2019
Annual Report

eftpos

eftpos Payments Australia Limited ABN 37 136 180 366

Directors' Report and Annual Financial Report for the year ended 30 June 2019

Contents

Directors' Report

for the year ended 30 June 2019

Your Directors present their report on eftpos Payments Australia Limited for the period commencing on 1 July 2018 and ending 30 June 2019 (the reporting period).

Directors appointed during the reporting period

The following Directors were appointed during the reporting period on the dates stated:
Ms Bianca Bates (8 August 2018)
Ms Katherine Ostin (5 November 2018)
Mr Allan Goldring (27 May 2019)

Alternate Directors appointed during the reporting period

The following Directors were appointed during the reporting period on the dates stated:
Mr Derek Weatherley (8 August 2018)

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

Independent Directors	
Mr Leigh Clapham, GAICD	Independent Director and Chairman
Ms Katherine Ostin, BComm CA F Fin GAICD[1]	Independent Director
Mr Alexander Twigg, F Fin GAICD	Independent Director
Nominee Directors	
Ms Bianca Bates, DipLaw MAICD[2]	Nominee Director
Dr Michael Baumann, Dr. rer. oec. GAICD	Nominee Director
Mr Allan Goldring, BEc Dip.BA[3]	Nominee Director
Mr Shane Harris	Nominee Director
Mr Cornelis (Kees) Kwakernaak, MScE	Nominee Director
Mr Vinay Rao, BE EMBA	Nominee Director
Ms Sarah Stubbings, BComm GAICD	Nominee Director
Executive Director	
Mr Stephen Benton, BComm GAICD	CEO & Managing Director
Company Secretaries	
Ms Robyn Sanders, LLB	Company Secretary
Ms Kiran Gill, BA GIA (Cert)[4]	Company Secretary

Alternate Directors

Mr Paul Askew
Ms Lynda McMillan
Ms Kirsten Piper
Mr Derek Weatherley

Director Resignation

Ms Simone Van Veen[5]
Mr Derek Weatherley[6]
Ms Raksmey Thay[7]

Company Secretary Resignation

Ms Lisa Vaessen[8]

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[1] *Ms Katherine Ostin was appointed as Independent Director on 5 November 2018.*
[2] *Ms Bianca Bates was appointed as Nominee Director on 8 August 2018.*
[3] *Mr Allan Goldring was appointed as Nominee Director on 27 May 2019.*
[4] *Ms Kiran Gill was appointed as Company Secretary on 21 May 2019.*
[5] *Ms Simone Van Veen resigned as Nominee Director on 17 December 2018.*
[6] *Mr Derek Weatherley resigned as Nominee Director on 8 August 2018 and was appointed as an Alternate Director on 8 August 2018.*
[7] *Ms Raksmey Thay resigned as Nominee Director on 2 October 2019.*
[8] *Ms Lisa Vaessen resigned as Company Secretary on 12 December 2018.*

Directors' meetings attendance

Below shows the Directors meeting attendance schedule from 1 July 2018 to 30 June 2019.

	Board	Finance & Financial Audit Committee (FFAC)	Risk & Internal Audit Committee (RIAC)	Remuneration & Nominations Committee (RNC)	Rebate & Pricing Committee (RPC)
Total No. of Meetings	7	6	5	5	7
Independent Directors					
Mr Leigh Clapham	7/7	6/6	4/5	5/5	6/7
Ms Katherine Ostin[9]	4/4	3/3	3/3		6/6
Mr Alexander Twigg	6/7			5/5	7/7
Nominee Directors					
Ms Bianca Bates	5/5	5/6			
Dr Michael Baumann[10]	7/7			5/5	
Mr Shane Harris[11]	7/7		5/5		
Mr Cornelis (Kees) Kwakernaak	5/7	6/6			
Mr Vinay Rao	7/7			5/5	
Ms Sarah Stubbings	6/7				
Ms Raksmey Thay	6/7		4/5		
Ms Simone Van Veen	3/4		2/2		
Mr Derek Weatherley	2/2			1/1	
Executive Director					
Mr Stephen Benton	7/7				7/7

Numerator = Meetings attended. Denominator = Meetings required to attend as Director.

