue payments within the "arrears" and "collection" categories.

	2013		2012	
	%	$'000	%	$'000
Arrears	0.05	15	0.11	27
Collections	0.02	5	0.41	100
Salvage	0.14	45	0.70	160
		65		287

Immediate action is taken in respect of "arrears" contracts and overdue payments and the majority of overdue payments are rectified within a short period of time, consequently no impairment is recognised. Contracts that fall outside the three categories have met all their payments on time and no impairment is recognised.

Concentration of credit risk

One customer is included within finance receivables that has an amount outstanding in excess of $1 million. This customer has a history of trade with the Group.

d. Interest Rate Risk

The Group has entered into interest rate swaps which fixed the interest rate in respect of 75% of the interest payable. The Group has interest rate risk on the residual unhedged portion. At 31 March 2013 if interest rates had changed by -/+ 1% from the year end rates with all other variables held constant, the Group's post tax profit for the period (annualised) and equity would have been $73,125 higher or $73,125 lower. The notional principal of the interest rate swaps is $22,125,000 and the carrying value on the balance sheet of a liability of $52,000.

e. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In respect of the Group's debt the following table indicates the periods in which they fall due:

	Total	Within 12 Months	Within 1 to 5 years
ASB Bank Limited	29,250	3,000	26,250
	-		-
Total Group Debt	29,250	3,000	26,250

Total Aging of Financial Liabilities Commitments	Total	Within 12 Months	Within 1 to 5 years
Group			
2013			
Trade Payables and accruals	4,972	4,972	
Future interest payments on borrowings	4,725	1,755	2,970
Borrowings	29,250	3,000	26,250
	38,947	9,727	29,220
2012 - Restated			
Overdrafts	29	29	-
Trade Payables and accruals	9,095	9,095	-
Future interest payments on borrowings	4,792	2,354	2,438
Borrowings	29,438	22,729	6,709
	43,354	34,207	9,147
Parent			
2013			
Trade Payables and accruals	-	-	-
Future interest payments on borrowings	-	-	-
Borrowings	-	-	-
	-	-	-
2012 - Restated			
Trade Payables and accruals	332	332	-
Future interest payments on borrowings	387	387	-
Borrowings	3,865	3,865	-
	4,584	4,584	-

37. Subsequent Events

Following balance date the following events have occurred:

VoIP

This business provided Voice over IP telecommunication services. When it was established it was intended to be an added service offering to take to our EFTPOS customers. The business has had limited success and is not considered to be related to the future direction and growth of SmartPay and has therefore been sold.

Wifi

This business provided Wifi services and was intended to be an added value product to sell to the SmartPay customer base. Again due to the limited success of this activity it was decided to sell it.

Australian Stock Exchange

The Parent intends to file its application to the Australian Stock Exchange to list on the ASX shortly after the completion of the Annual Report.

New Group Company

On 17 April 2013 Pax Technology Pty Limited was incorporated. This is a wholly owned subsidiary of SmartPay Australia Pty Limited.

statutory information and security holder statistics

statutory information

DIRECTORS AND FORMER DIRECTORS

At 31 March 2013 the Directors holding office were Ivan Hammerschlag (appointed 1 July 2012), Bradley Gerdis (appointed 1 July 2012), Gregor Barclay and John Nimmo; John Nimmo resigned 31 March 2013 and Matthew Turnbull was appointed to the Board 1 April 2013. Ian Bailey resigned as a director on 30 May 2012 and Wayne Johnson resigned as a director on 1 July 2012.

At the annual meeting of shareholders held on 20th September 2012 Bradley Gerdis and Ivan Hammerschlag 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 Ivan Hammerschlag, Gregor Barclay and Matthew Turnbull are Independent Directors.

