

TELPAY ANNUAL TRUST REPORT
FOR THE YEAR ENDING
APRIL 30, 2016



Trust is Our Foundation.

Serving Businesses
For More Than 30 Years

TELPAY INCORPORATED - TRUST ACCOUNT
Balance Sheet

	2016	2015
ASSETS		
CURRENT		
Cash and short term deposits	\$ 24,584,014	\$ 61,320,224
LIABILITIES AND DIRECTORS' EQUITY		
CURRENT		
Client funds obligations	\$ 24,584,014	\$ 61,320,224

ON BEHALF OF THE BOARD



W.H. LOEWEN, HON. DIRECTOR & INTERIM PRESIDENT



HOWARD LOEWEN, CHAIRMAN

TELPAY INCORPORATED - TRUST ACCOUNT
Notes to Financial Statements

1 DESCRIPTION OF OPERATIONS

The company provides electronic bill payment and automated banking services to businesses, consumers and financial institutions. The company operates a trust account as an integral part of its service. In order to ensure that Telpay Incorporated is always in a position to ensure the trust account can meet its obligations, at every moment in time, the company maintains a strong cash and short term investment position, retains all trust funds in Canada Deposit Insurance Corporation insured institutions, and maintains a \$10,000,000 fidelity bond.

The balance of funds on hand fluctuates significantly on a day to day basis, depending on the volume of transactions, and can vary considerably from month end to month end.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate.

3 FUNDS HELD IN TRUST

The trust obligations are fully funded by demand deposit accounts in federally regulated financial institutions that are members of the Canada Deposit Insurance Corporation.

4 TRUST AUDIT

Throughout the year, the external auditors perform examinations of the trust operations and bank accounts, monitor the control environment and systems which collect, record and process data, and report their findings to the directors. The overall objective of auditing in this computerized environment is to aid the Board in determining the adequacy of these controls. Through testing, the auditors monitor the maintenance of adequate audit trails, the control of transactions and authorization.

5 FINANCIAL INSTRUMENTS

Credit risk

The company is exposed to credit risk from customers. Where there is recognized risk, the corporation requires its customers to either deliver guaranteed funds in order to fulfill the obligations of the contract or to allow funds to be held for a sufficient number of days to provide reasonable assurance that funds for the contracted transaction have cleared the payment system.



INDEPENDENT AUDITOR'S REPORT

Telpay Incorporated - Trust Account

Year ended April 30, 2016

To the Directors of Telpay Incorporated – Trust Account

We have audited the accompanying financial statements of Telpay Incorporated – Trust Account, which comprise the balance sheet as at April 30, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's internal control. An audit also included evaluating made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Telpay Incorporated – Trust Account as at April 30, 2016 in accordance with Canadian accounting standards for private enterprises.

Winnipeg, Manitoba
May 31, 2016

BDO Canada LLP
Chartered Accountant



Telpay's
Audit Partner

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To Our Customers,

We are pleased to provide our audited Trust Account financial statement for the year ending April 30, 2016. This is our 31st year of providing payment services to Canadian businesses, financial institutions and individuals.

We take pride in the fact that we have been the source of many of the most important developments in the electronic payment field, and in doing so have reduced costs for Canadians, set high standards to be achieved by all who handle funds for others and provided our services with a degree of certainty and accuracy that is the standard for the industry.

From this financial report, we hope you will see the degree of care and experience we apply to your needs in the payment field.

As the payment industry changes, so must Telpay. 2016 will see significant changes in the way we provide service and the service we provide.

We thank you for your patronage and hope to continue to be your payment service provider.

Yours truly,

W. H. Loewen, CM, FCA

Interim President, Telpay Incorporated

W. H. Loewen
Interim President

BOARD OF DIRECTORS

180
yrs

We rely on the trusted leadership and innovation of our distinguished Board of Directors, who bring the benefits of over 180 years of outstanding collective experience in the electronic payment industry to their role.

48
yrs

W.H. Loewen

Founder & Hon. Director, Interim President

Mr. Loewen founded Comcheq Services Limited in 1968 and has been an innovator in providing payment services to Canadians ever since. His interests in good corporate governance and ensuring sound business practices are applied in all areas of the company.

