















# Welcome to Smartpay's annual report for the year ending 31 March 2015

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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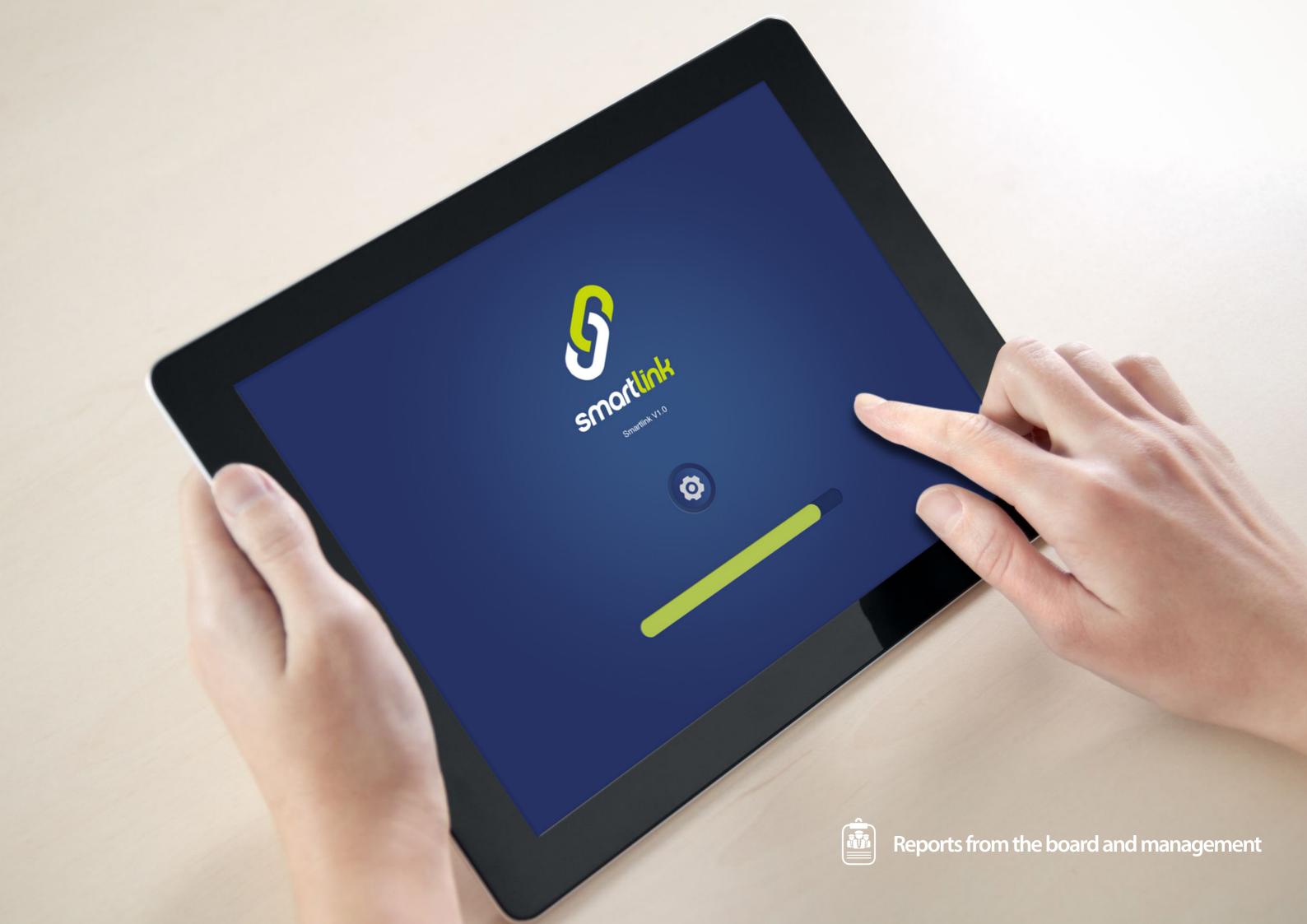
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## Chairman and chief executive's review

The 2015 financial year has been another productive year for Smartpay. The financial results while down on the previous year mask the overall progress achieved in the business during the year.

## Operating results

The primary contributor to the lower revenue and EBITDA was the cessation of our largest Australian taxi contract revenue at the end of December 2014. This was an anticipated outcome driven by Smartpay's decision to participate directly in the Australian taxi industry rather than through an indirect wholesale relationship. The result in the current period was a 9 month revenue contribution compared to a full 12 month contribution in the prior period.

While EBITDA\* of \$9.2m represents a 5% decrease on the prior period result of \$9.7m, as reported at the time, the prior period result included a one off accounting benefit relating to the release of an accrual for communication costs, and the inclusion of a number of non recurring costs relating to the ASX listing. When viewed in the context of the prior period's normalised result of \$9.4m, the current period's EBITDA\* of \$9.2 was lower by 3%.

Net Profit After Tax of \$1.6m and EPS of 0.91 cents are only marginally lower than the prior year Net Profit After Tax of \$1.7m and EPS of 1.01 cents.

## Review of operations

The notable achievements in our New Zealand business during the period include:

- a number of new distribution deals for our new mobile integrated payments terminals, including the provision of our mPOS solution to ASB Bank announced in August;
- the conclusion of the contract with Epay in July.
   This agreement brought in an immediate revenue contribution and offers on going potential to increase revenue per unit as we grow this new business in New Zealand;

- the completion of the Australian state government transport authority software payments project which contributed to revenue in the period and which holds the potential for future revenue streams; and
- the launch of our integrated mobile taxi booking and payment app for our New Zealand taxi partners. The app includes the unique functionality of integration to our in-car payments terminals which are prevalent across the majority of the New Zealand taxi industry.

With most of these projects completed in the first half of the financial year, the focus in the second half was mainly on the development and launch of our own Australian taxi business which is the cornerstone of our strategy to replace and grow the revenues and profit forgone in our previous Australian taxi contract. This venture is now well underway following the launch of Smartpay Taxis in December last year. A detailed update is provided below.

## **Business update and outlook**

Smartpay's current business and opportunity set can be broadly divided into two main areas. We have a mature, stable New Zealand business with a significant market position which supports the development of our relatively new Australian business into what we believe is a market that offers significant growth potential.

Over the past two years we have tested a number of growth channels into the Australian market while simultaneously building our on-the-ground operational capability. Our experience over this time has led us to recognise the key opportunities where we have a competitive advantage defined by our ability to deliver differentiated product to fill identified market needs. In-line with this strategy we have made some recent changes to our Australian business to support this growth including the recent appointment of an experienced General Manager based in our Sydney office.

#### **Smartpay taxis**

A key theme for our Australian business over the past year has been the preparation and launch of our direct taxi payments offering to capitalise on the opportunities we see in a changing taxi market and offset the resultant loss of revenue as we moved away from our previous wholesale taxi relationship in Australia.

The Australian taxi market has and continues to undergo significant structural change driven by both regulatory change, for example the move last year from a 10% surcharge on card payments to 5% in Victoria and NSW, and technology change as "booking apps" for smartphones seek to disrupt the industry structure by disintermediating the traditional dispatch networks.

Up until the end of December last year, around 8% of Smartpay's revenue was derived from a single relationship with an Australian taxi payments provider who provided our terminals directly to taxi drivers across Australia. In a strategy to capitalise on both the regulatory and technology changes underway in the industry, we opted to launch our own taxi payments business in Australia through a direct participation model rather than through our previous model of supplying terminals and transaction services to a single wholesale customer. We adopted this approach in the knowledge that it would take us time to develop this business to the point it could replace our previous revenue line but we did this in the expectation that a direct participation model will ultimately earn us higher margins than the previous model and de-risk our business through removing our reliance on a single customer in a changing industry. On our side we have significant experience and capability in taxi payments technology based on both our previous experience in the Australian market and of course our market leading position servicing the majority of taxis in New Zealand.

We are pleased to report that in a relatively short space of time since launching our Australian taxi business in December last year, we have now secured contracts with a number of Australian taxi operators which is testament to our superior value proposition, both technical and commercial. To date we have deployed close to 600 terminals which represents the initial part of a substantial pipeline which we expect to deploy during the current financial year.

Of course this is just the beginning of our Australian taxi business and with the total taxi market standing at over 21,000 cabs, we are targeting strong growth in this part of our business.

