ANNUAL REPORT 2014

smartpay
payment solutions made easy

Welcome to Smartpay's annual report for the year ending 31 March 2014

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

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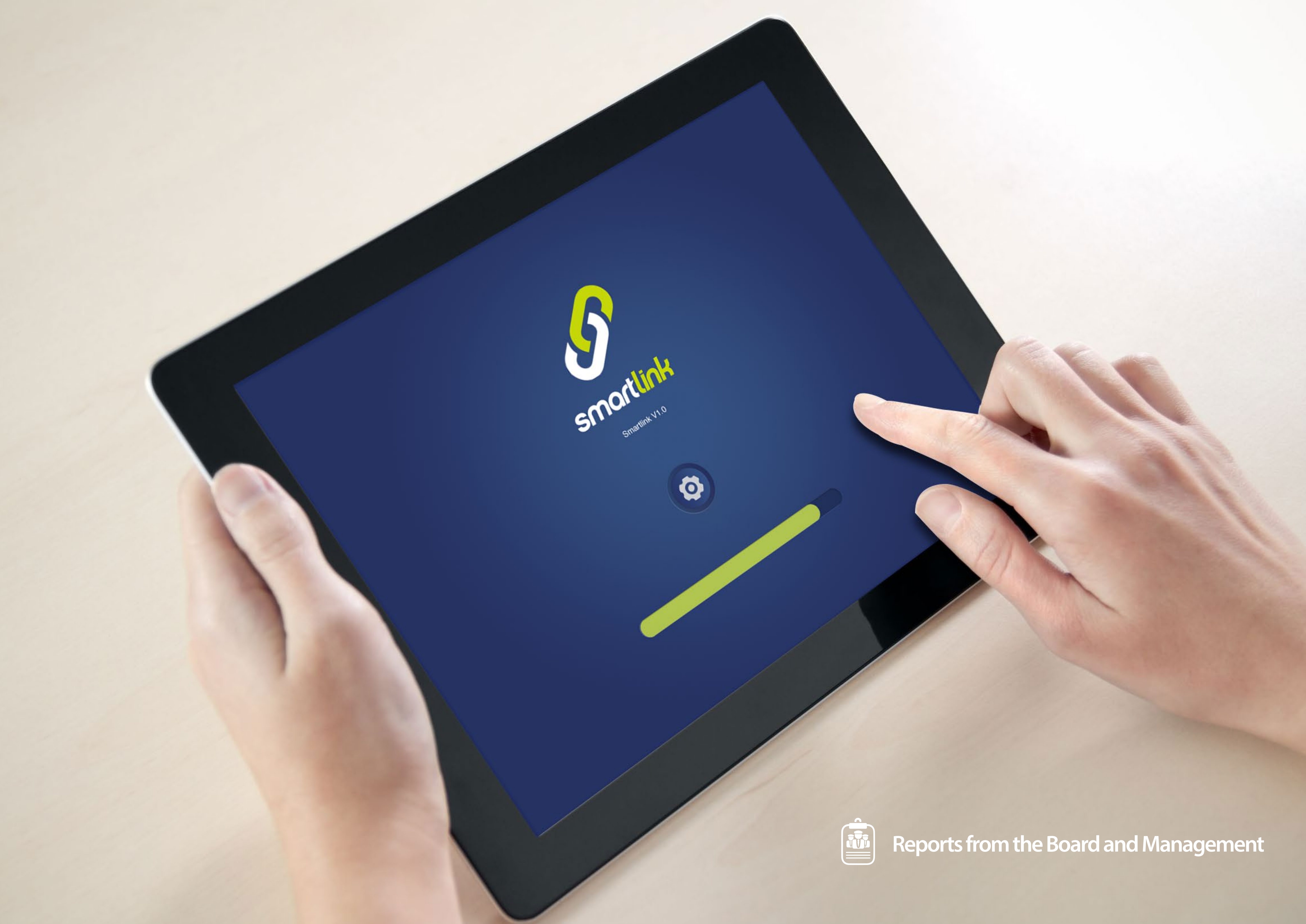

Reports from the Board and Management

Chairman and Chief Executive's Review

The 2014 financial year has been another milestone year for Smartpay with strong improvements across all metrics and the achievement of our first ever full year pre-tax profit.

We are extremely pleased with the financial results presented in this report. The financial results reflect the culmination of the positive changes made in the business including the integration of the Viaduct acquisition.

The reported EBITDA* of $9.7m includes non-recurring items with a net benefit of $227 thousand, giving an adjusted EBITDA* of $9.4m. This represents significant growth over the prior period result of $5.5m.

Our record Net Profit After Tax of $1.7m was after the negative impact of $1.0m of non-cash unrealised foreign exchange adjustments due to the effects of the weaker Australian Dollar against the NZ Dollar during the period.

A large component of the year-on-year increase is due to the inclusion of the Viaduct acquisition for the full year compared with only 2 months in the prior period. The company also reduced net debt to $21.7m from $24.3m in the prior period.

The year's results represent a significant year-on-year improvement and provides a solid foundation for the Company going forward.

Operational Review

The 2014 financial year was a year of consolidation after a period of substantial change which included the complete restructure of the business and the completion and integration of the Viaduct business.

From a product perspective, significant strides have been made in our technology and we have developed what we believe to be market leading payments products which will set the foundation for our growth this year and beyond. Some of these technology and product highlights include:

• MPos and Mobile Payments - Smartpay has developed market leading MPos and mobile payments products, including the development of our own Till2Go MPos app and integration of our next generation mobile payments terminals with both smartphones and tablet computers (Apple IOS, Android and Windows devices). The company has only just begun to introduce these products into the New Zealand market and will follow with the Australian market later this year. Importantly, there is significant interest in this new technology from both bank partners and specific industry verticals. The company expects these technology developments to contribute to tangible growth in additional terminal numbers.

• Smartlink POS Integration – The company has begun integrating its next generation Smartlink Point Of Sale (POS) integrated payments solution with various POS systems. Two versions of this product, have been developed, a corporate level product which allows larger corporate customers to integrate our payments terminals to their PC based POS systems; and a SME level product which integrates to simpler Electronic Cash Register (ECR) systems typically found in SMEs. The SME market is a significant market which based on the positive response from both ECR / POS vendors and SME merchants, which is currently under serviced. The ability to offer larger corporate customers wireless in-store payments integration is creating new opportunities in this newly developing market as retailers look to improve the purchase experience away from fixed till points.

• Australian Products – A full range of contactless terminals has been introduced into the Australian market during the year which together with a number of our value add "apps" running on those terminals creates a unique value proposition for retail merchants in this market. This unique product set combined with our growing Australian sales capability are the key ingredients for growth in our Australian terminal sales.

The company commenced the set up of our Australian direct sales business during the year. The initial focus has been to identify and test sales channels into this market which is over 5 times larger than the New Zealand market . As part of setting up the sales channels in Australia, Smartpay is further defining the product offering and refining our sales approach as we learn the subtleties of merchant engagement in a previously bank dominated market. While terminal numbers are showing steady growth, the level of deployment to date has reflected the early developmental stage of this part of our business. Given the size of the market and the very few direct competitors, the Australian market remains one of the most significant growth opportunities for Smartpay.

Outlook

New Zealand

The New Zealand business operates in a mature market in which Smartpay continues to maintain a leading position. Smartpay is pleased to note that the company is seeing growth in this mature market and expects to see this to continue as new technologies and products are deployed into existing and new market segments. In particular, as the electronic payments market continues to displace cash as a means of payment, Smartpay's market leading MPos and mobile payment technology looks set to benefit from this trend as both our merchants and our bank partners look for solutions to service this space.

In addition to targeting growth in terminal numbers, the company is also targeting an increase in Revenue Per Unit as new product and content is added to existing and new merchants. A further number of opportunities in development are expected to be brought to market shortly, each expected to make immediate contributions to revenue and profit.

Australia

The company expects to see continued growth in the Australian business this year through a combination of refining and expanding the sales channels and through the addition of new products and technology. As in the New Zealand business, the introduction of the MPos and mobile payments products into this market is expected to open up new market segments which have the potential to significantly increase the growth opportunities, for example in the multi-lane corporate market and route trade.

As presence in the Australian market grows, it is expected to build an engagement with additional bank and non-bank acquirers which in turn is expected will lead to further channel opportunities.

Taxis

The Australian taxi market is undergoing significant structural change driven primarily through regulatory changes. One key example is the recent reduction in the surcharge on card payments in taxis in Victoria which reduced to 5% from 10% in February this year and looks likely to progress to New South Wales later this year. Developments in new technologies such as "booking apps" for smartphones are also disrupting the industry structure by disintermediating the traditional dispatch networks.

Around 8% of Smartpay's revenue comes from a single relationship with an Australian taxi payments provider who provides our terminals directly to taxi drivers across Australia. As foreshadowed in Smartpay's ASX listing Information Memorandum, the current contract ends on 31 December 2014 and is not expected to be renewed.

In a strategy to capitalise on both the regulatory and technology changes underway in the industry, Smartpay will soon be launching a new business "Smartpay Taxis" aimed at participating directly in the Australian taxi payments industry rather than through the current model of supplying terminals and transaction services to a single customer. While it will take time to develop this business, it is anticipated that a direct participation model will ultimately earn higher margins than the current model where Smartpay has no participation in the transaction surcharge fees.

In preparation for the launch of this new business, a market leading taxi payment technology has been developed which includes a best in class taxi eco-system integrating a mobile booking app with full mobile wallet payment capabilities and integration into the physical in-car payments terminal, taxi-meter and dispatch network. While a primary aim of this strategy is to replace the revenue of the expiring taxi supply contract over time, the introduction of this new technology combined with Smartpay's overall scale places the company to become a significant contender in this changing market.

Summary

This year is set to be another exciting year in the development of Smartpay. The most immediate growth opportunities relate to the introduction of new products in both New Zealand and Australia and continued growth into the Australian market. Although there will be a reduction in contracted Australian taxi revenues in the last quarter of this financial year, we are still targeting another year of overall positive growth. While New Zealand might be regarded as a mature market, it remains Smartpay's most profitable and represents a substantial portion of Smartpay's business. Smartpay will continue to leverage it's presence in New Zealand to fund the development of new technologies which are expected to open up new market segments and further cement Smartpay as a leading provider of payments technology.

Ivan Hammerschlag
Chairman

Bradley Gerdis
Managing Director

*EBITDA = Earnings Before Interest, Tax, Depreciation, Amortisation (including share option amortisation), impairments and foreign exchange adjustments (EBITDA is a useful non - GAAP measure as it shows the contribution to earnings prior to non cash items)

Directors' profiles

Ivan Jeremy Hammerschlag,
Chairman and Independent Director - BCom, CTA

Ivan joined the Board of Smartpay as its Chairman in July 2012. Ivan is an accountant and has extensive experience in retail, property and investment in both listed and unlisted companies in South Africa and Australia.

In 1990, Ivan purchased Freedom Furniture which, during Ivan's years of ownership, grew to sales in excess of A$200 million. Ivan spent 5 years in Australia working alongside private equity fund investors and was executive chairman of five of the businesses purchased by the private equity fund investors. In 2006 Ivan was instrumental in taking control of a retail conglomerate listed on the ASX called RCG Limited. The business consists of 171 stores selling athletic and lifestyle footwear in Australia and New Zealand and also has a wholesale division selling dominant international brands into the Australian market.

Ivan was a 50% shareholder in Divergence Technologies that became a leading provider of Point of Sales systems to retailers in Australia.

Ivan resides in Sydney, Australia.

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

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

Bradley joined Smartpay in December 2011 bringing to the company expertise and experience in managing high growth payments businesses. He joined the Smartpay Board in July 2012. Prior to joining Smartpay, Bradley was a founding executive of Customers Ltd, an ASX listed ATM and payments company which grew from start-up to become Australia's largest ATM operator during his time with the business. Bradley also played a leading role as a founding director in the development of Strategic Payments Services Pty Ltd, a payments processing business in joint venture with Customers Limited, Bendigo Bank Ltd and MasterCard International. Bradley's experience includes direct investment roles with ANZ Private Equity and Gresham Private Equity. He has held executive and non-executive director positions in both publicly listed and private companies.

Bradley ordinarily resides in Sydney, Australia.

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

Gregor John Barclay,
Independent Director – LLB, Dip. Bus

Greg joined the Board of Smartpay in April 2010. He is an experienced commercial lawyer, was a founding principal of Auckland law firm Claymore Partners and currently acts as a consultant to that firm. Greg is a past or present director of some high profile New Zealand corporate or sporting entities including Rugby Sales LP (a partner in the commercial programme for Rugby World Cup 2011) and Experience Group (a leading national sports and event management company). He is currently a director of New Zealand Cricket and is also a director of Cricket World Cup 2015. He is chairman of Pacific Forest Products Group (a significant log and export marketing company in New Zealand) and currently chairs Franchised Businesses Limited (the largest franchise company in New Zealand with over 700 Green Acres and Hire-A-Hubby franchisees).

Greg resides in Auckland, New Zealand.

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

Matthew George Turnbull,
Independent Director – BCom, CA

Matt joined the Board of Smartpay in April 2013, he is a Chartered Accountant and is a member of the New Zealand Institute of Chartered Accountants. He commenced his career with PWC (then Price Waterhouse) and has over 20 years experience providing accounting and corporate advisory services.

