



**TelPay<sup>ca</sup>**

*Discover life  
without cheques.*

**ANNUAL TRUST ACCOUNT REPORT** TelPay Incorporated

2009



## OUR MESSAGE

### TelPay Year End April 30, 2009

We are pleased to be able to provide this report of our TelPay Incorporated Trust Account as at April 30, 2009. Although we have always made this information available to anyone requesting it, our current policy is to fulfill our obligation to our Customers by providing this detailed explanation of how we handle the funds entrusted to us in the process of fulfilling their instructions.

We also take this opportunity to thank all who make our company a success – the individuals, businesses and financial institutions that use our services, the billers to whom we send payments, and especially our employees who make everything we do possible.

Sincerely,

TELPAY INCORPORATED

A handwritten signature in black ink, appearing to read 'W.H. Loewen', written over a thin horizontal line.

W.H. Loewen, CM, FCA  
Chairman

A handwritten signature in black ink, appearing to read 'John P. Loewen', written over a thin horizontal line.

John P. Loewen  
President

#### **Featured throughout this report:**

Consistent with our corporate philosophy of environmental responsibility through reduction of waste and reuse of our resources, in this report we are pleased to feature details of our corporate headquarters, a 100-year old heritage building in Winnipeg, Manitoba.

**Cover (l-r):** Details of plaster dome in vestibule; cast iron stair railing, modeled door arch.

**Photographer:** Cassandra Steen

# COMMITMENT TO OUR CUSTOMERS

## Policies, Procedures and Responsibilities

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.

## TelPay Incorporated Trust Account

As demonstrated by the graph on page 7, large sums of money flow through TelPay's Trust Account on an annual basis. Most of the money is received and disbursed the same day. However, some funds are held in our Trust Account for short periods. The Balance Sheet of the Trust Account records that balance as at April 30, 2009, with corresponding figures for the previous year.

Our accounting personnel ensure that all accounts are reconciled daily. Our independent auditors are asked to check our procedures at least three times a year, in addition to an annual audit. The auditors report directly to the Board of Directors who are ultimately responsible for the operation of the Trust Account.

We manage the affairs of the Trust operation in a very careful and conservative manner. At no time is the balance of funds on hand ever allowed to fall below the liabilities. In addition, TelPay Incorporated maintains a substantial cash position and fidelity bond.

## Safeguarding of Personal Information

TelPay is governed by the Personal Information Protection and Electronic Documents Act (PIPEDA), a Federal Act safeguarding the personal information of individuals. Our staff are regularly reminded of their responsibilities in this regard. Our systems use the latest technologies to ensure that the information we retain in order to provide our services is fully protected from abuse or loss. Our corporate policy requires that information supplied to us is to be used exclusively for the purpose for which it was supplied.

## Payment Industry Responsibilities

TelPay has been instrumental in the formation of the Payment Services Industry Association of Canada (PSIAC), an association of major users of the payment system that bring issues forward to the government and regulators that will make the payment system more secure against fraud and abuse and to encourage improvements that will make it more effective and efficient. We regularly participate in discussions with the Canadian Payments Association about such issues. We are currently encouraging a system of oversight of organizations such as ourselves that could add to the stability of all payment service providers.

## Our Responsibility to our Employees

We value greatly the skills and dedication of our employees. We are complimented frequently on the excellent, friendly service they provide. Many of our employees have extensive experience not only at TelPay but also in the general area of electronic payments. Employees participate directly in the success of the company through our TelPay Deferred Profit Sharing Plan and the TelPay Employee Share Trust which holds shares of the company for their benefit.

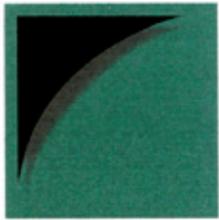
## Our Responsibility to our Community

TelPay supports various charitable endeavours in our community from the United Way to the performing arts. We also encourage our employees to participate as volunteers in organizations of their choice.

## Our Responsibility to the Environment

TelPay is in the fortunate position that its services, by their very nature, can have a positive effect on the environment. By reducing paper payments, encouraging electronic billing, and providing systems that allow individuals and businesses to store their accounting records electronically, we believe we can lead the way towards significant reductions in the amount of paper required to conduct business. To help explain the impact of this transition we have engaged the International Institute for Sustainable Development to conduct an analysis of the impact of such a change.





**PPW** Chartered Accountants LLP

**PARTNERS/PRINCIPAL**

Gerald I. Peterson Chartered Accountant Ltd.  
Alex M. Watt Chartered Accountant Ltd.  
Susan L. Thompson C.G.A. Professional Corporation  
Jess Leung Chartered Accountant Limited

**ASSOCIATES**

Hollis J. Maharaj Chartered Accountant Inc.  
Ken Green Chartered Accountant Ltd.

