Directors' Report and Annual Financial Report

for the year ended 30 June 2017

eftpos Payments Australia Limited ABN 37 136 180 366

Directors' Report and Annual Financial Report for the year ended 30 June 2017

Contents

Directors' Report
for the year ended 30 June 2017

Your Directors present their report on eftpos Payments Australia Limited for the period commencing on 1 July 2016 and ending 30 June 2017 (the reporting period).

Directors appointed during the reporting period

The following Directors were appointed during the reporting period on the dates stated:
Mr Derek Weatherley (19 August 2016)
Ms Simone Van Veen (9 September 2016)
Mr Vinay Rao (26 September 2016)

Alternate Directors appointed during the reporting period

The following Alternate Directors were appointed during the reporting period on the dates stated:
Mr Michael Baumann for Mr Stuart Woodward (15 May 2017)
Ms Rachael Brigham for Mr Derek Weatherley (19 August 2016)

The names of the Directors and Company Secretary in office at the date of this report are set out below.

Independent Directors	
Ms Vickki McFadden, BComm, LLB, MAICD	Independent Director and Chairman
Mr Brett Chenoweth, LLB, BEc	Independent Director
Ms Leslie Martin, AB, MBA, FAICD	Independent Director
Nominee Directors	
Mr Stephen Benton, BComm	Nominee Director
Mr John Collins	Nominee Director
Mr Shane Harris[1]	Nominee Director
Mr Cornelis (Kees) Kwakernaak[2] MScE	Nominee Director
Mr Vinay Rao, BE	Nominee Director
Ms Simone Van Veen, BA (Psych), MBA	Nominee Director
Mr Derek Weatherley, BComm, MAcc, MAICD	Nominee Director
Mr Stuart Woodward, BA (Hons), FFIN, GAICD	Nominee Director
Company Secretary	
Ms Robyn Sanders, LLB	Company Secretary

Alternate Directors
Mr Michael Baumann
Ms Rachael Brigham
Mr Victor Zheng[3]
Mr Paul Askew[4]

Director Resignation
Mr David Jay (21 October 2016)
Mr Adrian Lovney (18 August 2016)
Mr David Curry (18 August 2016)
Mr Alexander Twigg (23 September 2016)
Ms Nikala Busse (21 August 2017)[5]
Mr Bruce Mansfield (31 August 2017)[6]

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[1] *Mr Shane Harris was appointed as Director on 22 August 2017.*
[2] *Mr Cornelis (Kees) Kwakernaak was appointed as Director on 4 July 2017.*
[3] *Mr Victor Zheng resigned as Alternate Director for Mr Stephen Benton on 7 September 2017.*
[4] *Mr Paul Askew was appointed as Alternate Director for Shane Harris on 22 August 2017.*
[5] *Ms Nikala Busse resigned as Director on 21 August 2017.*
[6] *Mr Bruce Mansfield stepped down as Managing Director effective 31 August 2017.*

Company Secretary
Ms Robyn Sanders

Company Secretary Resignation
Ms Samantha Blevins
(23 December 2016)

Alternate Director Resignation
Mr Spencer May (4 April 2017)
Ms Danielle Murrie (13 January 2017)
Ms Diane Shehata (18 August 2016)
Ms Rachael Brigham (resigned as Adrian Lovney alternate on 18 August 2016)

Directors' meetings attendance

Below shows the Directors meeting attendance schedule from 1 July 2016 to 30 June 2017.

	Board	Finance, Risk & Audit Committee (FRAC)	Remuneration & Nominations Committee (RNC)	Technology Operations Committee (TOC)	Rebate Committee (Rebate)
Independent Directors					
Ms Vickki McFadden[7]	6/6	5/5	4/4		1/1
Mr Brett Chenoweth[8]	6/6	3/3		3/3	1/1
Ms Leslie Martin[9]	6/6	4/5	4/4		1/1
Nominee Directors					
Mr Stephen Benton	6/6		3/4		
Ms Nikala Busse[10]	6/6	5/5		4/4	
Mr John Collins	5/6			3/4	
Mr David Curry	1/1				
Mr David Jay	2/2	1/1			
Mr Adrian Lovney	1/1		2/2		
Mr Vinay Rao	5/5		2/2	0/1	
Mr Alexander Twigg	0/1		2/2		
Ms Simone Van Veen	5/5			3/4	
Mr Derek Weatherley[11]	5/5		2/2		
Mr Stuart Woodward[12]	6/6	5/5			
Managing Director					
Mr Bruce Mansfield[13]	6/6				1/1
Numerator = Meetings attended. Denominator = Meetings required to attend as Committee Member (excluding ex officio)					

Company limited by guarantee

The company is limited by guarantee with each of the 18 members being liable to the extent of $10,000 each on the Company's winding up, being a total of $180,000.