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

Matt resides in Auckland, New Zealand.

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

Martyn Richard Pomeroy,
Executive Director

Marty joined Smartpay in January 2013 post the acquisition of Viaduct Limited. Marty joined the Smartpay Board in April 2014.

Prior to joining Smartpay Marty was one of the two founding Directors of Viaduct Limited. Marty was instrumental in the development and success of the Viaduct business from a startup in 2001, through a period of growth to it becoming the third largest provider of eftpos terminals in New Zealand with an annual turnover of $7 million and employing 36 staff. Prior to Viaduct Marty held managerial roles in sales and service with Eftpos New Zealand. He brings over 12 years of experience in the NZ Payments industry to the Board.

Marty has a detailed understanding of the operational, sales and commercial elements of the Smartpay business and is also involved in the strategy and build of the opportunity in Australia.

Marty resides in Auckland, New Zealand.

Corporate governance statement

The Smartpay Group of companies (Smartpay) is a New Zealand based payment solutions business including eftpos, point of sale and mobile commerce. Smartpay Holdings Limited is the holding company of the Group whose securities are listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX).

These Exchanges require formal adoption of approved corporate governance practices by listed company Board's of Directors. The Board and Management of Smartpay are committed to achieving high standards of corporate governance and leadership as appropriate for a listed entity, tempered by the constraints of its size and resources available to it. In order to support the Boards role, it has developed a governance framework, which also reflects the business' core values of:

- Innovation
- Excellence
- Leadership
- Integrity and Honesty
- Australasian focus
- End to end solution provider

The Board's governance framework incorporates the principles and guidelines issued by the NZX and ASX. These guidelines further ensure legislative compliance and are designed to maximise company performance and accountability in the interests of shareholders and the broader community.

Smartpay Holdings Limited is incorporated in New Zealand and is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001. The acquisition of securities in Smartpay Holdings Limited may be limited under New Zealand law by the Takeovers Code (which restricts the acquisition of control rights of more than 20% of Smartpay Holdings Limited other than via a takeover offer under the Code).

This section on corporate governance contains commentary on the eight principles (listed below) that the company has adopted, the documents referred to below can be found on Smartpay's website at **www.smartpayltd.com.**

Compliance with governance requirements and recommendations

For the reporting period to 31 March 2014 Smartpay considers its corporate governance practices have adhered to the NZX Corporate Governance Best Practice Code, the New Zealand Securities Commission Corporate Governance Principles and Guidelines and the ASX Corporate Governance Council Principles and Recommendations as outlined in this section with the exception of the following:

Smartpay does not have a diversity policy; it does not have the resources and infrastructure to set measurable objectives for achieving diversity and to monitor or report on such objectives. The Board however recognises the benefits of diversity representation across the organisation and in leadership positions being reflective of both the populations in which we do business. It has established appropriate ethical standards and in its recruitment practices is committed to recruiting individuals with the appropriate skills and qualifications required for the role; specifically, Smartpay's Ethics Policy and Code of Conduct include policies against discrimination.

The current composition of Smartpay's Audit and Finance Committee does not strictly comply with NZX or ASX recommendations and guidelines; specifically, the role of Bradley Gerdis on the committee means that the Audit and Finance Committee does not only consist of non-executive directors. However, given the size of the business and the Board, the Board believes that the current composition of the Audit and Finance Committee is the most appropriate means for discharging its responsibilities and duties.

Being a New Zealand company ASX recommendation 7.3 is not applicable to Smartpay however, the Board has required rigorous processes to ensure that it can reasonably rely on the information provided to it by Management. All financial reporting provided to the Board goes through a tiered review process and is accompanied by management sign offs.

1. Ethical standards

Smartpay will observe and actively promote high ethical standards and responsible decision making.

The Board are responsible for determining, endorsing and communicating Smartpays's corporate values and culture to management who are then responsible for developing and maintaining those values and culture and for creating the environment and employment practice to support these.

Smartpay has written policies and procedures which articulate the expectations and standards of ethical behaviour required of all members of the Smartpay Team including its directors, senior managers and staff. It's Board Charter contains Smartpay's Corporate Values, Ethics Policy, Code of Conduct and sets out its expectations and obligations of Directors. These clarify acceptable practices and provide guidance for compliance with ethical, legal and statutory obligations. The Company's staff handbook, which is issued to all staff and contractors contains Smartpay's Corporate Values, Standards expected of staff, confidentiality expectation, its policy on Protected Disclosures and Equal Opportunities Policy. It also has its Share Trading Policy which prescribes the circumstances where directors, senior managers and employees can trade in Smartpay Holdings Limited securities.

Smartpay has not yet established a diversity policy and as such it does not comply with the ASX Recommendations. It does not have the resources and infrastructure to set measurable objectives for achieving diversity and to monitor or report on such objectives. The Board however recognises the benefits of diversity representation across the organisation and in leadership positions being reflective of both the populations in which we do business. It has established appropriate ethical standards and in its recruitment practices is committed to recruiting individuals with the appropriate skills and qualifications required for the role; specifically, Smartpay's Ethics Policy and Code of Conduct include policies against discrimination. Smartpay is committed to ensuring that the rights of all people to obtain and hold employment without unlawful discrimination are upheld and that all employees are treated fairly and with dignity and respect; its Staff Handbook details its policy and implementation procedures in this regard.

The breakdown of the gender composition of its Board of Directors and its Officers and staff are reported as follows:

Level	% of women for FY 2014	% of women for FY 2013
Board	0	0
Senior Managers/Officers	20	20
Other employees and staff	33.7	36.4

2. Lay solid foundations for management and oversight

Smartpay will establish and disclose the respective roles and responsibilities of management and Board. There is a balance of independence, skills, knowledge, experience and perspectives among directors so that the Board works effectively.

The Board has an obligation to protect and enhance the value of Smartpay's assets and to act in its interests. It recognises that it cannot and must not try to manage the business itself, and must delegate this role to management. It has therefore put in place procedures and structures so it can be satisfied that it is able to carry out its role of accepting ultimate responsibility.

Smartpay's procedures are designed to clarify respective roles and responsibilities of Board members and senior executives in order to facilitate Board and management accountability to both the company and its shareholders. They ensure a balance of authority so that no single individual has unfettered powers and that there is a balance of independence, skills, knowledge, experience and perspective among directors so that the Board works effectively. They also ensure that the reporting structures and information provided are sufficient and timely in order to ensure that the Board can perform its oversight role.

The Board Charter provides a framework and policy on delegation, identifying matters requiring Board approval or action. It defines Board structure and membership, the expectations of Directors around conflicts of interest, confidentiality, acting in good faith and sets out Individual Responsibilities of the Chair and Managing Director and outlines the process for Director orientation, education and performance evaluation.

The Board Management's Delegation of Authorities Manual which clarifies the levels of decision making or commitment of expenditure in detail which must be performed by the Board or has been delegated to management. This is reviewed and updated annually.

Smartpay's Constitution provides that the minimum number of directors is three, and the maximum number of directors is six (unless shareholders determine otherwise). The Board Charter goes further to require that it consists of a minimum of three non-executive directors of whom two should be independent. As detailed in the Board Charter, it uses the criteria for determining independence as set out in the NZX Listing Rules. In determining independence the NZX Listing Rules' definition is a director who is not an executive of the company and does not have a disqualifying relationship. The disqualifying relationships for the purposes of the NZX rules are closely aligned to the ASX defined 'relationships affecting independent status'. In considering whether a director has a disqualifying relationship Smartpay considers all the circumstances including the history of the relationship between Smartpay and the Director and/or any plans it has concerning the relationship with the Director going forward. For the purposes of this determination it considers that generally 10% of a Director's or an Associated Person of a Director's revenue will be a 'substantial portion' of that Director's or Associated Person's annual revenue and over which threshold would create a disqualifying relationship. The transactions and relationships of the directors are set out in the Notes to the Financial Statements on page 52. The Board has carefully considered Greg Barclay's involvement as consultant for Claymore Partners Limited and has determined that this relationship is not material and does not create a disqualifying relationship or non-independent status.

The Board currently comprises five directors, three of whom are independent non-executive directors (including the Chairman). The positions of Chairman and Managing Director are not held by the same individual. The non-executive directors are encouraged to meet separately from the full Board from time to time and at least once a year. Details of their qualifications, skills, directorships and experience are set out on page 8 and are available on Smartpay's website. Each director has the right, with the prior approval of the Chairman or a resolution of the Board, to seek legal or financial advice on any matter, which is either put forward for decision for the Board, or relevant to their position as director, at the expense of Smartpay.

The Board strives to ensure that it is comprised of directors with a blend of skills, experience and attributes appropriate to Smartpay, it has recently reviewed and updated the Performance Management Policy which includes all staff, senior executives individual directors and the Board as a whole. An assessment of the Boards' performance has been conducted during the review period and feedback was provided to the Chairman. Additionally enhancements were made in management reporting it receives to ensure that it continues to receive information it requires to undertake its responsibilities, particularly in light of the purchase of the Viaduct business. Individual Directors are encouraged to undertake their own development to ensure they may appropriately and effectively perform their duties.

The Remuneration and Appointments Committee is responsible for reviewing key executives performance and for the performance management structures in place for the whole business. In line with the Company's policy, during the period under review the Remuneration committee considered the performance of the Managing Director and key senior executives, these reviews are held annually post the release of Smartpay's results to ensure that reviews can be aligned with the performance of the business.

Director Attendance Record

	Board meetings	Audit and Finance Committee meetings	Remuneration and Appointments Committee meetings
Meetings Held	**10**	**8**	**3**
Ivan Hammerschlag	10	-	3
Bradley Gerdis	10	8	2
Greg Barclay	9	5	3
Matt Turnbull	10	8	3

Smartpay's Constitution and Board Charter provides that all directors must declare actual or potential conflicts of interest and excuse themselves from discussions on issues where they have an actual or potential conflict. In certain circumstances, Smartpay's Board Charter provides that a director may be required to consider their resignation from office.

The directors receive comprehensive information on Smartpay's operations before each meeting and have unrestricted access to any other information or records. Where directors are unable to participate in a meeting they are encouraged to forward their views to another director in advance of the meeting.

Senior management are also available at each meeting to address queries and to assist in developing the Board's understanding of issues facing Smartpay and the performance of its business.

3. Board committees

The Board will use committees where this enhances its effectiveness in key areas while retaining Board responsibility.

The Board has constituted two committees to provide specific input and guidance; it recognises that committees add to the effectiveness of the Board by being able to inject a more detailed analysis of key issues and promote efficient decision making. The two committees are the Audit and Finance Committee and the Remuneration and Appointments Committee. These Committees meet and operate under terms of reference which are reviewed and approved by the Board annually. 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.

The Terms of Reference of each Committee and membership requirements are set out in the Board Charter.

Audit and Finance Committee

The members of the Audit and Finance Committee are:

Name	Date Appointed	Position in Committee	Independence (Yes/No)
Matt Turnbull BCom, CA	01/04/13	Chair	Yes
Greg Barclay LLB, Dip. Bus	24/05/10	Member	Yes
Bradley Gerdis B.Bus (Hons), MCom	24/07/12	Member	No

Smartpay's Board Charter reflects that ultimate responsibility for the integrity of Smartpay's financial reporting rests with the Board, providing that the following (among others) are matters requiring Board action (and thus cannot be delegated to management); the approval of all financial statements, reports and accounts; the oversight of the audit and compliance functions, and the approval of the framework of control and compliance and their operation.

The current composition of Smartpay's Audit and Finance Committee does not strictly comply with NZX or ASX recommendations and guidelines; specifically, the role of Bradley Gerdis on the committee means that the Audit and Finance Committee does not consist only of non-executive directors. However, given the size of the business and the Board, the Board believes that the current composition of the Audit and Finance Committee is the most appropriate means for discharging its responsibilities and duties.

The Audit and Finance Committee met eight times during the year, meeting attendance is detailed on page 11. Where directors were unable to participate in a meeting they provided their views to the Chairman of the Committee in advance of the meeting.

Remuneration and Appointments Committee

The members of the Remuneration and Appointments Committee are:

Name	Date Appointed	Position in Committee	Independence (Yes/No)
Ivan Hammerschlag BCom, CTA	24/07/12	Chair	Yes
Bradley Gerdis B.Bus (Hons), MCom	24/07/12	Member	No
Greg Barclay LLB, Dip. Bus	24/05/10	Member	Yes
Matt Turnbull BCom, CA	5/06/13	Member	Yes

Given the size of the business the Board has determined that the roles and functions of Remuneration and Nominations committees can be effectively dealt with by one committee and the Terms of Reference for its Remuneration and Appointments Committee include the roles and functions for nomination and remuneration of directors, senior managers and policies for the company as a whole. The Board Charter recognises that the ultimate responsibility for appointments and remuneration rests with the Board.

The Remuneration and Appointments Committee met three times during the year, meeting attendance is detailed on page 11.

The Committees examine proposals and, where appropriate make recommendations to the full Board. Committees do not take action or make decisions unless specifically mandated by prior Board authority to do so.