[9] *Ms Katherine Ostin was appointed as Chair of the Risk and Internal Audit Committee and Chair of the Finance and Financial Committee on 28 November 2018.*
[10] *Dr Michael Baumann was represented by his alternate Ms Lynda McMillan at the Board meetings on 28 November 2018 and 29 March 2019.*
[11] *Mr Shane Harris was represented by his alternate Mr Paul Askew at the Board meeting on 29 March 2019.*

Objectives

Our business objective is to change the way Australians pay for the better, whilst at the same time grow the business and uphold the reputation; integrity; security; reliability and stability of the eftpos payments system. With access to 52 million cards in market, we help create innovative, bespoke customer payment experiences for our Members and partners.

Strategy

To meet our business objectives, our strategy puts the customer at the forefront. The end vision is to be Australia's payment choice, by making life easier and being centre of the digital ecosystem. We will achieve this through focusing on new segments for:

- Merchants, where we strive for ubiquity and plan to be the preferred payment choice for the majority of Australian businesses;
- Consumers, where we pursue opportunities to choose eftpos and new consumer-facing propositions, particularly in digital payments;
- Issuers, where we will maintain competition in the Australian payments market and deliver compelling, customer-focussed products;
- National/ecosystem, where we will extend our natural role as a low-cost national infrastructure provider, leveraging capabilities to the benefit of an efficient Australian payments system.

Principal activities

The Company has responsibility for managing and promoting the Australian eftpos debit payments system and its associated processing infrastructure and services. eftpos has a proven track record to deliver large infrastructure capabilities and during the reporting period, the Company materially progressed key areas to assist in achieving our objectives by:

- Demonstrating the integrity, security, reliability and stability of the eftpos payments system, with continued zero downtime on the eftpos Hub;
- Building and testing digital ecommerce capabilities for Member, gateway and merchant adoption in FY20;
- Continuing to work with Acquirers and merchants to roll out Least Cost Routing to more retail outlets throughout Australia, providing merchants with choice and potential cost savings;
- Building and launching eftpos mobile capability for multi-network cards with several banks, providing more choice for consumers and merchants;
- Launching eftpos contactless with more terminal providers and significantly progressing work with unattended device providers to further strengthen our EMV presence and ability;
- Exploring ways of closing perceived functionality gaps;
- Beginning work with several State Government agencies to roll out eftpos transit capability;
- Introducing agile work streams to increase project focus, running in 2 week cycles; and
- Achieving aggressive volume growth targets.

Measuring performance

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

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

The performance of the business in this reporting period reflects:

- Return to moderate growth after a more than five year decline in transaction volume processed by eftpos;
- A clear focus on key product areas including ecommerce, international acceptance, mobile and unattended;
- An approach to keep fee levels low compared to competitors;
- Considerable investment in capability build both by eftpos and its Members;
- A material shift in the culture and capabilities of the business to drive customer focussed business growth; and
- A strategy to maintain a low but positive EBIT.

Company limited by guarantee

The Company is limited by guarantee with each of the 19 members being liable to the extent of $10,000 each on the Company's winding up, being a total of $190,000.

Results

The operating profit after income tax for the year ended 30 June 2019 was $4.596 million (2018: $1.827 million).

Directors' benefits

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

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

Directors' and Officers' indemnity

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

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

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

- The Directors and Alternate Directors named earlier;
- Chief Executive Officer & Managing Director;
- Chief Financial Officer (while appointed);
- Head of Finance (interim, during tenure);
- Chief Technology Officer (became Chief Transformation Officer and then Chief Digital Officer);
- Chief Commercial Officer;
- Chief Product Officer (while appointed);
- Chief Operating Officer (replaced by Chief Information Officer);
- EM of People and Culture;
- General Counsel; and
- both Company Secretaries.

Insurance

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

Dividends

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

Auditor

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

Auditor's Independence declaration

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

Rounding of amounts

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

Power to amend financial statement after issue

The Directors have the power to amend and re-issue the financial report after issue.