## General retail

The other area we see significant opportunity based on our competitive advantage and differentiated product is next-generation integrated payments terminals for both larger retailers and the emerging mobile payment market. We have seen success with these products over the past year in our New Zealand business and based on the growing demand we are seeing from the Australian market for these products we expect to see significant growth in our Australian retail terminal numbers when we release them into Australia later this year.

## Summary

We continue to make pleasing progress on both sides of the Tasman, and even more so now in Australia as we bring our new solutions to market. We are seeing clear evidence of this with the level of Taxi business we have contracted in a relatively short space of time since we launched this solution late last year. We expect to see similar growth opportunities in our general retail business through the course of this year in both our New Zealand and Australian businesses.

good .

Ivan Hammerschlag Chairman **Bradley Gerdis**Managing Director



## Ivan Jeremy Hammerschlag,

Chairman and Independent Director - BCom, CTA

Ivan joined the Board of Smartpay as its Chairman in July 2012. He 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 AU\$200 million. Ivan spent five 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. During 2015 RCG made a transformational acquisition of New Zealand headquartered Accent Group of companies giving RCG a market capitalisation in excess of NZ\$600 million. RCG now consists of 280 stores selling lifestyle and athletic footwear across both Australia and New Zealand. The company is also a distributor of 13 dominant international footwear brands in both countries.

Ivan was a 50% shareholder in Divergence Technologies that became a leading provider of Point of Sale 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.

## 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 ordinarily resides in Auckland, New Zealand.

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

## Matthew George Turnbull,

Independent Director - BCom, CA

Matt joined the Board of Smartpay in April 2013, he is a Chartered Accountant and is a member of the Chartered Accountants Australia and New Zealand. He commenced his career with PWC (then PriceWaterhouse) 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 acquisition of Viaduct Limited.

Matt ordinarily 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, he was instrumental in the development and success of the Viaduct business from a start-up 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 \$7m and employing 36 staff. Prior to Viaduct Marty held managerial roles in sales and service with Eftpos New Zealand. He brings over 13 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 ordinarily resides in Auckland, New Zealand.





# Corporate governance statement

#### Approved by the Board 25 June 2015

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 (the Company) is the holding company of the Group whose securities are listed on the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX).

These Exchanges require formal adoption of approved corporate governance practices by listed company Boards 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 Board's 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 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 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 Holding 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 2015 Smartpay considers its corporate governance practices have adhered to the NZX Corporate Governance Best Practice Code, the Financial Markets Authority in New Zealand Corporate Governance Principles and Guidelines and Edition 2 of 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 though a tiered review process and is accompanied by management sign offs.

Smartpay will review its governance framework in line with the changes to the ASX Corporate Governance Council Principles and Recommendations incorporated into Edition 3 of the Principles; the first reporting year it is required to report against Edition 3 being the 12 months ending 31 March 2016.

### 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 Smartpay'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, and 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. Smartpav 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 below:

Level	% of women % of wome for FY 2015 for FY 2014	
Board	0	0
Senior Managers/Officers	33	20
Other employees and staff	40.5	33.7

# 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.

It approves 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 55, the Board has carefully considered these for each of its independent director's and has determined that any relationships are not material and do not create disqualifying relationships 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.



## Corporate governance statement (continued)

The Board strives to ensure that it is comprised of directors with a blend of skills, experience and attributes appropriate to Smartpay, it's Performance Management Policy is reviewed annually and which includes all staff, senior executives individual directors and the Board as a whole. Assessments of the Boards' performance and the performance of its sub committees have been conducted during the review period and feedback was provided to the Chairman. The Company practices a 'continuous improvement' approach to the way it does business which is reflected throughout the business; reporting to the Board is improved on an ongoing basis in response to director requests and changing business needs.

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 bealigned with the performance of the business.

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.

## **Director attendance record**

	Board meetings	Audit and Finance Committee meetings	Remuneration and Appointments Committee meetings
Meetings Held	7	8	2
Ivan Hammerschlag	7	n/a	2
Bradley Gerdis	7	8	2
Greg Barclay	7	7	2
Matt Turnbull	7	8	2
Marty Pomeroy	7	n/a	n/a

## 3. Board commitees

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 the terms of reference which are reviewed and approved by the Board regularly. 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	1 April 2013	Chair	Yes
Greg Barclay LLB, Dip. Bus	24 May 2010	Member	Yes
Bradley Gerdis B.Bus (Hons), MCom	24 July 2012	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 seven times during the year, meeting attendance is detailed on page 12. 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 July 2012	Chair	Yes
Bradley Gerdis# B.Bus (Hons), MCom	24 July 2012	Member	No
Greg Barclay LLB, Dip. Bus	24 May 2010	Member	Yes
Matt Turnbull BCom, CA	5 June 2013	Member	Yes

#Bradley Gerdis stepped down from the committee with effect from 2 June 2015

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 twice times during the year, meeting attendance is detailed on page 12. 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.

The Board has recently reviewed and approved its 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 that 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 55 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 67.

Executive Directors receive no fees but are 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 page 65.

## 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 internal audit 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 senior executive team 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 34.

# 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. As outlined in Principle 4 above, it has recently reviewed and approved its Disclosure and Communications Policy and Procedure.

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 and its subsidiaries (the Group) as at 31 March 2015 and the results of their operations and cash flows for the year ended 31 March 2015.

The Directors consider that the financial statements of the Group have been prepared using accounting policies appropriate to the Group's 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 Group and enable them to ensure that the financial statements comply with the Financial Reporting Act 2013.

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 Group and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the financial statements of the Group for the year ended 31 March 2015.

These financial statements dated 29 May 2015 are 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



# Statement of comprehensive income

For the year ended 31 March 2015

to the Financial Statements on pages 23 to 59 form part of the

financial statements.

			Group
	Note	2015 \$'000	2014 \$'000
Continuing operations			
Revenue	5	22,191	22,884
Other income	6	21	22
Operating expenditure	7	(13,009)	(13,239)
Earnings before interest, tax, depreciation, share options expense, amortisation, impairments and unrealised foreign exchange		9,203	9,667
Depreciation and amortisation	7	(4,703)	(4,049)
Unrealised foreign exchange adjustments		(201)	(983)
Share option amortisation		(117)	(380)
Net finance (costs) / income	7 & 12	(2,191)	(1,837)
Impairments	7	(540)	(682)
		(7,752)	(7,931)
Profit / (loss) before tax		1,451	1,736
Tax benefit	8	119	_
Profit / (loss) for the year from continuing operations of owners		1,570	1,736
Other comprehensive income			
Foreign currency translation differences for foreign operations which may be reclassified subsequently to profit and loss (no tax effect)	24	49	485
Share based payments reversal which will not subsequently be reclassified to profit / (loss) (no tax effect)	23	50	116
Total comprehensive income of owners		1,669	2,337
Earnings / (losses) per share from continuing operations attributable to the equity holders of the company during the year.	9		
Basic earnings/(loss) per share		0.91 cents	1.01 cents
Diluted earnings/(loss) per share		0.91 cents	1.01 cents
The accompanying Statement of Accounting Policies and Notes			



# Statement of changes in equity For the year ended 31 March 2015

		(	iroup	
	Share Capital	Foreign Currency Translation Reserve	Retained Deficits	Total
Balance at 31 March 2013	54,378	97	(47,385)	7,090
Profit / (loss) for the year from continuing operations of owners	-	-	1,736	1,736
Other comprehensive income	-	485	116	601
Total comprehensive income	-	485	1,852	2,337
Share options recognised at fair value net of options lapsed (note 23)	264	-	-	264
Total changes in equity	264	485	1,852	2,601
Balance at 31 March 2014	54,642	582	(45,533)	9,691
Profit / (loss) for the year from continuing operations of owners	-	-	1,570	1,570
Other comprehensive income	_	49	50	99
Total comprehensive income	-	49	1,620	1,669
Share options recognised at fair value net of options lapsed (note 23)	67	-	-	67
Total changes in equity	67	49	1,620	1,736
Balance at 31 March 2015	54,709	631	(43,913)	11,427

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 23 to 59 form part of the financial statements.