4. Reporting and disclosure

The Board demands integrity both in financial reporting and in the timeliness and balance of disclosures on Smartpay's affairs.

While the ultimate responsibility to ensure the integrity of the Company's financial reporting rests with the Board, the company has in place a structure of review and authorisation designed to ensure truthful and factual presentation of its financial position. This includes an appropriately resourced Audit and Finance Committee operating under written terms of reference which requires it to review and consider the accounts and preliminary releases of results to the market. It also requires that Smartpay's external auditor remains independent and identifies that the appointment of the auditor is reviewed regularly by the Audit and Finance Committee. KPMG became auditors to the company for the FY13 year end.

Being a New Zealand company ASX recommendation 7.3 is not applicable to Smartpay however, the Board has required rigorous processes to ensure that it can reasonably rely on the information provided to it by Management. All financial reporting provided to the Board goes though a tiered review process and is accompanied by management sign-offs .

The Board and Auditors review information contained in our Annual Report to ensure its compliance with GAAP requirements including segmental reporting.

Significant market announcements, including the preliminary announcement of half and full year results and the accounts for those periods require approval of the full Board.

Smartpay's Board Charter contains Smartpay's Disclosure and Communications Policy. This policy, together with Smartpay's procedures relating to disclosure, is designed to ensure accountability at a senior management level and compliance with Smartpay's disclosure obligations under the ASX and NZX Listing Rules and Australian and New Zealand law such that all investors have equal and timely access to material information concerning the company, its financial position, performance and governance and Company announcements are factual and are presented in a clear and balanced way.

The Board has appointed the Managing Director as Smartpay's Market Disclosure Officer who is responsible for monitoring Smartpay's business to ensure it meets its disclosure obligations. He is supported by the Company Secretary and, when necessary, will consult professional legal advisers. The Board Charter recognises that the Board has an important role to play in ensuring that proper systems are in place, through approving specific key announcements to which they bring a shareholder perspective.

In addition, a key role of the Audit and Finance Committee is to monitor legislative and regulatory compliance.

5. Remunerate fairly and responsibly

Smartpay will ensure that the level and composition of remuneration of directors and senior executives is sufficient and reasonable and that its relationship to performance is clear.

The Board Charter sets out Smartpay's policy on director remuneration. Non-executive Directors will be paid a basic fee as ordinary remuneration for their appointment as a Director of Smartpay, in addition they may be paid extra remuneration for their membership of Board appointed committees and/ or in consideration for their appointment as Chairman or Deputy Chairman. They receive no retirement or other benefits. The level of remuneration to be paid will be reviewed annually by the Remuneration and Appointments Committee who will 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. The Committee then makes appropriate recommendations to the Board. In the event that the total remuneration of the directors exceeds the current limit approved by shareholders no changes can be made until shareholder approval is obtained.

The remuneration payments to directors are included in the related party note to the Financial Statement on page 52 and Statutory Information on page 67 and, as required by section 211 (1) (g) of the New Zealand Companies Act 1993, the Company's disclosures on employees earning more than $100,000 per annum is detailed on page 66.

Executive Directors will receive no fees but will be paid as employees of the company in accordance with their contracts of employment with the company. Senior Executives are paid as employees of Smartpay in accordance with their contracts of employment.

The Remuneration and Appointments Committee's terms of reference require it to review the performance management and remuneration structures in place for the whole business. The business currently undertakes its review process in June/July post the release of the business' full year results in order to ensure that remuneration is aligned with Smartpay's performance. The Remuneration and Appointments Committee receives recommendations from management at this time for payment of bonuses and for a remuneration policy for the business for the year.

Smartpay may from time to time engage its non-executive directors to provide professional services to Smartpay. In these circumstances the terms of engagement will be competitive, established on an arms' length basis, clearly recorded and all legal requirements for disclosure of the engagement will be observed and the effect on their independent status where that applies will be considered and the appropriate Board determination made.

Smartpay does not have a formal share participation scheme available to staff or directors. In some circumstances individual directors or senior executives may be awarded share options as an incentive plan conditional on certain key performance indicators as identified at the time. All such options are disclosed on pages 65 and 66.

6. Recognise and manage risk

Smartpay has established a sound system of risk oversight, management and internal control.

Smartpay takes a proactive approach to risk management and reviews major decisions and deals with a view to potential risks that Smartpay may be exposed to as a result. It's Board Charter and the Delegation of Authorities Manual set the boundaries for items which must come to the Board for approval so that the Board has the ultimate control of major business decisions. The Board is responsible for ensuring that risks are identified on a timely basis and that Smartpay's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Audit and Finance Committee oversees the process for identification and management of risk in Smartpay. However, Smartpay's Board Charter provides that the oversight and review of risk management is a matter requiring Board action, reflecting that ultimate responsibility for risk oversight and risk management rests with the Board.

The Board have a risk management policy; management maintain a Risk Register which identifies Risks to the business and risk mitigation strategies. This is maintained on an ongoing commercial basis and is reviewed by the Board annually. The objectives of the Risk Management Policy and associated Risk Register are to allow the Group to pursue opportunities that involve risk in an informed manner so as to meet the expectation of stakeholders. It enables full and due consideration to be given to the balance of risk, growth and returns, to support the achievement of shareholder value objectives and risk management practices to be applied to enhance strategic and operational decision making.

As detailed in the terms of reference of the Audit and Finance Committee, Smartpay's management is delegated responsibility to design, implement and review Smartpay's risk management and internal control systems, with the Audit and Finance Committee serving an oversight and monitoring role.

Management's internal control systems support its risk management and are required to involve processes to enable the identification, quantification and monitoring of significant risks, the development of risk mitigation strategies, the monitoring of compliance and the review of systems and records.

Smartpay does not have sufficient scale to have a dedicated internal audit function however recognises the value this process adds; emphasis is placed on the systems and policies in place, including the Delegation of Authorities Manual and other processes which ensure the separation of duties in relation to the authorisation of, and commitment to, expenses and obligations and that such decisions are made at the appropriate level. It is continually looking to further improve its systems and processes to ensure good controls are in place. During the period under review there have been a number of process review initiatives undertaken.

7. Auditors

The Board will ensure the quality and independence of the external audit process.

The ultimate responsibility to ensure the quality and independence of the external audit process rests with the Board, and the company has in place the following elements to ensure they are able to execute this responsibility. This includes an appropriately resourced Audit and Finance Committee operating under written terms of reference and requirements that the company's external auditor remains independent and a process to ensure that the appointment of the auditor is reviewed regularly by the Audit and Finance Committee. KPMG became auditors to the company for the FY13 year end.

The Audit and Finance Committee is responsible for reviewing the independent and internal audit practices to support the Board in fulfilling its responsibilities. It is responsible for recommending the appointment and removal of the independent auditors and ensuring that the external auditor or lead partner is changed every 5 years.

During 2012 the Board reviewed the appointment of the external auditor and several auditors, including the then incumbent Hayes Knight, were invited to tender. KPMG were selected out of this tender process and the Board recommended to shareholders that KPMG be appointed.

The Auditors are invited to Audit and Finance committee meetings leading up to and during the audit and work closely with the Chairman of the Audit and Finance Committee during this time. The company promotes good dialogue and encourages a supportive relationship, and the Audit team has unfettered access to the Chief Financial Officer and finance team members at all times.

Smartpay engages other external advisors to assist with such matters as taxation to support the business in its tax dealings to ensure a true separation of duties. Where there are overlaps with audit work KPMG are engaged to provide only additional audit related advice. In addition KPMG reviewed the pro forma financial statements included in the Information Memorandum for the ASX Listing.

KPMG have confirmed their independence in relation to the audit and that there have been no contraventions of any applicable code of professional conduct in relation to the audit.

The fee paid to the auditors is detailed on page 32.

8. Respect the rights of shareholders and stakeholder interests

Smartpay respects the rights of shareholders and will facilitate the effective exercise of those rights, fostering constructive relationships with shareholders that encourage them to engage with the entity. The Board respects the interests of stakeholders within the context of its place and role in the payments industry.

Smartpay seeks to ensure that its shareholders understand its activities by communicating effectively with them and giving them ready access to balanced and clear information about the company and seeks to ensure it is easy for shareholders to participate in general meetings.

It has adopted various policies and procedures in relation to the timely, full and accurate disclosure of information to its shareholders and its shareholder relations policy is included in its Board Charter.

Smartpay's website assists in the commitment of the Board to adhering to its disclosure obligations by delivering financial and shareholder information that is regularly updated to ensure transparency.

Smartpay Holdings Limited is listed on both the NZX and ASX and has a geographically diverse shareholder base however the majority of shareholders are New Zealand based. The Company's General Meetings are held in Auckland during business hours. The notice requirements of General Meetings as required by the Listing Rules and the New Zealand Companies Act 1993 are adhered to so as to ensure any shareholder wishing to participate can. Notices of meetings are also available on Smartpay's website and released to the NZX/ASX and the Company's Auditors are invited to attend the Company's General Meetings of shareholders.

Smartpay recognises that there are other key stakeholders in the business, not least of whom are its employees and has established its Corporate Values and Ethics policy and Code of Conduct which are covered in more detail above. In addition Smartpay's business is an integral part of the payments industry and as such has an important role to play in ensuring that public confidence in the payments infrastruce and ecosystem is maintained. Key external stakeholders in the payments industry, many who have strategic partnerships with Smartpay, are the Banks, Paymark and Visa/Mastercard.

Directors' Responsibility Statement

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Smartpay Holdings Limited (the Parent) and the Parent and its subsidiaries (the Group) as at 31 March 2014 and the results of their operations and cash flows for the year ended 31 March 2014.

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 except where indicated, 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 control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Parent and Group and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the financial statements of the Parent and the Group for the year ended 31 March 2014.

Further information required by the Companies Act is set out under the Statutory Information on page 62.

This annual report is dated 26 June 2014 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
Managing Director

Financial Statements

Statement of Comprehensive Income

For the year ended 31 March 2014

		Group		Parent	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Continuing operations					
Revenue					
Operating lease, software and support revenue		19,935	13,960	-	-
Other service revenue		2,083	1,850	-	-
Sale of goods		655	653	-	-
Finance revenue		85	116	-	-
Other revenue		126	93	-	-
Total revenue		22,884	16,672	-	-
Other income	6	22	50	-	-
Expenditure	7				
Commissions and buyouts		415	153	-	-
Finance lease and direct sales costs		360	372	-	-
Communication costs of installations		588	619	-	-
Other costs of installations		465	373	-	-
Compliance and IT		1,195	1,153	-	-
Communications		237	578	-	-
Consultancy services		6	72	-	-
Employee costs		7,905	5,731	-	-
Legal expenses		244	745	-	-
Occupancy costs		896	821	-	-
Other administration costs		573	383	291	236
Travel and accommodation		355	254	-	-
Subvention Payment		-	-	1,920	-
		13,239	11,254	2,211	236
Earnings before interest, tax, depreciation, share options expense, amortisation, impairments and foreign exchange		9,667	5,468	(2,211)	(236)

		Group		Parent	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Depreciation and amortisation	7	(4,049)	(4,485)	-	-
Share option amortisation		(380)	(373)	(380)	(373)
Net finance (costs) / income	7	(1,837)	(3,410)	2,439	2,434
Property, plant and equipment impairment	17,18	(682)	(510)	-	-
Unrealised foreign exchange adjustments		(983)	-	-	-
Investment impairment	15,34	-	-	-	(53,572)
Goodwill impairment	21	-	(753)	-	-
		(7,931)	(9,531)	2,059	(51,511)
Profit / (loss) before tax		1,736	(4,063)	(152)	(51,747)
Tax expense	8	-	(974)	-	(93)
Profit / (loss) for the year from continuing operations of owners		1,736	(5,037)	(152)	(51,840)
Other comprehensive income					
Foreign currency translation differences for foreign operations which may be reclassified subsequently to profit and loss (no tax effect)	28	485	(11)	-	-
Share based payments reversal which will not subsequently be reclassified to profit /(loss) (no tax effect)	27	116	-	116	-
Total comprehensive income of owners		2,337	(5,048)	(36)	(51,840)
Earning / (losses) per share from continuing operations attributable to the equity holders of the company during the year.	9				
Basic earnings/(loss) per share		1.01 cents	(3.77) cents		
Diluted earnings/(loss) per share		1.01 cents	(3.77) cents		

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 23 to 58 form part of the financial statements.

Statement of Changes in Equity

For the year ended 31 March 2014

	Group				Parent		
	Share Capital	Foreign Currency Translation Reserve	Retained Deficits	Total	Share Capital	Retained Deficits	Total
Balance at 31 March 2012	30,585	108	(42,348)	(11,655)	43,446	(11,548)	31,898
Profit / (loss) for the year from continuing operations of owners	-	-	(5,037)	(5,037)	-	(51,840)	(51,840)
Other comprehensive income	-	(11)	-	(11)	-	-	-
Total comprehensive income	-	(11)	(5,037)	(5,048)	-	(51,840)	(51,840)
Share options recognised at fair value (note 27)	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
Profit / (loss) for the year from continuing operations of owners	-	-	1,736	1,736	-	(152)	(152)
Other comprehensive income	-	485	116	601	-	116	116
Total comprehensive income	-	485	1,852	2,337	-	(36)	(36)
Share options recognised at fair value net of options lapsed (note 27)	264	-	-	264	264	-	264
Total changes in equity	264	485	1,852	2,601	264	(36)	228
Balance at 31 March 2014	54,642	582	(45,533)	9,691	67,503	(63,424)	4,079

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 23 to 58 form part of the financial statements.

