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2.2 billion transactions a year

$138 billion value of transactions

6 million transactions a day

247,500 transactions an hour

4,100 transactions a minute

70 average transactions a second

44 million enabled cards
“With our network investments, eftpos can now deliver new opportunities for Members and their customers.”

MARK RAYNER
Chief Commercial Officer

Source: Reserve Bank of Australia Debit Card Statistics (CS) and eftpos data FY2016, 1 July 2015 to 30 June 2016. Terminal numbers from APCA statistics. Numbers are rounded.

Predicted transaction volumes are estimates only and should not be relied on as representations of future events.
A message from the Managing Director

Transforming eftpos

The FY2015/16 has been a challenging year for eftpos, but also marked a turning point, as we completed large parts of the transformation and began working with our Members to develop new products and processing services.

While our transaction volumes and market share saw accelerated decline because of continued consumer adoption of contactless payments and some erosion of our proprietary eftpos card base, eftpos remained the nation’s most used debit network. Australians made around 2.2 billion eftpos transactions, worth more than $138 billion, and around 6 million transactions a day.

This gives us a solid foundation to help eftpos add further value for Members, grow the network and enhance our ability to compete on platforms, including Mobile, Virtual, In-app and Person to Person payments in coming years.

During the year, we also welcomed a number of new Members to eftpos, with Tyro, Adyen and PayPal joining in late 2015. These new participants offer eftpos potential opportunities for growth and compliment our existing 15 Members who have been part of the eftpos journey and continue to support us strongly with the transformation program.

Delivering on our initiatives

eftpos executed on its strategy that aims to:
• Complete the existing eftpos transformation initiatives,
• Move towards a competitive economic position, and
• Diversify into strategically important parts of the payments value chain.

We adjusted our economic model to strategically encourage investment in new eftpos products and services and stimulate transaction growth to reverse current trends.

We also developed a new Values Framework to assess all major initiatives based on the value they deliver to all stakeholders. The Values Framework comprises a number of metrics, including value to eftpos, its Members, consumers and merchants, as well as market opportunity, ease and risk of implementation. Initiatives such as eftpos Mobile, eftpos In App and eftpos Transit are good examples of future opportunities that eftpos is working on with Members to the benefit of all Australians.

Our achievements

The processing capability of the eftpos Hub provides a foundation that enables eftpos to offer our Members secure, cost-effective solutions to common payments issues. During the period, the industry continued to migrate to the eftpos Hub and 11 Direct Connectors were regularly processing more than 3 million eftpos point of sale (POS) transactions a day via the Hub.

To further leverage this investment, we implemented a new service offering, eftpos ATM.

We built on this foundation by growing the eftpos Contactless POS network to more than 500,000 devices nationally, with the majority of Australia’s POS terminals now upgraded with eftpos Chip and Contactless technology, and we expect the entire fleet to be activated by mid-2017. We also saw the commencement of issuance of eftpos-only Contactless cards and are working with Members to accelerate the replacement of existing magstripe eftpos cards with Chip and Contactless to unlock further transaction opportunities at the point of sale.

eftpos became Australia’s first domestic, onshore Token Service Provider (TSP), enhancing our security offering for digital payments and creating new opportunities for growth in the future. The eftpos TSP has also been built to extend eftpos’ tokenisation services to support emerging new payments, in products and channels such as Mobile, In App and Virtual Payments, in line with Member demand.

The eftpos Mobile platform supports a range of mobile NFC payment eco-systems and we are working with Members to launch a number of these solutions early in 2017.

Our People

During the period, we built on our organisational capabilities, focusing on leadership, growth, product management and project management. This approach delivered further advances in our employee engagement levels beyond 70%, representing industry best practice.

The experience we have gained through delivering projects over the past six years since the Company was incorporated, has seen our delivery capability better governed, more structured and aligning to industry release rhythm. Most recently, we delivered our eighth successful Member-facing release across the eftpos Hub, and our people and our partners developed our new Mobile Payments capability in just over a year, which represents industry best practice globally.

eftpos Giveback

eftpos continued to support the community, providing a donation of $250,000 to Cancer Council Australia to extend a shade program to a further 18 schools and help protect secondary school students from skin cancer. Previous eftpos funding had already seen shade structures erected in 45 schools across the country.
Our pace of delivery is increasing to meet the pace of industry change

Conclusion

I would like to thank our staff, our Members and our Partners for the progress that we have made together in the past 12 months, placing eftpos in a stronger position to return to transaction growth in the coming years and deliver the ability to compete on new digital platforms and channels.

By providing our Members with standardised product and service offerings, we can collaborate and co-develop differentiated products with our Members for their customers, and leverage eftpos’ core benefits as a secure and cost-effective, domestic payments solution.

This approach will help us meet the challenges that lie ahead of us, enhance competition and deliver on our Mission Statement.

“eftpos enables Members to collaborate and co-develop cost effective, localised industry solutions to common payments issues.”

eftpos Mission

BRUCE MANSFIELD
Managing Director

By providing our Members with standardised product and service offerings, we can collaborate and co-develop differentiated products with our Members for their customers, and leverage eftpos’ core benefits as a secure and cost-effective, domestic payments solution.

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eftpos Mission

BRUCE MANSFIELD
Managing Director
“With the eftpos Hub, new mobile payments capability and the Contactless POS network, we have built a foundation that enables eftpos to offer secure, cost-effective solutions to common payments issues across a range of platforms.”

PAUL JENNINGS
Chief Technology Officer

Infrastruct
Building out the eftpos Contactless POS network

In FY2015/16 eftpos Members accelerated their rollout of the eftpos Chip and Contactless technology across their terminal fleets.

This work is creating a new, ubiquitous network for eftpos-only contactless cards, as well as eftpos payments on mobile devices. More than 500,000 POS devices were upgraded for eftpos Contactless by 30 June 2016, including Australia’s major retailers.

The network is scheduled to be completed for ubiquitous eftpos contactless payments by mid-2017.

Network capability helps build flexibility and value

With the eftpos Hub, combined with the new mobile payments capability and the Contactless POS network, we have built a foundation that enables eftpos to offer secure, cost-effective solutions to common payments issues across a range of platforms, including POS, mobile, online, and Person to Person (P2P) payments.

By providing these standardised offerings and building associated value-added support services, eftpos can facilitate Member development of their own differentiated products.

New infrastructure offers greater security for digital payments

eftpos has invested in new, centralised payments infrastructure, connecting the nation’s Financial Institutions.

Less than two years after going live in October 2014, the eftpos Hub was processing transactions for 11 Direct Connectors, including Australia’s four major banks. By mid-September, it had processed more than 1 billion transactions in total, and was one of the biggest payments switches in Australia.

Daily volumes on the eftpos Hub are now often more than 3 million, and this year we expect to easily break the 4 million a day record set on Christmas Eve 2015, peaking at more than 165 transactions a second.

This infrastructure enables eftpos to implement new technology faster and more efficiently, and add value in other parts of the payments value chain such as ATM processing.

As more Members have connected and transaction numbers have significantly increased, we ramped up 24/7 operational support, ensuring the infrastructure has maintained 100% availability since launch, despite managing:

- Eight software releases,
- 49 changes a month,
- 104 requests per month, and
- Peak traffic of 126 tps.
What does tokenisation mean for consumers, merchants and Members?

Payment Tokenisation is the process of replacing essential sensitive data, like the card number on payment cards, with a unique digital identifier - a token that can be passed through the payments ecosystem.

Additional security can be added to the token through domain controls, limiting Tokens to a particular Merchant for example. eftpos Tokens enable payments via mobile devices without compromising security, which provides consumers peace of mind.

Mobile payments infrastructure and tokenisation

In October 2015, eftpos announced a partnership with Bell ID to build a flexible, domestic mobile payments capability, including secure tokenisation services.

The new capability will enable eftpos payments to be made securely across various digital platforms and applications being developed by Australian industry participants.

By April 2016, the build was complete and eftpos became Australia’s first domestic Token Service Provider.

We are now working with several Members to release eftpos as a secure payment option on mobile wallets in 2017.
Products
“We are designing our products in a way that retains and strengthens the relationship between our Members and their customers. Our Members can differentiate by building on our standardised, cost-effective solutions, while also leveraging eftpos benefits such as security, convenience and real time.”