# **Statement of financial position**For the year ended 31 March 2015

		Group	
		2015	2014
Current assets	Note	\$'000	\$'000
Cash and bank balances	10	4,965	4,300
Trade and other receivables	11	2,423	2,316
Finance Receivable	13	228	240
Derivative financial instruments	12	-	147
Income tax receivable	21	30	-
Total current assets		7,646	7,003
Non-current assets			
Finance receivables	13	229	477
Property, plant and equipment	16	12,638	11,212
Intangible assets	17	6,861	7,142
Goodwill	18	14,772	14,772
Total non-current assets		34,500	33,603
Total assets		42,146	40,606
Current liabilities			
Trade payables and accruals	20	3,827	4,264
Derivative financial instruments	12	264	-
Borrowings	22	5,817	2,772
Total current liabilities		9,908	7,036
Non-current liabilities			
Borrowings	22	20,243	23,192
Deferred tax liabilities	19	568	687
Total non-current liabilities		20,811	23,879
Total liabilities		30,719	30,915
Net assets		11,427	9,691
Equity			
Share capital	23	54,709	54,642
Foreign currency translation reserve	24	631	582
Retained deficits		(43,913)	(45,533)
Total equity		11,427	9,691

The accompanying Statement of Accounting Policies and Notes to the FinancialStatements on pages 23 to 59 form part of the financial statements.



Closing cash equivalents

			Group
		2015	2014
	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		21,904	22,805
Interest received		114	94
Payments to suppliers & employees		(13,751)	(14,225)
Interest paid		(1,991)	(1,532)
Net cash inflow/(outflow) from operating activities	25	6,276	7,142
Cash flows from investing activities			
Proceeds from disposal of assets		20	-
Purchase of terminal assets and other property, plant and equipment	t	(4,213)	(3,295)
Purchase of Viaduct	15	-	(89)
Development of computer software		(1,283)	(872)
Net cash outflow from investing activities		(5,476)	(4,256)
Cash flows from financing activities			
Proceeds from borrowings		2,880	_
Repayments of borrowings		(3,015)	(3,015)
Shares issued		-	-
Net cash inflow/(outflow) from financing activities		(135)	(3,015)
Net increase/(decrease) in cash equivalents		665	(129)
Add opening cash equivalents		4,300	4,429
Closing cash equivalents		4,965	4,300
Reconciliation of closing cash equivalents to the balance sheet:			
Cash and cash equivalents		4,965	4,300
	10	1065	4.200

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 23 to 59 form part of the financial statements

4,965



## 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 (FMC entity) in terms of the Financial Reporting Act 2013. 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 Group comprises profit-oriented entities and 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 2013 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 2013.

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

The financial statements were authorised for issue by the Directors on 29 May 2015.

#### 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, it is supported by current cash flow and cash flow forecasts for 2016 / 2017.

## c. Functional and presentation currency

The financial statements are presented in New Zealand dollars (\$'000), which is the Parent's and New Zealand subsidiaries 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 impact on the calculation of reported financial information of the Group.

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

#### - Other clarifications

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

ii) Standards on Issue Not Yet Adopted

	Effective Date*	
NZ IFRS 9 Financial Instruments	1 January 2018	
NZ IFRS 15 Revenue from Contracts with Customers	1 January 2017	

<sup>\*</sup>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 Ttansactions

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. 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.

## Notes (continued)

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.

#### I. Finance costs

Interest expense is accrued on a time basis using the effective interest method and are 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; and
- 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.

## Notes (continued)

#### 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 & oss

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.

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.

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 finite useful life's.

iii) Research and development

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

iv) Amortisation

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

- capitalised development costs

2-5 years

- customer contracts

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. Goodwil

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.

## Notes (continued)

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.

## ab. Insurance contracts

Where the Group enters into financial guarantee contracts to guarantee the performance or indebtedness of companies within the group, the company considers these to be insurance arrangements and accounts for them as such. In this respect the company treats the guarantee as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

# 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 2014 tax returns the continuity has remained constant and no further tax losses have been forfeited. The losses at balance date are estimated to be \$23.7 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 59%. Because of the uncertainty of when these will be utilised no losses have been recognised for 2015.

## iv) Provisions

Judgements were required to determine the likely levels of provisioning.

#### b. Significant accounting estimates and assumptions

i) Impairment of Goodwill and Intangibles with Indefinite Useful Lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with useful lives are discussed in note 18.

## Notes (continued)

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 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 16 and 17.

#### 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 22. 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 to June 2016 and a fourth interest rate swap was entered into in October 2014 to mirror the extension of the debt facility to July 2017.

#### 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 30.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 30 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 30.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 Z	ealand	Aus	tralia	Elimir	nation	To	otal
	2015	2014	2015	2014	2015	2014	2015	2014
Revenue	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating lease, software and support revenue	16,555	17,579	2,277	2,356	-	-	18,832	19,935
Other service revenue	1,892	1,688	287	395	-	-	2,179	2,083
Sale of goods	836	477	411	178	(293)	-	954	655
Finance revenue	1	4	57	81	-	-	58	85
Other revenue	168	126	-	-	-	-	168	126
Total segment revenue	19,452	19,874	3,032	3,010	(293)	-	22,191	22,884
Capital expenditure	5,541	4,224	920	414	-	-	6,461	4,638
Non current assets	32,221	31,503	2,279	2,100	-	-	34,500	33,603

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 83% of total Australian revenues, with the largest Australian customer representing 51% of total Australian revenues.

## 6. Other income

The following items are included in sundry income:

	Gro	oup
	2015	2014
	\$'000	\$'000
Bad debts recovered	21	20
Foreign exchange gains	-	2
	21	22





## 7. Expenditure

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

		Group
	2015	2014
	\$'000	\$'000
Operating Expenditure		
Direct costs of sales and installations	1,469	1,828
Compliance and IT	1,562	1,195
Employee costs	8,007	7,905
Occupancy costs	831	896
Other costs	873	1,060
Travel and accommodation	267	355
	13,009	13,239
Depreciation and Amortisation		
Depreciation of property, plant and equipment		
Merchant terminals	2,803	2,428
Computer equipment	309	314
Motor vehicles	33	39
Furniture, fixtures and office equipment	46	34
Amortisation of intangible assets		
Software	1,089	834
Customer contracts	423	400
	4,703	4,049
Auditors Fees included in operating expenditure		
Audit fees to the principal auditor (note 1)	140	134
Taxation services - consultancy - to the principal auditor (note 2)	14	18
Non audit fees to principal auditor (note 3)	7	-
Non audit fees to principal auditor (note 4)	-	56
	161	208

Fees paid to the principal auditor were for:

- 1. Annual audit and review of half year interim financial statements
- 2. Tax compliance advice
- 3. Compliance and IT system consulting fee
- 4. Limited assurance report for the Groups listing on the Australian Stock Exchange and anti-money laundering services

## Notes (continued)

		Group
	2015	2014
	\$'000	\$'000
Other specific costs included in operating expenditure		
Bad debts written off	191	103
Impairment of provision of receivables	213	19
Loss / (gain) on disposal of assets	(4)	40
Directors fees	223	216
Foreign exchange losses	7	30
Operating lease payments	563	650
Net finance costs		
Other interest received	(114)	(94)
Interest on bank overdrafts and borrowings	2,074	1630
Finance transaction fees amortisation	231	301
	2,191	1,837
Impairments		
Property, plant and equipment	540	682



## 8. Taxation expense / (credit)

		Group
	2015	2014
	\$'000	\$'000
Income tax expense comprises:		
Current income tax expense	-	-
Deferred tax (benefit)	119	-
Income tax benefit	119	-
Reconciliation between charge for year and accounting profit		
Profit/(loss) before tax	1,451	1,736
Income tax at 28%	406	486
Add/(deduct) the tax effect of:		
Non-deductible expenses	114	451
Temporary differences not recognised	(405)	(937)
Australian tax rate differences	4	-
Income tax benefit	119	-

The tax rate used in the above reconciliation is the corporate tax rate applicable at 31 March 2015 payable on taxable profits under New Zealand (28%) and Australian tax law (30%).

## Notes (continued)

## 9. Earnings per share

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

	Group	
	2015	2014
Basic earnings/(loss) per share – cents	\$'000	\$'000
Profit/(loss) for the period	1,570	1,736
Weighted average number of shares ('000)	171,752	171,752
Basic earnings/(loss) per share - cents	0.91	1.01

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.

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 2015 the share options were not dilutive so the calculation excludes the impact of 18,750,000 shares (2014:24,750,000 shares) potentially issuable, consequently the diluted earnings per share is equivalent to the basic earnings per share.