Statement of Financial Position

For the year ended 31 March 2014

		Group		Parent	
		2014	2013	2014	2013
Current assets	Note	$'000	$'000	$'000	$'000
Cash and bank balances	10	4,300	4,429	-	-
Trade and other receivables	11	2,556	2,595	76	76
Derivative financial instruments	13	147	-	-	-
Non current assets held for sale	12	-	158	-	-
Group advances	34	-	-	3,988	3,759
Total current assets		7,003	7,182	4,064	3,835
Non-current assets					
Finance receivables	14	477	834	-	-
Investments in subsidiary companies	15	-	-	16	16
Property, plant and equipment - merchant terminals	16 &17	10,089	10,423	-	-
Property, plant and equipment - other	18	1,123	1,151	-	-
Intangible assets - computer software and development	19	3,402	3,187	-	-
Intangible assets - customer contracts	16 & 20	3,740	4,140	-	-
Intangible assets - goodwill	16 & 21	14,772	14,772	-	-
Total non-current assets		33,603	34,507	16	16
Total assets		40,606	41,689	4,080	3,851
Current liabilities					
Trade payables and accruals	16 & 23	4,264	5,061	1	-
Provisions	24	-	50	-	-
Income tax payable	25	-	48	-	-
Borrowings	26	2,772	2,784	-	-
Total current liabilities		7,036	7,943	1	-
Non-current liabilities					
Borrowings	26	23,192	25,969	-	-
Deferred tax liabilities	16 & 22	687	687	-	-
Total non-current liabilities		23,879	26,656	-	-
Total liabilities		30,915	34,599	1	-
Net assets		9,691	7,090	4,079	3,851
Equity					
Share capital	27	54,642	54,378	67,503	67,239
Foreign currency translation reserve	28	582	97	-	-
Retained deficits		(45,533)	(47,385)	(63,424)	(63,388)
Total equity		9,691	7,090	4,079	3,851

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 23 to 58 form part of the financial statements.

Statement of Cash flows

For the year ended 31 March 2014

	Note	Group 2014 $'000	Group 2013 Restated $'000	Parent 2014 $'000	Parent 2013 $'000
Cash flows from operating activities					
Receipts from customers		22,805	15,708	-	-
Interest received		94	194	-	-
Payments to suppliers & employees		(14,225)	(14,819)	-	-
Interest paid		(1,532)	(2,547)	-	-
Net cash inflow/(outflow) from operating activities	29	7,142	(1,464)	-	-
Cash flows from investing activities					
Proceeds from disposal of assets		-	-	-	-
Purchase of terminal assets and other property, plant and equipment		(3,295)	(1,910)	-	-
Purchase of Viaduct	16	(89)	(14,211)	-	-
Development of computer software		(872)	(728)	-	-
Net cash outflow from investing activities		(4,256)	(16,849)	-	-
Cash flows from financing activities					
Proceeds from borrowings		-	33,750	-	-
Repayments of borrowings		(3,015)	(34,226)	-	-
Shares issued		-	19,376	-	-
Net cash inflow/(outflow) from financing activities		(3,015)	18,900	-	-
Net increase/(decrease) in cash equivalents		(129)	587	-	-
Add opening cash equivalents		4,429	3,842	-	-
Closing cash equivalents		4,300	4,429	-	-
Reconciliation of closing cash equivalents to the balance sheet:					
Cash and cash equivalents		4,300	4,429	-	-
Closing cash equivalents	10	4,300	4,429	-	-

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 23 to 58 form part of the financial statements.

Notes

1. General Information

Smartpay Holdings Limited (the "Parent") is a New Zealand company registered under the Companies Act 1993 and listed on both the New Zealand Stock Exchange ("NZX") and the Australian Securities Exchange ("ASX"). 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 26 June 2014.

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 small working capital deficit at 31 March 2014 of $33,000 this is much improved on the deficit at 31 March 2013 of $672,000. The going concern assumption is supported by current cash flow and cash flow forecasts for 2014 / 2015.

c. Functional and Presentation Currency

The financial statements are presented in New Zealand dollars ($'000), 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

The following standards have been implemented in the current period. These standards had no significant impact on the calculation of reported financial information of the Group.

NZ IFRS 10 Consolidated Financial Statements
NZ IFRS 11 Joint Arrangements
NZ IFRS 12 Disclosure of Interests in Other Entities
NZ IFRS 13 Fair Value Measurement
NZ IAS 1 Presentation to Financial Statements amendments

- Other Clarifications

There have been a number of other minor amendments to various standards which have not had a material impact on the Group in the current reporting period.

	Effective Date*
NZ IAS 32 amendments Offsetting Financial Assets and Financial Liabilities	1 January 2014
NZ IAS 36 amendments Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IFRIC 21 Levies	1 January 2014
NZ IFRS 9 Financial Instruments	1 January 2015

'* 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.u 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. The finalisation of the fair values of the Viaduct acquisition necessitated the revision to the comparative period of the Consolidated Statement of Financial Position (see note 16). Other than that there have been only minor presentation or classification changes in the current period.

i. Current versus Non Current Classification

The Group presents assets and liabilities in the statement of financial position based on current / non current classifications.

An asset is current when it is:

- expected to be realised or intended to be sold or consumed within twelve months after the reporting date or
- is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date

All other assets are classified as non current.

A liability is current when it is:

- expected to be settled within twelve months after the reporting date or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date

All other liabilities are classified as non current.

j. 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.j.(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 the 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.

k. 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.

l. Finance Costs

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

m. 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 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 tax liabilities are recognised for all taxable temporary differences except:

- When the deferred 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 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 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 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 tax asset to be utilised. Unrecognised deferred 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 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 liabilities are offset when there is a legally enforceable right to set off 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.

n. 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.

o. 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.j. (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.

p. 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.

q. 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. All other repairs and maintenance are recognised in the Statement of Comprehensive Income as incurred.

Merchant Terminals on hand are held in capital works in progress and are valued at cost after due consideration for excess and obsolete items and depreciation on used equipment. Costs are assigned on the basis of standard costs which are reassessed periodically as the costs change. Third party sales commisions are capitalised and included within Merchant Terminals.

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
- Motor vehicles - 5 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.

r. 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.j.(i) & (ii) and 2.o.(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.

s. 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 a finite useful life.

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 3-10 years
- software 3-10 years

t. 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.

u. 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.

v. 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.

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.

w. 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.

x. 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.

y. Fair value of financial assets and liabilities

Fair Value Methodologies

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

z. 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.

aa. 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.j (i) and 2.j (ii).

iii) Recovery of Deferred Tax Assets

In prior years deferred tax assets were recognised for deductible temporary differences as the Directors considered that it was probable that future reversal of deferred tax liabilities would off-set the temporary differences. However the Directors reversed the deferred tax asset in 2013 as it was no longer probable that the losses could be utilised over the next 2 to 3 years. On completion of the 2013 tax returns the continuity had reduced to a level where not all the tax losses then being carried forward would be able to be utilised and $3 million have been forfeited. The losses have now been reset from a later period and at balance date are estimated to be $19 million in New Zealand. Utilisation of tax losses requires that the shareholder continuity remains above 49%. Currently based on the reset date shareholder continuity is 60%. Because of the uncertainty of when these will be utilised no losses have been recognised for 2014.

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 indefinite useful lives are discussed in note 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

As noted above in note 3.a.(iii) 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 any additional tax losses.

iv) Estimation of Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical experience. 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 17,18,19 and 20.

v) Provisions

The requirement for the remaining provision was assessed by the Directors and as explained in note 24, it was not considered to be required and has been reversed in 2014.

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 overdraft facilities, 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 summarised 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. A third interest rate swap was entered into in 24 January 2014 to cover the extension of the term of the debt 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 35.c for more explanation on determining objective evidence that an impairment has occurred and an analysis of accounts overdue and concentrations of credit risk.

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 35.e).

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 and 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 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.

Geographical Segments	New Zealand		Australia		Elimination		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating lease, software and support revenue	17,579	11,920	2,356	2,040	-	-	19,935	13,960
Other service revenue	1,688	852	395	998	-	-	2,083	1,850
Sale of goods	477	653	178	-	-	-	655	653
Finance revenue	4	7	81	109	-	-	85	116
Other revenue	126	93	-	-	-	-	126	93
Inter segment sales	-	371	-	-	-	(371)	-	-
Total segment revenue	19,874	13,896	3,010	3,147	-	(371)	22,884	16,672
Capital expenditure	4,224	2,306	414	234	-	-	4,638	2,540
Non current assets	31,503	32,460	2,100	2,047	-	-	33,603	34,507

In New Zealand no single customer represents more than 10% of total New Zealand revenues as such there is no concentration of customers. In Australia two customers make up 94% of total Australian revenues, with the largest Australian customer representing 78% of total Australian revenues.

Merchant terminals are transferred to Australia. Previously they were recorded as revenue with a margin to New Zealand but during the current financial year they were transfered at cost.

6. Other Income

The following items are included in sundry income:

	Group		Parent	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Bad debts recovered	20	19	-	-
Foreign exchange gains	2	31	-	-
	22	50	-	-

7. Expenditure

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

	Group		Parent	
Net finance costs	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Intercompany interest received	-	-	(2,439)	(2,487)
Other interest received	(94)	(79)	-	-
Interest on bank overdrafts and borrowings	1,630	2,034	-	-
Interest on convertible notes	-	111	-	111
Finance transaction fees amortisation	301	1,344	-	(58)
	1,837	3,410	(2,439)	(2,434)
Other specific costs included in expenditure				
Auditors fees:				
Audit fees to the principal auditor (note 1)	134	350	-	-
Taxation services - consultancy - to the principal auditor (note 2)	18	-	-	-
Non audit fees to principal auditor (note 3)	56	27	-	-
Depreciation of property, plant and equipment				
Merchant terminals	2,428	2,200	-	-
Computer equipment	314	298	-	-
Motor vehicles	39	4	-	-
Furniture, fixtures and office equipment	34	45	-	-
Amortisation of intangible assets				
Software	834	1,844	-	-
Customer contracts	400	94	-	-
Bad debts	103	297	-	-
Impairment of receivables	19	12	-	-
Loss on disposal of assets	40	-	-	-
Directors fees	216	183	216	183
Foreign exchange losses	30	-	-	-
Operating lease payments	650	612	-	-

Fees paid to the principal auditor were for:

1. Annual audit and review of half year interim financial statements
2. Tax compliance advice
3. Assistance with the Group's listing on the Australian Stock Exchange and Anti Money Laundering notice.

Notes (continued)

8. Taxation Expense / (Credit)

	Group		Parent	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Income tax expense comprises:				
Current income tax	-	-	-	-
Deferred tax	-	974	-	93
Income tax expense	-	974	-	93
Reconciliation between charge for year and accounting profit				
Profit/(loss) before tax	1,736	(4,063)	(152)	(51,747)
Income tax at 28%	486	(1,138)	(43)	(14,489)
Add/(deduct) the tax effect of:				
Non-deductible expenses	451	323	128	15,224
Non-assessable income	(2,820)	(945)	-	-
Australian tax rate difference	-	(16)	-	-
Write off tax losses	-	1,009	-	-
Current year tax losses not recognised	1,883	1,741	(623)	(642)
Subvention payment to another Group company	-	-	538	-
Income tax expense	-	974	-	93

The tax rate used in the above reconciliation is the corporate tax rate applicable at 31 March 2014 payable on taxable profits under New Zealand (28%) and Australian tax law (30%). The parent company current year tax liability of $623,000 (2013 : $616,000) 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	
	2014	2013
Basic earnings/(loss) per share - cents	$'000	$'000
Profit/(loss) for the period	1,736	(5,037)
Weighted average number of shares ('000)	171,752	133,572
Basic earnings/(loss) per share - cents	1.01	(3.77)

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. In August 2013 there was a 1:2 share consolidation so for comparison purposes the 2013 share numbers reflect this consolidation.

Diluted earnings/(loss) per share - cents		
Diluted weighted average number of shares		
Weighted average number of shares	171,752	133,572
Weighted average number of shares attributable to the share options and convertible notes	24,750	22,392
Diluted weighted average number of shares	196,502	155,964
Diluted earnings/(loss) per share - cents	1.01	(3.77)

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. For 2014 the share options were not dilutive so the calculation excludes the impact of 24,750,000 shares (2013:26,500,000 shares after 1:2 consolidation) 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	
	2014 $'000	2013 $'000
Cash at bank and in hand	4,300	4,429
Total cash and cash equivalents	4,300	4,429

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	
		2014 $'000	2013 $'000	2014 $'000	2013 $'000
Accounts receivable		1,559	1,897	-	-
Less impairment provision on receivables		(191)	(222)	-	-
Finance lease receivable - current	14	240	268	-	-
Accrued revenue		719	327	-	-
Prepayments		120	236	-	-
GST		30	70	76	76
Other receivables		79	19	-	-
Total trade and other receivables		2,556	2,595	76	76

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	
	2014 $'000	2013 $'000
FIVO non current assets	-	108
VoIP non current assets	-	50
	-	158

During the period sales were concluded of both the FIVO Wi-Fi assets and the VoIP telephony assets for $118,000.