MARIE KELLETT
Chief Product Officer
Products and services

At eftpos our priority is to provide merchants, consumers and our Members with secure local payments options that add value and enhance competition for our Members and their customers.

As Australians change the way they shop and pay, eftpos is transforming its technology to meet their needs and offer a secure and cost-effective, local payments choice.

Over the past few years, we have invested in new infrastructure and products such as eftpos Tap & Pay and eftpos Mobile to enable Australians to choose eftpos, no matter how they shop and pay.

In FY2015/16, eftpos Members began issuing eftpos Chip and Contactless Proprietary cards for the first time, and we were also working with several Members to enable eftpos as a payment option on Mobile in FY2016/17.

We are doing this in a way that retains and strengthens the relationship between our Members and their customers by offering differentiated, secure, convenient and cost-effective solutions.

What consumers are telling us

eftpos conducts detailed consumer research to inform our development roadmap.

Our new products such as eftpos Mobile will continue to build on our existing everyday consumer promise, that our research shows us that consumers value. eftpos has based its new marketing campaigns around these core consumer benefits, under the new tagline, Helping With the Everyday.

Current product roadmap and key milestones

**APRIL**
- Rollout of eftpos-only Chip cards begins

**JAN - MARCH**
- First eftpos Mobile products available

**APRIL**
- Automated eftpos Disputes and Chargebacks service available

**JUNE**
- eftpos becomes first domestic Token Service Provider
- eftpos Chip and Contactless terminal network complete for cards and Mobile

**SEPTEMBER**
- 1 billion transactions processed by eftpos Hub

**2016**

**2017**

eftpos consumer benefits

**CONVENIENCE**
- Easy acceptance
- Cash Out at POS

**CONTROL**
- Real time transactions
- My money management
- Helps consumers budget

**COST**
- Low / rare surcharge
- Cash out with no fees

**SECURITY**
- Card number is not visible
- Can still be used if card is lost
- Card number is not stored
- Lowest fraud rates in Australia

Contactless indicator is used under licence from EMVCo
eftpos Tap & Pay – convenience and speed, with Cash Out

In FY2015/16, eftpos Members began rolling out eftpos Chip and Contactless proprietary cards for the first time.

eftpos Tap & Pay will bring tap functionality to new eftpos Mobile products, as well around 11 million eftpos-only cards, sometimes referred to as eftpos Proprietary cards.

With eftpos Tap & Pay you get the advantage of simplicity and speed at the checkout, along with greater security with EMV Chip cards.

Consumers will enjoy all of the existing benefits of eftpos, with these added advantages:
• Cash Out, with eftpos Tap & PIN™
• Added security with the new eftpos Chip
• Tap & Pay for purchases under $100
• Tap & PIN for purchases over $100

eftpos ATM

In October 2015, two major banks began processing ATM transactions over the eftpos Hub following an upgrade to the network in 2015.

This represented the first new processing service to be offered by eftpos, leveraging the centralised processing capability offered by the eftpos Hub.

The Hub enabled industry participants to move ATM traffic away from the old and complex bilateral network and more easily upgrade their ATM fleets for innovation and changes.

It is expected that more industry participants will move their ATM processing to the Hub in FY2016/17.

eftpos Digital, including eftpos Mobile

eftpos aims to be available as a payment option in mobile wallets in 2017.

Australia has one of the highest levels of smartphone and contactless penetration in the world.

Our approach to digital payments focuses on simplicity and security, and leveraging the terminal network that is being upgraded for eftpos Tap & Pay.

Through Australia’s first domestic Token Service Provider (TSP), eftpos Mobile is the first step towards delivering more security, simplicity and control to consumers.

eftpos is also building a roadmap to support eCommerce. APCA reported that in 2015 Card Not Present Fraud increased to more than $350 million*, which demonstrates why eftpos is working hard to translate our promise of simplicity and security into the eCommerce ecosystem.

eftpos aims to leverage Payment Tokenisation to enable In App Payments in 2017, plus invest in Payment Authentication Services to build a proposition that enables Merchants to have greater peace of mind.

eftpos is also implementing a new automated Disputes and Chargebacks Service, to help our Members settle disputes faster and more efficiently.

Services – adding value to investments

In addition to new products, eftpos is leveraging its new infrastructure to deliver a suite of services to help Members manage change and reduce costs. eftpos Services completed or in development in 2015/16 include:
• eftpos Member Support – 24/7 Member support desk (eMS)
• eftpos ATM Service (eATM)
• eftpos Token Service Provider (eTSP)
• eftpos Interchange Fee calculations (IFC)
• eftpos Settlement Service (eSS)
• eftpos Disputes and Chargebacks (eD&C)

*APCA fraud data 2015

eftpos services

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<td>Focused on Member experience, ensuring stability</td>
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<tr>
<td>eftpos ATM Service (eATM)</td>
<td>Leverage Member investment to further reduce cost of change</td>
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<tr>
<td>eftpos Token Service Provider (eTSP)</td>
<td>Lower cost, standardised with flexibility, industry owned and secure</td>
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<tr>
<td>eftpos Interchange Fee calculations (IFC)</td>
<td>Value through centralisation and simplification</td>
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<tr>
<td>eftpos Settlement Service (eSS)</td>
<td>Simplifying settlement &amp; access</td>
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<tr>
<td>eftpos Disputes and Chargebacks (eD&amp;C)</td>
<td>Efficiency through centralisation &amp; automation</td>
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Continue to exploit capabilities & services
“To be the payments partner that creates the greatest value for our Members and their customers.”

OUR VISION
Corporate governance

Corporate governance and regulation
The establishment of a sound framework of corporate governance and the implementation of the corresponding governance culture and processes throughout eftpos Payments Australia Limited is one of the primary responsibilities of the Board.

The eftpos Board supports Corporate Governance Principles and Recommendations (third edition) as developed by the ASX Corporate Governance Council. Even though eftpos is not a listed entity, the Board has adopted many of these Principles and Recommendations as best practice.

This Corporate Governance Statement provides details on eftpos’ implementation of the Principles and Recommendations for the reporting period 1 July 2015 to 30 June 2016.

Board Charter
eftpos has a formal Board Charter. This Charter details the functions and responsibilities of the Board which include:

(a) setting the ethical tone for eftpos;
(b) setting eftpos’ strategic direction and monitoring management’s implementation of that strategy;
(c) monitoring financial outcomes and the integrity of reporting. In particular, approving annual budgets and longer-term strategic and business plans;
(d) appointing the Chief Executive Officer/Managing Director (CEO) and determining the terms and conditions of employment (including remuneration);
(e) reviewing the performance of the CEO at least annually;
(f) ensuring that the delegations of authority from the Board to the CEO are clearly defined;
(g) ensuring effective and timely reporting to the Members;
(h) approving and monitoring the progress of major capital expenditure projects and the capital budget;

(i) ensuring that effective audit, risk management and compliance systems are in place to protect eftpos’ assets and to minimise the possibility of eftpos operating beyond its legal requirements or acceptable risk parameters;
(j) reviewing the performance of the Board and its Committees at least annually; and
(k) overseeing aspects of the employment of senior executives, including remuneration, performance and succession planning.

The Board Charter also sets out the specific powers and responsibilities of the Chairman and Managing Director.

Structure of the eftpos Board
The Board comprises the Managing Director, eight Member appointed Directors and three Independent, non-executive Directors who bring with them a broad range of skills, expertise and experience from a diverse range of backgrounds. The composition of the Board is determined using the following principles:

The Chairman of the Board is an independent, non-executive Director.
No Director can be a Director of another card payments scheme.
eftpos' definition of an Independent Director is consistent with the definition in Recommendation 2.3 of the ASX Corporate Governance Principles and Recommendations (third edition), and is assessed on an ongoing basis.
Director attendance at eftpos Board and Committee meetings is disclosed in the Directors’ report.

The Independent Directors are paid by eftpos for their services as Directors. The amount is determined from time to time by the Members at an Annual General Meeting.