Results

The operating profit after income tax for the year ended 30 June 2017 was $3.874 million (2016: $1.222 million).

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[7] *Ms Vickki McFadden is the Chair of the Board and Rebate Committee.*
[8] *Mr Brett Chenoweth is Chair of the FRAC (commenced as Chair on 1 February 2017). Mr Chenoweth was also Chair of the TOC until his last TOC meeting on 7 February 2017.*
[9] *Ms Leslie Martin is Chair of the RNC.*
[10] *Ms Nikala Busse was represented by her Alternate Director Mr Spencer May for one Board meeting (on 28 September 2016) and one FRAC meeting (on 28 September 2016). Ms Busse Chaired her first TOC meeting on 10 May 2017, which was the last meeting of that Committee.*
[11] *Mr Derek Weatherley was represented by his Alternate Director Ms Rachael Brigham for two Board meetings (on 28 September 2016 and 30 November 2016) and one RNC meeting (on 24 November 2016).*
[12] *Mr Stuart Woodward was Chair of the FRAC up until to 31 January 2017.*
[13] *Mr Bruce Mansfield attended all of the FRAC and RNC meetings as a non-voting attendee. He attended two TOC meetings (on 7 February 2017 and 10 May 2017) in an ex-officio capacity. He also attended all of the Rebate Committee meetings.*

Objectives

Our short and long term objective is to enable Members to collaborate and co-develop cost effective localised industry solutions to common payments issues whilst at the same time upholding the reputation, integrity, security, reliability and stability of the eftpos payments system.

Strategy

Towards these objectives, our strategy is to:

- Continue the expansion of the business from a pure Scheme model to a more diversified platform and processing model;
- Complete the eftpos transformation initiatives and realise the value they create; and
- Diversify into strategically important parts of the payments value chain to capture growth opportunities

Principal activities

The Company has responsibility for managing and promoting the Australian eftpos debit card system and its associated payments and processing infrastructure and services.

During the reporting period, the Company progressed key areas of the transformation program including:

- Connection of all remaining foundation Members to the eftpos Hub;
- Operationalisation of eftpos' Token Service Provider (TSP) capability;
- Launch of a centralised interchange fee calculation (IFC) service;
- Deployment of eftpos Chip and Contactless cards and terminals;
- Expansion of ATM processing activity;
- Development and testing of eftpos mobile payments for commercial launch in FY2018; and
- Development of a multilateral settlement capability (eftpos Settlement Service).

These activities have assisted the Company in achieving our objectives by:

- Completing the multilateral network allowing the replacement of bilateral infrastructure;
- Simplifying Member back office activity leading to easier engagement;
- Strengthening our EMV presence and ability to support contactless eftpos transactions;
- Providing access to Members to digital infrastructure (TSP) that can enhance product development and minimise fraud; and
- Positioning eftpos digital capabilities within mobile ecosystems for future mobile and in-app growth.

Measuring performance

The Company measures its performance via a range of key performance indicators that cover:

- Financial targets;
- Transaction volumes and market share;
- Operational efficiency and reliability;
- Product development;
- Member and Employee engagement; and
- Risk maturity.

Directors' benefits

Since the date of incorporation, no Director of eftpos has received, or has become entitled to receive, a benefit other than:

- The Directors' fees payable to the Chair and two other Independent Directors, set out in note 16 to the financial statements;
- Normal benefits as a full-time employee of eftpos, which are payable to the CEO and are included in note 16 to the financial statements; and
- The benefit of the indemnity described below.