13. Derivative Financial Instruments

a. Interest rate instruments

The Group has entered into three 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 third interest rate swap was entered into on 24 January 2014 for a notional amount of $16,875,000 decreasing by $562,500 per quarter and commences at the termination of the interest rate swaps entered into on 17 October 2012 and 20 February 2013. It also includes a small additional swap with a notional principal of $187,500 for the period from 31 March 2014 to 30 June 2015. The third interest rate swap terminates on 30 June 2016 and the Group pays fixed 4.64% and receives floating (90 day bill rate BKBM). The fair value is included in current assets or accruals.

Fair Value

	Group	
	2014 $'000	2013 $'000
Swap A receives floating, pay fixed 2.88%	117	8
Swap B receives floating, pay fixed 3.28%	41	(60)
Swap C receives floating, pay fixed 4.64%	(11)	-
Total	147	(52)

14. Non Current Finance Receivables

	Group	
	2014 $'000	2013 $'000
Total finance lease receivables	717	1,102
less current portion of finance lease receivables	(240)	(268)
Non current finance lease receivables	477	834

Finance Lease Receivable

2014	Current $'000	1-5 Years $'000	Total $'000
Finance leases - gross receivable	297	524	821
less unearned finance income	(57)	(47)	(104)
Total finance lease receivables	240	477	717

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

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%).

Notes (continued)

15. Investments

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

	Parent	
	2014 $'000	2013 $'000
Subsidiaries		
Smartpay New Zealand Limited	6,000	6,000
Smartpay Software Limited	480	480
Smartpay Rental Services Limited	16	16
Total investments	6,496	6,496
Provision for impairment	(6,480)	(6,480)
Net investments	16	16

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 totalling $7,571,000. In addition a provision for impairment in the Parent of $6,480,000 was provided against the remaining companies.

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

	Equity Interest		Place of Incorporation	Activities
Subsidiaries	2014	2013		
Smartpay Limited	100%	100%	NZ	Product and services
Smartpay New Zealand Limited	100%	100%	NZ	Product and services
Smartpay Software Limited	100%	100%	NZ	Software ownership
Viaduct Limited	100%	100%	NZ	Non-trading
Smartpay Rental Services Limited	100%	100%	NZ	Rental of equipment
Smartpay Australia Pty Limited	100%	100%	Aust	Product and services
Smartpay Rentals Pty Limited	100%	100%	Aust	Rental of equipment
Cadmus Payment Solutions Pty Limited	100%	100%	Aust	Product and services
Pax Technology Pty Limited	100%	-	Aust	Non-trading
Smartpay Ethos Limited	100%	100%	NZ	Software ownership
Product Rentals Pty Limited	100%	100%	Aust	Rental of equipment

All subsidiary companies have the same balance date as the parent company of 31 March and have been owned for the full financial year except for the company noted below.

Pax Technology Pty Limited was incorporated in Australia on 17 April 2013 with a nominal capital and has not traded.

16. Business Combinations

On 23 January 2013 the business and assets of Viaduct Limited (now TEOV 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.

Provisional fair values used at acquisition have subsequently amended the comparatives to reflect the finalisation of the aquisition accounting.

	Group		
	Provisional Fair Value $'000	Adjustments to Fair Values $'000	Final Fair Values $'000
GST receivable	32	-	32
Property, plant & equipment - merchant terminals	4,066	(1,075)	2,991
Property, plant & equipment - merchant terminals CWIP	812	(311)	501
Property, plant & equipment - other	102	-	102
Intangible assets - computer software & development	29	-	29
Intangible assets - customer contracts	2,087	2,147	4,234
Intangible assets - goodwill	10,245	(70)	10,175
Employee entitlements	(37)	-	(37)
Deferred tax liability	(584)	(602)	(1,186)
Total consideration	16,752	89	16,841

The consideration was adjusted by a top-up payment in cash of:

Consideration:			
Shares issued at fair value	2,541	-	2,541
Cash paid	14,211	89	14,300
Total consideration	16,752	89	16,841

Impact of finalising the fair values on the 2013 Statement of Financial Position	As per 2013 Financial Statements $'000	Adjustment to Fair Values $'000	As per 2013 comparatives of 2014 Financial Statements $'000
Property, plant & equipment - merchant terminals	9,300	(1,075)	8,225
Property, plant & equipment - merchant terminals CWIP	2,509	(311)	2,198
Intangible assets - customer contracts	1,993	2,147	4,140
Intangible assets - goodwill	14,842	(70)	14,772
Trade payables & accruals	(4,972)	(89)	(5,061)
Deferred tax liability	(85)	(602)	(687)

The changes to fair value had no impact on 2013 Consolidated Statement of Comprehensive Income or the Parent Company

There was no change to the equity instruments issued or the costs of acquisition.

The reasons for the adjustments to the fair value of the assets acquired are as follows:

- the Merchant Terminals and Merchant Terminals Capital Work in Progress (“CWIP”) acquired have been valued in accordance with the Group’s standard costing policy resulting in a change in the fair value of the merchant terminals and merchant terminals CWIP.
- the fair value of the customer contracts were previously determined using a customer life profile of 8.3 years, this has now been determined to be 10 years on a weighted average basis.
- the additional deferred tax liability results from the increase in the value of the customer contracts
- the change in value of goodwill reflects the changes discussed above.

17. Property, Plant and Equipment - Merchant Terminals

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

	Group	
	2014 $'000	2013 $'000
Opening carrying value	8,726	6,007
Purchase of Viaduct	-	3,492
Additions - other	3,214	1,452
Depreciation	(2,428)	(2,200)
Impairment	(682)	-
FX adjustments	(159)	(25)
Closing carrying value	8,671	8,726
Capital work in progress		
Capital work in progress	1,418	2,047
Impairment	-	(350)
	1,418	1,697
Total Merchant Terminals	10,089	10,423
Reconciled to:		
Cost	12,785	11,218
Less accumulated depreciation	(4,114)	(2,993)
Closing carrying value	8,671	8,726
Capital work in progress	1,418	1,697
Total Merchant Terminals	10,089	10,423

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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Opening carrying value	35	39	1,024	1,474	92	-	1,151	1,513
Purchase of Viaduct	-	34	-	26	-	42	-	102
Additions - other	107	7	183	60	72	54	362	121
Depreciation	(34)	(45)	(314)	(298)	(39)	(4)	(387)	(347)
Disposals	(2)	-	-	-	-	-	(2)	-
Impairment	-	-	-	(160)	-	-	-	(160)
FX adjustments	-	-	(1)	-	-	-	(1)	-
Transfer to Non current assets held for sale	-	-	-	(78)	-	-	-	(78)
Closing carrying value	106	35	892	1,024	125	92	1,123	1,151
Reconciled to:								
Cost	261	172	4,135	4,499	168	96	4,564	4,767
Less accumulated depreciation	(155)	(137)	(3,243)	(3,475)	(43)	(4)	(3,441)	(3,616)
Less accumulated impairment	-	-	-	-	-	-	-	-
Closing carrying value	106	35	892	1,024	125	92	1,123	1,151

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

19. Computer Software and Development

Computer software and development costs are intangible assets.

	Group	
	2014 $'000	2013 $'000
Opening carrying value	3,187	4,165
Additions	1,090	917
Purchase of Viaduct	-	29
Amortisation	(834)	(1,844)
Disposals	(38)	-
FX adjustments	(3)	-
Transfer to Non current assets held for sale	-	(80)
Closing carrying value	3,402	3,187
Reconciled to:		
Cost	15,371	14,848
Less accumulated amortisation and impairment	(10,550)	(10,242)
Less accumulated impairment	(1,419)	(1,419)
Closing carrying value	3,402	3,187

The Directors have considered the carrying value of software and development and have concluded no further provision is required. In the prior years $1,419,000 was provided against the Ethos software writing this software down to zero.

Significant Computer Software and Development

(i) ARMS

The ARMS software was originally purchased and has been further developed by the Group to manage and account for the prepaid and top-up revenues. It has a carrying value of $251,000 (2013: $350,000).

(ii) STANDS

STANDS is transaction processing software. The principle function is to process payment at point of sale. It has a carrying value of $771,000 (2013: $880,000).

(iii) Other Internally Developed Software

Other internally developed software to operate and manage the EFTPOS terminals has a carrying value of $2,380,000 (2013: $1,841,000).

20. Customer Contracts

Customer contracts relate to the lease contracts purchased as part of the business combination of Viaduct. The customer contracts acquired as part of a business combination are valued at fair value.

	Group	
	2014 $'000	2013 $'000
Opening carrying value	4,140	-
Purchase of Viaduct	-	4,234
Amortisation	(400)	(94)
Closing carrying value	3,740	4,140
Reconciled to:		
Cost	4,234	4,234
Less accumulated amortisation	(494)	(94)
Closing carrying value	3,740	4,140

21. Goodwill

	Group	
	2014 $'000	2013 $'000
Opening value net of accumulated impairment	14,772	5,350
Purchase of Viaduct	-	10,175
Impairment	-	(753)
Closing carrying value	14,772	14,772
Reconciled to:		
Cost	14,772	15,944
Less accumulated impairment	-	(1,172)
Closing carrying value	14,772	14,772

In 2013 the goodwill of $753,000 associated with the FIVO assets which were transferred to Non Current Assets Held for Sale was written off as not recoverable.

a. Impairment

At 31 March 2014 and 2013 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 Directors' view of the projected cash flows for 3 years and beyond that estimated cash flows for 2 years using growth rates of 2% considered to be in line with expected long run inflation. For cash flows beyond 5 years a terminal value has been used based on 67% of the average of the 5 years cash flows. The cash flows are discounted using a nominal rate of 10% after tax.

Expected sales and margins in New Zealand are forecast to reduce in 2015 increasing thereafter in 2016, and 2017.

Adverse changes in actual performance or future rates of growth will reduce the calculated recoverable amount. A change to a discount rate of 11.5%, reduction in revenue of 9%, or a 25% reduction in terminal value is required for the carrying amount of goodwill to equal the recoverable amount.

22. Deferred Tax Asset / (Liability)

	Group		Parent	
Movements in deferred tax:	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Opening balance	(687)	1,473	-	93
Deferred tax arising in business acquisition	-	(1,186)	-	-
Charge to profit and loss	-	(974)	-	(93)
Balance at end of the year	(687)	(687)	-	-
Deferred tax balance comprises:				
Employee entitlements	121	79	-	-
Receivables impairment provision	32	71	-	-
Impairment provisions	139	167	-	-
License fee	255	314	-	-
Revenue recognition differences	5,251	(292)	-	-
Computer software and development and customer contracts	(979)	(1,026)	-	-
Deferred tax asset not recognised for accounting	(5,506)	-	-	-
Total deferred tax balance	(687)	(687)	-	-
Deferred tax liability - New Zealand	(687)	(687)	-	-

a. Tax losses

The Group has aggregate New Zealand net tax losses of $24,791,000 as at 31 March 2014 (31 March 2013: $19,392,000) and in Australia net taxable losses at the same date of $1,023,000 (31 March 2013: $2,386,000). No tax losses have been recognised in the balance sheet as deferred tax in either reporting period. 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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade payables	1,425	1,854	-	-
Other payables	65	181	-	-
GST	341	345	-	-
Deferred revenue	290	345	-	-
Accruals	1,344	1,537	1	-
Employee entitlements	799	799	-	-
Total trade payables and accruals	4,264	5,061	1	-

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

24. Provisions

	Group	
	2014	2013
	$'000	$'000
Opening balance	50	50
Provision reversed	(50)	-
Balance at end of the year	-	50

A provision for warranty cost of $50,000 in respect of faulty equipment supplied to customers was made in 2010. As the warranty costs are covered by the manufacturer's warranty this provision is no longer required.

25. Income Tax Payable (Asset)

	Group	
	2014	2013
Current Tax	$'000	$'000
Opening balance	48	49
Payments and RWT credits	(48)	(1)
Balance at end of the year - liability	-	48

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 35.

	Group	
	2014	2013
Borrowings	$'000	$'000
Secured - at amortised cost		
Current	2,772	2,784
Non-current	23,192	25,969
Total Borrowings	25,964	28,753
The following arrangement fees have been deducted from the debt above.		
Arrangement fees	679	664
Amortisation of arrangement fees	(393)	(167)
	286	497

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 $3,015,000 was made to the facility on 20 February 2013 in addition to the quarterly amortisations of $750,000. A total of $3,000,000 was repaid in this financial year.

The original conditions of the term loan facility were that the facility had a term of 3 years with an expiry date of 11 July 2015. This has since been extended by 12 months to 11 July 2016. 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). To coincide with the extension of the term loan facility a further interest rate swap was entered into on 24 January 2014 to hedge the interest rate exposure on 75% of the term loan facility.

The term loan facility is repayable in quarterly instalments of $750,000, with the balance now payable on 11 July 2016.

The specific covenants relating to financial ratios the Group was required to meet in 2014 are:

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 covenants during the period.

