



## **SMARTPAY HOLDINGS LIMITED**

### **2015 FINANCIAL STATEMENTS**

## **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

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**Ivan Hammerschlag**  
Chairman

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**Bradley Gerdis**  
Managing Director

## Statement of Comprehensive Income For the year ended 31 March 2015

		Group	
		2015	2014
Note		\$'000	\$'000
<b>Continuing operations</b>			
	<b>Revenue</b>	22,191	22,884
	Other income	21	22
	<b>Operating expenditure</b>	(13,009)	(13,239)
<b>Earnings before interest, tax, depreciation, share options expense, amortisation, impairments and unrealised foreign exchange</b>		9,203	9,667
	Depreciation and amortisation	(4,703)	(4,049)
	Unrealised foreign exchange adjustments	(201)	(983)
	Share option amortisation	(117)	(380)
	Net finance (costs) / income	(2,191)	(1,837)
	Impairments	(540)	(682)
		(7,752)	(7,931)
<b>Profit / (loss) before tax</b>		1,451	1,736
	Tax benefit	119	-
<b>Profit / (loss) for the year from continuing operations of owners</b>		1,570	1,736
<b>Other comprehensive income</b>			
	Foreign currency translation differences for foreign operations which may be reclassified subsequently to profit and loss (no tax effect)	49	485
	Share based payments reversal which will not subsequently be reclassified to profit / (loss) (no tax effect)	50	116
<b>Total comprehensive income of owners</b>		1,669	2,337
<b>Earnings / (losses) per share from continuing operations attributable to the equity holders of the company during the year.</b>			
	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 to the Financial Statements on pages 6 to 30 form part of the financial statements.

## Statement of Changes in Equity For the year ended 31 March 2015

	Group			Total
	Share Capital	Foreign Currency Translation Reserve	Retained Deficits	
<b>Balance at 31 March 2013</b>	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
<b>Total changes in equity</b>	264	485	1,852	2,601
<b>Balance at 31 March 2014</b>	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
<b>Total changes in equity</b>	67	49	1,620	1,736
<b>Balance at 31 March 2015</b>	54,709	631	(43,913)	11,427

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 6 to 30 form part of the financial statements.

## Statement of Financial Position As at 31 March 2015

	Note	Group	
		2015 \$'000	2014 \$'000
<b>Current assets</b>			
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	-
<b>Total current assets</b>		<b>7,646</b>	<b>7,003</b>
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>		<b>34,500</b>	<b>33,603</b>
<b>Total assets</b>		<b>42,146</b>	<b>40,606</b>
<b>Current liabilities</b>			
Trade payables and accruals	20	3,827	4,264
Derivative financial instruments	12	264	-
Borrowings	22	5,817	2,772
<b>Total current liabilities</b>		<b>9,908</b>	<b>7,036</b>
<b>Non-current liabilities</b>			
Borrowings	22	20,243	23,192
Deferred tax liabilities	19	568	687
<b>Total non-current liabilities</b>		<b>20,811</b>	<b>23,879</b>
<b>Total liabilities</b>		<b>30,719</b>	<b>30,915</b>
<b>Net assets</b>		<b>11,427</b>	<b>9,691</b>
<b>Equity</b>			
Share capital	23	54,709	54,642
Foreign currency translation reserve	24	631	582
Retained deficits		(43,913)	(45,533)
<b>Total equity</b>		<b>11,427</b>	<b>9,691</b>

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 6 to 30 form part of the financial statements.