Directors' and Officers' indemnity

The *Corporations Act 2001* prohibits a company from indemnifying company Directors, secretaries, executive officers and auditors from liability except for liability to a party, other than eftpos or a related body corporate, where the liability does not arise out of conduct involving a lack of good faith and except for liability for costs and expenses incurred in successfully defending certain proceedings.

Article 15.1 provides in effect that every person who is or has been a Director, Alternate Director or Secretary of eftpos is entitled to be indemnified by eftpos against any liabilities and expenses incurred by that person relating to that person's position with eftpos other than to the extent prohibited by statute.

The following Directors and officers of eftpos were indemnified in the reporting period:

- The Directors and Alternate Directors named earlier;
- Chief Executive Officer & Managing Director;
- Chief Financial Officer;
- Chief Technology Officer;
- Chief Commercial Officer;
- Chief Product Officer;
- General Counsel and Company Secretary.

Between the end of the reporting period and the date of the declaration, the indemnity extended to Chief Operating Officer and Head of Finance.

Insurance

During the reporting period, eftpos paid a premium under a contract insuring each of the Directors and Alternate Directors of eftpos and each of the executive officers referred to above. Disclosure of the nature of the liability insured against and the amount of the premium is prohibited by the confidentiality clause of the insurance policy, in accordance with common commercial practice.

Dividends

The company is incorporated by guarantee and does not provide dividends to Members.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act* 2001.

Auditor's Independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporation Act 2001 is set out on page 7.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Matters subsequent to the end of the reporting period

a) Resignation of Chief Financial Officer

On 27 July 2017, Mr David Heine announced his resignation as Chief Financial Officer with an effective date of 26 October 2017.

b) Change in Chief Executive Officer/Managing Director

On 31 August 2017, Mr Bruce Mansfield stepped down as Chief Executive Officer and Managing Director. Mr Paul Jennings was appointed as acting Chief Executive Officer effective from 1 September 2017.

The Directors are not aware of any other matters or circumstances occurring between 30 June 2017 and the date of the Directors' declaration, not otherwise dealt with in this report, that has significantly, or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

This report is made in accordance with a resolution of Directors.

V. McFadden
Chairman
Sydney
27 September 2017

B. Chenoweth
Chair, Finance, Risk and Audit Committee
Sydney
27 September 2017

Auditor's Independence Declaration

As lead auditor for the audit of eftpos Payments Australia Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Sam Garland
Partner
PricewaterhouseCoopers

Melbourne
27 September 2017

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Annual Financial Report

For the year ended 30 June 2017

eftpos Payments Australia Limited ABN 37 136 180 366

Contents

This financial report covers eftpos Payments Australia Limited as an individual company. The financial report is presented in Australian dollars.

eftpos Payments Australia Limited is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:

eftpos Payments Australia Limited
Level 11, 45 Clarence Street
Sydney NSW 2000

A description of the nature of the company's operations and its principal activities is included in the Directors' Report commencing page 4.

Statement of comprehensive income

for the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue from continuing operations	2	48,856	44,641
Employee benefits expense	3	(16,896)	(15,429)
Depreciation and amortisation expense		(4,087)	(3,596)
Marketing expenses		(3,874)	(3,729)
Product and Implementation expenses	4	(14,379)	(13,639)
Other expenses	5	(5,296)	(4,975)
Loss on disposal of assets		(120)	(225)
Profit before income tax		**4,204**	**3,048**
Income tax expense	6	(330)	(1,826)
Profit for the year		3,874	1,222
Total comprehensive income		**3,874**	**1,222**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

as at 30 June 2017

Assets	Note	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	7	21,521	20,366
Trade and other receivables	8	11,553	13,273
Prepayments	9	1,104	2,663
Current tax assets		3,123	5,470
Total current assets		**37,301**	**41,772**
Non-current assets			
Property, plant and equipment	10	886	595
Intangible assets	11	24,079	25,039
Total non-current assets		**24,965**	**25,634**
Total assets		**62,266**	**67,406**
Liabilities			
Current liabilities			
Trade and other payables	12	9,959	16,380
Deferred consideration	13	1,040	1,040
Provisions	14	593	1,664
Total current liabilities		**11,592**	**19,084**
Non-current liabilities			
Deferred consideration	13	2,035	3,030
Deferred tax liabilities	6	1,368	1,797
Provisions	14	519	617
Total non-current liabilities		**3,922**	**5,444**
Total liabilities		**15,514**	**24,528**
Net assets		**46,752**	**42,878**
Equity			
Retained earnings		46,752	42,878
Total equity		**46,752**	**42,878**