SUBSIDIARY COMPANY DIRECTORSHIPS

At 31 March 2013, subsidiary companies had Directors as follows:

New Zealand Subsidiary Companies	Director
Smartpay Rental Services Limited[2]	Bradley Gerdis, Gregor Barclay
Smartpay Limited[3]	Bradley Gerdis, Gregor Barclay
Smartpay Ethos Limited	Bradley Gerdis, Gregor Barclay
Smartpay Software Limited[4]	Bradley Gerdis, Gregor Barclay
Smartpay New Zealand Limited	Bradley Gerdis, Gregor Barclay
Viaduct Limited[5]	Bradley Gerdis, Gregor Barclay

Australian Subsidiary Companies	Director
Smartpay Rentals Pty Limited[6]	Ivan Hammerschlag, Gregor Barclay, Bradley Gerdis
SmartPay Australia Pty Limited[7]	Ivan Hammerschlag, Gregor Barclay, Bradley Gerdis
Cadmus Payment Solutions Pty Limited	Ivan Hammerschlag, Gregor Barclay, Bradley Gerdis
Product Rentals Pty Limited	Ivan Hammerschlag, Gregor Barclay, Bradley Gerdis

SUBSIDIARY COMPANY CHANGES

On 19th February 2013, following the purchase of the Viaduct business in January 2013, Net Pay Limited, one of the subsidiaries in the Smartpay group, changed its name to Viaduct Limited in order to keep the Viaduct name within the business.

On 16th October 2012 the following companies amalgamated with Net Pay Limited (which subsequently changed its name to Viaduct Limited) being the amalgamated company: Smartpay Subscriptions Limited, Smartpay Rentals Limited, Smartpay Transaction Delivery Services Limited, Smartpay Investments Limited, Smartpay Saffill Limited, Smartpay HL Limited, Next Generation Network Limited, Smartpay Technologies Limited, Retail Radio Limited, FIVO Limited, Fonefill Limited, Sampro Limited and Merchant IP Services Limited.

On 16th October 2012 Smartpay Software Limited (formerly Software International Limited) was amalgamated with Smartpay Transactions Limited with Smartpay Software Limited being the amalgamated company.

On 17th April 2013 Pax Technology Pty Limited was incorporated. This is a wholly owned subsidiary of SmartPay Australia Pty Limited, Bradley Gerdis is the sole director and secretary of the company.

[2] Formerly MIPS Financial Services Limited
[3] Formerly Smartpay Cadmus Limited
[4] Formerly Software International Limited
[5] Formerly Net Pay Limited
[6] Formerly Merchant IP Financial Services Pty Limited
[7] Formerly Cadmus Australia Pty Limited

DIRECTORS' INTERESTS

The Directors have declared interests in the following entities:

Director	Interest	Entity
Ivan Hammerschlag	Chairman Director	RCG Corporation Limited (ASX Listed) Numerous private companies
Bradley Gerdis	Director Director	Haymaker Investments Pty Limited (Haymaker Account) Active Capital Partners Pty Limited
Gregor Barclay	Consultant Director	Claymore Law Partnership Numerous private companies and New Zealand Cricket (an Incorporated Society)
John Nimmo (resigned 31 March 2013)	Director Director Director	Nimmo Trustee Limited Nimrod Group Limited Chartered Secretaries New Zealand 2002 Limited
Matthew Turnbull (appointed 1 April 2013)	Director Director Director	Black Rock Capital Limited Verbier Limited Mangawhara Farms Limited

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 Ordinary shares in the Company as at the balance date:

