



The Better Way to Pay.

ANNUAL TRUST ACCOUNT REPORT

Telpay Incorporated

2017

A MESSAGE FROM

Telpay Incorporated

We are pleased to provide our Auditor's Report of our Telpay Incorporated Trust Account as at April 30, 2017. We continue to follow the same procedures that have enabled us to provide 32 years of payment services to our customers. We also continue to offer innovative cost effective services to individuals, businesses and financial institutions throughout Canada.

We thank you for your patronage and the confidence you place in Telpay.

Sincerely,

Telpay Incorporated



W.H. Loewen
President, Founder & Hon. Director

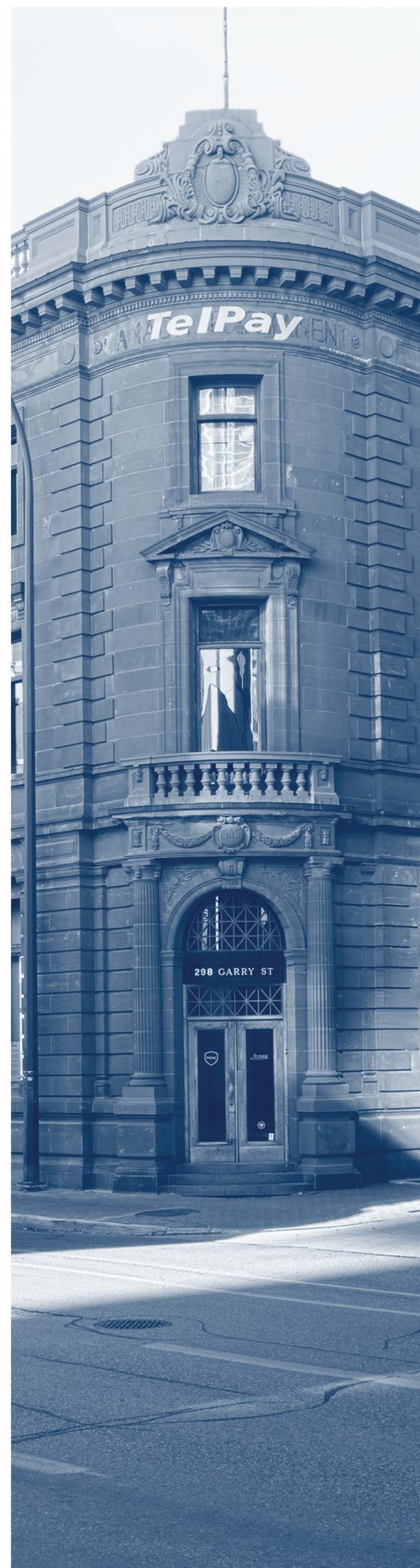


Howard W. Loewen
Chairman

Telpay Incorporated
298 Garry Street
Winnipeg, MB R3C 1H3
p: 1.800.665.0302
w: telpay.ca



The Better Way to Pay





Tel: 204 956 7200
Fax: 204 926 7201
Toll-Free: 866 863 6601
www.bdo.ca

BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

INDEPENDENT AUDITOR'S REPORT

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, 2017, 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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 preparation and fair presentation of the financial statements 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 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, 2017 in accordance with Canadian accounting standards for private enterprises.

Winnipeg, Manitoba
June 9, 2017

BDO Canada LLP
Chartered Professional Accountants

Telpay Incorporated

Trust Account

Statement of Financial Position, April 30, 2017

	2017	2016
Assets		
Cash and short term deposits	\$26,478,417	\$24,584,014
Liabilities and Directors' Equity		
Client funds obligations	\$26,478,417	\$24,584,014

Notes to Financial Statements, Year Ended April 30, 2017

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.

ON BEHALF OF THE BOARD


Chairman


Director

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 institution 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 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.

Directors and Officers

Howard W. Loewen, Chairman

Howard W. Loewen graduated from the University of Waterloo first with a BAsC 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).

W.H. Loewen, President, Founder & Honorary Director

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.

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.

Richard F. 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.

James A. 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.

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.

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.

Gary M. Severy, Director

Mr. Severy 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.

Kristen Wittman, Director

Ms. Wittman is a commercial lawyer and practices in partnership with Taylor McCaffrey LLP in Winnipeg. She represents a range of clients in size and industry and has special knowledge in matters of corporate governance.