The above statement of statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity
for the year ended 30 June 2017

	Retained earnings $'000	Total $'000
Balance as at 1 July 2015	41,656	41,656
Net profit for the year	1,222	1,222
Other comprehensive income	-	-
Total comprehensive income for the year	1,222	1,222
Balance as at 30 June 2016	**42,878**	**42,878**
Balance as at 1 July 2016	42,878	42,878
Net profit for the year	3,874	3,874
Other comprehensive income	-	-
Total comprehensive income for the year	3,874	3,874
Balance as at 30 June 2017	**46,752**	**46,752**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flow
for the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Contributions towards expenses by Members and scheme fees (inclusive of goods and services tax)		71,407	56,726
Payments to suppliers and employees (inclusive of goods and services tax)		(69,037)	(52,761)
		2,370	3,965
Interest received		403	334
Income taxes (paid)/ refunds received		1,587	(290)
Net cash inflow from operating activities	21	**4,360**	**4,009**
Cash flows from investing activities			
Payments for property, plant and equipment		(861)	(325)
Payments for intangible assets		(2,344)	(4,378)
Net cash outflow from investing activities		**(3,205)**	**(4,703)**
Cash flows from financing activities		-	-
Net cash inflow/(outflow) from financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		1,155	(696)
Cash and cash equivalents at the beginning of the year		20,366	21,062
Cash and cash equivalents at the end of the year		**21,521**	**20,366**

The above statement of cash flow should be read in conjunction with the accompanying notes.

Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the reporting periods presented, unless otherwise stated.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. eftpos Payments Australia Limited (the company) is a for-profit entity for the purpose of preparing the financial statements.

i. *Compliance with IFRS*

The financial statements of the company comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

ii. *New and amended standards adopted by the company*

Certain new accounting standards and interpretations have been published as at 30 June 2017:

- AASB 9 'Financial Instruments' contains new requirements for the classification, measurement, and derecognition of financial assets and financial liabilities. AASB 9 is not mandatory until 1 July 2018. The potential financial impact of the above to the company has not been determined.

- AASB 15 'Revenue from Contracts with Customers' contains new requirements for the recognition of revenue and additional disclosures. AASB 15 is not mandatory until 1 July 2018. The potential financial impact of the above to the company has not been determined.

iii. *Early adoption of standards*

The company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

iv. *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of any financial assets and liabilities at fair value through profit or loss and certain classes of property, and plant and equipment.

v. *Critical accounting estimates and judgement*

The preparation of financial statements requires the use of certain critical accounting estimates and judgement. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

a. Property, plant and equipment

Where indicators for impairment exist, the property, plant and equipment's carrying value is considered, to determine whether any impairment is required.

Management have assessed the useful lives of the component assets making up of property, plant and equipment. Computer hardware and software assets have been determined to have a useful life of 3 years. Other assets are determined on an assessment of each asset.

b. Intangible assets

Intangible assets are recognised through the capitalisation of expenses, when it can be demonstrated that:

- eftpos has control of the intangible asset;
- the asset is considered to be separately identifiable; and
- future economic benefit will flow from the asset.

The company has considered the future economic benefits and compliance with the Australian Accounting Standard when determining the useful life of intangible assets.

b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates. The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria have been met for each of the company's activities as described below.

Revenue is recognised for the major business activities as follows:

Fees are recognised as revenue when the fees are receivable, and no significant uncertainty exists as to their collectability except where the fee specifically entitles the member to other services or products to be provided, in which case, revenue is recognised on a basis that reflects the timing, nature and value of benefits provided.

i. Joining and Connection fees

Members are required to pay a joining fee on becoming a member. Joining fees are recognised when the Member lodges an application and qualifies to join. Connection fees are a flat fee for each month the Member is connected to the Hub. Connection fees are recognised at the end of the month in which fees are earned.

ii. Scheme fees

Scheme fees were effective for the reporting period. Scheme fee revenue is recognised in the statement of comprehensive income either at the end of the month in which the fees were earned, or when an invoice is raised.