In keeping with sections 191 and 192 of the Corporations Act 2001 (Cth), eftpos has established protocols for dealing with issues of Director material personal interests. eftpos’ procedures are detailed in the Directors’ Manual.

eftpos provides a Code of Conduct for eftpos Directors, as well as a Code of Conduct for eftpos personnel.

Any Director may seek independent, professional advice about any matter that they consider necessary in order to discharge their responsibilities, at eftpos’ expense.

Board Committees
The Board established the following Committees by delegated authority to assist in carrying out Board responsibilities. Each Committee has a Board approved terms of reference which sets out the composition, responsibilities and administration of these Committees:

• Finance, Risk & Audit Committee;
• Remuneration & Nominations Committee;
• Rebate Committee; and
• Technical Operations Committee.

Finance, Risk and Audit Committee
The Finance, Risk & Audit Committee assists the Board by ensuring that the framework of internal controls, practices and systems of risk oversight and management are robust and the Company’s financial statements and processes are externally audited.

The Committee has members who have appropriate financial and risk management experience and the Committee reports and makes recommendations to the Board on the following matters:

(a) that eftpos’ accounts fairly represent eftpos’ financial position and performance and comply with all regulatory requirements;
(b) recommending (to the Board) the appointment of external auditors, receiving audit reports and holding discussions with the auditors, as deemed appropriate, on:
   i. internal financial practices;
   ii. the scope of audits;
   iii. matters arising from audits; and
   iv. any other matter relevant to its responsibilities.
(c) monitoring eftpos’:
   i. internal financial controls;
   ii. exposure to financial and internal operational risk and ensuring they are kept within acceptable limits;
   iii. ethical conduct to ensure an exemplary standard of behaviour on the part of both management and the Board;
   iv. administrative policies, financial practices and controls;
   v. related party transactions; and
   vi. risk management/governance framework.
(d) reviewing eftpos’ budget and monitoring expenditure against the budget;
(e) reviewing and recommending changes to eftpos’ insurance policies;
(f) reviewing and recommending changes to eftpos’ spending delegations; and
(g) establishing and reviewing a risk management framework so as to facilitate the monitoring and management of risk as contemplated above.

During the reporting period, the Members of the Finance, Risk & Audit Committee were:
Mr Stuart Woodward (Chairman);
Mr David Jay;
Ms Vicky Papachristos (last meeting 28 September 2015)
Mr Bruce Rathie (ex-officio - last meeting 24 November 2015)
Mr Richard Wormald (last meeting 28 September 2015)
Ms Nikala Busse (first meeting 18 February 2016)
Ms Leslie Martin
Ms Vickki McFadden (ex-officio - first meeting 18 February 2016)
All members of The Finance, Risk & Audit Committee are non-executive Directors, including two Independent Directors. Each Member is appointed for an initial term of two years, with no Member serving more than four consecutive years without Board approval.

Remuneration & Nominations Committee
The Remuneration & Nominations Committee assists the eftpos Board in fulfilling oversight responsibilities on the following matters:
(a) approving the eftpos Board mandated HR policies and ensuring their compliance with relevant statutory and regulatory requirements, including those relating to gender and people diversity;
(b) managing the CEO selection process with the Chair and assisting the CEO with selecting direct reports and key personnel;
(c) reviewing and making recommendations to the Board with respect to the remuneration framework for the Independent Directors, the Chief Executive Officer;
(d) reviewing and approving remuneration policies and practices, including senior executive remuneration, merit recognition expenditure, Short and Long Term Incentive targets and hurdles, and other benefits, with transparency to the Board;
(e) assessing the skills, knowledge and experience required by the Board, eftpos’ Independent Directors, the CEO and senior executives;
(f) assessing and reviewing the performance of the Independent Directors;
(g) advising on recruitment, retention, succession planning and termination policies and procedures for the CEO and senior executives.

During the reporting period, the Members of the Remuneration & Nominations Committee were:
Ms Vicky Papachristos (Chairman until 24 November 2015)
Ms Leslie Martin (Chairman and first meeting as at 24 February 2016)
Mr Stephen Benton
Mr Adrian Lovney
Ms Dhun Karai (last meeting 24 November 2015)
Mr Bruce Rathie (ex-officio - last meeting 24 November 2015)
Ms Vickki McFadden (ex-officio - first meeting 18 February 2016)
Mr Alex Twigg (first meeting 28 April 2016 via circular resolution).

Each Member is appointed for an initial term of two years with no Committee Member serving more than four consecutive years.

Technology Operations Committee
The Technology Operations Committee has responsibilities for the following matters:
(a) approving and overseeing the implementation of eftpos’ information technology and processing strategy, including strategic investment priorities, and associated matters such as relevant policies, costs, deliverables, scheduling, implementation risk and the robustness of the overall technology and production management solution; and
(b) overseeing the operating model for the sourcing of and delivery of information technology and processing services to the eftpos Membership including performance outcomes for quality, stability and reliability, and where reliable information and metrics are available, eftpos’ performance relative to its Australian and offshore peers.
During the reporting period, the Members of the Technology Operations Committee were:

Ms Leslie Martin  
(Chair until 24 November 2015)

Mr Brett Chenoweth  
(Chair from first meeting at 24 February 2016)

Mr Stephen Benton  
(last meeting 24 November 2015)

Mr John Collins  
(first meeting 27 July 2015)

Mr David Curry

Mr Bruce Rathie  
(ex-officio - last meeting 24 November 2015)

Mr Richard Wormald  
(last meeting 24 November 2015)

Ms Nikala Busse  
(first meeting 24 February 2016)

Ms Vickki McFadden  
(ex-officio - first meeting 24 February 2016).

Each Member is appointed for an initial term of two years with no Committee Member serving more than four consecutive years.

**Rebate Committee**

The Rebate Committee has responsibilities for the following matters:

(a) authorisation to distribute rebate payments following the Finance, Risk & Audit Committee’s approval of an available pool for Members; and

(b) reviewing the following matters before authorising any payments:

(i) eftpos’ financial state;

(ii) eftpos’ cash flow requirements;

(iii) any tax implications; and

(iv) the assessment of each Member’s entitlement to a rebate, in accordance with the Rebate Policy.

During the reporting period, the Members of the Rebate Committee were the three Independent Directors and the Managing Director:

Mr Bruce Rathie 
(Chair until 11 November 2015)

Ms Vickki McFadden  
(Chair and first meeting 9 May 2016 via circular resolution)

Ms Vicki Papachristos  
(last meeting 11 November 2015)

Mr Bruce Mansfield

Ms Leslie Martin

Mr Brett Chenoweth  
(first meeting 9 May 2016 via circular resolution).

**Ethical standards**

eftpos has an established Code of Conduct which clarifies the standard of ethical behaviour required of Directors, employees and contractors. The Code of Conduct requires Directors, employees and contractors to:

(a) Act with honesty and integrity;

(b) Respect confidentiality and not misuse information;

(c) Avoid conflicts of interest; and

(d) Value and maintain professionalism.

**Whistleblowing**

The eftpos Board has adopted a Whistleblower’s Policy to reinforce eftpos’ commitment to maintaining a working environment in which Directors, employees, contractors, visitors and any other person are able to report suspected incidences of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal. The purpose of the policy is to assist eftpos in the detection and resolution of unacceptable conduct and to protect those persons who raise issues of unacceptable conduct.

The Protected Disclosure Officers are the Company Secretary, General Counsel and the Chair of the Finance, Risk & Audit Committee.

**Member communication and participation**

eftpos is committed to giving all Members comprehensive, timely and equal access to information about its activities. Members can access information from a range of sources. These include direct communication via the eftpos Bulletin and regular direct communications and consultations with Member representatives through both established and ad hoc processes such as meetings of the Member Advisory Committee (MAC), held every two months.

eftpos also publishes relevant Company information on the eftpos website, as well as in publications such as the Annual Report, Member Advisories and various brochures and fact sheets.

Members are encouraged to attend and participate at the Annual General Meeting (AGM). The External Auditor attends the AGM to answer any Member questions about the conduct of the audit and the preparation and content of the Audit Report.

**Website**

During FY2015/16, the Company website underwent a rebuild to make content more accessible on mobile devices and easier to update for future products and services. This can be found at www.eftposaustralia.com.au eftpos also continued to improve its website capabilities for social media engagement, because this is becoming an increasingly important mechanism to engage stakeholders, merchants, consumers and Members, and will be fundamental to our commercial success as eftpos product functionality moves Online and on Mobiles.