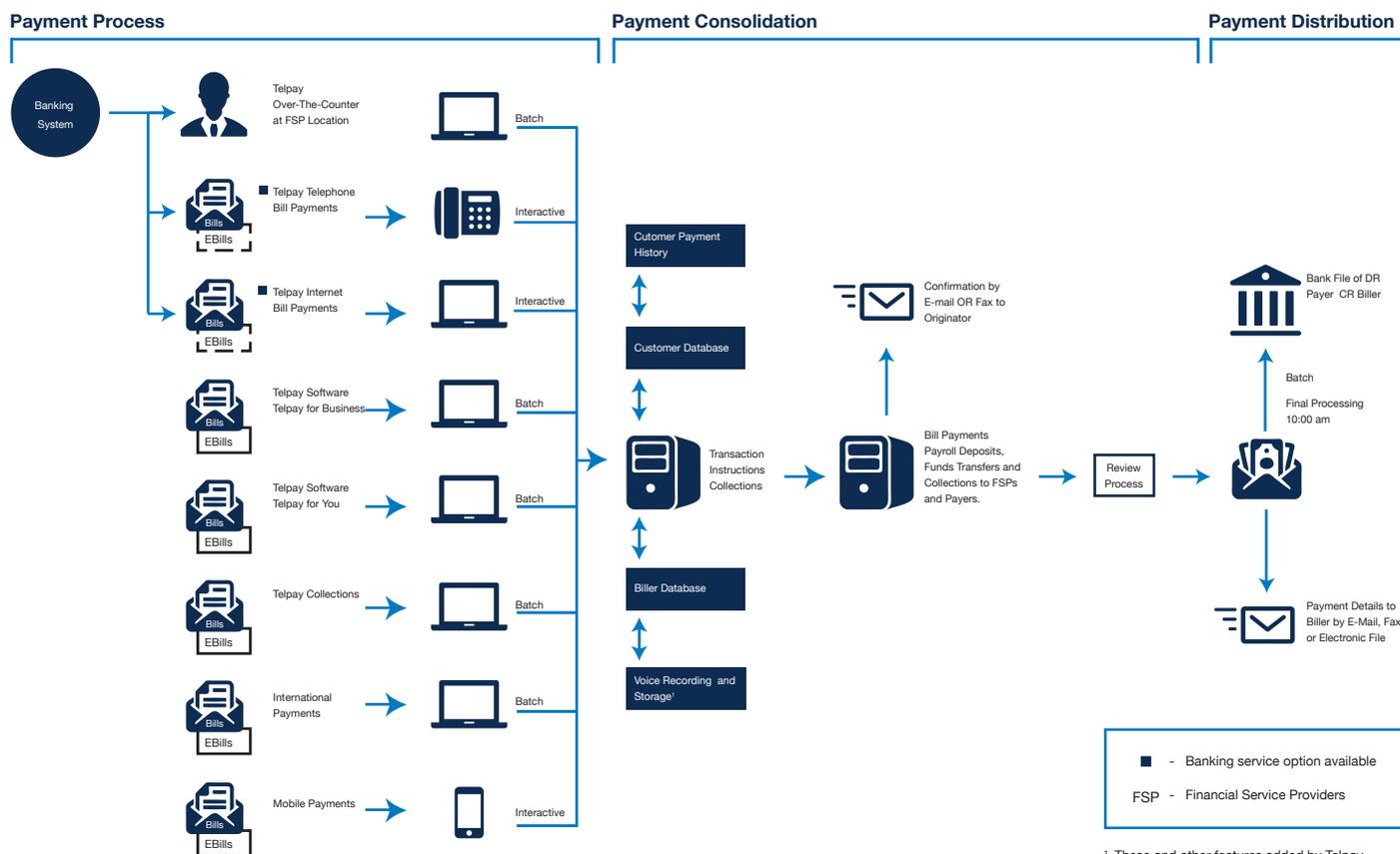
OUR PAYMENT PROCESS

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.



¹ These and other features added by Telpay are generally not available on third party systems.

For more information regarding Telpay's handling of customer funds, please see our Annual Trust Report dated April 30, 2016 at telpay.ca/who-we-are/trust-report.

Telpay Incorporated
298 Garry Street
Winnipeg, MB R3C 1H3
p: 1.800.665.0302
w: telpay.ca



The Better Way to Pay