iii. Rebates

Revenue is presented net of fee rebates provided to members. Fee rebates that contribute to the success of the company are provided to members in accordance with the Rebate Policy and subject to the approval of the Rebate Committee or Managing Director (depending on the amount of the rebate). Rebate arrangements covering multiple financial years may be entered into. The rebate amount is recognised in the statement of comprehensive income in line with the qualifying behaviour as set out in the contracts. These contracts may include different amounts and qualifying behaviour over the life of the rebate agreement allowing their separate recognition.

c) Income tax

The income tax expense or revenue for the period is the tax payable on the current year's taxable income based on the applicable income tax rate for Australia, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge and deferred tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Australia where the company operates and generates taxable income. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss.

eftpos may be eligible for a Research and Development (R&D) tax incentive where it engages in activities which are experimental and conducted for the purpose of generating new technology. The company applies judgement in determining which activities are eligible for a tax credit. Where tax credits are available they are recognised as an offset to income tax payable.

d) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Operating lease payments are charged to the statement of comprehensive income in the reporting period it is incurred, hence representing the pattern of benefits derived. Amounts recognised are net of any incentives received from the lessor, and are incurred on a straight-line basis over the period of the lease. Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

e) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash at bank, deposits at call which are readily convertible to cash (within 3 months) and are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. There is no bank overdraft drawn down as at the end of the reporting period.

f) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Scheme fees are invoiced in arrears within 28 days of the month end with settlement due within 14 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an on-going basis. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted as effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

g) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Depreciation rates used for plant and equipment range between 10% and 33% and reflect the expected useful life of the assets, typically:

Office Equipment and Furniture	3-5 years
Computer Hardware	3 years
Computer Software	3 years
Lease Improvements	5 years

The asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

h) Intangible assets

Software Development costs include only the costs directly attributable to the development and build phase of the asset. Costs capitalised include external direct costs of materials and services, and employee costs directly related to the development and build phase. Amortisation is calculated using the straight line method to allocate the cost, net of their residual value, over the estimated useful life. The straight line method has been elected as the declining balance method of amortisation cannot be reasonably estimated. Amortisation rates used for Software Development costs range between 14% and 25% and reflect the expected useful life of the assets.

Software Development costs can include deferred consideration, where the asset is recognised in the current period, and payment is in a future period(s). Deferred consideration is measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in deferred consideration due to the passage of time is recognised as interest expense.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

An annual assessment of the carrying amount versus the recoverable value has been performed. The value in use model has been used to assess indicators of impairment.

i) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the company prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. Trade and other payables are recognised at fair value initially.

Trade and other payables can include liabilities with deferred settlement, where the liability is recognised in the current period, and payment is in a future period(s). Payables with deferred settlement are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the deferred settlement cost due to the passage of time is recognised as interest expense.

j) Provisions

Provisions for legal claims and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

k) Employee benefits

i. Short-term obligations

Liabilities for wages and salaries, including employee related taxes, non-monetary benefits and annual leave, expected to be settled within 12 months after the end of the period in which the employees render the related service. These amounts are measured at an amount the Company expects to pay when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

ii. Long-term obligations

The liabilities for long service leave and annual leave that are not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the the end of each reporting period if the company does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

iii. Bonus plans

The company recognises a liability and an expense for bonuses based on a formula that takes into consideration the performance of the overall company. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

iv. Long term incentives

A long term cash incentive program vesting over 3 years is recognised in the financial statements. The obligation is presented as non-current liability and is recognised proportionately over the vesting period for which the long term incentive applies.

v. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or part of the expense.