27. Share Capital

Share Capital	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Opening balance	54,378	30,585	67,239	43,446
Share Issue - proceeds	-	20,122	-	20,122
Share Issue - costs	-	(475)	-	(475)
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	-	345
- Value of share options issued to directors which were not exercised and which lapsed during the year	(116)	-	(116)	-
- Value of share options issued to directors and for consultancy services	380	373	380	373
Total movement during the year	264	23,793	264	23,793
Balance at end of the year	54,642	54,378	67,503	67,239

a) Ordinary Shares

As at 31 March 2014 there were 171,752,278 (2013:343,504,304) ordinary shares on issue. On 21 August 2013 there was a 1 for 2 consolidation of shares which reduced the number of shares on issue from 343,504,304 at 31 March 2013 to 171,752,278 shares. No new shares were issued during 2013/14. 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.

Movements in the Number of Ordinary Shares on issue	Group and Parent 2014 000's	Group and Parent 2013 000's
Opening balance	343,504	148,118
Share consolidation 1 for 2	(171,752)	-
Shares issued	-	195,386
Balance at end of the year	171,752	343,504

b) Share Options

The effect of the share consolidation on the 21 August 2013 on the options was that the number of shares over which the options can be exercised shall be divided by 2 and the exercise price of each option will be multiplied by 2.

Movements in the Number of Share Options on issue	Group and Parent 2014 000's	Group and Parent 2013 000's
Opening balance - weighted average exercise price per share: 2014 52.0c (2013 26.3636c)	48,000	40,000
Options issued - weighted average exercise price per share: 2014 Nil (2013 50.0c)	-	8,000
Options lapsed - weighted average exercise price per share: 2014 Nil (2013 Nil)	-	-
Closing balance - weighted average exercise price per share: 2014 52.0c (2013 52.0c)	48,000	48,000
Weighted average remaining contractual life of outstanding options (years)	3.73	4.73

No options were issued during 2014. During 2013 8,000,000 options were issued, and if exercised will convert following the 21 August 2013 share consolidation, into 4,000,000 shares at an average price of 50.0c. All these options remain outstanding at 31 March 2014. The fair value attributed to the options issued during the year that related to share based payment arrangements was $Nil (2013: $373,000). No options were forfeited during 2014 (2013: Nil).

Movements in the Number of Directors Incentive Share Options on issue	Group and Parent 2014 000's	Group and Parent 2013 000's
Opening balance - weighted average exercise price per share: 2014 68.46c (2013 90.0c)	76,000	70,000
Options issued - weighted average exercise price per share: 2014 Nil (2013 43.3c)	-	6,000
Options lapsed - weighted average exercise price per share 2014: 0.80c(2013 Nil)	(35,000)	-
Closing balance - weighted average exercise price per share: 2014 64.21c (2013 68.46c)	41,000	76,000
Weighted average remaining contractual life of outstanding options (years)	1.95	2.73

During 2014 no options were issued. During 2013 6,000,000 options were issued which after the 1:2 consolidation are for 3,000,000 shares at a weighted average price of 43.4 cents. At 31 March 2014 35,000,000 options for 1,750,000 shares at 80.0c per share lapsed.

Options Issued Alongside Share Capital

No options were granted during 2013 and 2014 that did not relate to a share based payment arrangement.

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:

Notes (continued)

2014	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	2,000	2,000	2,000
Number of shares	1,750	1,000	1,000	1,000
Risk-free interest rate	4.4%	3.3%	3.3%	3.3%
Exercise price (per share)	$1.00	30.0c	40.0c	60.0c
Share price at measurement date post 1:2 share consolidation	44 cents	24 cents	24 cents	24 cents
Volatility	50%	50%	50%	50%
Life of options	58 months	30 months	57 months	69 months
Exercise on or before	31/3/16	31/12/14	31/3/17	31/3/18
Dividend yield	-	-	-	-
Fair value	1.12 cents	0.06 cents	0.06 cents	0.06 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	1,000	5,000	5,000	2,000	2,000
Risk-free interest rate	4.4%	3.3%	3.3%	3.3%	3.3%
Exercise price (per share)	80.0c	40.0c	60.0c	40.0c	60.0c
Share price at measurement date post 1:2 share consolidation	44 cents	21 cents	21 cents	33 cents	33 cents
Volatility	50%	50%	50%	50%	50%
Life of options	55 months	61 months	73 months	58 months	82 months
Exercise on or before	31/3/16	31/3/17	31/3/18	31/12/17	31/12/19
Dividend yield	-	-	-	-	-
Fair value	12.72 cents	4.94 cents	3 cents	1.08 cents	1.08 cents

All shares numbers, exercise and prices and fair values have been restated for the 1:2 share consolidation.

2013 Number of options issued (000) as performance incentive to directors	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 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	34 months	58 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	55 months	61 months	73 months	58 months	82 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 executives incentive schemes and have been expensed through profit and loss.

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 Ratios

	Group	
	2014 $'000	2013 $'000
Total borrowings (see note 26)	25,964	28,753
less Cash and cash equivalents (see note 10)	(4,300)	(4,429)
Net debt	21,664	24,324
Total Equity	9,691	7,090
Total Capital	31,355	31,414
Ratio of Net debt to Total Capital	69.1%	77.4%

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 Comprehensive Income.

29. Operating Cash Flows Reconciliation

	Group		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Profit/(loss) for the period	1,736	(5,037)	(152)	(51,840)
Add/(deduct) non-cash items:				
Depreciation & amortisation	4,049	4,485	-	-
Loss on disposal of fixed assets	40	-	-	-
Share based payments	380	726	380	373
Financing costs and bad debts	207	1,039	-	-
Unrealised foreign exchange	983	-	-	-
Deferred tax	-	974	-	93
Provisions	(50)	-	-	53,572
Impairment charges	682	1,263	-	-
Add/(deduct) changes in working capital items:				
Trade and other receivables	(79)	(898)	-	3
Derivative financial instruments	(199)	52	-	-
Payables and accruals	(559)	(4,068)	1	(332)
Provision for current tax	(48)	-	-	-
Group advances	-	-	(229)	(1,869)
Net cash inflow/(outflow) from operating activities	7,142	(1,464)	-	-

30. Operating Leases

Leases as Lessee

Non cancellable operating lease rentals are payable as follows:

Operating Lease Commitments	Group	
	2014 $'000	2013 $'000
Within one year	694	561
After one year but not more than five years	1,262	1,146
Total operating lease commitments	1,956	1,707

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 and Wellington.

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	
	2014 $'000	2013 $'000
Within one year	4,392	4,236
After one year but not more than five years	3,074	3,276
Total operating lease commitments	7,466	7,512

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 (2013: $160,000) and Vodafone to the value of $300,000 (2013: $300,000). Additionally during 2014 further bank guarantees in favour of NZX of $75,000 and for the Sydney office of A$92,000 were issued.

32. Capital Commitments

The Group had no capital commitments at 31 March 2014 (2013: $Nil)

33. Related Parties

Parent and ultimate controlling party

The parent company of the Group and the listed entity 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 $43,509,000 (2013: $43,280,000) are shown in note 34.

During the year interest of $2,439,000 (2013: $2,487,000) was charged by the Parent to subsidiary companies and a further $418,000 (2013: $3,977,000) 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 $Nil (2013: $732,000) along with a fixed asset and software usage charge of $1,474,000 (2013: $1,281,000) and expenses recovered of $587,000 (2013: $485,000) which were eliminated from the Group financial statements. In addition there was a transfer of fixed assets between subsidiary companies of $459,000 (2013: $371,000) at book value.

Refer to Note 31 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 Partners provided legal services to the Group on normal commercial terms amounting to $224,000 (2013: $513,000). Gregor Barclay is a consultant to Claymore Partnership and director of Smartpay Holdings Limited. The balance outstanding at 31 March 2014 was $24,000 (2013: $20,000). Gregor Barclay was not 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 (2013: $38,000). 10,000,000 options outstanding at 31 March 2013 matured on 31 March 2014 and were not exercised. His total option holding at 31 March 2014 was 10,000,000 Directors Incentive Options due 31/3/16 (2013: 20,000,000).

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). This contract was terminated on 30 June 2013 when his engagement status changed to an employee.

Bradley Gerdis or his associated entities have received:

- ACP received A$105,000 (2013: A$449,000)
- Salary received A$476,500 (2013: Nil) which included a bonus A$95,000.
- 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 5,571,108 (2013: 11,142,217 pre 1:2 consolidation) ordinary shares as well as 30,000,000 (2013: 30,000,000) share options which can be converted into 15,000,000 (2013: 30,000,000 pre 1:2 share consolidation) shares - 5,000,000 can be purchased at 30 cents per share by 31/12/14, 5,000,000 at 40c per share by 31/3/17 and 5,000,000 at 60 cents per share by 31/3/18. No new share options were issued in the current year.

Ian Bailey was Managing Director until 30 May 2012. Ian Bailey holds 20,000,000 (2013: 20,000,000) share options which would entitle him to purchase 1,000,000 shares at 80 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 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 $Nil (2013: $196,000). In addition Wayne Johnson is a director and shareholder of Baroda Hill Investments Limited which received directors fees amounting to Nil (2013: $52,000) and holds 15,000,000 (2013: 30,000,000) options which would entitle him to purchase 750,000 (2013: 3,000,000 pre the 1:2 share consolidation) shares - 750,000 at $1.00 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 Nil (2013: $38,000). In addition he holds 10,000,000 (2013: 20,000,000) options which would entitle him to purchase 500,000 (2013: 2,000,000 pre 1:2 share consolidation) shares - 500,000 at $1.00 per share by 31/3/16. During 2014 John Nimmo's company Nimrod Group Limited provided services to the Group to the value of $11,500 (2013: $Nil).

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 $Nil (2013: $144,000).

Linc Burgess became a full time employee of the Group on 1 April 2013.

Martyn Pomeroy is General Manager-Operation and Strategy at Smartpay since January 2013 and is a shareholder and director of TEOV Limited (formerly Viaduct Limited) whose assets were acquired by Smartpay on 23 January 2013. He has received 4,000,000 (2013: 4,000,000) options to purchase 2,000,000 (2013: 4,000,000 pre 1:2 share consolidation) shares - half can be exercised by 31/12/17 at an exercise price of 40 cents per share and half can be exercised by 31/12/19 at an exercise price of 60 cents per share. Martyn Pomeroy was appointed a director of the Company on 1 April 2014.

Mark Unwin is the General Manager-Products and Marketing at Smartpay since January 2013 and is a shareholder and director of TEOV Limited (formerly Viaduct Limited) whose assets were acquired by Smartpay on 23 January 2013. He has received 4,000,000 (2013: 4,000,000) options to purchase 2,000,000 (2013: 4,000,000 pre 1:2 share consolidation) shares - half can be exercised by 31/12/17 at an exercise price of 40 cents per share and half can be exercised by 31/12/19 at an exercise price of 60 cents per share.

Matthew Turnbull was appointed a Director of the Company on 1 April 2013 and has provided consulting services to the Group through Black Rock Capital Limited of $16,000.

Ivan Hammerschlag was appointed a Director of the Company on 1 July 2012 and has provided consulting services to the Group through Honeystone Pty Limited of A$75,000 (2013: A$56,250).

Tidereef Pty Limited (TPL) is a shareholder of the Company and Ivan Hammerschlag has an interest in these shares by virtue of being a potential beneficiary of a discretionary trust. TPL holds 3,000,000 (2013: Nil) ordinary shares. In 2013 another company associated with Mr Hammerschlag, Drumalbyn Holdings Pty Limited (DHP) held 4,983,193 shares (pre 1:2 share consolidation). In 2014 DHP held Nil shares. but does hold 6,000,000 (2013: 6,000,000) share options which can be converted into 3,000,000 (2013: 6,000,000 pre 1:2 share consolidation) shares - 1,000,000 can be purchased at 30 cents per share by 31/12/14, 1,000,000 at 40c per share by 31/3/17 and 1,000,000 at 60 cents per share by 31/3/18. No new share options were issued in the current year.

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 2014 of $1,334,000 (2013: $1,344,000). Directors remuneration was $734,000 (2013: $1,138,000) - for details refer to the Statutory Information Directors Remuneration.

Key Management Compensation	2014 $'000	2013 $'000
Salaries and other short term employee benefits	1,334	1,344

34. Group Advances

	Parent	
	2014	2013
	$'000	$'000
Amounts owing by subsidiaries:		
Smartpay New Zealand Limited	6,941	6,563
Smartpay Software Limited	704	704
Smartpay Limited	34,134	34,226
Smartpay Ethos Limited	220	220
Smartpay Rentals Limited	27	27
Viaduct Limited	342	342
Smartpay Australia Pty Limited	1,130	1,187
Cadmus Payment Solutions Pty Limited	11	11
Total group advances	43,509	43,280
less Impairment	(39,521)	(39,521)
Total group advances	3,988	3,759

Where advances to subsidiaries are not recoverable an impairment provision was created in the Parent in 2013. No further impairment was required in 2014.