## 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	
Cash and cash equivalents	2015 \$'000	2014 \$'000
Cash at bank and in hand	4,965	4,300
Total cash and cash equivalents	4,965	4,300

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



## 11. Trade and other receivables

		Group
	2015	2014
	\$'000	\$'000
Accounts receivable	1,841	1,559
Less impairment provision on receivables	(366)	(191)
Accrued revenue	723	719
Prepayments	172	120
GST	53	30
Other receivables	-	79
Total trade and other receivables	2,423	2,316

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. Derivative financial instruments

#### a. Interest rate instruments

The Group's subsidiary Smartpay New Zealand Limited has entered into four 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 fourth interest rate swap was entered into on 24 October 2014 for a notional amount of \$14,625,000. This swap terminates on 30 June 2017 and the Group pays fixed 4.41% and receives floating. The fair value is included in current liabilities or accruals.

## Fair value

	Gro	up	
	2015	2014	Movement
	\$'000	\$'000	
Swap A receives floating, pay fixed 2.88%	21	117	(96)
Swap B receives floating, pay fixed 3.28%	6	41	(35)
Swap C receives floating, pay fixed 4.64%	(181)	(11)	(170)
Swap D receives floating, pay fixed 4.41%	(110)	-	(110)
Total	(264)	147	(411)

## Notes (continued)

#### 13. Non current finance receivables

		Group
	2015	2014
	\$'000	\$'000
Total finance lease receivables	457	717
less current portion of finance lease receivables	(228)	(240)
Non current finance lease receivables	229	477

#### Finance Lease Receivable

2015	Current \$'000	<b>1-5 Years</b> \$'000	<b>Total</b> \$'000
Finance leases - gross receivable	262	240	502
less unearned finance income	(34)	(11)	(45)
Total finance lease receivables	228	229	457
2014	Current	1-5 Years	Total
Finance leases - gross receivable	297	524	821
less unearned finance income	(57)	(47)	(104)
Total finance lease receivables	240	477	717

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%).



## 14. Subsidiary 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
	2015	2014		
Subsidiaries				
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%	100%	Aust	Non-trading
Smartpay Taxis 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 their parent company of 31 March and all subsidiaries other than Smartpay Taxis Pty Limited were owned for the full financial year.

Smartpay Taxis Pty Limited was incorporated on 26 September 2014 to facilitate the taxi business growth in Australia and didn't trade during the 2015 financial year.

## 15. Business combinations

On 23 January 2013 the business and assets of Viaduct Limited (now TEOV Limited) were acquired by Smartpay Limited with provisional fair values established for the 2013 financial statements. These were amended in the 2014 financial statements. This affects the 2014 financial statements only with no impact on 2015. For a full analysis please refer to the 2014 annual financial statements.

## Notes (continued)

## 16. Property, plant and equipment

	Merchan at cost	Merchant terminals at cost					
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	
Opening carrying value	8,671	8,726	106	35	892	1,024	
Additions	366	-	68	107	114	183	
Transfers	3,695	3,214	-	-	-	-	
Depreciation	(2,803)	(2,428)	(46)	(34)	(309)	(314)	
Disposals	-	-	(11)	(2)	-	-	
Impairment	(546)	(682)	-	-	-	-	
FX adjustments	(25)	(159)	(2)	-	1	(1)	
Closing carrying value	9,358	8,671	115	106	698	892	
Capital work in progress							
Opening carrying value	1,418	1,697	-	-	-	-	
Additions	4,878	3,209	-	-	-	-	
Transfers	(3,695)	(3,214)	-	-	-	-	
Cost of sales	(198)	(253)	-	-	-	-	
Impairment	6	-	-	-	-	-	
FX adjustments	(18)	(21)	-	-	-	-	
Closing carrying value	2,391	1,418	-	-	-	-	
Total	11,749	10,089	115	106	698	892	
Reconciled to:							
Cost	15,275	12,785	311	261	4,248	4,135	
Less accumulated depreciation	(5,917)	(4,114)	(196)	(155)	(3,550)	(3,243	
Closing carrying value	9,358	8,671	115	106	698	892	
Capital work in progress	2,391	1,418	-	-	-	-	
Total	11,749	10,089	115	106	698	892	



	Mo	tor vehicles at cost		Group Total
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Opening carrying value	125	92	9,794	9,877
Additions	1	72	549	362
Transfers	-	-	3,695	3,214
Depreciation	(33)	(39)	(3,191)	(2,815)
Disposals	(17)	-	(28)	(2)
Impairment	-	-	(546)	(682)
FX adjustments	-	-	(26)	(160)
Closing carrying value	76	125	10,247	9,794
Capital work in progress				
Opening carrying value	-	-	1,418	1,697
Additions	-	-	4,878	3,209
Transfers	-	-	(3,695)	(3,214)
Cost of sales	-	-	(198)	(253)
Impairment	-	-	6	-
FX adjustments	-	-	(18)	(21)
Closing carrying value	-	-	2,391	1,418
Total	76	125	12,638	11,212
Reconciled to:				
Cost	135	168	19,969	17,349
Less accumulated depreciation	(59)	(43)	(9,722)	(7,555)
Closing carrying value	76	125	10,247	9,794
Capital work in progress	-	-	2,391	1,418
Total	76	125	12,638	11,212

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

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

## Notes (continued)

## 17. Intangible assets

Computer software and development costs are intangible assets.

	and devel	Computer software and development costs at cost		Customer contracts at cost		tal
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Opening carrying value	3,402	3,187	3,740	4,140	7,142	7,327
Additions	1,232	1,090	-	-	1,232	1,090
Amortisation	(1,086)	(834)	(423)	(400)	(1,509)	(1,234)
Disposals	(1)	(38)	-	-	(1)	(38)
FX adjustments	(3)	(3)	-	-	(3)	(3)
Closing carrying value	3,544	3,402	3,317	3,740	6,861	7,142
Reconciled to:						
Cost	16,599	15,371	4,234	4,234	20,833	19,605
Less accumulated depreciation	(11,636)	(10,550)	(917)	(494)	(12,553)	(11,044)
Less accumulated impairment	(1,419)	(1,419)	-	-	(1,419)	(1,419)
Closing carrying value	3,544	3,402	3,317	3,740	6,861	7,142

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) Internally developed software

Internally developed software to operate and manage the EFTPOS terminals has a carrying value of \$2,731,000 (2014: \$2,380,000).

## (ii) Stands

STANDS is transaction processing software. The principle function is to process payment at point of sale. It has a carrying value of \$662,000 (2014: \$771,000).

#### (iii) Arms

The ARMS software was originally purchased to manage and account for the prepaid and top-up revenues. This business has been discontinued, however the software will continue to be used by the Group for prepaid taxi vouchers. It has a carrying value of \$152,000 (2014: \$251,000).

## Customer contracts

Customer contracts relate to the lease contracts purchased as part of the business combination of Viaduct and the commission paid to acquire new customers. The customer contracts acquired as part of a business combination are valued at fair value and the other customers acquired are initially recorded at cost.



## 18. Goodwill

Group		
2015	2014	
\$'000	\$'000	
14,772	14,772	
-	-	
14,772	14,772	
14,772	14,772	
-	-	
14,772	14,772	
	2015 \$'000 14,772 - 14,772 14,772	

## a. Impairment

At 31 March 2015 and 2014 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 59% of the average of the 5 year cash flows. The cash flows are discounted using a nominal rate of 10% after tax.

Adverse changes in actual performance or future rates of growth will reduce the calculated recoverable amount. A change to a discount rate of 11.75%, reduction in revenue of 9%, or a 30% reduction in terminal value is required for the carrying amount of goodwill to equal the recoverable amount.

## Notes (continued)

## 19. Deferred tax asset / (liability)

		Group
Movements in deferred tax:	2015 \$'000	2014 \$'000
Opening balance	(687)	(687)
Charge to profit and loss	119	-
Balance at end of the year	(568)	(687)
Deferred tax balance comprises:		
Employee entitlements	145	121
Receivables impairment provision	14	32
Non deductible accruals	86	139
Licence fee	196	255
Revenue recognition differences	5,443	5,251
Computer software and development and customer contracts	(1,028)	(979)
Deferred tax asset not recognised for accounting	(5,424)	(5,506)
Total deferred tax balance	(568)	(687)
Deferred tax liability - New Zealand	(568)	(687)

#### a. Tax losses

The Group has aggregate estimated New Zealand net tax losses of \$23,756,000 as at 31 March 2015 (31 March 2014 actual \$22,274,000) and in Australia net taxable losses at the same date of \$782,000 (31 March 2014: \$1,023,000). 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.