Receivables and payables are stated exclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

m) Commitments

Contractual commitments made in the current and future period are disclosed in Note 19. The fair value of the current and future commitments are disclosed in the note.

n) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 2: Revenue from continuing operations	**2017 $'000**	**2016 $'000**
Scheme fees	60,951	54,518
Rebates	(14,319)	(11,505)
Interest income	369	326
Connection fees & other revenue	1,855	1,302
	48,856	**44,641**

Note 3: Employee benefit expenses	**2017 $'000**	**2016 $'000**
Short-term employee benefits	16,716	14,926
Long-term employee benefits	79	391
Termination benefits	101	112
	16,896	**15,429**

Note 4: Product and implementation expenses	**2017 $'000**	**2016 $'000**
Project specific costs	2,312	3,550
Operate and run costs	12,067	10,089
	14,379	**13,639**

Note 5: Other expenses	**2017 $'000**	**2016 $'000**
Travel & entertainment expenses	480	596
Facility costs	915	683
Communication	1,458	532
Professional fees	1,158	1,749
Recruitment & other personnel expenses	689	898
Other expenses	596	517
	5,296	**4,975**

Note 6: Income tax expense	2017 $'000	2016 $'000
Profit from continuing operations before income tax expense	4,204	3,048
Tax at the Australian tax rate of 30% (2016: 30%)	1,261	914
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Employee expenses	(163)	110
Depreciation and amortisation	137	237
Accrued rebates	539	149
Loss on disposal of assets	-	-
Sundry items	(326)	186
	1,448	1,596
Previously unrecognised tax losses now recouped to reduce current tax expense	-	-
Current income tax expense	1,448	1,596
Unders/(overs) from prior year[1]	(689)	(15)
Net movement in deferred tax liability	(429)	245
Total income tax expense	**330**	**1,826**
The balance of deferred tax assets and deferred tax liabilities comprises temporary differences attributed to:		
Employee provisions	(316)	(401)
Accruals	(1,485)	(997)
Property, plant and equipment	(36)	(125)
Deferred tax asset	(1,837)	(1,523)
Other deferred tax liability	2	13
Intangibles	3,203	3,307
Deferred tax liability	3,205	3,320
Net deferred tax liability/(asset)	**1,368**	**1,797**

Note 7: Cash and cash equivalents	2017 $'000	2016 $'000
Cash at bank	6,521	13,366
Term deposits	15,000	7,000
	21,521	**20,366**

Note 8: Trade and other receivables	2017 $'000	2016 $'000
Accrued revenue	4,798	4,535
Trade receivables	6,458	8,726
Deposits paid	60	1
Other receivables	237	11
	11,553	**13,273**

As at 30 June 2017, general receivables do not contain impaired assets and are not past due. Based on the credit history of these assets, it is expected that these amounts will be received when due. No allowance for doubtful debts has been raised at 30 June 2017 (2016: Nil).

Note 9: Prepayments	2017 $'000	2016 $'000
Prepaid operating expenses	483	366
Prepaid rebates	621	2,297
	1,104	**2,663**

Note 10:

Property, plant and equipment	Furniture & fittings $'000	Leasehold improvements $'000	Computer equipment $'000	Total $'000
As at 1 July 2015				
Cost	251	798	1,073	2,122
Accumulated depreciation	(79)	(478)	(735)	(1,292)
Net book amount	**172**	**320**	**338**	**830**
Year ended 30 June 2016				
Opening net book amount	172	320	338	830
Additions	1	-	327	328
Disposals	(48)	(18)	(131)	(197)
Depreciation charge	(28)	(161)	(177)	(366)
Closing net book amount	**97**	**141**	**357**	**595**
At 30 June 2016				
Cost	143	709	436	1,288
Accumulated depreciation	(46)	(568)	(79)	(693)
Net book amount	**97**	**141**	**357**	**595**
Year ended 30 June 2017				
Opening net book amount	97	141	357	595
Additions	-	672	55	727
Disposals	(21)	(25)	(105)	(151)
Depreciation charge	(12)	(140)	(133)	(285)
Closing net book amount	**64**	**648**	**174**	**886**
At 30 June 2017				
Cost	106	670	268	1,044
Accumulated depreciation	(42)	(22)	(94)	(158)
Net book amount	**64**	**648**	**174**	**886**

Note 11:

Intangible assets	Computer software $'000	Software development costs $'000	Total $'000
As at 1 July 2015			
Cost	323	19,655	19,978
Accumulated amortisation	(216)	(1,002)	(1,218)
Net book amount	**107**	**18,653**	**18,760**
Year ended 30 June 2016			
Opening net book amount	107	18,653	18,760
Additions	-	9,540	9,540
Disposals	(28)	-	(28)
Amortisation charge	(73)	(3,160)	(3,233)
Closing net book amount	**6**	**25,033**	**25,039**
At 30 June 2016			
Cost	18	29,192	29,210
Accumulated amortisation	(12)	(4,159)	(4,171)
Net book amount	**6**	**25,033**	**25,039**
Year ended 30 June 2017			
Opening net book amount	6	25,033	25,039
Additions	-	2,862	2,862
Disposals	(3)	-	(3)
Amortisation charge	(3)	(3,816)	(3,819)
Closing net book amount	**-**	**24,079**	**24,079**
At 30 June 2017			
Cost	-	32,016	32,016
Accumulated amortisation	-	(7,937)	(7,937)
Net book amount	**-**	**24,079**	**24,079**

Software development costs consists of tokenisation and mobile software assets and the eHub. As at the end of the reporting period, these internally generated intangible assets have been tested for impairment at the cash generating unit level. The impairment testing method used is “value in use” to assess the present value of the cash flows generated by the business. No impairment has been recognised for this reporting period.

Note 12: Trade and other payables	2017 $'000	2016 $'000
Trade payables	1,232	2,717
Rebates payable	4,048	6,623
Accrued expenses	4,679	7,040
	9,959	**16,380**

Note 13: Deferred consideration	2017 $'000	2016 $'000
Current	1,040	1,040
Non Current	2,035	3,030
	3,075	**4,070**

Note 14: Provisions	2017 $'000	2016 $'000
Current		
Employee entitlements - current	535	618
Other provisions	58	1,046
	593	**1,664**
Non-current		
Employee entitlements - non current	519	617
	519	**617**

Note 15:
Financial risk management

The company's activities expose it to market risk, credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. During the reporting period, the company has assessed the risk position and no significant risks have been identified.

a) Market risk

i. **Price risk**
The company does not hold any financial instruments which are subject to price risk.

ii. **Cash flow, fair value and interest rate risk**
The company's main interest rate risk arises from its holdings of cash and term deposits. There is no material interest rate risk exposure on financial liabilities. During 2016 and 2017, the company's investments were denominated in Australian Dollars.

iii. **Sensitivity analysis**

The following table summarises the sensitivity of the company's financial assets and financial liabilities to interest rate risk. The analysis has been prepared by taking the balances of financial assets and liabilities at reporting date and calculating the sensitivity on profit and equity. The cash and term deposits have been analysed using a 1% increase/decrease in interest rates (excluding the impact on cash which is locked at a fixed rate). It is considered that the 1% sensitivities are reasonably possible at year end.

Interest rate risk	Carrying Amount $'000	-1% impact to profit after tax $'000	+1% impact to profit after tax $'000
30 June 2017			
Financial Assets			
Cash and cash equivalent	21,521	(215)	215
Total increase/(decrease)		**(215)**	**215**
30 June 2016			
Financial Assets			
Cash and cash equivalent	20,366	(122)	122
Total increase/(decrease)		**(122)**	**122**

Note 15:
Financial risk management (continued)

b) Credit risk

Credit risk arises from cash and cash equivalents and deposits held with banks and financial institutions, as well as credit exposures to eftpos members, including outstanding receivables. For banks and financial institutions, only independently rated parties with a high quality rating are used. Otherwise, if there is no independent rating, management assesses the credit quality of the member, taking into account its financial position, past experience and other factors.

Trade receivable and accrued revenue	2017 $'000	2016 $'000
Counterparties with external credit ratings		
(Fitch - long-term)		
AAA	0	0
AA-	7,726	9,969
A+	275	423
A-	317	411
BBB-	1,283	776
	9,601	11,579
Counterparties without external credit ratings		
* Group 1	1,655	1,783
	1,655	1,783
Total trade receivables and accrued revenue subject to credit risk	**11,256**	**13,362**

* Group 1 – existing members (more than 6 months) with no defaults in the past.

Cash at bank and short term deposits	2017 $'000	2016 $'000
Counterparties with external credit ratings		
(Fitch - long-term)		
AA-	21,521	20,366
Total cash and cash equivalent	**21,521**	**20,366**

Note 15:
Financial risk management (continued)

c) Liquidity risk

In order to monitor liquidity risk, the Company monitors forecasts of the company's liquidity reserve on the basis of expected cash flow.