35. 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 Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

a. Financial Instruments by Category

	Group				Parent		
Group	Loans and receivables	Measured at fair value through profit and lost	Measured at amortised cost	Total	Loans and receivables	Measured at amortised cost	Total
2014	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Cash and bank balances	4,300	-	-	4,300	-	-	-
Trade, finance and other receivables	2,194	-	-	2,194	76	-	76
Derivative financial instruments	-	147	-	147	-	-	-
Group advances	-	-	-	-	3,988	-	3,988
	6,494	147	-	6,641	4,064	-	4,064
Financial liabilities							
Trade payables and accruals	-	-	3,923	3,923	-	1	1
Financial liabilities at amortised cost	-	-	25,964	25,964	-	-	-
	-	-	29,887	29,887	-	1	1

2013	Group				Parent		
	Loans and receivables	Measured at fair value through profit and lost	Measured at amortised cost	Total	Loans and receivables	Measured at amortised cost	Total
	$'000	$'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	-	-	4,716	4,716	-	-	-
Financial liabilities	-	-	28,753	28,753	-	-	-
	-	-	33,469	33,469	-	-	-

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. At 31 March 2014 no foreign currency hedge contracts have been entered into.

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

- $US - Purchases of US$3.8 million
- $Aust - Sales of A$3.9 million

c. Credit risk

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

	Group	
	2014	2013
Maximum exposure to credit risk at balance date is:	$'000	$'000
Cash and cash equivalents	4,300	4,429
Trade receivables (net of impairment)	1,368	1,675
Finance lease receivables (net of impairment)	717	1,102

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 and is included in the receivables impairment provision (see note 11). No impairment is made for overdue payments within the "arrears" and "collection" categories.

	2014		2013	
	%	$'000	%	$'000
Arrears	3.47	120	5.28	155
Collections	0.25	13	0.22	9
Salvage	0.43	86	0.48	66
		219		230

We have changed the basis for calculating the percentage of overdue payments in each of the categories for arrears, collections and salvage. The dollar amount of overdue payments in each category is compared with the total dollar value of the payments due for the period under each category. For example the "arrears" category includes all overdue by 10 to 60 days consequently the dollar value of total payments due equates to those over a period of 60 days for all rental receivables. In respect of the salvage category the period equates to twelve months for the purposes of determining the total value of payments due.

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 of $693,000. This customer has a history of trade with the Group.

d. Interest Rate Risk

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 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 2014 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 $75,000 higher or $75,000 lower. The notional principal of the interest rate swaps is $19,687,000 and the carrying value on the balance sheet is an asset of $147,000 (2013: liability of $52,000).

The carrying amount has been determined in accordance with level 1 above.

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
	$'000	$'000	$'000
ASB Bank Limited	26,250	3,000	23,250
	-		-
Total Group Debt	26,250	3,000	23,250

Total Aging of Financial Liabilities Commitments	Total	Within 12 Months	Within 1 to 5 years
Group			
2014			
Trade Payables and accruals	4,264	4,264	-
Future interest payments on borrowings	4,144	1,755	2,389
Borrowings	26,250	3,000	23,250
	34,658	9,019	25,639
2013			
Trade Payables and accruals	5,061	5,061	-
Future interest payments on borrowings	4,725	1,755	2,970
Borrowings	29,250	3,000	26,250
	39,036	9,816	29,220
Parent			
2014			
Trade Payables and accruals	1	1	-
Future interest payments on borrowings	-	-	-
Borrowings	-	-	-
	1	1	-
2013			
Trade Payables and accruals	-	-	-
Future interest payments on borrowings	-	-	-
Borrowings	-	-	-
	-	-	-

36. Subsequent Events

Following balance date the following events have occurred:

There have been no events subsequent to balance date.

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 18 to 58. The financial statements comprise the statements of financial position as at 31 March 2014, 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. Subject to certain restrictions, 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 18 to 58:

- 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 2014 and of the financial performance and cash flows of the company and the group for the year then ended.

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

26 June 2014
Auckland

Statutory information

Statutory information

Directors and former directors

At 31 March 2014 the directors holding office were Ivan Hammerschlag, Bradley Gerdis, Gregor Barclay and Matthew Turnbull. On 1 April 2014 Marty Pomeroy was appointed to the Board.

Current Directors and their appointment dates are detailed below:

Name	Date Appointed	Position	Independence (Yes/No)
Ivan Hammerschlag BCom, CTA	01/07/12	Non-Executive Chairman	Yes
Bradley Gerdis B.Bus (Hons), MCom	01/07/12	Executive Director and Managing Director	No
Greg Barclay LLB, Dip. Bus	01/04/10	Non-Executive Director	Yes
Matthew Turnbull BCom, CA	01/04/13	Non-Executive Director	Yes
Marty Pomeroy	01/04/14	Executive Director	No

At the annual meeting of shareholders held on 24 September 2013 Ivan Hammerschlag and Matthew Turnbull 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 2014, subsidiary companies had directors as follows:

New Zealand Subsidiary Companies	Director
Smartpay Rental Services Limited	Bradley Gerdis, Gregor Barclay
Smartpay Limited	Bradley Gerdis, Gregor Barclay
Smartpay Ethos Limited	Bradley Gerdis, Gregor Barclay
Smartpay Software Limited	Bradley Gerdis, Gregor Barclay
Smartpay New Zealand Limited	Bradley Gerdis, Gregor Barclay
Viaduct Limited	Bradley Gerdis, Gregor Barclay

Australian Subsidiary Companies	Director
Smartpay Rentals Pty Limited	Ivan Hammerschlag, Gregor Barclay, Bradley Gerdis
Smartpay Australia Pty Limited	Ivan Hammerschlag, Gregor Barclay, Bradley Gerdis
Cadmus Payment Solutions Pty Limited	Ivan Hammerschlag, Gregor Barclay, Bradley Gerdis
Product Rentals Pty Limited	Bradley Gerdis, Gregor Barclay
Pax Technology Pty Limited	Ivan Hammerschlag, Gregor Barclay, Bradley Gerdis

Subsidiary company changes

On 17 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.

Share consolidation

On 20 August 2013 the company undertook a share consolidation whereby every 2 existing shares held in Smartpay were consolidated into one share; the directors and officers interests disclosed reflect this share consolidation.

Directors' interests

The Directors have declared interests in the following entities:

Director	Interest	Entity
Ivan Hammerschlag	Chairman	RCG Corporation Limited (ASX Listed)
	Director	Numerous private companies
Bradley Gerdis	Director	Haymaker Investments Pty Limited
	Director	Active Capital Partners Pty Limited
Gregor Barclay	Consultant	Claymore Partners Limited
	Director	Various client trustee companies
	Director	Claymore Property Limited
	Director	Franchised Businesses Limited
	Director	Kegg Investments Limited
	Director	Pacific Forest Products NZ Limited (and various related or subsidiary companies)
	Director	Planet Fun Limited
	Director	Rugby Sales New Zealand Limited (and subsidiaries)
	Director	Kervus Property Group Limited
	Director	New Zealand Cricket Association
	Director	Cricket World Cup 2015 Limited (Australian Company)
	Director	Shears & Mac Limited (and subsidiaries)
Matthew Turnbull	Director	Black Rock Capital Limited
	Director	Verbier Limited
	Director	Mangawhara Farms Limited
	Director	Shears & Mac Limited
Martyn Pomeroy (appointed 1 April 2014)	Director	TEOV 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:

Statutory information (continued)

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 31/03/2013	Share consolidation movement	Other net movement	Balance at 31/3/2014
Bradley Gerdis	Haymaker Investments Pty Limited (Haymaker Account)	Potential beneficiary under a discretionary trust	11,142,217	-5,571,108	0	5,571,109
Ivan Hammerschlag	Drumalbyn Holdings Pty Limited (Ivan Hammerschlag Superannuation Account)	Potential beneficiary under a discretionary trust	4,983,193	-2,491,596	-2,491,597	0
	Tidereef Pty Limited (Ivan Hammerschlag Superannuation Account)	Potential beneficiary under a discretionary trust	0	0	3,000,000	3,000,000
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	-659,722	- 560,914	0
	Ngatapa Trustees Ltd	Potential beneficiary under a discretionary trust	1,153,819	-576,909	0	576,910
	Ngatapa Advisory Ltd	Potential beneficiary under a discretionary trust	0	0	49,404	49,404
Martyn Pomeroy	TEOV Limited	Director and Shareholder of TEOV Limited	13,596,212	-6,798,106		6,798,106

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 31/03/2013	Movement	Balance at 31/03/2014
Mark Unwin	TEOV Limited	Director and Shareholder of TEOV Limited	13,596,212	-6,798,106 #	6,798,106
Peter Trengrove*	Peter Trengrove	Beneficial	445,894	-222,947#	222,947
Linc Burgess	Manaia Management Limited	Owned by associated parties	1,398,303	-699,151#	699,152
	Lincoln John Burgess and Anne Marie Burgess (Burgess Family a/c)	Trustee and Beneficial Interest	584,969	-292,484 #	292,485

* Peter Trengrove ceased to be an officer of the company for the purposes of the disclosure requirements of the Securities Markets Act 1988 due to changes in his role and reporting lines following Ben Stevens' appointment as Chief Financial Officer. Under the requirements of Section 19W of the Securities Markets Act his interests continue to be disclosed for 6 months following this change and for the period of review he held a disclosable interest in shares of the Company as detailed above.

These movements are the result of the share consolidation on 20 August 2013.

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 31/3/2013	Movement	Balance at 31/3/2014	Maximum number of shares on conversion #
Bradley Gerdis Managing Director	Haymaker Investments Pty Ltd	Potential Beneficiary under a discretionary trust	December 2014 Options	$0.30 per share	10,000,000	0	10,000,000	5,000,000
	Haymaker Investments Pty Ltd	Potential Beneficiary under a discretionary trust	December 2017 Incentive Options	$0.40 per share	10,000,000	0	10,000,000	5,000,000
	Haymaker Investments Pty Ltd	Potential Beneficiary under a discretionary trust	December 2018 Incentive Options	$0.60 per share	10,000,000	0	10,000,000	5,000,000
Ivan Hammerschlag Chairman	Drumalbyn Holdings Pty Limited (Ivan Hammerschlag Superannuation Account)	Potential beneficiary under a discretionary trust	December 2014 Options	$0.30 per share	2,000,000	-2,000,000	0	0
	Drumalbyn Holdings Pty Limited (Ivan Hammerschlag Superannuation Account)	Potential beneficiary under a discretionary trust	December 2017 Incentive Options	$0.40 per share	2,000,000	-2,000,000	0	0
	Drumalbyn Holdings Pty Limited (Ivan Hammerschlag Superannuation Account)	Potential beneficiary under a discretionary trust	December 2018 Incentive Options	$0.60 per share	2,000,000	-2,000,000	0	0
	Tidereef Pty Limited (Ivan Hammerschlag Superannuation Account)	Potential beneficiary under a discretionary trust	December 2014 Options	$0.30 per share	0	2,000,000	2,000,000	1,000,000
	Tidereef Pty Limited (Ivan Hammerschlag Superannuation Account)	Potential beneficiary under a discretionary trust	December 2017 Incentive Options	$0.40 per share	0	2,000,000	2,000,000	1,000,000
	Tidereef Pty Limited (Ivan Hammerschlag Superannuation Account)	Potential beneficiary under a discretionary trust	December 2018 Incentive Options	$0.60 per share	0	2,000,000	2,000,000	1,000,000
Gregor Barclay	Claymore Partners Trustees 2011 Ltd	Held beneficially	Directors Incentive Options 2014*	$0.80 per share	10,000,000	-10,000,000	0	0
	Claymore Partners Trustees 2011 Ltd	Held beneficially	Directors Incentive Options 2016	$1.00 per share	10,000,000	0	10,000,000	500,000
Marty Pomeroy	Marty Pomeroy	Beneficial	Incentive Options	$0.40 per share	2,000,000	0	2,000,000	1,000,000
		Beneficial	Incentive Options	$0.60 per share	2,000,000	0	2,000,000	1,000,000

*These options expired without being exercised

In accordance with the NZSX Listing Rule 8.1.9 and the terms and conditions of the issue of the Options the effect of the share consolidation on the options on issue at the time of the consolidation is to reduce the number of ordinary shares over which an Option is exercisable by a multiple of two and to increase the Exercise Price by a multiple of two.

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 31/3/2013	Movement	Balance at 31/3/2014	Maximum number of shares on conversion
Mark Unwin	Mark Unwin	Beneficial	Incentive Options	$0.40	2,000,000	0	2,000,000	1,000,000
		Beneficial	Incentive Options	$0.60	2,000,000	0	2,000,000	1,000,000

In accordance with the NZSX Listing Rule 8.1.9 and the terms and conditions of the issue of the Options the effect of the share consolidation on the options on issue at the time of the consolidation is to reduce the number of ordinary shares over which an Option is exercisable by a multiple of two and to increase the Exercise Price by a multiple of two.

Listing

The ordinary shares of Smartpay Holdings Limited are listed on the securities exchanges operated by the NZX and the ASX. On 3 September 2013 Australian Securities Exchange accepted the Company's application for admission to its Official List.

Shareholders are able to trade their shares on either the NZX or the ASX. In order to trade on either exchange shares must be held on the share register for that particular jurisdiction.