## Auditors' Report

**To the customers of TelPay Incorporated – Trust Account**

We have audited the statement of financial position of TelPay Incorporated – Trust Account as at April 30, 2009. These financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at April 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba  
June 26, 2009

Chartered Accountants

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Telephone: (204) 772-4936 Facimile: (204) 774-4462  
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**Pictured above:** White marble clad columns support a coffered ceiling.

# Telpay Incorporated – Trust Account

## Statement of Financial Position, April 30, 2009

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Cash and short term deposits (Note 1)	<u>\$ 18,380,909</u>	<u>\$ 17,911,869</u>
<b>Liabilities</b>		
Funds held in trust (Note 2)	<u>\$ 18,380,909</u>	<u>\$ 17,911,869</u>

## Notes to Financial Statement, April 30, 2009

### 1. Description of operations

The company provides electronic bill payments and automated banking services to businesses, consumers and financial institutions. The company operates a trust account as an integral part of its payment preparation service.

### 2. Funds held in trust

The trust obligations are fully funded by demand deposit accounts in federally regulated or provincially guaranteed financial institutions.

### 3. Financial instruments

#### Credit Risk

The company is exposed to credit risk from customers. In order to minimize its credit risk, the corporation requires its customers to either deliver guaranteed funds in order to fulfill the obligations of the contract or 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.

### 4. Trust audit

Throughout the year, the external auditors monitor the control environment and systems that collect, record and process data, and report their findings to the directors. The overall objective of auditing in this computerized environment is to determine the adequacy of the controls. Through testing, the auditors monitor the maintenance of adequate audit trails, the integrity control of transactions and electronic authorization.

### ON BEHALF OF THE BOARD



Director

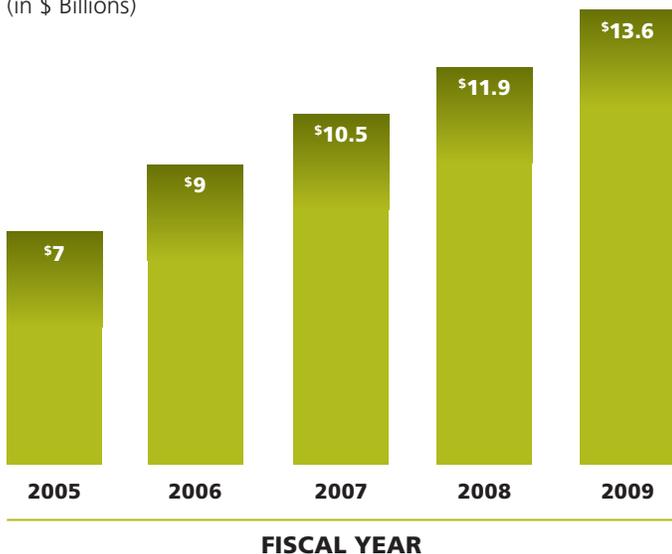


Director



## Funds Processed

(in \$ Billions)



## Telpay Incorporated Investment Policy for Customers' Funds Held in Trust

### Policies, Procedures and Responsibilities

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 or a provincial government guaranteed financial institution.

TelPay Incorporated is responsible for all service charges related to 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 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 or a provincial government guaranteed financial institution.
- a) 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.

## Directors and Officers

### W.H. Loewen, CM, FCA, Chairman

Mr. Loewen founded Comcheq Services Limited, a payroll service provider, in 1968 and has been an active participant in providing payment services to Canadians ever since. As Chairman he is particularly interested in corporate governance and ensuring sound business practices are applied in all areas of the company and particularly the operation of the TelPay Trust. He is active in areas of innovation and new service offerings as well as making representations to enhance the payment system in Canada.

### John P. Loewen, President

Mr. Loewen is currently serving as the President of TelPay, accepting the position in December 2008. He also served as a Director since TelPay's beginning in 1985. Mr. Loewen joined Comcheq Services Limited in 1973, serving in a variety of capacities; including President & CEO from 1984-1998.

### Richard F. Ball, Director

Mr. Ball is a Certified General Accountant. Mr. Ball served as Chief Financial Officer for Winnipeg Airports Authority from 2002 to retirement in June 2006. From 1979 to 2002 he was employed by Comcheq Services Limited and Ceridian Canada Ltd. in various financial and general management positions including President of Ceridian Canada Ltd.

### Raymond C. Senez, Jr., Director

Mr. Senez is a Professional Engineer. Mr. Senez is currently 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.

### James A. Richardson, Director

Mr. Richardson is a retired Vice President of James Richardson & Sons Limited and the current President & Director of Westmead Limited. He is also director of several other private Canadian companies and volunteer organizations. Mr. Richardson has a broad business background.