**Corporate Social Responsibility**

eftpos aims to provide accessible, relevant, affordable, competitive and secure payment services to Members to provide to Australian consumers and merchants.

eftpos strives to retain its position in the market as a viable, locally owned and operated alternative to international payment schemes.

The Company will continue to play a significant role in displacing cash to reduce the nation’s need for increased production of bank notes and coins, and the associated transport, management and storage costs.
Through our “Everyday” marketing and community activity, eftpos also urges consumers to avoid surcharges and ATM fees.

The Company strives to increase the contributions it can make to society, through its Charity programs and employee giving, while also committing to employee health, safety and wellbeing, and to minimising our impact on the environment. This means eftpos is committed to conducting its business in a responsible, trustworthy and ethical manner, while minimising any impact on the environment.

During the period, we donated $250,000 to Cancer Council Australia to fund shade structure in 18 Secondary Schools in an effort to help reduce the risk of skin cancer in teenagers.

eftpos encourages recycling options in office facilities and makes conscious choices relating to everyday materials such as paper and cleaning products. The company uses sensor lights in meeting rooms and has a paperless office program.

Our staff represent a broad cross-section of social and ethnic groups across Australian society.
s' Report
Directors' Report and
Statutory Financial Statements

eftpos Payments Australia Limited
ABN 37 136 180 366 (eftpos)

Contents

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Independent auditor’s report....................................................................................... 58
Your Directors present their report on eftpos Payments Australia Limited for the period commencing on 1 July 2015 and ending 30 June 2016 (the reporting period).

**Directors appointed during the reporting period**

The following Directors were appointed during the reporting period on the dates stated:

- Mr John Collins (2 July 2015)
- Mr Brett Chenoweth (7 January 2016)
- Ms Vickki McFadden (7 January 2016)
- Ms Nikala Busse (18 January 2016)
- Mr Alexander Twigg (9 March 2016)

**Alternate Directors appointed during the reporting period**

The following Alternate Directors were appointed during the reporting period on the dates stated:

- Mr Victor Zheng for Mr Stephen Benton (26 October 2015)
- Ms Rachael Brigham for Mr Adrian Lovney (27 January 2016)

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms Vickki McFadden, BComm, LLB, MAICD</td>
<td>Independent Director and Chairman</td>
</tr>
<tr>
<td>Mr Stephen Benton, BComm</td>
<td>Nominee Director</td>
</tr>
<tr>
<td>Ms Nikala Busse, BComm</td>
<td>Nominee Director</td>
</tr>
<tr>
<td>Mr Brett Chenoweth, LLB, BEc</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Mr John Collins</td>
<td>Nominee Director</td>
</tr>
<tr>
<td>Mr David Jay, BEc, MBA, FCPA, FFIN, FAMI, MAICD</td>
<td>Nominee Director</td>
</tr>
<tr>
<td>Mr Bruce Mansfield, BCA, FFIN, MAICD</td>
<td>Managing Director</td>
</tr>
<tr>
<td>Ms Leslie Martin, AB, MBA, FAICD</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Mr Vinay Rao, BE</td>
<td>Nominee Director</td>
</tr>
<tr>
<td>Ms Simone Van Veen, BA (Psych), MBA</td>
<td>Nominee Director</td>
</tr>
<tr>
<td>Mr Derek Weatherley, BComm, MAcc</td>
<td>Nominee Director</td>
</tr>
<tr>
<td>Mr Stuart Woodward, BA (Hons), FFIN, GAICD</td>
<td>Nominee Director</td>
</tr>
</tbody>
</table>

**Alternate Directors**

- Ms Rachael Brigham
- Mr Spencer May
- Ms Danielle Murrie
- Mr Victor Zheng

**Company Secretary**

- Ms Samantha Blevins
- Ms Robyn Sanders

**Director resignations**

- Mr Bruce Rathie (25 November 2015)
- Ms Vicky Papachristos (25 November 2015)
- Mr Richard Wormald (18 January 2016)
- Ms Dhun Karai (3 February 2016)
- Mr David Curry (18 August 2016)
- Mr Adrian Lovney (18 August 2016)
- Mr Alexander Twigg (23 September 2016)

**Alternate Director resignations**

- Mr Steve Aliferis (24 July 2015)
- Mr Stuart Haughey (17 August 2015)
- Ms Madeline O’Connor (30 October 2015)
- Mr Michael Swannell (8 January 2016)
- Mr Paul Richards (13 March 2016)
- Ms Diane Shehata (19 August 2016)
### Directors’ meetings attendance

Below shows the Directors attendance schedule from 1 July 2015 to 30 June 2016

<table>
<thead>
<tr>
<th>Member, Director and Alternate Director</th>
<th>Board 6 meetings</th>
<th>Finance, Risk &amp; Audit Committee (FR&amp;AC) 5 meetings</th>
<th>Remuneration &amp; Nominations Committee (R&amp;NC) 5 meetings</th>
<th>Technology Operations Committee (TOC) 5 meetings</th>
<th>Rebate Committee (Rebate) 4 meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ms Vickki McFadden</td>
<td>3/3</td>
<td>3/3</td>
<td>2/2</td>
<td>1/2*</td>
<td>1/1</td>
</tr>
<tr>
<td>Mr Brett Chenoweth</td>
<td>3/3</td>
<td></td>
<td></td>
<td></td>
<td>1/1</td>
</tr>
<tr>
<td>Ms Leslie Martin</td>
<td>6/6</td>
<td>3/3</td>
<td>5/5</td>
<td>3/3</td>
<td>4/4</td>
</tr>
<tr>
<td>Mr Bruce Mansfield</td>
<td>6/6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr Bruce Rathie</td>
<td>2/2</td>
<td>2/2</td>
<td>3/3</td>
<td>3/3</td>
<td>2/2</td>
</tr>
<tr>
<td>Ms Vicky Papachristos</td>
<td>2/2</td>
<td>2/2</td>
<td>3/3</td>
<td></td>
<td>1/2</td>
</tr>
<tr>
<td><strong>Nominee Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr John Collins</td>
<td>5/6</td>
<td></td>
<td></td>
<td></td>
<td>4/5</td>
</tr>
<tr>
<td>Mr David Jay</td>
<td>6/6</td>
<td>5/5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ms Nikala Busse</td>
<td>3/3</td>
<td>3/3</td>
<td></td>
<td>2/2</td>
<td></td>
</tr>
<tr>
<td>Mr Richard Wormald**</td>
<td>3/3</td>
<td>2/2</td>
<td></td>
<td>3/3</td>
<td></td>
</tr>
<tr>
<td>Mr Stuart Woodward</td>
<td>6/6</td>
<td>4/5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr Adrian Lovney</td>
<td>6/6</td>
<td></td>
<td></td>
<td>5/5</td>
<td></td>
</tr>
<tr>
<td>Mr David Curry***</td>
<td>4/6</td>
<td></td>
<td></td>
<td></td>
<td>3/5</td>
</tr>
<tr>
<td>Mr Stephen Benton</td>
<td>5/6</td>
<td></td>
<td></td>
<td>4/5</td>
<td>3/3</td>
</tr>
<tr>
<td>Mr Alexander Twigg</td>
<td>2/3</td>
<td></td>
<td></td>
<td>1/1</td>
<td></td>
</tr>
<tr>
<td>Mr Dhun Karai****</td>
<td>3/3</td>
<td></td>
<td></td>
<td></td>
<td>3/3</td>
</tr>
</tbody>
</table>

* Ms Vickki McFadden attends the TOC in an ex-officio capacity (attendance is not compulsory).

** Mr Spencer May attended one Board meeting, one FR&AC meeting and one TOC Meeting as Alternate Director for Mr Richard Wormald.