Director	Name of shareholder	Nature of relevant interest	Balance at 31/03/2012	Movement in period	Balance at 31/3/2013
Bradley Gerdis	Haymaker Investments Pty Limited (Haymaker Account)	Potential beneficiary under a discretionary trust	10,000,000	1,142,217	11,142,217
Ivan Hammerschlag	Drumalbyn Holdings Pty Limited (Ivan Hammerschlag Superannuation Account)	Potential beneficiary under a discretionary trust	0	4,983,193	4,983,193
Gregor Barclay	Gregor John Barclay and Maria Anne McElwee as trustees of the Abergeldie Trust ('the Abergeldie Trust")	Trustee, no beneficial interest in the Trust	1,220,636	0	1,220,636
	Ngatapa Trustees Ltd	Potential beneficiary under a discretionary trust	1,128,819	25,000	1,153,819
John Nimmo	Nimmo Trustee Limited	Director no beneficial interest	465,649	-465,649	0
	Forsyth Barr Custodians Limited (1-28)	Trustee of a family trust, no beneficial interest	12,000	3,070,201	3,082,201
Wayne Johnson (resigned 1 July 2012)	Wayne Johnson	Owned beneficially	12,212	0	12,212
	Baroda Hills Investments Limited	Owned by associated parties	543,719	0	543,719
Ian Bailey (resigned 30 May 2012)	Riverhorse Trustee Limited	Owned beneficially	7,275,963	7,362,835	14,638,798

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 31/03/2012	Movement	Balance at 31/03/2013
Mark Unwin	TEOV Limited	Director and Shareholder of TEOV Limited	0	13,916,212	13,916,212
Martyn Pomeroy	TEOV Limited	Director and Shareholder of TEOV Limited	0	13,916,212	13,916,212
Peter Trengrove	Peter Trengrove	Beneficial	0	445,893	445,893
Linc Burgess	Manaia Management Limited	Owned by associated parties	1,398,303	0	1,398303
	Lincoln John Burgess and Anne Marie Burgess (Burgess Family a/c)	Trustee and Beneficial Interest	584,969	0	584,969

DIRECTORS AND OFFICER INTERESTS IN OPTIONS OF THE COMPANY

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

Directors

Director	Name of holder	Nature of relevant interest	Type of Option	Conversion Price	Balance as at 31/3/2012	Movement	Balance at 31/3/2013	Maximum number of shares on conversion
Bradley Gerdis Managing Director	Haymaker Investments Pty Ltd	Potential Beneficiary under a discretionary trust	December 2014 Options	$0.15 per share	10,000,000	0	10,000,000	10,000,000
	Haymaker Investments Pty Ltd	Potential Beneficiary under a discretionary trust	December 2017 Incentive Options	$0.20 per share	10,000,000	0	10,000,000	10,000,000
	Haymaker Investments Pty Ltd	Potential Beneficiary under a discretionary trust	December 2018 Incentive Options	$0.30 per share	10,000,000	0	10,000,000	10,000,000
Ivan Hammerschlag Chairman	Drumalbyn Holdings Pty Limited (Ivan Hammerschlag Superannuation Account)	Potential beneficiary under a discretionary trust	December 2014 Options	$0.15 per share	0	2,000,000	2,000,000	2,000,000
	Drumalbyn Holdings Pty Limited (Ivan Hammerschlag Superannuation Account)	Potential beneficiary under a discretionary trust	December 2017 Incentive Options	$0.20 per share	0	2,000,000	2,000,000	2,000,000
	Drumalbyn Holdings Pty Limited (Ivan Hammerschlag Superannuation Account)	Potential beneficiary under a discretionary trust	December 2018 Incentive Options	$0.30 per share	0	2,000,000	2,000,000	2,000,000
John Nimmo	Nimmo Trustee Ltd	Director no beneficial interest	Directors Incentive Options 2014	$0.40 per share	10,000,000	0	10,000,000	1,000,000
	Nimmo Trustee Ltd	Director no beneficial interest	Directors Incentive Options 2016	$0.50 per share	10,000,000	0	10,000,000	1,000,000
Gregor Barclay	Claymore Partners Trustees 2011	Held beneficially	Directors Incentive Options	$0.40 per share	10,000,000	0	10,000,000	1,000,000