15
yrs

Howard W. Loewen

Chairman

Howard W. Loewen graduated from the University of Waterloo first with a BSc in Electrical Engineering & Computer Science and then with a Masters Degree in Computer Science. He is the owner, founder and Chief Executive Officer of MicroPilot. MicroPilot is the world leading manufacturer of miniature autopilots for unmanned aerial vehicles (UAV) and micro aerial vehicles (MAV).

36
yrs

James Richardson

Director

Mr. Richardson retired as Vice President of James Richardson & Sons Limited and is currently the President & Director of Westmead Limited. He is also a director of several other private Canadian companies and volunteer organizations.

3
yrs

Alan Salmon

Director

Mr. Salmon is President and CEO of K2 Enterprises Canada which provides CPD training for accountants across Canada. He has over 25 years of experience in business, education, software design, marketing and publishing.

9
yrs

Gary Seveny

Director

Mr. Seveny was the President and Chief Executive Officer of two financial institutions, headquartered in Ottawa. He has been an active spokesperson in the financial industry on vision and regulatory change, appearing before many Committees.

36
yrs

Raymond Senez

Director

Mr. Senez is a Professional Engineer. Currently, he is the President of Telenium Inc. He has served as CEO and General Manager of CTI-ComTel Inc. Prior to joining CTI-ComTel, Mr. Senez held various positions at Comcheq Services Limited.

27
yrs

Richard Ball

Director

Mr. Ball is a Chartered Professional Accountant and served as Chief Financial Officer for Winnipeg Airports Authority. Previously, he was President of Ceridian Canada and held various financial management positions with Comcheq Services Limited.

6
yrs

Marilyn Benninger

Director

Ms. Benninger is a Chartered Professional Accountant providing strategic advisory services to leading software companies whose products serve the needs of small businesses, accountants and bookkeepers. Previously, she held senior leadership roles at Telpay, MYOB and Sage.

TELPAY MANAGEMENT



11
yrs

John Zajic

Vice President, Trust Operations

John provides the oversight of our Trust Account that ensures customer funds are properly cared for as they are processed from customers to billers and employees. John represents Telpay at FinPay, the Department of Finance Payments Consultative Committee.



12
yrs

Tina Mahood

Director, Customer Care

Tina is known and appreciated by our customers across Canada. Her thorough knowledge of our systems and the needs of our customers form the foundation of our reputation for excellent, personalized customer service.



9
yrs

Lyn Walker

Director, Marketing

Lyn makes sure that Telpay's marketing efforts live up to its significant responsibility to its customers, partners and prospects. Whether it is with the publication of this report, the manner in which we promote and provide our services or the way we are represented in our community.



22
yrs

Alan Beaton

Director, Information Technology

Alan guides our operations and our systems development. His dedication is best illustrated by the fact that Telpay has never missed a days processing in its 31 years of operations.



420
yrs

Our people are the mainstay of our business. Our employees represent over 420 years of working in the electronic payment industry with Telpay.

Statement of Values Expected of Directors, Managers and Staff of Telpay Incorporated

Throughout this report we have included the number of years of services each person has dedicated to providing payment services to Canadians whether through Telpay or Comcheq.

All who are involved in the management and operations of Telpay are expected to conduct the company's affairs with honesty, integrity and a high degree of community and social responsibility.

We will apply our skills to the best of our ability toward market development and technological innovation while maintaining operational efficiency, financial stability and staff development.

Our Commitment to Customer Care

With over 50 dedicated employees, we at Telpay are committed to a customer-centric culture. When you call Telpay, you get a real person located in Winnipeg and not a recorded menu selection. If you need help, you will be transferred to one of our Customer Care Professionals.

Telpay recognizes that it has special responsibilities both as the handler of customers' funds in the process of distribution to billers and also because of the sensitive nature of the information we must maintain in order to carry out our responsibilities. We are pleased to provide an explanation of our policies and procedures in this regard.