*** Ms Diane Shehata attended one Board meeting and one TOC Meeting as Alternate Director for Mr David Curry.

**** Mr Stuart Haughey attended one Board meeting as Alternate Director for Ms Dhun Karai.
Annual Report 2016

Directors’ Report

Finance, Risk & Audit Committee:
The Finance, Risk & Audit Committee consisted of the following Members during the reporting period:
Mr Stuart Woodward (Chair)
Mr David Jay
Ms Vicky Papachristos (last meeting 28 September 2015)
Mr Richard Wormald (last meeting 28 September 2015)
Mr Bruce Rathie (ex-officio - last meeting 28 September 2015)
Ms Nikala Busse (first meeting 18 February 2016)
Ms Leslie Martin (first meeting 18 February 2016)
Ms Vickki McFadden (ex-officio - first meeting 18 February 2016).

Technology Operations Committee:
The Technology Operations Committee consisted of the following Members during the reporting period:
Ms Leslie Martin (Chair until 24 November 2015)
Mr Brett Chenoweth (Chair first meeting at 24 February 2016)
Mr Stephen Benton (last meeting 24 November 2015)
Mr John Collins (first meeting 27 July 2015)
Mr David Curry
Ms Vickki McFadden (ex-officio - first meeting 18 February 2016)
Mr Richard Wormald (last meeting 24 November 2015)
Ms Nikala Busse (first meeting 24 February 2016)

Remuneration & Nominations Committee:
The Remuneration & Nominations Committee consisted of the following Members during the reporting period:
Ms Vicky Papachristos (Chair until 24 November 2015)
Ms Leslie Martin (Chair first meeting as at 24 February 2016)
Mr Stephen Benton
Mr Adrian Lowney
Ms Dhun Karai (last meeting 24 November 2015)
Mr Bruce Rathie (ex-officio - last meeting 24 November 2015)
Ms Vickki McFadden (ex-officio - first meeting 24 February 2016)
Mr Alex Twigg (first meeting 28 April 2016 via circular resolution)

Rebate Committee:
The Rebate Committee consisted of the following Members during the reporting period:
Mr Bruce Rathie (Chair until 11 November 2015)
Ms Vickki McFadden (Chair and first meeting 9 May 2016 via circular resolution)
Mr Bruce Mansfield
Ms Leslie Martin
Ms Vicky Papachristos (last meeting 11 November 2015)
Mr Brett Chenoweth (first meeting 9 May 2016 via circular resolution)

Results
The operating profit after income tax for the year ended 30 June 2016 was $1,222,261 (2015: $8,361,809).

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

Director’s 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 14 to the financial statements;
• Normal benefits as a full-time employee of eftpos, which are payable to the CEO and are included in note 14 to the financial statements, and
• The benefit of the indemnity described below.

Principal Activities
The Company has responsibility for managing and promoting the Australian debit card system and its associated payments and processing infrastructure and services, known as eftpos in Australia.
Review of operations to 30 June 2016

In the 2015/16 Financial Year eftpos began to complete large components of the transformation program, and leverage its centralised infrastructure to deliver services and product enhancements which add value for Members and make eftpos transactions available to their customers via new platforms, including digital.

Members began to roll out eftpos-only proprietary Chip and Contactless cards for the first time and build out the eftpos Chip and Contactless POS network for cards and mobile. eftpos also completed a new mobile payments and tokenisation capability that enables eftpos payments to be made securely across various digital platforms and applications, including mobile.

Members continued to onboard to eftpos’ centralised processing infrastructure, the eftpos Hub, and new Hub-based services, such as eftpos ATM processing were developed to further leverage infrastructure for the benefit of Members.

During the period, eftpos remained the nation’s preferred debit network. Australians made around 2.2 billion eftpos transactions, worth more than $138 billion, and around 6 million transactions a day.

While transaction numbers declined due to a reduction of proprietary eftpos cards and consumer adoption of technologies such as contactless and online payments, new products enhancements and services aim to increase eftpos transactions over the coming years.

During the period, eftpos amended its economic model to improve price signals, encourage the industry to invest in a range of new products and product upgrades, and fund eftpos product development.

eftpos built on its organisational culture, risk maturity, project and operational capabilities, and implemented a number of marketing initiatives to encourage Australians to use eftpos, introducing a new tagline, “Helping with everyday”. This marketing activity focussed on the benefits of eftpos based on consumer research, including features such as:

- Security,
- Real time, and
- Cash out.

Our Strategy

During the period, eftpos executed on its strategy to create value and expand from our Scheme model to a more diversified platform and processing model. Key priorities were:

- Executing the existing eftpos transformation initiatives and the value platform they create,
- Securing a sustainable, strategic, competitive and economic position, and
- Diversifying into strategically important parts of the payments value chain to capture growth opportunities.

The Company developed a new Values Framework to reflect the key focus of activities in line with our new Mission Statement:

“eftpos enables Members to collaborate and co-develop cost-effective, localised industry solutions to common payments issues”.

All major initiatives are now assessed against a set of criteria in a Values Framework to ensure they deliver value to all stakeholders which includes:

- Value to Members,
- Value to eftpos,
- Value to consumers and merchants,
- Ability for Members to leverage assets,
- Market opportunity,
- Ease of implementation, and
- Risk.

eftpos transformation – new platforms, products and capabilities

eftpos began to complete key areas of the transformation across three core streams:

1. Building centralised infrastructure known as the eftpos Hub,
2. Commercialisation and deployment of eftpos Chip and Contactless, and
3. Building a Digital Payments platform to support eftpos online and mobile payments.

The Company continued to onboard Members to the eftpos Hub which, by 30 June 2016, had processed more than 800 million transactions since its launch in late 2014.

During the period, eftpos leveraged this investment by introducing eftpos ATM processing services via the eftpos Hub. This service aims to deliver efficiencies to the ATM network, such as EMV at ATM in late 2016. By 30 June 2016, two major banks had processed more than 10 million ATM transactions via the eftpos Hub, and these numbers are expected to grow rapidly as more banks connect over the coming 12 months.

A number of additional centralised services were in development in FY2016 to build value and assist the process of change for Members, including
During the period, eftpos built a mobile payments capability and, in April 2016, became Australia's first domestic Token Service Provider, offering eftpos Members the choice of a domestic, secure tokenisation service. These key developments enable eftpos payments to be made securely across various digital platforms and applications.

The mobile payments capability and eftpos Tokenisation service will help eftpos meet growing industry needs in this rapidly changing area of payments technology. It also gives Members the opportunity to offer eftpos as a payment option on new platforms and sustainably grow eftpos transaction volumes in future years.

eftpos is actively collaborating with several Members to launch support for eftpos payments in their Mobile automated Disputes and Chargebacks, Centralised Interchange and Centralised Settlement.

During the period, there was good progress with rolling out eftpos Chip and Contactless to build the eftpos contactless POS network for both cards and mobile devices. More than 500,000 POS devices were upgraded for eftpos contactless by 30 June 2016, including many of Australia’s major retailers such as Coles, Woolworths, McDonalds, Myer, BP, Optus and many others. This activity continues to accelerate and the network is expected to be completed in FY2017.

At time of publication, four issuers were issuing eftpos-only proprietary Chip cards, making eftpos Contactless available to consumers for the first time. Issuance of eftpos proprietary Chip and Contactless cards will accelerate significantly in FY2016/17 and continue over the coming years. eftpos Chip-enabled multi-network card issuance gained momentum, with more than 16 million eftpos Chip-enabled cards in market by July 2016.

During the period, eftpos built a mobile payments capability and, in April 2016, became Australia’s first domestic Token Service Provider, offering eftpos Members the choice of a domestic, secure tokenisation service. These key developments enable eftpos payments to be made securely across various digital platforms and applications.

The mobile payments capability and eftpos Tokenisation service will help eftpos meet growing industry needs in this rapidly changing area of payments technology. It also gives Members the opportunity to offer eftpos as a payment option on new platforms and sustainably grow eftpos transaction volumes in future years.

eftpos is actively collaborating with several Members to launch support for eftpos payments in their Mobile automated Disputes and Chargebacks. eftpos has progressed its Online capability with PINless transactions and the scheduled rollout of an automated Disputes and Chargebacks coming by mid-2017.

**eftpos services**

During the period, a suite of services was in development to help Members manage change and reduce costs.

The services leverage the centralised eftpos Hub which links the Australian payments industry through one central point to process eftpos transactions and will be rolled out over 2017 as below.