Matters subsequent to the end of the reporting period

The Directors are not aware of any other matters or circumstances occurring between 30 June 2019 and the date of the Directors' declaration, not otherwise dealt with in this report, that has significantly, or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

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

L. Clapham
Chairman
Melbourne
22 October 2019

Auditor's Independence Declaration

As lead auditor for the audit of eftpos Payments Australia Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

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

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

Sam Garland
Partner
PricewaterhouseCoopers

Melbourne
22 October 2019

Annual Financial Report

For the year ended 30 June 2019

eftpos Payments Australia Limited ABN 37 136 180 366

Contents

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

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

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

A description of the nature of the company's operations and its principal activities is included in the Directors' Report commencing page 2.

Statement of Comprehensive Income

for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue from continuing operations	2	56,114	48,839
Employee benefits expense	3	(19,964)	(17,142)
Depreciation and amortisation expense	10, 11	(5,977)	(5,312)
Marketing expenses		(2,430)	(3,335)
Product and Implementation expenses	4	(14,616)	(14,177)
Other expenses	5	(6,761)	(6,227)
Loss on disposal of assets		-	(11)
Profit before income tax		**6,366**	**2,635**
Income tax expense	6	(1,770)	(808)
Profit for the year		4,596	1,827
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income		**4,596**	**1,827**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2019

Assets	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	7	36,079	33,538
Trade and other receivables	8	24,985	8,151
Prepayments	9	957	677
Current tax assets		-	2,021
Total current assets		**62,021**	**44,387**
Non-current assets			
Property, plant and equipment	10	787	651
Intangible assets	11	17,692	21,169
Total non-current assets		**18,479**	**21,820**
Total assets		**80,500**	**66,207**
Liabilities			
Current liabilities			
Trade and other payables	12	18,745	13,036
Deferred consideration	13	1,040	1,040
Provisions	14	729	468
Current tax liabilities		3,786	-
Total current liabilities		**24,300**	**14,544**
Non-current liabilities			
Deferred consideration	13	-	1,025
Deferred tax liabilities	6	480	1,981
Provisions	14	434	78
Total non-current liabilities		**914**	**3,084**
Total liabilities		**25,214**	**17,628**
Net assets		**55,286**	**48,579**
Equity			
Retained earnings		55,286	48,579
Total equity		**55,286**	**48,579**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2019

	Retained earnings $'000	Total $'000
Balance as at 1 July 2017	46,752	46,752
Net profit for the year	1,827	1,827
Other comprehensive income	-	-
Total comprehensive income for the year	1,827	1,827
Balance as at 30 June 2018	**48,579**	**48,579**
Change on adoption of new accounting standards (1)	2,111	2,111
Restated opening balance as at 1 July 2018	**50,690**	**50,690**
Balance as at 1 July 2018	50,690	50,690
Net profit for the year	4,596	4,596
Other comprehensive income	-	-
Total comprehensive income for the year	4,596	4,596
Balance as at 30 June 2019	**55,286**	**55,286**

(1) The entity adopted AASB 15 Revenue from contracts with customers (AASB 15) on 1 July 2018 using the modified retrospective approach. The impact of adoption has been taken through opening retained earnings at 1 July 2018. For details on the adoption of AASB 15, refer to Note 1.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		57,131	60,497
Payments to suppliers and employees (inclusive of GST)		(55,302)	(47,435)
		1,829	13,062
Interest (paid)/ received		490	228
Income taxes (paid)/ refunds received		2,536	907
Net cash inflow from operating activities	21	**4,855**	**14,197**
Cash flows from investing activities			
Payments for property, plant and equipment		(164)	-
Payments for intangible assets		(2,150)	(2,180)
Net cash (outflow) from investing activities		**(2,314)**	**(2,180)**
Cash flows from financing activities		-	-
Net cash inflow/(outflow) from financing activities		-	-
Net increase in cash and cash equivalents		2,541	12,017
Cash and cash equivalents at the beginning of the year		33,538	21,521
Cash and cash equivalents at the end of the year	7	**36,079**	**33,538**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

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 report.