## Statement of Cash Flows

### For the year ended 31 March 2015

		Group	
		2015	2014
		\$'000	\$'000
	Note		
<b>Cash flows from operating activities</b>			
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)
<b>Net cash inflow/(outflow) from operating activities</b>	25	<b>6,276</b>	<b>7,142</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of assets		20	-
Purchase of terminal assets and other property, plant and equipment		(4,213)	(3,295)
Purchase of Viaduct	15	-	(89)
Development of computer software		(1,283)	(872)
<b>Net cash outflow from investing activities</b>		<b>(5,476)</b>	<b>(4,256)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		2,880	-
Repayments of borrowings		(3,015)	(3,015)
Shares issued		-	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(135)</b>	<b>(3,015)</b>
<b>Net increase/(decrease) in cash equivalents</b>		<b>665</b>	<b>(129)</b>
<b>Add opening cash equivalents</b>		<b>4,300</b>	<b>4,429</b>
<b>Closing cash equivalents</b>		<b>4,965</b>	<b>4,300</b>
<i>Reconciliation of closing cash equivalents to the balance sheet:</i>			
Cash and cash equivalents		4,965	4,300
<b>Closing cash equivalents</b>	10	<b>4,965</b>	<b>4,300</b>

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 6 to 30 form part of the financial statements.

# Notes

## 1. General Information

Smartpay Holdings Limited (the "Parent") is a New Zealand company registered under the Companies Act 1993 and listed on both the New Zealand Stock Exchange ("NZX") and the Australian Securities Exchange ("ASX"). The Parent is an issuer in terms of the Financial Reporting Act 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

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

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

## **f. Consolidation**

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

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

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

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

### *Business Combinations*

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

Any excess of the cost of acquisition over the aggregate fair values of the identifiable net assets acquired is recognised as goodwill. Goodwill arising on acquisition is recognised as an asset and initially measured at cost. Refer to note 2.u for the Group's accounting policy on Goodwill.

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

## **g. Foreign Currencies**

### *i) Foreign Currency Transactions*

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

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

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

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

### *ii) Foreign Operations*

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

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

## **h. Comparatives**

When the presentation or classification of items is changed, comparative amounts are reclassified unless the reclassification is impractical. There have been only minor presentation or classification changes in the current period.

## **i. Current versus Non Current Classification**

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

An asset is current when it is:

- expected to be realised or intended to be sold or consumed within twelve months after the reporting date or
  - is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date
- All other assets are classified as non current.

A liability is current when it is:

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

All other liabilities are classified as non current.

## **j. Revenue Recognition**

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

### *i) Operating Lease Income*

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

### *ii) Finance Lease Income*

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

### *iii) Service and Software Revenue*

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

### *iv) Terminals and ancillary devices sold*

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

### *v) Finance Income*

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

### *vi) Dividends*

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

## **k. Share-based Payment Transactions**

### *Equity Settled Transaction*

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

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

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

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

- The grant date fair value of the award;
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- The expired portion of the vesting period. The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

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

## **l. Finance Costs**

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

#### **o. Financial Assets**

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

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

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

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

The Group has the following classifications:

*i) Financial Assets at Fair value through Profit & Loss*

This category has two sub categories

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

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

*ii) Loans and Receivables*

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

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

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

**Impairment of Financial Assets**

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

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

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

**Derecognition of Financial Assets**

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

**p. Derivative Financial Instruments**

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

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

**q. Merchant Terminals and Property, Plant and Equipment**

Merchant terminals and plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. All other repairs and maintenance are recognised in the Statement of Comprehensive Income as incurred.

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. Goodwill**

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

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

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

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

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

#### **v. Financial Liabilities and Equity Instruments**

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

##### *i) Equity Instruments*

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

##### *ii) Financial Liabilities*

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

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

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

#### **w. Provisions and Employee Leave Benefits**

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

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

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

##### *Employee Leave Benefits*

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

#### **x. Earnings Per Share**

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

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

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

**y. Fair value of financial assets and liabilities**

*Fair Value Methodologies*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

> *Certain Short Term Financial Assets*

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

> *Finance Receivables*

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

> *Other Financial Assets*

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

> *Payables and Other Financial Liabilities*

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

> *Borrowings*

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

**z. Government Grants**

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

**aa. Changes in Accounting Policies**

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

**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.

##### *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 Zealand	Australia	Elimination	Total
	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000
<b>Revenue</b>				
Operating lease, software and support revenue	16,555	2,277	-	18,832
Other service revenue	1,892	287	-	2,179
Sale of goods	836	411	(293)	954
Finance revenue	1	57	-	58
Other revenue	168	-	-	168
Total segment revenue	19,452	3,032	(293)	22,191
Capital expenditure	5,541	920	-	6,461
Non current assets	32,221	2,279	-	34,500