### Gary M. Seveny, Director

Mr. Seveny recently completed his role as President and Chief Executive Officer of two financial institutions, Alterna Bank of Canada and Alterna Savings and Credit Union, both headquartered in Ottawa with operations in western Quebec and throughout Ontario. Mr. Seveny was also instrumental in achieving legislative change at both the provincial and federal levels as it pertains to the financial services industry. He has been an active spokesperson for industry vision and regulatory change, and has appeared before House of Commons Committee and Senate Committees.

# How TelPay Works

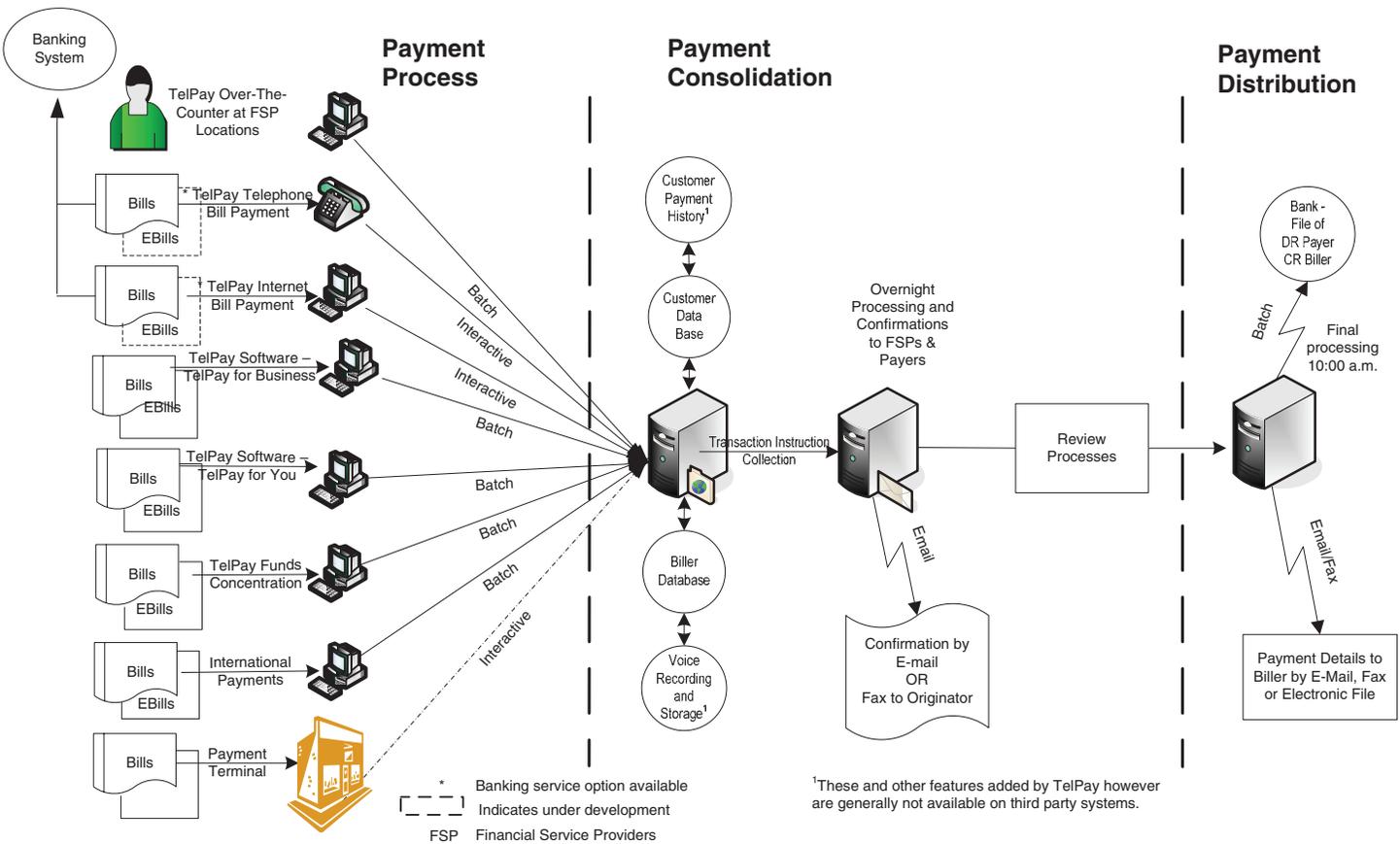
TelPay is best known as a bill payment service. We accept payment instructions from individuals and businesses by a variety of means – telephone, internet, payment software systems, and other financial service providers, in fact from any source that can provide accurate information in electronic form.

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 other 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. Other systems are limited to about 5,000 billers. 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.

TelPay will continue to bring innovative, cost effective and secure payment services to the public.

## TelPay's Payment Process



For more information  
about TelPay services  
and products, contact:

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Winnipeg, MB R3C 1H3  
T: 800.655.0302 F: 866.396.2548  
E: sales@telpay.ca W: www.telpay.ca