i. Compliance with IFRS

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

ii. Historical cost convention

This financial report has been prepared on a historical cost basis 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.

iii. New and amended standards adopted by the Company

The Company has applied the following standards for the first time for their annual reporting period commencing 1 July 2018 as explained further in note 1a(v):

- AASB 9 *Financial Instruments* (AASB 9)
- AASB 15 *Revenue from Contracts with Customers* (AASB 15)

iv. New standards and interpretations not yet adopted

On 1 July 2019, the Company adopted AASB 16 *Leases* (AASB 16) replacing the previous standard AASB 117 *Leases* (AASB 117). AASB 117 required leases to be classified as operating leases or finance leases according to their economic substance at inception of the lease. Finance leases were recognised on the Statement of Financial Position. Operating leases were not recognised on the Statement of Financial Position and rent payable was recognised as an expense over the lease term.

AASB 16 introduces a single accounting model for recognising and measuring lease arrangements. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under lessee accounting, AASB 16 requires all leases to be recognised on the Statement of Financial Position, unless the underlying asset is of low value or the lease has a term of 12 months or less. From 1 July 2019, the entity will recognise a 'right-of-use asset' representing its right to use leased assets and a 'lease liability', measured as the present value of future lease payments. The Statement of Comprehensive Income will include depreciation of the right-of-use asset and interest expense on the lease liability over the lease term. Total lease expense recognised over the life of a lease remains unchanged as compared to AASB 117, however the timing of expense recognition changes, with a higher expense recognised in the earlier stages of a lease due to the interest expense being determined on the lease liability that amortises over the lease term.

The Company will apply the modified retrospective approach in adopting AASB 16 and measure the right-of-use asset for certain existing premises as if AASB 16 has always been applied. The resulting transition adjustments will be recognised in opening retained earnings. Under this approach no restatement to comparative information is required. Management judgement applied in determining these values includes the determination of whether an arrangement contains a lease, the term of the lease, the discount rate and future lease cash flows.

v. *Changes in accounting policies*

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the Company's financial statements.

- AASB 9 *Financial Instruments*

The Company has adopted AASB 9 from 1 July 2018. AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. There was no impact on the classification and measurement of financial instruments recognised from the adoption of AASB 9.

- AASB 15 *Revenue from Contracts with Customers*

The Company has adopted AASB 15 Revenue from Contracts with Customers (AASB 15) from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

AASB 15 establishes a framework for revenue recognition. It is based on the principle that revenue is recognised when control of a good or service transfers to a customer, either over time or at a point in time, depending on when performance obligations are satisfied.

The Company has three main revenue / contra revenue streams: Scheme fees, Joining and Connection fees and Scheme fee rebate expenditure. Scheme fee and Connection fees are recognised in the month to which the service for transactions was provided. Joining fees are recognised when the Member lodges an application and qualifies to join. The recognition of these revenue streams was not impacted upon adoption of AASB 15. See note 1b) for further information.

Under AASB 15, Scheme fee rebate expenditure is now recognised as an offset against scheme fees earned or expected to be earned during the period of the contract or specific performance obligation within the contract.

The rebate is estimated based on the most likely amount method. The rebate estimate is based on the determination of members (or members customers) progress towards satisfaction of contracted performance obligations. Performance obligations vary and may include transaction volume targets; capability build; marketing; research etc.

At the end of each reporting period, an assessment will be performed to update the estimated transaction price and determine whether an estimate of variable consideration is constrained.

The Company has applied the modified retrospective approach. Under this approach, the Company has recorded an opening retained earnings adjustment of $2.1m on adoption. The $2.1m adjustment relates to rebates recognised in FY18 as qualifying behaviours included in the rebate contracts were met.

vi. Critical estimates, judgement and errors

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 carrying value of property, plant and equipment is considered, to determine whether any impairment is required.

The Company has assessed the useful lives of the component assets within property, plant and equipment. This is explained further in note 1(g).

b. Intangible assets

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

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

AASB 136 *Impairment of Assets* (AASB 136) requires assets to be carried at no more than their recoverable amount. Where indicators for impairment exist, the carrying value of the intangible asset is considered to determine whether any impairment is required.