	Ltd		2014					
	Claymore Partners Trustees 2011 Ltd	Held beneficially	Directors Incentive Options 2016	$0.50 per share	10,000,000	0	10,000,000	1,000,000
Wayne Johnson (resigned 1 July 2012)	Baroda Hills Investments Ltd	Owned by associated	Directors Incentive Options 2014	$0.40 per share	15,000,000	0	15,000,000	1,500,000
	Baroda Hills Investments Ltd	Owned by associated parties	Directors Incentive Options 2016	$0.50 per share	15,000,000	0	15,000,000	1,500,000
Ian Bailey (resigned 30 May 2012)	Riverhorse Trustee Ltd	Owned beneficially	March 2016 Options	$0.40 per share	20,000,000	0	20,000,000	2,000,000

Officers

Officers held interests in the following Options in the Company as at the balance date:

Officer	Name of holder	Nature of relevant interest	Type of Option	Conversion price	Balance as at 31/3/2012	Movement	Balance at 31/3/2013	Maximum number of shares on conversion
Mark Unwin	Mark Unwin	Beneficial	Incentive Options	$0.20	0	2,000,000	2,000,000	2,000,000
		Beneficial	Incentive Options	$0.30	0	2,000,000	2,000,000	2,000,000
Marty Pomeroy	Marty Pomeroy	Beneficial	Incentive Options	$0.20	0	2,000,000	2,000,000	2,000,000
		Beneficial	Incentive Options	$0.30	0	2,000,000	2,000,000	2,000,000

LISTING

The ordinary shares of SmartPay Holdings 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 Bradley Gerdis, Managing Director 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, including commissions 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
100,000.00	109,999.00	2
110,000.00	119,999.00	1
120,000.00	129,999.00	1
130,000.00	139,999.00	1
150,000.00	159,999.00	2
180,000.00	189,999.00	1
190,000.00	199,999.00	1
290,000.00	299,999.00	1
380,000.00	389,000.00	1

GENDER COMPOSITION OF DIRECTORS AND OFFICERS

Officers of the company include anyone who reports directly to the Board or the Managing Director.

	Male	Female	Total
Board	4	0	4
Officers	5	1	6
Total	9	1	10

DIRECTORS' REMUNERATION

The total remuneration and other benefits earned by each director during the year were:

Directors' Fees

Director	2012	2013
Ivan Hammerschlag	0	AU$33,750
Gregor Barclay	$38,000	$38.000
John Nimmo	$38,000	$38.000
Wayne Johnson	$60,000	$15,000
Ian Bailey*	0	$6,333

At the Annual meeting on 4th October 2010 shareholders approved a maximum of $200,000 per annum for directors' fees.

Other Remuneration

Bradley Gerdis was appointed as Managing Director on 1st July 2012 and received a remuneration package totaling AU$ 286,119 for the period from July 2012 to March 2013. In addition in February 2013 the Board approved a bonus payment for him totaling AU$150,000; this was paid 50/50 in shares and cash.

*Ian Bailey received directors fees of $6,333 for the period from 1 April 2012 until his resignation on 30 May 2012 (2012 remuneration package $305,000). Following his resignation as Managing Director of the Company a restraint of trade payment was made to him totaling $305,000 in accordance with his contract.

The Company entered into a consultancy agreement on 1st July 2012 with Honeystone Pty Limited and Ivan Hammerschlag to supply services in addition to the services provided by Ivan Hammerschlag as Chairman of the Board. The company paid AU$56,250 to Honeystone Pty Limited for the period under this consultancy arrangement.

Wayne Johnson's corporate advisory company, Nobleman Ventures Pty Limited was appointed to provide corporate advisory services and assist in the capital raising activities of the Company; the fees relating to this activity were $12,478 ($204,000 in 2012).

DIRECTORS' INSURANCE

The Group has arranged Directors and Officers Liability Insurance which is underwritten by QBE and 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

AUDIT FEE

Particulars of the audit fees paid during the year are set out in Note 7, page 30.