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 whose contact details in each country are:

New Zealand	Australia
Computershare Investor Services Limited	Computershare Investor Services Pty Limited
Private Bag 92119 Auckland 1142	GPO Box 3329, Melbourne VIC 3001
Level 2, 159 Hurstmere Road, Takapuna, North Shore City, Auckland	Freephone: 1 800 501 366
P: + 64 488 8700	F: +61 3 9473 2500
F: + 64 9 488 8787	

Employee remuneration

During the year a number of employees (excluding directors) or former employees 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 Range $	Number of Employees
290,000 - 299,000	1
250,000 - 259,999	2
160,000 - 169,999	3
150,000 - 159,999	3
130,000 - 139,999	1
120,000 - 129,999	2
110,000 - 119,999	1
100,000 - 109,999	6
Total	19

Gender Comparison of Directors and Officers (as at 21 March 2014)

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

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

Directors' remuneration

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

Directors' Fees

Director	2013	2014
Ivan Hammerschlag	AU$33,750	AU$45,000
Gregor Barclay	NZ$38,000	NZ$38,000
Matthew Turnbull	NZ$0	NZ$43,000

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

Other Remuneration

Bradley Gerdis received a remuneration package of AU$381,500 plus a bonus of AU$95,000 in 2014. In 2013 Bradley Gerdis received a remuneration package of AU$286,119 and a bonus for the period from July 2012 to March 2013 of AU$150,000 (the bonus was paid 50/50 in shares and cash).

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$75,000 to Honeystone Pty Limited for the period under this consultancy arrangement (AU$56,250 for the period from July 2012 to March 2013).

Marty Pomeroy was not a director for the period, he is employed on an employee contract basis and his remuneration is included in the report of Employee Remuneration on page 66.

Please also refer to the Related Parties Note to the Financial Statements on page 52.

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 on page 32.

Post balance date events

There are no post balance date events to record.

Statutory information (continued)

Summary of waivers and exemptions

There were no NZX waivers sought during the period.

As part of its application to list on the ASX, Smartpay Holdings Limited applied for and has been granted waivers from the ASX Listing Rules that are standard for a New Zealand company listed on both the NZX and the ASX:

- A waiver from ASX Listing Rule 6.10.3 to the extent necessary to permit the Company to set the "specified time" to determine whether a security holder is entitled to vote at a shareholders' meeting in accordance with the requirements of the relevant New Zealand legislation.
- A waiver from compliance with Listing Rule 7.1 to permit Smartpay to issue securities without security holder approval, subject to the following conditions:
    - Smartpay remains subject to, and complies with, the New Zealand Stock Exchange ("NZSX") listing rules with respect to the issue of new securities;
    - Smartpay certifies to ASX on an annual basis (on or about 30 June each year) that it remains subject to, has complied with, and continues to comply with, the requirements of the NZSX listing rules with respect to the issue of new securities; and
    - if Smartpay becomes aware of any change to the application of NZSX listing rules with respect to the issue of new securities, or that Smartpay is no longer in compliance with the requirements of the NZSX listing rules with respect to the issue of new securities, it must immediately advise ASX.

  The waiver will have an effect subject to ASX's right to revoke the waiver including where Smartpay fails to comply with any of the above conditions, or if there are changes to the NZSX listing rules in respect of the issue of new securities such that, in ASX's opinion, the regulation of the issue of new securities under those NZSX listing rules ceases to be comparable to the regulation of the issue of new securities under ththe ASX Listing Rules.

  Without limiting ASX's right to vary or revoke its decision pursuant to listing rule 18.3, ASX reserves the right to revoke this waiver if:

    - the Company fails to comply with any of the above conditions; or
    - there are changes to the NZSX listing rules in respect of the issue of new securities such that, in ASX's opinion, the regulation of the issue of new securities under those NZSX listing rules ceases to be comparable to the regulation of new securities under the ASX listing rules.
- A waiver from listing rule 9.1.3 to the extent necessary to permit the Company not to apply the restrictions in clauses 1, 2, 3,4,7,8 and 9 of Appendix 9B to its securities.
- A waiver from listing rule 15.7 to permit the Company to provide announcements simultaneously to both ASX and NZX.
- A waiver from listing rules 15.13, 15.13A and 15.13B to the extent necessary to permit the Company to divest shareholders of less than a minimum holding in accordance with the procedure set out in the Constitution.

Exemptions

There were no exemptions sought during the period.

Security holder statistics

As at 31 May 2014

Distribution of shareholders

Range	New Zealand			Australia			Total		
	Total Holders	Shares	% of Issued Capital	Total Holders	Shares	% of Issued Capital	Total Holders	Shares	% of Issued Capital
1 - 1,999	416	218,785	0.13	28	22,788	0.01	444	241,573	0.14
2,000 - 4,999	152	455,999	0.27	26	77,478	0.05	178	533,477	0.31
5,000 - 9,999	129	821,474	0.48	19	138,663	0.08	148	960,137	0.56
10,000 - 49,999	259	5,612,153	3.27	42	921,977	0.54	301	6,534,130	3.80
50,000 - 99,999	53	3,439,756	2.00	10	667,635	0.39	63	4,107,391	2.39
100,000 - 499,999	64	13,846,020	8.06	27	6,599,688	3.84	91	20,445,708	11.90
500,000 - 999,999	15	9,186,078	5.35	8	5,166,270	3.01	23	14,352,348	8.36
1,000,000 - and over	14	88,647,913	51.61	12	35,929,601	20.92	26	124,577,514	72.53
Total	**1,102**	**122,228,178**	**71.17**	**172**	**49,524,100**	**28.83**	**1,274**	**171,752,278**	**100.00**

Distribution of option holders

Range *	Total Holders	Number of shares over which options are exercisable	% of number of shares over which options are exercisable
1 - 999,999	3	1,750,000	7.07
1,000,000 - 1,999,999	1	1,000,000	4.04
2,000,000 - 2,999,999	2	4,000,000	16.16
3,000,000 - 3,999,999	1	3,000,000	12.12
4,000,000 and over	1	15,000,000	60.61
Total	8	24,750,000	100.00

* Range is based on the number of shares options will convert to

On 20 August 2013 the company undertook a share consolidation whereby every 2 existing Shares held in Smartpay were consolidated into one share, this affected the Options by reducing the number of shares over which each option is exercisable and increasing the exercise price. On 31 March 2014 some options expired without having been exercised.

Security holder statistics
As at 31 May 2014

Geographical spread of shareholders

	New Zealand				Australia				Total			
Location	Units	Units %	Holders	Holders	Units	Units %	Holders	Holders	Units	Units %	Holders	Holders
United Arab Emirates	100,000	0.06	1	0.08	0	0.00	0	0.00	100,000	0.06	1	0.08
Switzerland	17,500	0.01	2	0.16	5,396,526	3.14	1	0.08	5,414,026	3.15	3	0.24
United Kingdom	60,785	0.04	5	0.39	0	0.00	0	0.00	60,785	0.04	5	0.39
Malaysia	153,911	0.09	6	0.47	0	0.00	0	0.00	153,911	0.09	6	0.47
Australia	12,209,876	7.11	53	4.16	29,328,978	17.08	114	8.95	41,538,854	24.19	167	13.11
Singapore	240,400	0.14	1	0.08	2,500	0.001	1	0.08	242,900	0.14	2	0.16
U.S.A.	0	0.00	0	0.00	20,000	0.01	1	0.08	20,000	0.01	1	0.08
New Zealand	109,445,706	63.72	1,034	81.16	14,776,096	8.60	55	4.32	124,221,802	72.33	1089	85.48
Total	**122,228,178**	71.17	**1,102**	86.50	**49,524,100**	28.83	**172**	13.50	171,752,278	100.00	1274	100.00

Geographical spread of option holders

Location	Number of shares over which options exercisable	% total shares over which options exercisable	Holders	% of holders
New Zealand	6,750,000	27.27	6	75
Australia	18,000,000	72.73	2	25
Total	24,750,000	100.00	8	100

On 20 August 2013 the company undertook a share consolidation whereby every 2 existing Shares held in Smartpay were consolidated into one share, this affected the Options by reducing the number of shares over which each option is exercisable and increasing the exercise price. On 31 March 2014 some options expired without having been exercised.

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 2014 and have disclosed the Substantial Security Holdings to the NZX as per the table below:

	Number of Securities	% of Capital
Hunter Hall Investment Management Limited	33,182,609*	9.66
Allan Walker Tattersfield	24,750,668*	7.20
Milford Asset Management Limited	12,699,330	7.39

The total number of issued voting securities of Smartpay Holdings Limited at 31 May 2014 is 171,752,278.

*The shareholdings shown are pre-consolidation, at the time of the disclosures the total issued voting securities of Smartpay Holdings Limited was 343,504,304. On 20 August 2013 the company undertook a share consolidation whereby every 2 existing Shares held in Smartpay were consolidated into one share.

Security holder statistics (continued)
As at 31 May 2014

Twenty largest registered shareholders as at 31 May 2014

Rank	Name	Units	% of Units
1.	JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT - NZCSD (CHAM24)	17,358,357	10.11
2.	TEA CUSTODIANS LIMITED - NZCSD (TEAC40)	13,382,164	7.79
3.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	7,388,405	4.30
4.	RIVERHORSE TRUSTEE LIMITED (RIVERHORSE A/C)	7,269,399	4.23
5.	TEOV LIMITED	6,798,106	3.96
6.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD (COGN40)	6,700,597	3.90
7.	WALKER & HALL FINE GIFTS LIMITED	6,010,920	3.50
8.	HAYMAKER INVESTMENTS PTY LIMITED (HAYMAKER A/C)	5,571,109	3.24
9.	MELVILLE INVESTMENT HOLDINGS LIMITED	5,396,526	3.14
10.	ALLAN WALKER TATTERSFIELD	5,326,131	3.10
11.	CHAPTER 52 TRUSTEE LIMITED	4,968,751	2.89
12.	SANDHURST TRUSTEES LTD (TBF SMALL CAP VAL GRWTH A/C)	4,009,300	2.33
13.	HARROGATE TRUSTEE LIMITED (BRANDYWINE A/C)	3,222,676	1.88
14.	SPINITE PTY LTD	3,105,510	1.81
15.	TIDEREEF PTY LIMITED (IVAN HAMMERSCHLAG S/F A/C)	3,000,000	1.75
16.	ANTHONY JAMES THORPE + MARILYN RUTH THORPE + DAVID ALISTAIR THORPE (AJ & MR THORPE FAMILY A/C)	2,731,252	1.59
17.	GREGORY KEVIN MOLLOY + CLAYMORE TRUSTEES LIMITED (CICERO A/C)	2,445,765	1.42
18.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD (CNOM90)	2,423,821	1.41
19.	PATRICK JOHN MCCAMMON + NH TRUSTEES NO.2 LIMITED	2,074,792	1.21
20.	MAXIMA INVESTMENTS LIMITED	1,978,495	1.15
Totals: Top 20 holders of Ordinary Shares		**111,162,076**	**64.72**
Total Remaining Holders Balance		**60,590,202**	**35.28**
Total		**171,752,278**	**100.00**

Security holder statistics (continued)

As at 31 May 2014

Eight largest registered option holders as at 31 May 2014

Rank	Name	Number of shares over which options exercisable	% of Number of shares over which options exercisable	Number of Options	% of Options
1	Haymaker Investments Pty Limited ATF The Haymaker Trust	15,000,000	60.61	30,000,000	30.30
2	Drumalbyn Holdings Pty Limited as trustees for the Ivan Hammerschlag Superannutation Fund	3,000,000	12.12	6,000,000	6.06
3	Mark Unwin	2,000,000	8.08	4,000,000	4.04
3	Marty Pomeroy	2,000,000	8.08	4,000,000	4.04
4	Riverhorse Trustee Limited	1,000,000	4.04	20,000,000	20.20
5	Baroda Hill Investments Limited	750,000	3.03	15,000,000	15.15
6	Nimmo Trustee Limited	500,000	2.02	10,000,000	10.10
6	Claymore Partners Trustees (2011) Limited as trustee of the SPY Trust	500,000	2.02	10,000,000	10.10
Total		24,750,000	100.00	99,000,000	100.00

Directory

Registered office

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P: +64 9 442 2700
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Email: info@smartpay.co.nz
Website: www.smartpayltd.com

Australian offices

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NSW 2000
T: +61 2 8876 2300
F: +61 2 9869 4223
Website: www.smartpay.com.au

Board

Ivan Hammerschlag – Chairman and Independent Director
Bradley Gerdis – Managing Director
Greg Barclay – Independent Director
Matthew Turnbull – Independent Director
Marty Pomeroy – Executive Director appointed 1 April 2014

Management

Bradley Gerdis – Managing Director
Marty Pomeroy – GM New Zealand
Mark Unwin – General Manager Product
Ben Stevens – Chief Financial Officer
Linc Burgess – Eftpos and Payments Strategy
Rowena Bowman – Company Secretary

Auditors

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KPMG Centre
18 Viaduct Harbour Avenue
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P: + 64 9 367 5800
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Share registrar – New Zealand

Computershare Investor
Services Limited
Private Bay 92119 Auckland 1142
Level 2, 159 Hurstmere Road
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P: + 64 9 488 8700
F: +64 9 488 8787

Share registrar – Australia

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