## 20. Trade payables and accruals

		Group
	2015	2014
	\$'000	\$'000
Trade payables	1,690	1,425
Other payables	65	65
GST	301	341
Deferred revenue	348	290
Accruals	670	1,344
Employee entitlements	753	799
Total trade payables and accruals	3,827	4,264

Trade payables are typically non-interest bearing and are normally settled in 7–60 day terms. Within trade payables are accrued costs of \$774,000 (2014:\$nil) for capex purchases.

## 21. Income tax payable/(receivable)

	Group	
Current Tax	2015 \$'000	2014 \$'000
Opening balance	-	48
Payments and RWT credits	(30)	(48)
Balance at end of the year - liability / (receivable)	(30)	-

Imputation credit account balances

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

## Notes (continued)

#### 22. 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 30.

	Group		
Borrowings	2015 \$'000	2014 \$'000	
Secured - at amortised cost			
Current	5,817	2,772	
Non-current	20,243	23,192	
Total Borrowings	26,060	25,964	
The following arrangement fees have been deducted from the debt above.			
Arrangement fees	694	679	
Amortisation of arrangement fees	(624)	(393)	
	70	286	

#### 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. Throughout this financial year drawdowns on the capex facility amounted to \$2,880,000.

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 which had been extended by 12 months to 11 July 2016. This has subsequently been extended in October 2014 by a further 12 months to 11 July 2017. 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 currently set at 1.00% 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 further interest rate swaps were entered into on 24 January 2014 and 24 October 2014 to hedge the interest rate exposure on 75% of the term loan facility with fixed rates of 4.64% and 4.41%.

The term loan facility is repayable in quarterly instalments of \$750,000 the first of which was made on 30 September 2012, with the balance now payable on 11 July 2017.

The specific covenants relating to financial ratios the group was required to meet in 2015 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.



## 23. Share capital

Share capital	Group		
	2015	2014	
	000's	000's	
Opening balance	54,642	54,378	
Share based payments:			
Value of share options issued to directors that were amortised during the year.	117	380	
Value of share options issued to directors which were not exercised and which lapsed during the year	(50)	(116)	
Total shares issued during the year	67	264	
Balance at end of the year	54,709	54,642	

## a) Ordinary shares

As at 31 March 2015 there were 171,752,278 (2014:171,752,278) 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 or in 2014/15. 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	
	2015 000's	2014 000's
Opening balance	171,752	343,504
Share consolidation 1 for 2	-	(171,752)
Balance at end of the year	171,752	171,752

## b) Share options

The only movements in share options during the 2015 financial year related to options lapsing at 31 December 2014. Movements in the Number of Share Options on issue

	Group	Group and Parent	
	2015 000's	2014 000's	
Opening balance - weighted average exercise price per share: 2015 52.0c (2014 52.0c)	48,000	48,000	
Closing balance - weighted average exercise price per share: 2015 52.0c (2014: 52.0c)	48,000	48,000	
Weighted average remaining contractual life of outstanding options (years)	2.73	3.73	

There were no movements in these options in either 2015 or 2014.

## Notes (continued)

Movements in the Number of Directors Incentive Share Options on issue.

	Group and Parent	
	2015 000's	2014 000's
Opening balance - weighted average exercise price per share: 2015 64.21c (2014 68.46c)	41,000	76,000
Options lapsed - weighted average exercise price per share 2015: 30c(2014: 80c)	(2,000)	(35,000)
Closing balance - weighted average exercise price per share: 2015 73.33c (2014: 64.21c)	39,000	41,000
Weighted average remaining contractual life of outstanding options (years)	0.95	1.95

During 2015 no options were issued (2014: Nil). At 31 December 2014 2,000,000 options for 1,000,000 shares at 30.0c per share have lapsed. 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 2014 and 2015 that did not relate to a share based payment arrangement. However 10,000,000 share options for 5,000,000 shares at 30.0c per share issued alongside share capital lapsed at 31 December 2014. There are no further share options on issue that do not relate to share based payment arrangements.

## 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:

			2015		
		Directors Incentive Options 2012 Tranche 2	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	
Number of shares		1,750	1,000	1,000	
Risk-free interest rate		4.4%	3.3%	3.3%	
Exercise price (per share)		\$1.00	40.0c	60.0c	
Share price at measurement date post 1:2 share consolidation		44 cents	24 cents	24 cents	
Volatility		50%	50%	50%	
Life of options		58 months	57 months	69 months	
Exercise on or before		31/3/16	31/3/17	31/3/18	
Dividend yield		-	-	-	
Fair value		1.12 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

## 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	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
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	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



## 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		
	2015 \$'000	2014 \$'000	
Total borrowings (see note 22)	26,060	25,964	
Less cash and cash equivalents (see note 10)	(4,965)	(4,300)	
Net debt	21,095	21,664	
Total Equity	11,427	9,691	
Total Capital	32,522	31,355	
Ratio of Net debt to Total Capital	64.9%	69.1%	

## 24. Foreign currency translation reserve

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

Movements are shown in the Statement of Changes in Equity.

## Notes (continued)

## 25. Operating cash flows reconciliation

		Group
	2015 \$'000	2014
Profit/(loss) for the period	1,570	1,736
Add/(deduct) non-cash items:		
Depreciation & amortisation	4,703	4,049
Loss / (gain) on disposal of fixed assets	(4)	40
Share based payments	117	380
Financing costs and bad debts	272	207
Unrealised foreign exchange	201	983
Tax benefit	(119)	-
Provisions	-	(50)
Impairment charges	540	682
Add/(deduct) changes in working capital items:		
Trade and other receivables	(552)	(79)
Derivative financial instruments	411	(199)
Payables and accruals	(833)	(559)
Provision for current tax	(30)	(48)
Net cash inflow/(outflow) from operating activities	6,276	7,142

## 26. Operating leases

## Leases as lessee

Non cancellable operating lease rentals are payable as follows:

Operating Lease Commitments	Group		
	2015 \$'000	2014 \$'000	
Within one year	711	694	
After one year but not more than five years	614	1,262	
Total operating lease commitments	1,325	1,956	

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		
	2015 \$'000	2014 \$'000		
Within one year	4,168	4,392		
After one year but not more than five years	4,276	3,074		
Total operating lease commitments	8,444	7,466		

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

#### 27. Contingencies

#### Guarantees

The Group has provided bank guarantees in favour of Spark New Zealand to the value of \$160,000 (2014: \$160,000) and Vodafone to the value of \$300,000 (2014: \$300,000) in relation to the telephony top up business which has now ceased. We are in the process of terminating these bonds. Additionally further bank guarantees in favour of NZX of \$75,000 (2014: \$75,000) and for the Sydney office of A\$92,000 (2014: A\$92,000) are issued.

### 28. Capital commitments

The Group had no capital commitments at 31 March 2015 (2014: \$Nil).

## 29. 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 14 identifies all entities within the Group. All those entities are related parties of the Parent. In addition, the directors, companies with which the directors 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 \$43,590,000 (2014: \$43,509,000).

During the year interest of \$2,453,000 (2014: \$2,439,000) was charged by the Parent to subsidiary companies and a further \$404,000 (2014: \$418,000) 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 expenses recovered between subsidiary companies totalled \$714,000 (2014: \$587,000) which were eliminated from the Group financial statements. In addition there was a transfer of fixed assets between subsidiary companies of \$877,000 (2014: \$459,000) at book value.

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

## Notes (continued)

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

Claymore Law provided legal services to the Group on normal commercial terms amounting to \$64,000 (2014: \$224,000). Gregor Barclay is a consultant of Claymore Law Partnership and Director of Smartpay Holdings Limited. The balance outstanding at 31 March 2015 was \$4,000 (2014: \$24,000). Gregor Barclay was not actively involved in providing any legal services performed by Claymore Partners Limited for Smartpay.

Gregor Barclay is also a Director of Ngatapa Finance Limited, and provided consulting services in relation to Directors' fees on normal commercial terms amounting to \$45,000 (2014: \$38,000). His total option holding at 31 March 2015 was 10,000,000 Directors Incentive Options due 31 March 16 (2014: 10,000,000).