Geographical Segments	New Zealand	Australia	Elimination	Total
	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000
<b>Revenue</b>				
Operating lease, software and support revenue	17,579	2,356	-	19,935
Other service revenue	1,688	395	-	2,083
Sale of goods	477	178	-	655
Finance revenue	4	81	-	85
Other revenue	126	-	-	126
Total segment revenue	19,874	3,010	-	22,884
Capital expenditure	4,224	414	-	4,638
Non current assets	31,503	2,100	-	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:

	Group	
	2015 \$'000	2014 \$'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:

### Operating Expenditure

	Group	
	2015	2014
	\$'000	\$'000
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
	<b>13,009</b>	<b>13,239</b>

### Depreciation and Amortisation

	Group	
	2015	2014
	\$'000	\$'000
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
	<b>4,703</b>	<b>4,049</b>

### Auditors Fees included in operating expenditure

	Group	
	2015	2014
	\$'000	\$'000
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
	<b>161</b>	<b>208</b>

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

### Other specific costs included in operating expenditure

	Group	
	2015	2014
	\$'000	\$'000
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

	Group	
	2015	2014
	\$'000	\$'000
Other interest received	(114)	(94)
Interest on bank overdrafts and borrowings	2,074	1,630
Finance transaction fees amortisation	231	301
	<b>2,191</b>	<b>1,837</b>

### Impairments

	Group	
	2015	2014
	\$'000	\$'000
Property, plant and equipment	540	682

## 8. Taxation Expense / (Credit)

	Group	
	2015	2014
	\$'000	\$'000
<i>Income tax expense comprises:</i>		
Current income tax expense	-	-
Deferred tax (benefit)	119	-
Income tax benefit	119	-
<i>Reconciliation between charge for year and accounting profit</i>		
<b>Profit/(loss) before tax</b>	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%).

## 9. Earnings per Share

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

	Group	
	2015	2014
	\$'000	\$'000
<b>Basic earnings/(loss) per share - cents</b>		
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	
	2015	2014
	\$'000	\$'000
<b>Cash and cash equivalents</b>		
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

	Group		
	2015 \$'000	2014 \$'000	Movement
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)

## 13. Non Current Finance Receivables

	Group		
	2015 \$'000	2014 \$'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	1-5 Years	Total
Finance leases - gross receivable	262	240	502
less unearned finance income	(34)	(11)	(45)
Total finance lease receivables	228	229	457

  

Finance Lease Receivable	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.

Subsidiaries	Equity Interest		Place of Incorporation	Activities
	2015	2014		
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.

## 16. Property, Plant and Equipment

	Merchant terminals at cost		Furniture, fixtures and office equipment at cost		Computer equipment 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 Merchant Terminals	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 Merchant Terminals	11,749	10,089	115	106	698	892

	Motor vehicles at cost		Group Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'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 Merchant Terminals	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 Merchant Terminals	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.

## 17. Intangible Assets

Computer software and development costs are intangible assets.

	Computer software and development costs at cost		Customer contracts at cost		Group Total	
	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
<i>Reconciled to:</i>						
Cost	16,599	15,371	4,234	4,234	20,833	19,605
Less accumulated amortisation	(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 \$'000	2014 \$'000
Opening value net of accumulated impairment	14,772	14,772
Impairment	-	-
Closing carrying value	14,772	14,772
<i>Reconciled to:</i>		
Cost	14,772	14,772
Less accumulated impairment	-	-
Closing carrying value	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.