The Company has considered the future economic benefits and compliance with AASB 138 *Intangible Assets* (AASB 138) when determining the useful life of intangible assets. This is explained further in note 1(h).

b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates in the Statement of Comprehensive Income. 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.

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.

Revenue is recognised for the major business activities as follows:

i. Scheme, Joining, Connection and Infrastructure fees

Scheme fee revenue is recognised in the Statement of Comprehensive Income in the month in which the fees were earned.

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 and infrastructure fees are a fixed fee for each month the Member is connected to the Hub. Connection and infrastructure fees are recognised in the month in which fees are earned.

ii. Rebates

Scheme fee rebates that contribute to the success of the Company are provided to Members and customers of Members in accordance with the Rebate Policy. Rebates are subject to approval delegations and may cover multiple financial years.

Scheme fee revenue is presented in the Statement of Comprehensive Income net of Scheme fee rebates. Rebates are recognised as an offset against scheme fees earned or expected to be earned during the period of the contract or specific performance obligation within the contract. See note 1a) v.

c) Income tax

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

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

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

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

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

Current and deferred tax is recognised in profit or loss.

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

d) Leases

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

e) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash at bank, deposits at call and term deposits 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 that has been 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 measured 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	3-10 years
Computer Hardware	3 years
Leasehold 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 build and test phase of the asset. Costs capitalised include external direct costs of materials and services directly related to the build and test phase. Amortisation is calculated using the straight-line method to allocate the cost, net of their residual value, over the estimated useful life. Amortisation rates used for Software Development costs range between 14% and 20% and reflect the expected useful life of the assets.

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

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

To meet the requirements of AASB 136 Impairment of Assets (AASB 136), management have performed an annual assessment of indicators of impairment. As under AASB 136 paragraph 12, management's assessment considered both external and internal sources of information. Management have not identified any indicators of impairment.

i) Trade and other payables

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

j) Deferred consideration

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

k) 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.

l) Employee benefits

i. Short-term obligations

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

ii. Long-term obligations

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

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

iii. Bonus plans

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

iv. Long term incentives

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

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.

m) 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.

n) Commitments

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

o) Rounding of amounts

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

Note 2: Revenue from continuing operations	2019 $'000	2018 $'000
Scheme, joining, connection and infrastructure fees	73,964	57,333
Rebates	(18,371)	(8,722)
Interest income	521	228
	56,114	**48,839**

Note 3: Employee benefit expenses	2019 $'000	2018 $'000
Short-term employee benefits - non-project related	15,745	16,460
Short-term employee benefits - project related *	3,854	54
Long-term employee benefits	131	35
Termination benefits	234	593
	19,964	**17,142**

* Project related expenses were not previously split out during 2018

Note 4: Product and implementation expenses	2019 $'000	2018 $'000
Project specific costs	2,211	1,413
Operate and run costs	12,405	12,764
	14,616	**14,177**

Note 5: Other expenses	2019 $'000	2018 $'000
Travel & entertainment expenses	595	257
Facility costs	1,111	1,026
Communication	990	1,118
Professional fees	2,154	2,038
Recruitment & other personnel expenses	1,255	1,121
Other expenses	656	667
	6,761	**6,227**

Note 6: Income tax expense	**2019 $'000**	**2018 $'000**
Profit from continuing operations before income tax expense	6,366	2,635
Tax at the Australian tax rate of 30% (2018: 30%)	1,910	790
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Employee expenses	154	(168)
Depreciation and amortisation	531	267
Accrued rebates	779	(790)
Sundry items	148	96
	3,522	195
Previously unrecognised tax losses now recouped to reduce current income tax expense	-	-
Current income tax expense	3,522	195
Unders/(overs) from prior year	(196)	-
Net movement in deferred tax liability	(1,556)	613
Total income tax expense	**1,770**	**808**
The balance of deferred tax assets and deferred tax liabilities comprises temporary differences attributed to:		
Employee provisions	(268)	(161)
Accruals	(1,630)	(763)
Property, plant and equipment	(49)	(21)
Deferred tax asset	(1,947)	(945)
Other deferred tax liability	15	14
Intangibles	2,412	2,912
Deferred tax liability	2,427	2,926
Net deferred tax liability/(asset)	**480**	**1,981**