Bradley Gerdis is the Managing Director of Smartpay Holdings Limited. He is a Director of Haymaker Investments Pty Limited (HIL) 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 had a contract with SmartPay Australia Pty Limited which was terminated on 30 June 2013).

Bradley Gerdis or his associated entities have received:

- ACP received Nil in 2015 (2014: A\$105,000)
- Salary received A\$497,000 (2014: A\$476,500) which included a bonus of A\$114,000 (2014: A\$95,000).

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 5,621,109 (2014: 5,571,108) ordinary shares as well as 20,000,000 (2014: 30,000,000) share options which can be converted into 10,000,000 (2014: 15,000,000) shares - 5,000,000 at 40c per share by 31 March 17 and 5,000,000 at 60 cents per share by 31 March 18. No new share options were issued in the current year and 10,000,000 options entitling HIL to 5,000,000 shares lapsed at 31 December 2014.

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 holds 4,000,000 (2014: 4,000,000) options to purchase 2,000,000 (2014: 2,000,000) shares - half can be exercised by 31 December 2017 at an exercise price of 40 cents per share and half can be exercised by 31 December 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 holds 4,000,000 (2014: 4,000,000) options to purchase

2,000,000 (2014: 2,000,000) shares - half can be exercised by 31 December 2017 at an exercise price of 40 cents per share and half can be exercised by 31 December 2019 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 \$0 (2014: \$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 (2014: A\$75.000).

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 (2014: 3,000,000) ordinary shares and 4,000,000 (2014: 6,000,000) share options which can be converted into 2,000,000 (2014: 3,000,000) shares - 1,000,000 at 40c per share by 31 March 2017 and 1,000,000 at 60 cents per share by 31 March 2018. No new share options were issued in the current year and 2,000,000 options entitling TPL to 1,000,000 shares at 30.0 cents per share lapsed at 31 December 2014.

#### c. Key management and director compensation

Key management personnel comprises employees who are part of the Senior Management Team except Bradley Gerdis and Martyn Pomeroy who are included in Director remuneration. Key management personnel compensation comprised short term benefits and share instruments for the year ended 31 March 2015 of \$879,000 (2014: \$1,334,000). Directors remuneration was \$913,000 (2014: \$734,000).

	2015	2014
Key management compensation	\$'000	\$'000
Salaries and other short term employee benefits	879	1,334



## 30. 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

		Grou	ıp	
	Loans and receivables	Measured at fair value through profit and loss	Measured at amortised cost	Total
2015	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and bank balances	4,965	-	-	4,965
Trade, finance and other receivables	1,985	-	-	1,985
	6,950	-	-	6,950
Financial liabilities				
Trade payables and accruals	-	-	3,479	3,479
Derivative financial instruments	-	264	-	264
Financial liabilities at amortised cost	-	-	26,060	26,060
	-	264	29,539	29,80

## Notes (continued)

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

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 exposure to the following currencies, for which no hedging has been entered into:

- \$US Purchases of US\$3.6 million
- -\$Aust Sales of A\$2.0 million

## c. Credit risk

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

	Grou	р
	2015	2014
Maximum exposure to credit risk at balance date is:	\$'000	\$'000
Cash and cash equivalents	4,965	4,300
Trade receivables (net of impairment)	1,475	1,368
Finance lease receivables (net of impairment)	457	717

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 includes some "arrears" and "collection" and all the "salvage" category. In 2014 no impairment was made for overdue payments within the "arrears" and "collection" categories.

	20	15	20	)14
	%	\$'000	%	\$'000
Arrears	4.18%	134	3.47	120
Collections	1.04%	51	0.25	13
Salvage	0.95%	180	0.43	86
		365		219

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 and the total receivable balance is \$457,000, representing the future finance receivables. 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 2015 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 \$79,000 higher or \$79,000 lower. The notional principal of the interest rate swaps is \$17,438,000 and the carrying value on the balance sheet is a liability of \$264,000 (2014: asset of \$147,000).

The carrying amount has been determined in accordance with level one 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.

## Notes (continued)

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	26,130	5,880	20,250
Total Group Debt	26,130	5,880	20,250
Total Aging of Financial Liabilities Commitments	Total	Within 12 Months	Within 1 to 5 years
Group			,
2015			
Trade Payables and accruals	3,827	3,827	-
Future interest payments on borrowings (note 1)	3,359	1,602	1,757
Borrowings (note 2)	26,130	5,880	20,250
	33,316	11,309	22,007
2014			
Trade Payables and accruals	4,264	4,264	-
Future interest payments on borrowings (note 1)	4,144	1,755	2,389
Borrowings	26,250	3,000	23,250
	34,658	9,019	25,639

- 1. The future interest payment on borrowings includes the net swap receipts and payments based on an estimate of the floating interest rate.
- 2. Includes the drawn down revolving capex facility of \$2.8million.

## 31. Subsequent events

Following balance date the following events have occurred:

There have been no events subsequent to balance date.





## Independent auditor's report

## To the shareholders of Smartpay Holdings Limited

We have audited the accompanying consolidated financial statements of Smartpay Holdings Limited and its subsidiaries ('the Group') on pages 19 to 59. The financial statements comprise the consolidated statements of financial position as at 31 March 2015, the consolidated 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.

#### Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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 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 consolidated 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 group in relation to taxation, IT and compliance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

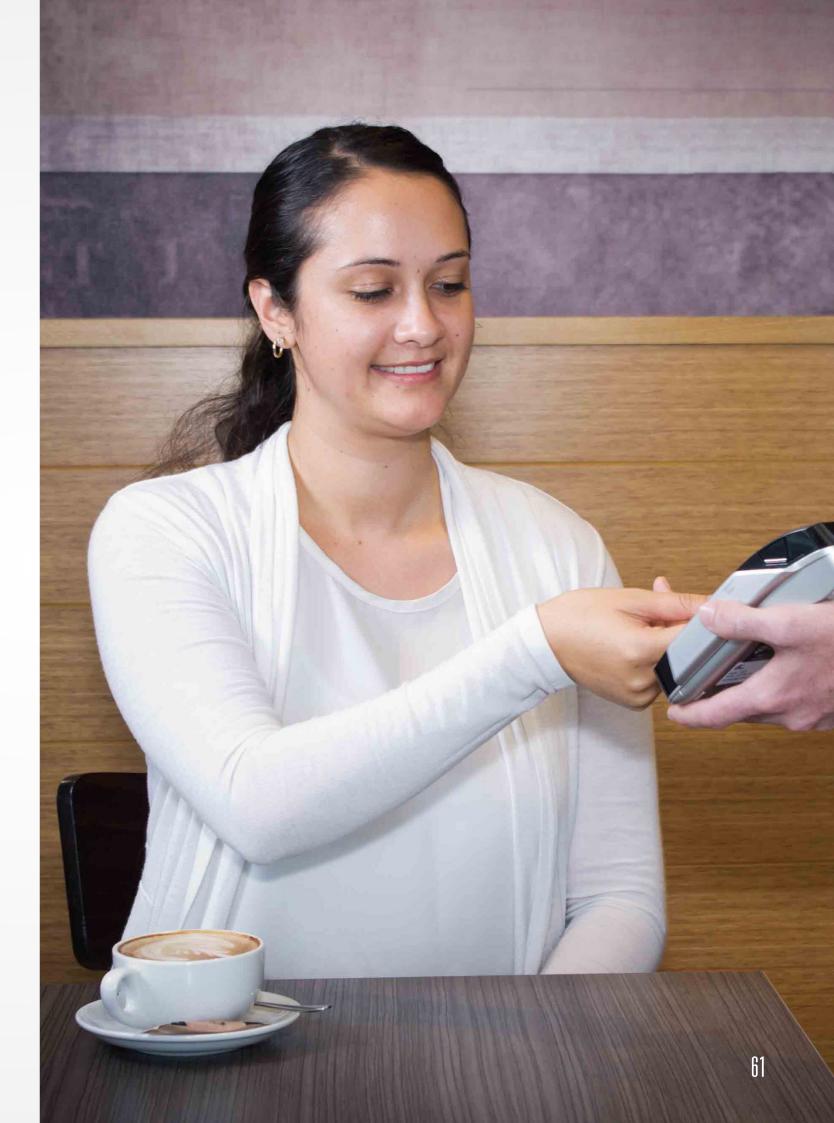
#### **Opinion**

In our opinion, the consolidated financial statements on pages 19 to 59 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of Smartpay Holdings Limited as at 31 March 2015 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

KPMG

29 May 2015

Auckland





## 1. Directors and former directors

At 31 March 2015 the directors holding office were Ivan Hammerschlag, Bradley Gerdis, Gregor Barclay, Matthew Turnbull and Marty Pomeroy.