## 19. Deferred Tax Asset / (Liability)

	Group	
	2015	2014
	\$'000	\$'000
Movements in deferred tax:		
Opening balance	(687)	(687)
Charge to profit and loss	119	-
Balance at end of the year	<u>(568)</u>	<u>(687)</u>
Deferred tax balance comprises:		
Employee entitlements	145	121
Receivables impairment provision	14	32
Non deductible accruals	86	139
License 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	<u>(568)</u>	<u>(687)</u>
Deferred tax liability - New Zealand	<u>(568)</u>	<u>(687)</u>

### 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	<u>3,827</u>	<u>4,264</u>

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

### Imputation credit account balances

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

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

### 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

	Group	
	2015	2014
Share Capital	\$'000	\$'000
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	2014
	000's	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 and Parent	
	2015	2014
	000's	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.

Movements in the Number of Directors Incentive Share Options on issue

	Group and Parent	
	2015	2014
	000's	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:

	<b>2015</b>				
	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
	<b>2014</b>				
	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 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	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	2014
	\$'000	\$'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.

## 25. Operating Cash Flows Reconciliation

	Group	
	2015	2014
	\$'000	\$'000
Profit/(loss) for the period	1,570	1,736
<i>Add/(deduct) non-cash items:</i>		
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
<i>Add/(deduct) changes in working capital items:</i>		
Trade and other receivables	(552)	(79)
Derivative financial instruments	411	(199)
Payables and accruals	(833)	(559)
Provision for current tax	(30)	(48)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>6,276</b>	<b>7,142</b>

## 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.

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 and principal of Ngatapa Trust, 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).

Key Management Compensation

Salaries and other short term employee benefits

	2015	2014
	\$'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

Group	Group			Total
	Loans and receivables	Measured at fair value through profit and loss	Measured at amortised cost	
	\$'000	\$'000	\$'000	\$'000
<b>2015</b>				
Financial assets				
Cash and bank balances	4,965	-	-	4,965
Trade, finance and other receivables	1,985	-	-	1,985
	<b>6,950</b>	<b>-</b>	<b>-</b>	<b>6,950</b>
Financial liabilities				
Trade payables and accruals	-	-	3,479	3,479
Derivative financial instruments	-	264	-	264
Financial liabilities at amortised cost	-	-	26,060	26,060
	<b>-</b>	<b>264</b>	<b>29,539</b>	<b>29,803</b>
<b>2014</b>				
Financial assets				
Cash and bank balances	4,300	-	-	4,300
Trade, finance and other receivables	2,194	-	-	2,194
Derivative financial instruments	-	147	-	147
	<b>6,494</b>	<b>147</b>	<b>-</b>	<b>6,641</b>
Financial liabilities				
Trade payables and accruals	-	-	3,923	3,923
Financial liabilities	-	-	25,964	25,964
	<b>-</b>	<b>-</b>	<b>29,887</b>	<b>29,887</b>

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.

	Group	
	2015	2014
	\$'000	\$'000
Maximum exposure to credit risk at balance date is:		
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.

	2015		2014	
	%	\$'000	%	\$'000
Arrears	4.18%	134	3.47	120
Collections	1.04%	51	0.25	13
Salvage	0.95%	180	0.43	86
		<u>365</u>		<u>219</u>

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 level 1 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.

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

	Total	Within 12 Months	Within 1 to 5 years
ASB Bank Limited	26,130	5,880	20,250
<b>Total Group Debt</b>	<u>26,130</u>	<u>5,880</u>	<u>20,250</u>
<b>Total Aging of Financial Liabilities Commitments</b>	Total	Within 12 Months	Within 1 to 5 years
<b>Group</b>			
<b>2015</b>			
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
	<u>33,316</u>	<u>11,309</u>	<u>22,007</u>
<b>2014</b>			
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
	<u>34,658</u>	<u>9,019</u>	<u>25,639</u>

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 2 to 30. 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 2 to 30 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.

29 May 2015

Auckland