OUR PAYMENT PROCESS

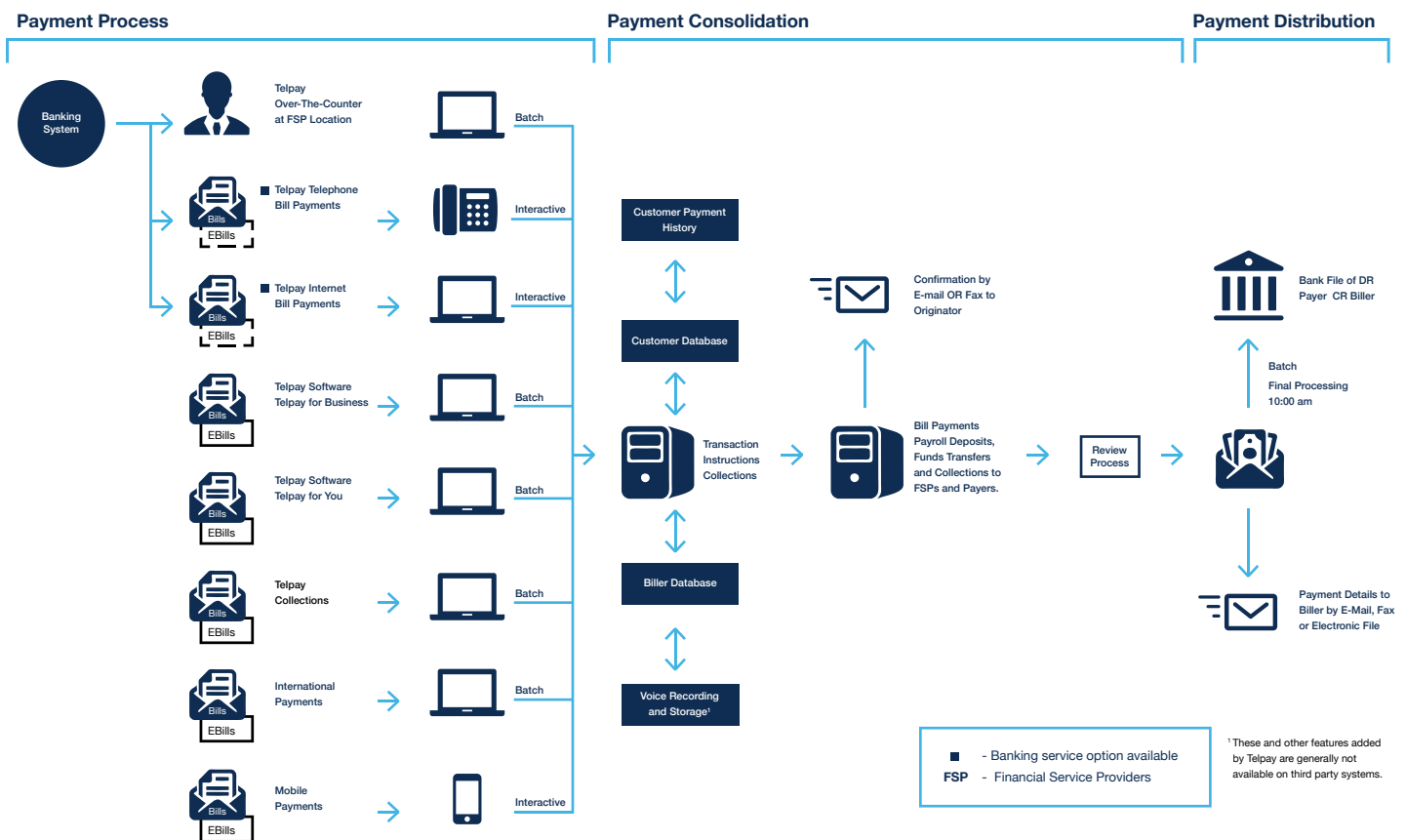
About Telpay

Telpay is best known as a bill payment service. We accept payment instructions from individuals and businesses by a variety of means – telephone, internet, payment software systems, and other financial service providers; in fact from any source that can provide accurate information in electronic form.