Current Directors and their appointment dates are detailed below:

Name	<b>Date Appointed</b>	Position	Independence (Yes/No)
Ivan Hammerschlag BCom, CTA	1 July 2012	Non-Executive Chairman	Yes
Bradley Gerdis B.Bus (Hons), MCom	1 July 2012	Executive Director and Managing Director	No
Greg Barclay LLB, Dip. Bus	1 April 2010	Non-Executive Director	Yes
Matthew Turnbull BCom, CA	1 April 2013	Non-Executive Director	Yes
Marty Pomeroy	1 April 2014	Executive Director	No

At the annual meeting of shareholders held on 9 September 2014 Greg Barclay and Marty Pomeroy stood for re-election and were re-elected by the shareholders as Directors of the Company.

## 2. 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.

## 3. Subsidiary company directorships

At 31 March 2015, 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	Ivan Hammerschlag, Gregor Barclay, Bradley Gerdis
Pax Technology Pty Limited	Bradley Gerdis
Smartpay Taxis Pty Limited	Bradley Gerdis, Lincoln Burgess

## Statutory information (continued)

## 4. Subsidiary company changes

On 26th September 2014 Smartpay Taxis Pty Limited was incorporated. This is a wholly owned subsidiary of Smartpay Australia Pty Limited, Bradley Gerdis and Lincoln Burgess are the directors of the company.

#### 5. Directors' interests

As at 31 March 2015 the directors' declared interests in the following entities were:

Director	Interest	Entity
Ivan Hammerschlag	Chairman	RCG Corporation Limited (ASX Listed)
	Director	Numerous private companies
Bradley Gerdis	Director	Haymaker Investments Pty Limited (Haymaker Account)
	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 - Cricket World Cup 2015 Limited (Australian Company)
	Director	Shears & Mac Limited (and subsidiaries)
	Director	Ngatapa Finance Limited
	Director	International Cricket Council
	Director	ICC Development (International) Limited
	Director	ICC Business Corporation FZ LLC
Matthew Turnbull	Director	Black Rock Capital Limited
	Director	Verbier Limited
	Director	Mangawhara Farms Limited
	Director	Shears & Mac Limited
Martyn Pomeroy	Director	TEOV Limited



## 6. 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.

## 7. Director and officer interests in shares of the company

## a. 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 31/03/2014	Movement	Balance at 31/3/2015
Bradley Gerdis	Haymaker Investments Pty Limited (Haymaker Account)	Potential beneficiary under a discretionary trust	5,571,109	85,000	5,656,109
lvan Hammerschlag	Tidereef Pty Limited	Potential beneficiary under a discretionary trust	3,000,000	0	3,000,000
Gregor Barclay	Ngatapa Trustees Ltd	Potential beneficiary under a discretionary trust	576,910	0	576,910
	Ngatapa Advisory Ltd	Potential beneficiary under a discretionary trust	49,404	0	49,404
Martyn Pomeroy	TEOV Limited	Director and Shareholder of TEOV Limited	6,798,106	0	6,798,106

## b. Officers/senior managers

Officers and senior managers 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 and senior managers who held interests in the following Ordinary shares as at the balance date:

Officer	Name of shareholder	Nature of relevant interest	Balance at 31/03/2014	Movement	Balance at 31/03/2015
Mark Unwin	TEOV Limited	Director and Shareholder of TEOV Limited	6,798,106	0	6,798,106
Linc Burgess	Manaia Management Limited	Owned by associated parties	699,152	0	699,152
	Lincoln John Burgess and Anne Marie Burgess (Burgess Family a/c)	Trustee and Beneficial Interest	292,485	0	292,485

## Statutory information (continued)

## 8. Directors and officer interests in options of the company

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

#### a Directors

Director	Name of holder	Nature of relevant interest	Type of Option	Exercise Price	Balance as at 31/3/2014	Movement	Balance at 31/3/2015	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	(10,000,000)*	0	0
	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	Tidereef Pty Limited	Potential beneficiary under a discretionary trust	December 2014 Options	\$0.30 per share	2,000,000	(2,000,000)*	0	0
	Tidereef Pty Limited	Potential beneficiary under a discretionary trust	December 2017 Incentive Options	\$0.40 per share	2,000,000	0	2,000,000	1,000,000
	Tidereef Pty Limited	Potential beneficiary under a discretionary trust	December 2018 Incentive Options	\$0.60 per share	2,000,000	0	2,000,000	1,000,000
Gregor Barclay	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

# 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, which occurred on 20 August 2013, on the Options on issue at the time of consolidation was 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.



## b. Officers/senior managers

Officers and senior managers 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	Exercise price	Balance as at 31/3/2014	Movement	Balance at 31/3/2015	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

# see note on page 65.

## 9. Listing

The ordinary shares of Smartpay Holdings Limited are listed on the securities exchanges operated by the New Zealand Exchange Limited (NZX) and the Australian Securities Exchange (ASX).

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.

#### 10. 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	

## Statutory information (continued)

## 11. Employee remuneration

During the year a number of employees (excluding executive directors who are also employees) 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
320,000 – 329,000	1
240,000 – 249,000	1
200,000 – 209,000	1
170,000 – 179,000	1
160,000 – 169,000	2
140,000 – 149,000	3
130,000 – 139,000	2
120,000 – 129,000	2
110,000 – 119,000	3
100,000 – 109,000	4
Total	20

## 12. Gender comparisons

	Male	Female	Total	
Board	5	0	5	
Officers/senior managers	2	1	3	
Other employees and staff	66	45	111	

## 13. Directors' remuneration

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

## a. Directors' fees

Director	2015	2014	
Ivan Hammerschlag	AU\$45,000	AU\$45,000	
Gregor Barclay	NZ\$45,000	NZ\$38,000	
Matthew Turnbull	NZ\$55,000	NZ\$43,000	

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



#### b. Other remuneration

Bradley Gerdis received a remuneration package totaling AU\$ 497,000 (2014: AU\$ 476,500) which includes the payment of a bonus of AU\$113,750 (2014: AU\$95,000).

Marty Pomeroy received a remuneration package totaling \$405,041 which includes a payment of a bonus of \$98,083. He was appointed as a director on 1 April 2014 and his remuneration package was reported in the employee remuneration figures in the 2014 Annual Report.

The Company entered into a consultancy agreement on 1 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 (2014: AU\$75,000) to Honeystone Pty Limited for the period under this consultancy arrangement.

#### 14. 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.

## 15. 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.

#### 16. Other disclosures

#### a. Audit fee

Particulars of the audit fees paid during the year are set out on page 34.

#### b. Post balance date events

There are no post balance date events to record.

## c. On-market buy-back

There is no current on-market buy-back for the company.

#### d. Summary of waivers

There were no NZX waivers sought during the period.

As part of the 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.

## Statutory information (continued)

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 the issue 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 provice announcements simultaneously to both ASX and NZX.
- A waiver from Listing Rules 15.12, 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 procedures set out in the Constitution.

#### e. Exemptions

There were no exemptions sought during the period.



## 1. Securities on issue

The Securities on issue at the time of publication of the Annual Report are as follows:

#### a. Listed securities

171,752,278 Ordinary fully paid shares, all shares in this class carry a 1 vote per share voting right.

## b. Unlisted options

Options issued	Number of ordinary shares over which they are exercisable	Exercise Price per share	Expiry date
20,000,000 March 2016 Options	1,000,000	\$0.80	31 March 2016
35,000,000 Directors Incentive Options March 2016	1,750,000	\$1.00	31 March 2016
12,000,000 Incentive Options March 2017	6,000,000	\$0.40	31 March 2017
4,000,000 Incentive Options December 2017	2,000,000	\$0.40	31 December 2017
12,000,000 Options March 2018	6,000,000	\$0.60	31 March 2018
4,000,000 Incentive Options December 2019	2,000,000	\$0.60	31 December 2019
Total	18,750,000		

## c. Securities subject to voluntary escrow

As detailed in our Information Memorandum dated 2 August 2013, 6,737,500 of the Company's total fully paid ordinary shares currently on issue were subject to voluntary escrow, these restrictions ceased entirely on 25 January 2015.