Build completed:
- eftpos ATM Processing Service - reduces the complexity and effort of managing ATM interchange links, creating opportunities for future innovation,
- eftpos Token Service - provides increased security by replacing essential sensitive data, like the card number with a unique digital identifier known as a token.
In development:

• eftpos Interchange Fee Calculation - centralised capability that will facilitate the calculation and reporting of interchange fees for all eftpos Members,
• eftpos Settlement Service - a standardised service that will centralise the way in which settlement is calculated and value exchange facilitated,
• eftpos Automated Disputes and Chargebacks service - to help Members close out customer issues quickly and efficiently, and

Regulatory environment

An open, fair and competitive payments system is good for eftpos, its Members, consumers, merchants and, ultimately, Australia. With this in mind, eftpos has in the past year strived for an environment that supports open and fair competition. This has involved engagement with the industry’s self-regulatory structures (APCA), the Reserve Bank of Australia (RBA), the Federal Government’s Financial System Inquiry and the Australian Payments Council.

Significant changes in the state of affairs

The following changes were significant in the period:
• Increased competition from technologies such as online and contactless, and reduction of proprietary eftpos cards, resulted in declining market share compared to scheme debit.
• eftpos informed Members it would be changing some of its interchange fees in FY2016/17 to improve pricing signals and encourage the industry to invest in a range of new products and product upgrades.
• eftpos changed the eftpos Scheme Fee to help fund investment in new products and services and to drive competition on channels such as contactless and Mobile.

Likely developments and expected results of operations

During FY2016/17 the following developments and results are expected:
• New eftpos product enhancements and services will be launched by Members.
• New eftpos Interchange pricing will be implemented.

Matters subsequent to the end of the reporting period

Part of eftpos’ new Scheme Fee pricing was implemented subsequent to the reporting period.

Environmental regulation

eftpos is not subject to any significant environmental regulation in respect of its activities.

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. An indemnity for officers or employees, who are not Directors, secretaries or executive officers, is not expressly restricted by the Corporations Act 2001.

Article 15.1 provides in effect that every person who is or has been a 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 are indemnified:

(i) The Directors and Alternate Directors, named earlier;
(ii) Chief Executive Officer & Managing Director, Mr B Mansfield;
(iii) Chief Operating Officer & Chief Financial Officer, Mr D Heine;
(iv) Chief Technology Officer, Mr P Jennings;
(v) Chief Commercial Officer, Mr M Rayner;
(vi) Chief Product Officer, Ms M Kellett;
(vii) Company Secretary, Ms S Blevins; and
(viii) General Counsel Ms R Sanders.

**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.

**Auditor**

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporation 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 32.

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

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

V.MCFADDEN  
Chairman  
Sydney  
10 October 2016

S. WOODWARD  
Chairman, Finance, Risk and Audit Committee  
Sydney  
10 October 2016
Auditor's Independence Declaration

As lead auditor for the audit of eftpos Payments Australia Limited for the year ended 30 June 2016, 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 Hinchliffe
Partner
PricewaterhouseCoopers

Sydney
10 October 2016
Financ
“We are building the capability of our team to ensure we can meet the operational demands of a multi-product, multi-services Company, while also delivering complex projects for our Members in a rapidly changing payments market.”

DAVID HEINE
Chief Financial Officer
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
Suite 1, Level 9,
60 Carrington 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 25.
# Statement of comprehensive income

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from continuing operations</td>
<td>2</td>
<td>$44,640,905</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>3</td>
<td>$(15,429,085)</td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td></td>
<td>$(3,595,584)</td>
</tr>
<tr>
<td>Marketing expenses</td>
<td></td>
<td>$(3,728,993)</td>
</tr>
<tr>
<td>Product and implementation expenses</td>
<td>4</td>
<td>$(13,639,325)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>5</td>
<td>$(4,974,509)</td>
</tr>
<tr>
<td>Loss on disposal of assets</td>
<td></td>
<td>$(225,431)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td>$3,047,978</td>
</tr>
<tr>
<td>Income tax benefit/(expense)</td>
<td>6</td>
<td>$(1,825,717)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>$1,222,261</td>
</tr>
</tbody>
</table>

**Total comprehensive income**

| 1,222,261 | 8,361,809 |

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

1 July 2015 – 30 June 2016

<table>
<thead>
<tr>
<th>Assets</th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>20,366,134</td>
<td>21,062,087</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>13,273,375</td>
<td>8,508,098</td>
</tr>
<tr>
<td>Prepayments</td>
<td>2,662,751</td>
<td>834,780</td>
</tr>
<tr>
<td>Current tax asset</td>
<td>5,469,884</td>
<td>6,760,377</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>41,772,144</td>
<td>37,165,342</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>594,581</td>
<td>829,510</td>
</tr>
<tr>
<td>Intangible asset</td>
<td>25,039,432</td>
<td>18,758,926</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>25,634,013</td>
<td>19,588,436</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>67,406,157</td>
<td>56,753,778</td>
</tr>
</tbody>
</table>

| Liabilities             |             |             |
| **Current liabilities** |             |             |
| Trade and other payables | 17,421,241  | 12,539,347  |
| Provisions              | 1,663,566   | 608,772     |
| **Total current liabilities** | 19,084,807 | 13,148,119  |
| **Non-current liabilities** |         |             |
| Trade and other payables | 3,029,836   | –           |
| Deferred tax liabilities | 1,796,925   | 1,552,188   |
| Provisions              | 616,788     | 397,931     |
| **Total non-current liabilities** | 5,443,549 | 1,950,119   |
| **Total liabilities**   | 24,528,356  | 15,098,238  |

| Net assets              | 42,877,801  | 41,655,540  |

| Equity                  |             |             |
| Retained earnings       | 42,877,801  | 41,655,540  |
| **Total equity**        | 42,877,801  | 41,655,540  |

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

1 July 2015 – 30 June 2016

<table>
<thead>
<tr>
<th></th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 July 2014</td>
<td>33,293,731</td>
<td>33,293,731</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>8,361,809</td>
<td>8,361,809</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>8,361,809</td>
<td>8,361,809</td>
</tr>
<tr>
<td><strong>Balance as at 30 June 2015</strong></td>
<td><strong>41,655,540</strong></td>
<td><strong>41,655,540</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 July 2015</td>
<td>41,655,540</td>
<td>41,655,540</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>1,222,261</td>
<td>1,222,261</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>1,222,261</td>
<td>1,222,261</td>
</tr>
<tr>
<td><strong>Balance as at 30 June 2016</strong></td>
<td><strong>42,877,801</strong></td>
<td><strong>42,877,801</strong></td>
</tr>
</tbody>
</table>

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

1 July 2015 – 30 June 2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

## Cash flows from operating activities

- Contributions towards expenses by Members and scheme fees (inclusive of goods and services tax) 56,726,569 52,762,642
- Payments to suppliers and employees (inclusive of goods and services tax) (52,761,178) (37,603,560)

3,965,391 15,159,082

Interest received 333,601 567,144
Income taxes paid (290,488) (8,565,224)

**Net cash inflow (outflow) from operating activities** 19 4,008,504 7,161,002

## Cash flows from investing activities

- Payments for property, plant and equipment (325,196) (46,557)
- Payments for intangible assets (4,379,263) (12,142,083)

**Net cash (outflow)/inflow from investing activities** (4,704,459) (12,188,640)

## Cash flows from financing activities

- – –

**Net cash inflow/(outflow) from financing activities** – –

## Net increase/(decrease) in cash and cash equivalents

- (695,955) (5,027,638)

Cash and cash equivalents at the beginning of the year 21,062,089 26,089,727

**Cash and cash equivalents at the end of the reporting period** 20,366,134 21,062,089

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 2016:

- 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 2015.

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 netbasis, 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 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 settlement, where the asset is recognised in the current period, and payment is in a future period(s). Deferred settlement costs 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.

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.