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are undiscounted cash flows.

	Less than 6 months $'000	Greater than 6 months $'000
At 30 June 2017		
Trade and other payables	9,959	-
Deferred consideration		3,075
	9,959	**3,075**
At 30 June 2016		
Trade and other payables	16,380	-
Deferred consideration	-	4,070
	16,380	**4,070**

Note 16:
Key management personnel

Key management personnel are persons who make, or participate in making, decisions which affect the whole or a significant part of the business. Key management personnel include the Executive Management, and Independent Directors.

	2017 $	2016 $
Independent Directors fees	331,833	306,164
Short-term employee benefits	2,515,452	2,323,030
Other long-term employee benefits	661,156	792,515
	3,508,441	**3,421,709**

Note 17:
Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company and its related practices.

PricewaterhouseCoopers:

	2017 $	2016 $
Audit and reivew of financial statements	263,357	137,669
Taxation services	74,797	164,387
Other services	75,993	82,620
Total remuneration of auditors	**414,147**	**384,676**

Note 18:
Contingent liabilities

The Company had no contingent liabilities as at 30 June 2017 (2016: $0).

Note 19: Commitments	**2017 $'000**	**2016 $'000**
Within one year	672	265
Later than one year but not later than five years	2,831	-
	3,503	**265**

The Company has a five year lease for its current premises at Level 11, 45 Clarence Street, Sydney expiring 30 April 2022.

Note 20:
Related party transactions

The company does not have any investments in subsidiaries or associated entities.

Key management personnel
Disclosures relating to key management personnel are set out in note 16.

Remuneration benefits
Information on remuneration of Directors is set out in note 16.

Members
In the ordinary course of its business the company's Members may be both the creditors and debtors of the company. All of these ordinary course transactions have been performed on commercial, arm's-length terms. During the reporting period, there were no other transactions with the company's Members.

Note 21: Reconciliation of profit after income tax to net cash inflow operating activity	**2017 $'000**	**2016 $'000**
Profit for the year	3,874	1,222
Depreciation and amortisation	4,087	3,596
Loss/(Gain) on disposal of software and hardwai	120	225
Change in operating assets and liabilities		
Decrease/(increase) in trade receivables	2,269	(3,852)
Decrease/(increase) in prepayments	1,559	(1,828)
Decrease/(increase) in other receivables	(549)	(937)
Increase/(decrease) in payables	(7,749)	2,778
Increase/(decrease) in other provisions	(1,169)	1,270
Increase/(decrease) in income tax provisions	1,918	1,535
Net cash inflow/(outflow) from operating activity	**4,360**	**4,009**

Note 22:
Events occurring after the reporting period

a) Resignation of Chief Financial Officer

On 27 July 2017, Mr David Heine announced his resignation as Chief Financial Officer with an effective date of 26 October 2017.

b) Change in Chief Executive Officer/Managing Director

On 31 August 2017, Mr Bruce Mansfield stepped down as Chief Executive Officer and Managing Director. Mr Paul Jennings was appointed as acting Chief Executive Officer effective from 1 September 2017.

The Directors are not aware of any other matters or circumstances occurring between 30 June 2017 and the date of the Directors' declaration, not otherwise dealt with in the financial report, that has significantly or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

Directors' Declaration

In the Directors' opinion:

a) The financial statements and notes set out on pages 8 to 30 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001*; and

(ii) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) (i) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.

V. McFadden
Chairman
Sydney
27 September 2017

B. Chenoweth
Chair, Finance, Risk and Audit Committee
Sydney
27 September 2017

Independent auditor's report

To the members of eftpos Payments Australia Limited

Our opinion

In our opinion:

The accompanying financial report of eftpos Payments Australia Limited (the Company) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the Statement of Financial Position as at 30 June 2017
- the Statement of Comprehensive Income for the year then ended
- the Statement of Changes in Equity for the year then ended
- the Statement of Cash Flow for the year then ended
- the Notes to the financial statements, which include a summary of significant accounting policies
- the Directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' Report included in the Directors' Report and Annual Financial Report, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

Sam Garland
Partner

Melbourne
27 September 2017

Corporate directory

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