Note 7: Cash and cash equivalents	2019 $'000	2018 $'000
Cash at bank	10,079	26,038
Term deposits	26,000	7,500
	36,079	**33,538**

Note 8: Trade and other receivables	2019 $'000	2018 $'000
Accrued revenue	10,765	4,444
Trade receivables	14,220	3,707
	24,985	**8,151**

Based on the credit history of these counterparties, it is expected that these amounts will be received when due. No allowance for doubtful debts has been raised at 30 June 2019 (2018: nil).

Note 9: Prepayments	2019 $'000	2018 $'000
Prepaid operating expenses	957	677
	957	**677**

Note 10:

Property, plant and equipment	Furniture & fittings $'000	Leasehold improvements $'000	Computer equipment $'000	Total $'000
Year ended 30 June 2018				
Opening net book amount	64	648	174	886
Additions	-	-	-	-
Disposals	-	-	(11)	(11)
Depreciation charge	(10)	(134)	(80)	(224)
Closing net book amount	**54**	**514**	**83**	**651**
At 30 June 2018				
Cost	106	670	243	1,019
Accumulated depreciation	(52)	(156)	(160)	(368)
Net book amount	**54**	**514**	**83**	**651**
Year ended 30 June 2019				
Opening net book amount	54	514	83	651
Additions	64	260	161	485
Disposals	-	-	-	-
Depreciation charge	(11)	(248)	(90)	(349)
Closing net book amount	**107**	**526**	**154**	**787**
At 30 June 2019				
Cost	170	930	404	1,504
Accumulated depreciation	(63)	(404)	(250)	(717)
Net book amount	**107**	**526**	**154**	**787**

Note 11: Intangible assets	Software development costs $'000	Total $'000
Year ended 30 June 2018		
Opening net book amount	24,079	24,079
Additions	2,320	2,320
Disposals	(142)	(142)
Amortisation charge	(5,088)	(5,088)
Closing net book amount	**21,169**	**21,169**
At 30 June 2018		
Cost	34,232	34,232
Accumulated amortisation	(13,063)	(13,063)
Net book amount	**21,169**	**21,169**
Year ended 30 June 2019		
Opening net book amount	21,169	21,169
Additions	2,150	2,150
Disposals	-	-
Amortisation charge	(5,628)	(5,628)
Closing net book amount	**17,692**	**17,692**
At 30 June 2019		
Cost	36,383	36,383
Accumulated amortisation	(18,691)	(18,691)
Net book amount	**17,692**	**17,692**

Software development costs consists of tokenisation and mobile software assets and the eHub. Further information is included in note 1(h).

Note 12: **Trade and other payables**	**2019** **$'000**	**2018** **$'000**
Trade payables	72	4,511
Rebates payable	13,514	2,882
Accrued expenses	4,345	5,586
Other Payables	814	57
	18,745	**13,036**

Note 13: **Deferred consideration**	**2019** **$'000**	**2018** **$'000**
Current	1,040	1,040
Non Current	-	1,025
	1,040	**2,065**

Note 14: **Provisions**	**2019** **$'000**	**2018** **$'000**
Current		
Employee entitlements - current	729	468
	729	**468**
Non-current		
Employee entitlements - non current	174	78
Make good provision	260	-
	434	**78**

Note 15:
Financial risk management

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

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

a) Market risk

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

ii. **Cash flow, fair value and interest rate risk**
The Company's main interest rate risk arises from its holdings of cash and term deposits. There is no material interest rate risk exposure on financial liabilities.

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. It is considered that the 1% sensitivities are reasonably possible at year end.

Interest rate risk	Carrying Amount $'000	-1% impact to profit after tax $'000	+1% impact to profit after tax $'000
30 June 2019			
Financial Assets			
Cash and cash equivalents	36,079	(361)	361
Total increase/(decrease)		**(361)**	**361**
30 June 2018			
Financial Assets			
Cash and cash equivalents	33,538	(335)	335
Total increase/(decrease)		**(335)**	**335**

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 for the holding of cash. Otherwise, if there is no independent rating, management assesses the credit quality of the member, taking into account its financial position, past experience and other factors.