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, annual leave and accumulating sick 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 and accumulating sick 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 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 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 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 17. The fair value of the current and future commitments are disclosed in the note.
### Note 2:

<table>
<thead>
<tr>
<th>Revenue from continuing operations</th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheme fees</td>
<td>54,518,817</td>
<td>45,969,210</td>
</tr>
<tr>
<td>Rebates</td>
<td>(11,505,239)</td>
<td>(8,995,265)</td>
</tr>
<tr>
<td>Interest income</td>
<td>325,671</td>
<td>525,378</td>
</tr>
<tr>
<td>Connection fees and other revenue</td>
<td>1,301,656</td>
<td>20,020</td>
</tr>
<tr>
<td></td>
<td><strong>44,640,905</strong></td>
<td><strong>37,519,343</strong></td>
</tr>
</tbody>
</table>

### Note 3:

<table>
<thead>
<tr>
<th>Employee benefit expenses</th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>14,925,627</td>
<td>13,263,025</td>
</tr>
<tr>
<td>Long-term employee benefits</td>
<td>391,262</td>
<td>138,366</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>112,196</td>
<td>228,649</td>
</tr>
<tr>
<td></td>
<td><strong>15,429,085</strong></td>
<td><strong>13,630,040</strong></td>
</tr>
</tbody>
</table>

### Note 4:

<table>
<thead>
<tr>
<th>Product and implementation expenses</th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project specific costs</td>
<td>3,549,668</td>
<td>1,258,679</td>
</tr>
<tr>
<td>Operate and run costs</td>
<td>10,089,657</td>
<td>6,017,772</td>
</tr>
<tr>
<td></td>
<td><strong>13,639,325</strong></td>
<td><strong>7,276,451</strong></td>
</tr>
</tbody>
</table>

### Note 5:

<table>
<thead>
<tr>
<th>Other expenses</th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel/entertainment/meeting expenses</td>
<td>596,260</td>
<td>415,340</td>
</tr>
<tr>
<td>Facility costs</td>
<td>683,185</td>
<td>422,707</td>
</tr>
<tr>
<td>Communication</td>
<td>532,326</td>
<td>454,380</td>
</tr>
<tr>
<td>Professional fees</td>
<td>1,748,636</td>
<td>740,555</td>
</tr>
<tr>
<td>Recruitment &amp; other personnel expenses</td>
<td>897,524</td>
<td>571,693</td>
</tr>
<tr>
<td>Other expenses</td>
<td>516,578</td>
<td>381,374</td>
</tr>
<tr>
<td></td>
<td><strong>4,974,509</strong></td>
<td><strong>2,986,049</strong></td>
</tr>
</tbody>
</table>
Notes to the financial statements (continued)

Note 6: Income tax expense

<table>
<thead>
<tr>
<th></th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit from continuing operations before income tax expense</td>
<td>3,047,978</td>
<td>7,971,406</td>
</tr>
<tr>
<td>Tax at the Australian tax rate of 30% (2015 – 30%)</td>
<td>914,393</td>
<td>2,391,421</td>
</tr>
<tr>
<td>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee expenses</td>
<td>110,205</td>
<td>173,322</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>237,449</td>
<td>170,229</td>
</tr>
<tr>
<td>Accrued rebate</td>
<td>148,998</td>
<td>(206,971)</td>
</tr>
<tr>
<td>Research and development expenditure</td>
<td>–</td>
<td>(1,971,204)</td>
</tr>
<tr>
<td>Loss on disposal of assets</td>
<td>–</td>
<td>808,734</td>
</tr>
<tr>
<td>Sundry items</td>
<td>184,877</td>
<td>70,121</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,595,922</td>
</tr>
<tr>
<td>Previously unrecognised tax losses now recouped to reduce current tax expense</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Current income tax expense</td>
<td>1,595,922</td>
<td>1,435,652</td>
</tr>
<tr>
<td>Unders/(overs) from prior year¹</td>
<td>(14,942)</td>
<td>(5,317,323)</td>
</tr>
<tr>
<td>Net movement in deferred tax asset</td>
<td>244,737</td>
<td>3,491,268</td>
</tr>
<tr>
<td><strong>Total income tax expense/(benefit)</strong></td>
<td><strong>1,825,717</strong></td>
<td><strong>(390,403)</strong></td>
</tr>
</tbody>
</table>

The balance of deferred tax assets and deferred tax liabilities comprises temporary difference attributed to:

<table>
<thead>
<tr>
<th></th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee provisions</td>
<td>(400,949)</td>
<td>(863,862)</td>
</tr>
<tr>
<td>Accruals</td>
<td>(996,818)</td>
<td>(1,029,990)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>(124,738)</td>
<td>(111,204)</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>(1,522,505)</td>
<td>(2,005,056)</td>
</tr>
<tr>
<td>Other deferred tax liability</td>
<td>13,302</td>
<td>15,870</td>
</tr>
<tr>
<td>Intangibles</td>
<td>3,306,128</td>
<td>3,541,374</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>3,319,430</td>
<td>3,557,244</td>
</tr>
<tr>
<td><strong>Net deferred tax liability/(asset)</strong></td>
<td><strong>1,796,925</strong></td>
<td><strong>1,552,188</strong></td>
</tr>
</tbody>
</table>

¹Prior year adjustment related to additional research and development credits claimed in the current year relating to prior periods.
Note 7:

Current assets – cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank</td>
<td>13,366,134</td>
<td>17,062,087</td>
</tr>
<tr>
<td>Term deposits</td>
<td>7,000,000</td>
<td>4,000,000</td>
</tr>
<tr>
<td></td>
<td><strong>20,366,134</strong></td>
<td><strong>21,062,087</strong></td>
</tr>
</tbody>
</table>

Note 8:

Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued revenue</td>
<td>4,534,927</td>
<td>3,598,128</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>8,726,393</td>
<td>4,872,861</td>
</tr>
<tr>
<td>Deposits paid</td>
<td>650</td>
<td>650</td>
</tr>
<tr>
<td>Other receivables</td>
<td>11,405</td>
<td>36,459</td>
</tr>
<tr>
<td></td>
<td><strong>13,273,375</strong></td>
<td><strong>8,508,098</strong></td>
</tr>
</tbody>
</table>

At 30 June 2016, 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 2016 (2015: Nil).

Note 9:

Prepayments

<table>
<thead>
<tr>
<th></th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid operating expenses</td>
<td>264,146</td>
<td>222,354</td>
</tr>
<tr>
<td>Prepaid marketing expenses</td>
<td>101,831</td>
<td>145,793</td>
</tr>
<tr>
<td>Prepaid project expenses</td>
<td>–</td>
<td>26,004</td>
</tr>
<tr>
<td>Prepaid rebates</td>
<td>2,296,774</td>
<td>440,629</td>
</tr>
<tr>
<td></td>
<td><strong>2,662,751</strong></td>
<td><strong>834,780</strong></td>
</tr>
</tbody>
</table>
### Note 10: Property, plant and equipment

<table>
<thead>
<tr>
<th>Furniture &amp; fitting $</th>
<th>Leasehold improvements $</th>
<th>Computer equipment $</th>
<th>Total $</th>
</tr>
</thead>
</table>

#### At 1 July 2015

| Cost 172,343 | 797,702 | 1,072,529 | 2,121,289 |
| Accumulated depreciation (78,717) | (478,426) | (734,637) | (1,291,780) |

**Closing net book amount at 30 June 2015**: 172,343 319,276 337,892 829,510

#### At 1 July 2015

| Opening net book amount 172,343 | 319,276 | 337,892 | 829,511 |
| Additions 767 | – | 327,708 | 328,475 |
| Disposals (47,944) | (18,038) | (131,162) | (197,144) |
| Depreciation charge (28,316) | (159,977) | (177,968) | (366,261) |

**Closing net book amount at 30 June 2016**: 96,850 141,261 356,470 594,581

#### At 30 June 2016

| Cost 142,554 | 709,324 | 436,037 | 1,287,915 |
| Accumulated depreciation (45,704) | (568,063) | (79,567) | (693,334) |