## 2. Distribution of shareholders

	Australian Sub Register			New	Zealand Registe	er	Total			
Range	Total Holders	Units	% of Issued Capital	Total Holders	Units	% of Issued Capital	Total Holders	Shares	% of Issued Capital	
1 - 1,999	29	17,276	0.01	407	211,819	0.00	436	229,095	0.13	
2,000 - 4,999	50	155,107	0.09	145	435,401	0.25	195	590,508	0.34	
5,000 - 9,999	30	199,835	0.12	123	789,939	0.46	153	989,774	0.58	
10,000 - 49,999	89	2,014,277	1.17	250	5,376,193	3.13	339	7,390,470	4.30	
50,000 - 99,999	22	1,342,416	0.78	53	3,422,943	1.99	75	4,765,359	2.77	
100,000 - 499,999	41	9,058,047	5.27	55	11,413,690	6.65	96	20,471,737	11.92	
500,000 - 999,999	8	5,144,179	3.00	11	6,405,531	3.73	19	11,549,710	6.72	
1,000,000 - and over	11	44,718,408	26.04	14	81,047,217	47.19	25	125,765,625	73.23	
Total	280	62,649,545	36.48	1,058	109,102,733	63.52	1,338	171,752,278	100.00	

# Security holder information (continued) as at 31 May 2015

For the purposes of ASX Listing Rule 4.10.8 the closing price of SMP shares on the ASX as at 31 May 2015 was Au\$0.19 cents per share, there are approximately 511 shareholders holding less than a marketable parcel of securities.

## 3. 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	9.33
1,000,000 - 1,999,999	1	1,000,000	5.33
2,000,000 - 2,999,999	3	6,000,000	32.00
3,000,000 and over	1	10,000,000	53.33
Total	8	18,750,000	100.00

<sup>\*</sup> Range based on the number of shares over which the options are exercisable.

On 31 December 2014 12,000,000 unlisted Incentive Options December expired without being exercised.

## 4. Geographical spread of shareholders

Australian Sub Register			New 2	Zealand S	ub Regist	er	Total Register					
Location	Units	Units %	Holders	Holders	Units	Units %	Holders	Holders	Units	Units %	Holders	Holders
Canada	200	0.00	1	0.07	0	0.00	0	0.00	200	0.00	1	0.07
United Arab Emirates	0	0.00	0	0.00	100,00	0.06	1	0.07	100,000	0.06	1	0.07
United Kingdom	0	0.00	0	0.00	64,435	0.04	5	0.37	64,435	0.04	5	0.37
Malaysia	0	0.00	0	0.00	153,911	0.09	6	0.45	153,911	0.09	6	0.45
Singapore	2,098,114	1.22	3	0.22	240,400	0.14	1	0.07	2,338,514	1.36	4	00.30
Switzerland	5,396,526	3.14	1	0.07	17,500	0.01	2	0.15	5,414,026	3.15	3	0.22
Australia	44,325,679	25.81	212	15.84	6,805,333	3.96	45	3.36	51,131,012	29.77	257	19.21
New Zealand	10,829,026	6.31	63	4.71	101,721,154	59.23	998	74.59	112,550,180	65.33	1,061	79.30
Total	62,649,545	36.48	280	20.93	109,102,733	63.52	1,058	79.07	171,752,278	100.00	1,338	100.00



## 5. Geographical spread of option holders

Location	Number of shares over which options exercisable	% total shares over which options exercisable	Holders	% of holders
Australia	12,000,000	64.00	2	25
New Zealand	6,750,000	36.00	6	75
Total	18,750,000	100.00	8	100

On 31 December 2014 12,000,000 unlisted Incentive Options December expired without being exercised.

## 6. Twenty largest registered shareholders

Name	Units	% of Units
JP Morgan Chase Bank NA NZ Branch-Segregated Clients Acct - NZCSD (Cham24)	16,188,304	9.43
National Nominees New Zealand Limited – NZCSD (NNLZ90)	13,382,164	7.79
Sandhurst Trustees Ltd (TBF Small Cap Val Grwth A/C)	8,710,069	5.07
BNP Paribas Nominees (NZ) Limited - NZCSD	7,388,405	4.30
TEOV Limited	6,798,106	3.96
National Nominees Limited	6,572,435	3.83
Walker & Hall Fine Gifts Limited	6,010,920	3.50
Haymaker Investments Pty Limited (Haymaker A/C)	5,656,109	3.27
Melville Investment Holdings Limited	5,396,526	3.14
Chapter 52 Trustee Limited	4,968,751	2.89
Riverhorse Trustee Limited (Riverhorse A/C)	4,337,066	2.53
The Summit Hotel Bondi Beach Pty Ltd	4,053,303	2.36
Allan Walker Tattersfield	3,756,173	2.19
Harrogate Trustee Limited (Brandywine A/C)	3,222,676	1.88
Gleneagle Securities (Aust) Pty Ltd	3,105,510	1.81
Tidereef Pty Limited (Ivan Hammerschlag S/F A/C)	3,000,000	1.75
Anthony James Thorpe & Marilyn Ruth Thorpe & David Alistair Thorpe (AJ & MR Thorpe Family A/C)	2,731,252	1.59
Maxima Investments Limited	2,550,000	1.48
Gregory Kevin Molloy & Claymore Trustees Limited (Cicero A/C)	2,445,765	1.42
Citibank Nominees (New Zealand) Limited - NZCSD (CNOM90)	2,423,821	1.41
Totals: Top 20 holders of Ordinary Shares	112,662,355	65.60
Total Remaining Holders Balance	59,089,923	34.40
Total Holders	171,752,278	100.00

Security holder information (continued) as at 31 May 2015

## 7. Eight largest registered option holders

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	10,000,000	53.33	20,000,000	22.99
2	Tidereef Pty Limited as trustees for the Ivan Hammerschlag Superannutation Fund	2,000,000	10.67	4,000,000	4.60
3	Mark Unwin	2,000,000	10.67	4,000,000	4.60
4	Marty Pomeroy	2,000,000	10.67	4,000,000	4.60
5	Riverhorse Trustee Limited	1,000,000	5.33	20,000,000	22.99
6	Baroda Hill Investments Limited	750,000	4.00	15,000,000	17.24
7	Claymore Partners Trustees (2011) Limited as trustee of the SPY Trust	500,000	2.67	10,000,000	11.49
8	Nimmo Trustee Limited	500,000	2.67	10,000,000	11.49
Total		18,750,000	100.00	87,000,000	100.00

## 8. Substantial security holders

The following persons were substantial security holders (as defined in the Financial Markets Conduct Act 2013) in Smartpay Holdings Limited as at 31 March 2015 and 31 May 2015 and have disclosed the Substantial Security Holdings to the NZX and ASX as per the table below:

	Number of Securities	% of Capital
Hunter Hall Investment Management Limited and others	*33,182,609	9.66
Milford Asset Management Limited	12,699,330	7.39
Allan Walker Tattersfield	10,424,051	6.069
TBF Investment Management Pty Limited (T/A The Boat Fund)	9,710,069	5.65
Linear Asset Management Limited	9,710,069	5.65

The total number of issued voting securities of Smartpay Holdings Limited at this date was 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 two existing shares held in Smartpay were consolidated into one share.

# **Directory**

## Registered office

182-190 Wairau Road, Glenfield PO Box 100490, North Shore Mail Centre Auckland, New Zealand

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

## **Australian offices**

Level 2, 117 York Street SYDNEY NSW 2000

Phone: +61 2 8876 2300 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

## Management

Bradley Gerdis – Managing Director

Marty Pomeroy – General Manager New Zealand

Mark Unwin – General Manager Product

Linc Burgess – General Manager Australia

Rowena Bowman – Company Secretary

#### **Auditors**

KPMG KPMG Centre 18 Viaduct Harbour Avenue Auckland

Phone: + 64 9 367 5800

## Share Registrar – New Zealand

Computershare Investor Services Limited Private Bay 92119 Auckland 1142 Level 2, 159 Hurstmere Road Takapuna, North Shore City Auckland, New Zealand

## Share Registrar – Australia

Phone: + 64 9 488 8700

Computershare Investor Services Pty Ltd GPO Box 3329 Melbourne Victoria 3001 Freephone: 1 800 501 366

## Solicitors

Claymore Partners Limited Level 2 63 Fort Street Auckland

Phone: +64 9 379 3163