Trade receivable and accrued revenue	2019 $'000	2018 $'000
Counterparties with external credit ratings		
(Standard & Poor's - long term)		
AA-	19,572	5,690
A+	975	221
A	183	73
BBB+	1,715	506
BBB	1,655	1,179
	24,100	7,668
Counterparties without external credit ratings		
* Group 1	630	275
** Group 2	255	209
	885	484
Total trade receivables and accrued revenue subject to credit risk	**24,985**	**8,151**

* Group 1 – existing members (more than 6 months) with no defaults in the past.
** Group 2 – other Debtors.

Cash at bank and short term deposits	2019 $'000	2018 $'000
(Standard & Poor's - long term)		
AA-	10,079	33,538
A	26,000	-
Total cash and cash equivalents	**36,079**	**33,538**

c) Liquidity risk

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

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

	Less than 6 months $'000	Greater than 6 months $'000
At 30 June 2019		
Trade and other payables	18,745	-
Deferred consideration	-	1,056
	18,745	**1,056**
At 30 June 2018		
Trade and other payables	13,036	-
Deferred consideration	-	2,112
	13,036	**2,112**

Note 16: Key management personnel

Key management personnel are persons who make, or participate in making, decisions which affect the whole or a significant part of the business. Key management personnel include Executive Management and Directors. Nominee Directors are not remunerated.

	2019 $	2018 $
Directors fees	307,718	243,747
Short-term employee benefits	3,152,120	3,123,214
Other long-term benefits	186,068	78,270
Termination benefits	140,459	456,721
Post-employment benefits	-	-
Share-based payment	-	-
	3,786,365	**3,901,952**

Note 17:
Remuneration of auditors

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

PricewaterhouseCoopers:

	2019 $	2018 $
Audit of financial statements	173,575	224,620
Taxation services	5,865	-
Other services	42,000	42,500
Total remuneration of auditors	**221,440**	**267,120**

Note 18:
Contingent liabilities

The Company had no contingent liabilities as at 30 June 2019 (2018: $0).

Note 19: **Commitments**	**2019** **$'000**	**2018** **$'000**
Within one year	727	699
Later than one year but not later than five years	1,406	2,132
After five years	-	-
	2,133	**2,831**

The Company has a five year lease for its current premises at Level 11, 45 Clarence Street, Sydney expiring 30 April 2022. The Company has no other commitments as at 30 June 2019.

Note 20:
Related party transactions

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

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

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

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

Note 21: Reconciliation of profit after income tax to net cash inflow from operating activities	**2019 $'000**	**2018 $'000**
Profit for the year	4,596	1,827
Depreciation and amortisation	5,977	5,312
Non cash items:		
- Loss/(gain) on disposal of software and hardware assets	-	11
- Makegood provision	(321)	-
- Rebate adjustment for AASB15 (opening RE)	2,111	-
Change in operating assets and liabilities		
(Increase)/decrease in trade receivables	(16,834)	3,403
(Increase)/decrease in prepayments	(280)	427
Increase in payables	4,684	2,067
Increase/(decrease) in other provisions	617	(565)
Decrease/(increase) in income tax provisions	4,306	1,715
Net cash inflow/(outflow) from operating activities	**4,855**	**14,197**

Note 22:
Events occurring after the reporting period

The Directors are not aware of any other matters or circumstance occurring between 30 June 2019 and the date of the Directors' declaration not otherwise dealt with in the financial report that has significantly or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Directors' Declaration

In the Directors' opinion:

a) The financial statements and notes set out on pages 8 to 31 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 2019 and of its performance for the financial year ended on that date; and

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

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

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

L. Clapham
Chairman
Melbourne
22 October 2019

Independent auditor's report

To the members of eftpos Payments Australia Limited

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended

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

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

PricewaterhouseCoopers

Sam Garland
Partner

Melbourne
22 October 2019

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