POST BALANCE DATE EVENTS

On 17th April 2013 Pax Technology Pty Limited was incorporated. This is a wholly owned subsidiary of SmartPay Australia Pty Limited; Bradley Gerdis is the sole director and secretary of the company.

Two minor non-core business units (VoIP and Wifi) were sold with effect from 31 March 2013:

VoIP
This business provided Voice over IP telecommunication services. When it was established it was intended to be an added service offering to take to our EFTPOS customers. The business has had limited success and is not considered to be related to the future direction and growth of Smartpay and has therefore been sold.

Wifi
This business provided Wifi services and was intended to be an added value product to sell to the Smartpay customer base. Again due to the limited success of this activity it was decided to sell it.

The company intends to file its application to the Australian Stock Exchange to list on the ASX shortly after the completion of these Annual Reports and Financial Statements.

SUMMARY OF WAIVERS AND EXEMPTIONS

There were no waivers or exemptions sought during the period.

security holder statistics

DISTRIBUTION OF SHAREHOLDERS AS AT 31 MAY 2013

Range	Total holders	Units	% of Issued Capital
1 - 1,999	331	187,210	0.06
2,000 - 4,999	144	424,562	0.12
5,000 - 9,999	144	931,380	0.27
10,000 - 49,999	291	6,374,585	1.86
50,000 - 99,999	111	7,322,147	2.13
100,000 - 499,999	108	21,897,528	6.37
500,000 - 999,999	34	22,668,853	6.60
1,000,000 - and over	52	283,698,039	82.59
Total	**1,215**	**343,504,304**	**100.00**

DISTRIBUTION OF OPTION HOLDERS AS AT 31 MAY 2013

Range	Holders	Shares exercisable	% of issued
0-1,999,999	0		
2,000,000 - 2,999,999	3	6,000,000	11.32
3,000,000 - 3,999,999	1	3,000,000	5.66
4,000,000 - 4,999,999	2	8,000,000	15.09
5,000,000 - 5,999,999	0	0	0.00
6,000,000 - 6,999,999	1	6,000,000	11.32
7,000,000 and over	1	30,000,000	56.60
Total		**53,000,000**	**100.00**

REGISTERED ADDRESS OF SHAREHOLDERS AS AT 31 MAY 2013

Location	Units	Units %	Holders	Holders %
United Arab Emirates	200,000	0.06	1	0.08
Switzerland	10,828,052	3.15	3	0.25
United Kingdom	106,312	0.03	4	0.33
Malaysia	1,043,101	0.30	8	0.66
Singapore	5,000	0.00	1	0.08
Australia	59,295,577	17.3	94	7.74
New Zealand	272,026,262	79.19	1104	90.86
Grand Total	**343,504,304**	**100.00**	**1215**	**100.00**

REGISTERED ADDRESS OF OPTION HOLDERS AS AT 31 MAY 2013

Location	Units	% Units	Shares exerciseable	% of shares exersiable	Holder Count	Count %
Australia	36,000,000	26.87	36,000,000	67.92	2	25.00
New Zealand	98,000,000	73.13	17,000,000	32.08	6	75.00
Total	**134,000,000**	**100.00**	**53,000,000**	**100.00**	**8.00**	**100.00**

SUBSTANTIAL SECURITY HOLDERS

The following persons were substantial security holders (as defined in the Securities Markets Act 1988) in Smartpay Holdings Limited as at 31 May 2013 in respect of the number of securities set opposite their name:

	Number of Securities	% of Capital
Hunter Hall Investment Management Limited	33,182,609	9.66
Allan Walker Tattersfield	24,750,668	7.20
Devon Funds Management Limited	17,456,292	5.08

The total number of issued voting securities of Smartpay at this date was 343,504,304.