**Net book value**: 96,850 141,261 356,470 594,581
Note 11: Intangibles

<table>
<thead>
<tr>
<th></th>
<th>Computer software</th>
<th>Software development costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 July 2015</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>323,247</td>
<td>19,654,551</td>
<td>19,977,798</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>(216,643)</td>
<td>(1,002,228)</td>
<td>(1,218,872)</td>
</tr>
<tr>
<td><strong>Closing net book amount at 30 June 2015</strong></td>
<td><strong>106,604</strong></td>
<td><strong>18,652,322</strong></td>
<td><strong>18,758,926</strong></td>
</tr>
</tbody>
</table>

|                      |                   |                             |           |
| **At 1 July 2015**   |                   |                             |           |
| Opening net book amount | 106,604       | 18,652,322                  | 18,758,926|
| Additions            | –                 | 9,540,818                   | 9,540,818 |
| Disposals            | (28,287)         | –                            | (28,287)  |
| Amortisation charge  | (72,626)         | (3,159,399)                 | (3,232,025)|
| **Closing net book amount at 30 June 2016** | **5,691**   | **25,033,741** | **25,039,432** |

|                      |                   |                             |           |
| **At 30 June 2016**  |                   |                             |           |
| Cost                 | 18,059            | 29,192,666                  | 29,210,725|
| Accumulated amortisation | (12,368)       | (4,158,925)                 | (4,171,293)|
| **Net book value**   | **5,691**         | **25,033,741**              | **25,039,432** |

Software development costs consists of tokenisation and mobile software asset 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

<table>
<thead>
<tr>
<th></th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade and other payables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>2,716,570</td>
<td>2,670,291</td>
</tr>
<tr>
<td>Rebates payable</td>
<td>6,623,425</td>
<td>4,736,511</td>
</tr>
<tr>
<td>Accruals</td>
<td>8,081,246</td>
<td>5,132,545</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>17,421,241</td>
<td>12,539,347</td>
</tr>
</tbody>
</table>

|                      |             |             |
| **Non-Current**      |             |             |
| Accruals             | 3,029,836   | –           |
| **Total**            | 3,029,836   | –           |
Note 13:  
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 2015 and 2016, 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.

<table>
<thead>
<tr>
<th>Interest rate risk</th>
<th>Carrying Amount</th>
<th>-1% impact to profit after tax</th>
<th>1% impact to profit after tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 Jun 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalent</td>
<td>20,366,134</td>
<td>(121,918)</td>
<td>121,918</td>
</tr>
<tr>
<td>Total increase/(decrease)</td>
<td>20,366,134</td>
<td>(121,918)</td>
<td>121,918</td>
</tr>
<tr>
<td>30 Jun 2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalent</td>
<td>21,062,087</td>
<td>(226,761)</td>
<td>226,761</td>
</tr>
<tr>
<td>Total increase/(decrease)</td>
<td>21,062,087</td>
<td>(226,761)</td>
<td>226,761</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Trade receivable and accrued revenue</th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Counterparties with external credit ratings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>* (Fitch – long-term)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAA</td>
<td>110</td>
<td>–</td>
</tr>
<tr>
<td>AA-</td>
<td>9,968,221</td>
<td>6,450,395</td>
</tr>
<tr>
<td>A+</td>
<td>422,801</td>
<td>416,474</td>
</tr>
<tr>
<td>A-</td>
<td>411,465</td>
<td>1,370,666</td>
</tr>
<tr>
<td>BBB-</td>
<td>776,161</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total trade receivables and accrued revenue subject to credit risk</strong></td>
<td><strong>13,362,044</strong></td>
<td><strong>8,508,097</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Cash at Bank and short term deposits</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Counterparties with external credit ratings</strong></td>
<td></td>
</tr>
<tr>
<td>* (Fitch – long-term)</td>
<td></td>
</tr>
<tr>
<td>AA-</td>
<td>20,366,134</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalent</strong></td>
<td><strong>20,366,134</strong></td>
</tr>
</tbody>
</table>
c) Liquidity risk

At the end of the reporting period the Company held cash and cash equivalent of $20,366,134 (2015: $21,062,089) in order to manage 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 flow.

<table>
<thead>
<tr>
<th></th>
<th>Less than 6 months</th>
<th>Greater than 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 30 June 2016</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>16,226,027</td>
<td>4,225,050</td>
</tr>
<tr>
<td><strong>Total trade and other payables</strong></td>
<td><strong>16,226,027</strong></td>
<td><strong>4,225,050</strong></td>
</tr>
<tr>
<td><strong>At 30 June 2015</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>12,157,035</td>
<td>22,312</td>
</tr>
<tr>
<td><strong>Total trade and other payables</strong></td>
<td><strong>12,157,035</strong></td>
<td><strong>22,312</strong></td>
</tr>
</tbody>
</table>

Note 14: 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.

<table>
<thead>
<tr>
<th></th>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Directors fees</td>
<td>306,164</td>
<td>328,499</td>
</tr>
<tr>
<td>Short-term employee benefits</td>
<td>2,323,030</td>
<td>2,160,838</td>
</tr>
<tr>
<td>Other long-term employee benefits</td>
<td>792,515</td>
<td>552,665</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>–</td>
<td>211,435</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,421,709</strong></td>
<td><strong>3,253,437</strong></td>
</tr>
</tbody>
</table>
Note 15:
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.

<table>
<thead>
<tr>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Remuneration for audit and review of the financial reports of the Company:
PricewaterhouseCoopers 137,669 139,000

Remuneration for other taxation advice:
PricewaterhouseCoopers 164,387 105,100

Remuneration for other services:
PricewaterhouseCoopers 82,620 35,539

Total remuneration to auditors 384,676 279,639

Note 16:
Contingent liabilities

There are no outstanding contingent liabilities as at 30 June 2016 (2015: $0).

Note 17:
Commitments

<table>
<thead>
<tr>
<th>30 Jun 2016</th>
<th>30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Within one year 264,978 287,679
Later than one year but not later than five years – 264,978

264,978 552,657

The reporting company has a 5 year lease for its current premises expiring on 30 April 2017.
Notes to
the financial
statements (continued)

Note 18:
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 14.

Remuneration benefits

Information on remuneration of Directors is set out in note 14.

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 19:
Reconciliation of profit after income tax to net cash inflow operating activity

<table>
<thead>
<tr>
<th></th>
<th>12 months to 30 Jun 2016</th>
<th>12 months to 30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>1,222,261</td>
<td>8,361,809</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>3,595,584</td>
<td>1,532,456</td>
</tr>
<tr>
<td>Loss/(Gain) on disposal of software and hardware assets</td>
<td>225,431</td>
<td>2,963,946</td>
</tr>
</tbody>
</table>

Change in operating assets and liabilities

<table>
<thead>
<tr>
<th></th>
<th>12 months to 30 Jun 2016</th>
<th>12 months to 30 Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease/(increase) in trade receivables</td>
<td>(3,853,531)</td>
<td>1,378,489</td>
</tr>
<tr>
<td>Decrease/(increase) in prepayments</td>
<td>(1,827,971)</td>
<td>711,196</td>
</tr>
<tr>
<td>Decrease/(increase) in other receivables</td>
<td>(936,800)</td>
<td>311,971</td>
</tr>
<tr>
<td>Increase/(decrease) in payables</td>
<td>2,778,064</td>
<td>695,573</td>
</tr>
<tr>
<td>Increase/(decrease) in other provisions</td>
<td>1,270,237</td>
<td>161,188</td>
</tr>
<tr>
<td>Increase/(decrease) in income tax provisions</td>
<td>1,535,229</td>
<td>(8,955,626)</td>
</tr>
</tbody>
</table>

Net cash inflow/(outflow) from operating activities 4,008,504 7,161,002

Note 20:
Events occurring after the reporting periods

The Directors are not aware of any other matters or circumstance occurring between 30 June 2016 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.
In the Directors’ opinion:

a. The financial statements and notes set out on pages 37 to 56 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 2016 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) (ii) 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
10 October 2016

S. WOODWARD
Chairman, Finance, Risk and Audit Committee
Sydney
10 October 2016
Independent auditor’s report to the members of eftpos Payments Australia Limited

Report on the financial report
We have audited the accompanying financial report of eftpos Payments Australia Limited (the company), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors’ declaration.

Directors' responsibility 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 the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial report 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.
Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

Sam Hinchliffe
Partner

Sydney
10 October 2016
Corporate directory

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Sydney NSW 2000
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www.eftposaustralia.com.au

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Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Bank
Commonwealth Bank of Australia
Level 9, 201 Sussex Street
Sydney NSW 2000

eftpos Payments Australia Limited
ABN 37 136 180 366 (eftpos)