The fact that we then take these instructions, group them by billers and forward them all in a convenient format to the recipient is a very important part of the value we bring to billers. Rather than receiving

multiple individual payments by cheque or electronic credits to their bank accounts, they receive a file ready for posting to their accounts and a single credit to their bank account.

Building this structure, which has been in operation since 1985, Telpay is able to continually enhance the services it offers. We are unique in that we can process payments to anyone. With this one system we can handle transfers to bank accounts, payments of all kinds of taxes, international payments and all at a much lower cost than by any other method.



In honour of our commitment to the environment, Telpay partners with Tree Canada on our Save a Tree – Plant a Tree Program. We encourage all Canadian businesses to replace cheques with electronic payments through Telpay. As a green incentive, with our support, Tree Canada plants a tree to celebrate the 100th bill payment milestone achieved by a Telpay customer.

INVESTMENT POLICY

As you see from the financial statements, the Telpay Incorporated Trust Account holds all funds from our customers. Telpay has a rigid policy for ensuring customers' funds held in trust are at all times available for the purpose for which they were provided.

The following policies are strictly applied to the Telpay Incorporated Trust Account:

All funds remitted by our customers for forwarding to third parties are deposited directly to bank accounts in the name of Telpay Incorporated Trust Account. The bank accounts must be with a Canada Deposit Insurance Corporation insured institution or a provincial government guaranteed financial institution.

Telpay Incorporated is responsible for all service charges related to the operation of the account. Interest on the balances is for the account of Telpay Incorporated.

Should it be determined that these funds can be invested in accounts other than in the above-noted interest-bearing account, the following criteria must be strictly applied:

- a) The funds must be invested in an instrument issued and guaranteed by a Canada Deposit Insurance Corporation insured institution or a provincial government guaranteed financial institution.
- b) The term of the investment must not be longer than one (1) year, but notwithstanding the term, the investment instrument must be immediately and fully redeemable.



Moving Towards Change

The impact of technology on Canadians over the past several decades has been massive. The rapid pace of innovation has businesses and individuals demanding products and services that improve and simplify their lives. Over the past thirty years, Telpay has contributed to a technological revolution in the payments industry by being the first to introduce Canadians to electronic

payment, originally by telephone, and then, shortly after, via the Internet.

Innovation has always been a core principal at Telpay. As the payment industry continues to evolve and change, Telpay is well positioned to continue to deliver safe, secure and innovative products to Canadians. Changing how Canadian businesses and individuals make their payments will continue to be our mission as we move forward.

OUR HISTORY

Telpay has a rich and colourful history that dates back to 1968, when W.H. (Bill) Loewen founded Comcheq Services Limited and revolutionized the way Canadians received their pay cheques. From there, Telpay pioneered the first telephone payment in 1985 and changed the way Canadians send and receive money.

1968 

W.H. (Bill) Loewen starts a computerized payroll service called Comcheq Services Limited. The first company to include the payment of employees as part of its service.

1985 

Telpay formed to exploit the work of the R&D Division of Comcheq Services Limited.

1990 

Approximately 1000 billers were receiving telephone payments through Telpay.

1996 

Telpay develops a web based system to allow customers to pay bills through the internet.

2008 

Bill Loewen participates on the Canadian Payments System Bill Payment Task Force, created to improve the processing of bill payments.

2016 

Telpay set to launch its all new back office system with numerous added features.

1980 

Enjoying significant success as a national payroll service across Canada, Comcheq Services Limited began developing the Cashex Terminal; an ATM-like machine used to deliver payroll funds and earnings statements to employees.

1989 

Telpay entered into an agreement with CIBC to deliver its system from a Telpay Voice Response System in London, Ontario. The trial project was so successful that by 1995 Telpay was processing 250,000 payments a month for CIBC.

1993 

Comcheq Services Limited is sold to CIBC. Telpay is not sold and becomes a separate company with Bill Loewen as Chairperson.

2000 

Telpay for Business is launched with new features for recording payments and adding new customer billers to our biller list further improving the user's ability to 'pay anyone'.

2015 

Telpay's 30th Anniversary! We appreciate your business, trust and support. From phones to computers to internet, and now to mobile devices, Telpay continues to strive to be the leader in electronic payments in Canada.



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