TWENTY LARGEST REGISTERED SHAREHOLDERS AS AT 31 MAY 2013

Rank	Name	Units	% of Units
1.	JP Morgan Chase Bank NA - NZCSD (CHAM24)	35,910,355	10.45
2.	HSBC Nominees (New Zealand) Limited - NZCSD (HKBN90)	25,609,671	7.46
3.	Riverhorse Trustee Limited (Riverhorse A/C)	14,538,798	4.23
4.	TEOV Limited	13,596,212	3.96
5.	Allan Walker Tattersfield	12,728,828	3.71
6.	TEA Custodians Limited - NZCSD (TEAC40)	12,256,500	3.57
7.	Walker & Hall Fine Gifts Limited	12,021,840	3.50
8.	Haymaker Investments Pty Limited (Haymaker A/C)	11,142,217	3.24
9.	Chapter 52 Trustee Limited	10,949,275	3.19
10.	Melville Investment Holdings Limited	10,793,052	3.14
11.	Hubbard ChurcherTrust Mamagement Limited (Under Statutory Management)	7,694,699	2.24
12.	BNP Paribas Nominees (NZ) Limited - NZCSD (COGN40)	7,077,232	2.06
13.	Harrogate Trustee Limited (Brandywine A/C)	6,445,351	1.88
14.	Anthony James Thorpe & Marilyn Ruth Thorpe & David Alistair Thorpe (AJ & MR Thorpe Family A/C)	5,462,503	1.59
15.	Drumalbyn Holdings Pty Limited (Ivan Hammerschlag Superannuation A/C)	4,983,193	1.45
16.	Gregory Kevin Molloy & Claymore Trustees Limited (Cicero A/C)	4,891,529	1.42
17.	Citibank Nominees (New Zealand) Limited - NZCSD (CNOM90)	4,847,643	1.41
18.	Walter Mick GeorgeYovich	4,785,949	1.39
19.	Patrick John McCammon & NH Trustees NO.2 Limited	4,149,583	1.21
20.	Janice Taylor	4,103,813	1.19
	Total	**213,988,243**	**62.29**

EIGHT LARGEST REGISTERED OPTION HOLDERS AS AT 31 MAY 2013

Holder	Total on current issue	% on issue	Total Number of potential number of shares to be issued on exercise of options	% of shares exersiable
Haymaker Investments Pty Limited ATF The Haymaker Trust	30,000,000	22.39	30,000,000	56.60
Drumalbyn Holdings Pty Limited as trustees for the Ivan Hammerschlag Superannutation Fund	6,000,000	4.48	6,000,000	11.32
Mark Unwin	4,000,000	2.99	4,000,000	7.55
Martyn Pomeroy	4,000,000	2.99	4,000,000	7.55
Baroda Hill Investments Limited	30,000,000	22.39	3,000,000	5.66
Nimmo Trustee Limited	20,000,000	14.93	2,000,000	3.77
Claymore Partners Trustees (2011) Limited as trustee of the SPY Trust	20,000,000	14.93	2,000,000	3.77
Riverhorse Trustee Limited	20,000,000	14.93	2,000,000	3.77
Total	**134,000,000**	**100**	**53,000,000**	**100**

directory

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F: +64 9 442 2722
Email: info@smartpay.co.nz
Website: www.smartpayltd.com

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

board
Ivan Hammerschlag – Chairman and Independent Director
Bradley Gerdis – Managing Director
Greg Barclay – Independent Director
John Nimmo – Independent Director – resigned 31 March 2013
Matthew Turnbull – Independent Director – appointed 1 April 2013

management
Martyn Pomeroy – General Manager Operations
Mark Unwin – General Manager Sales
Pat O'Brien – General Manager SmartPay Australia
Peter Trengrove – Head of Finance
Linc Burgess – Eftpos and Payments Strategy
Rowena Bowman – Company Secretary

auditors
KPMG
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share registrar
Computershare Investor
Services Limited
Private Bay 92119 Auckland 1142
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solicitors
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Level 2
63 Fort Street
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