



April 30, 2015

*ANNUAL TRUST ACCOUNT REPORT
TELPAY INCORPORATED*



OUR MESSAGE

Annual Report of Telpay Trust Account for the year ending April 30, 2015

To Our Valued Customers:

We are pleased to provide our Annual Report of the Telpay Incorporated Trust Account, for the year ended April 30, 2015. Telpay has completed another successful year providing electronic payment solutions to Canadians. This past year, Telpay continued to be an innovative leader in the Canadian payments space by launching new products like USD payments, expanding our payee list and allowing payments instructions to be received from new platforms. We are very excited to have several new products in development that will change the way Canadians make payments.

In addition to our great products Telpay continues to provide tremendous value and efficiencies to billers and bill payers through our unique payment consolidation process and the funds handling system outlined in this report. The federal government is currently reviewing the Canadian retail payment system with the intention of encouraging the very kind of payment efficiencies that Telpay has been providing for 30 years. We are honored to be a part of that process.

Our story began 30 years ago with a founder who envisioned a new way of making payments. In 1985, Telpay was founded and pioneered the first telephone bill payment service. At that time a secure and well-managed trust account to handle the customers' funds was established.

Fast-forward to 2015. We are excited to be leading the way for Telpay to carry on with new and innovative ways to allow businesses to make and receive payments.

We thank you for your patronage and look forward to continued advances in the services we provide to you now and for the next 30 years!



Chris Epp-Vollrath, CPA, CA
President & CEO



Howard W. Loewen,
Chairman

OurBuilding

Our head office building is a designated Winnipeg Heritage Building. Originally built by Canada Permanent Trust Company in 1909 to serve as its headquarters for Western Canada, it is unique in its red sandstone exterior. As you examine the features of the building, you see the extent the designers went to ensure the protection from fire and other threats of the valuable mortgage records accumulated as the company financed the development of Western Canada. Those features serve as well today for the protection of the digital records maintained on site by Telpay.

Cover photo by Scott Shanks



Tel: 204 956 7200
Fax: 204 926 7201
Toll-Free: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
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, 2015, 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, 2015 in accordance with Canadian accounting standards for private enterprises.

Winnipeg, Manitoba
June 4, 2015

BDO Canada LLP
Chartered Accountants

TELPAY INCORPORATED - TRUST ACCOUNT

Balance Sheet

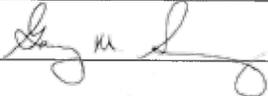
April 30, 2015

	2015	2014
ASSETS		
CURRENT		
Cash and short term deposits	<u>\$ 61,320,224</u>	<u>\$ 48,765,662</u>
LIABILITIES AND DIRECTORS' EQUITY		
CURRENT		
Client funds obligations	<u>\$ 61,320,224</u>	<u>\$ 48,765,662</u>

ON BEHALF OF THE BOARD



Director



Director

See attached notes number 1 to 5 to the financial statements 2

TELPAY INCORPORATED - TRUST ACCOUNT

Notes to Financial Statements

Year Ended April 30, 2015

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 determine the adequacy of the 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.

INVESTMENT POLICY

Telpay Incorporated Investment Policy for Customer’s 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 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.

Funds Processed (in \$ Billions)



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. Founded in 1995, with its headquarters located just outside of Winnipeg, Manitoba, MicroPilot is the world leading manufacturer of miniature autopilots for unmanned aerial vehicles (UAV) and micro aerial vehicles (MAV).

Chris Epp-Vollrath, President & CEO

Ms. Epp-Vollrath is President of Telpay Incorporated. She is a Chartered Accountant with over 20 years experience in accounting and financial management. Prior to joining Telpay in February 2012, she was a consultant working mainly with small and medium sized private, owner managed businesses in a variety of sectors; including the financial, software, manufacturing, distribution, wholesale, property management and service sectors. Ms. Epp-Vollrath is a Bachelor of Commerce graduate from the University of Manitoba.

Richard F. Ball, CGA, 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.

Tracey Loewen, Director

Ms. Loewen is a Certified General Accountant who since 2005 has held the position of Accountant at Prairie Theatre Exchange. In addition, she provides accounting services to a variety of local arts organizations including Winnipeg's Artspace. Prior to joining Prairie Theatre Exchange, Ms. Loewen was the Controller at MicroPilot.

W.H. Loewen, CM, FCA, Founder and Honorary Director

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. 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.

James A. Richardson, Director

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

Alan Salmon, BSc, PHF, Director

Mr. Salmon is President and CEO of K2 Enterprises Canada which provides CPD training for accountants accross Canada. He has over 25 years of experience in business, education, software design and marketing consulting services. A publisher of 13 books on accounting software, he has written for The Bottom Line accounting newspaper and his columns have appeared regularly in various business and technology publications. For 23 years he has been the Chairperson for the Accounting Technology Seminar Series delivering over 1000 seminars to over 25,000 public accountants with up to date information on the technology that they and their clients use.

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. Seveny, Director

Mr. Seveny was President and Chief Executive Officer of two financial institutions, Alterna Bank of Canada and Alterna Savings and Credit Union. Headquartered in Ottawa, they have 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 Committees and Senate Committees.

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 6, large sums of money flow through Telpay's Trust Account on an annual basis. Much 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, 2014, 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.

COMMITMENT TO OUR CUSTOMERS



Payment Industry Responsibilities

The Finance Canada Payments Consultative Committee (FinPay) is a forum of public and private sector representatives to discuss industry level developments in the Canadian payments system. FinPay is chaired by the Assistant Deputy Minister, Financial Sector Policy Branch, and Finance Canada.

FinPay's mandate is to:

- Advise Finance Canada on developments related to public policy aspects of payments issues (e.g. competition, innovation, safety, user needs or consumer protection);
 - Discuss approaches for dealing with emerging and ongoing challenges/ opportunities in the payments system; and
 - Inform Government policy-making about the Canadian payments system.
- 

Working groups may be established under FinPay as appropriate to further these objectives.

Telpay is honoured to be part of this process. Chris Epp-Vollrath, President & CEO of Telpay, is a member of the FinPay Committee. The inaugural meeting will take place in Ottawa in June 2015. As well, since January 2015, John Zajic, Vice President of Trust Operations has participated as a member of the working group on National Retail Payment Systems Oversight. The working group had created a paper titled Assessment of Risk in the National Retail Payment Systems for the FinPay Committee.



COMMITMENT TO OUR CUSTOMERS

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 believe in giving back, especially to each other through our company culture based on caring, compassion and generosity. This is reflected in our thoughtful consideration for our community. 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.

ABOUT TELPAY

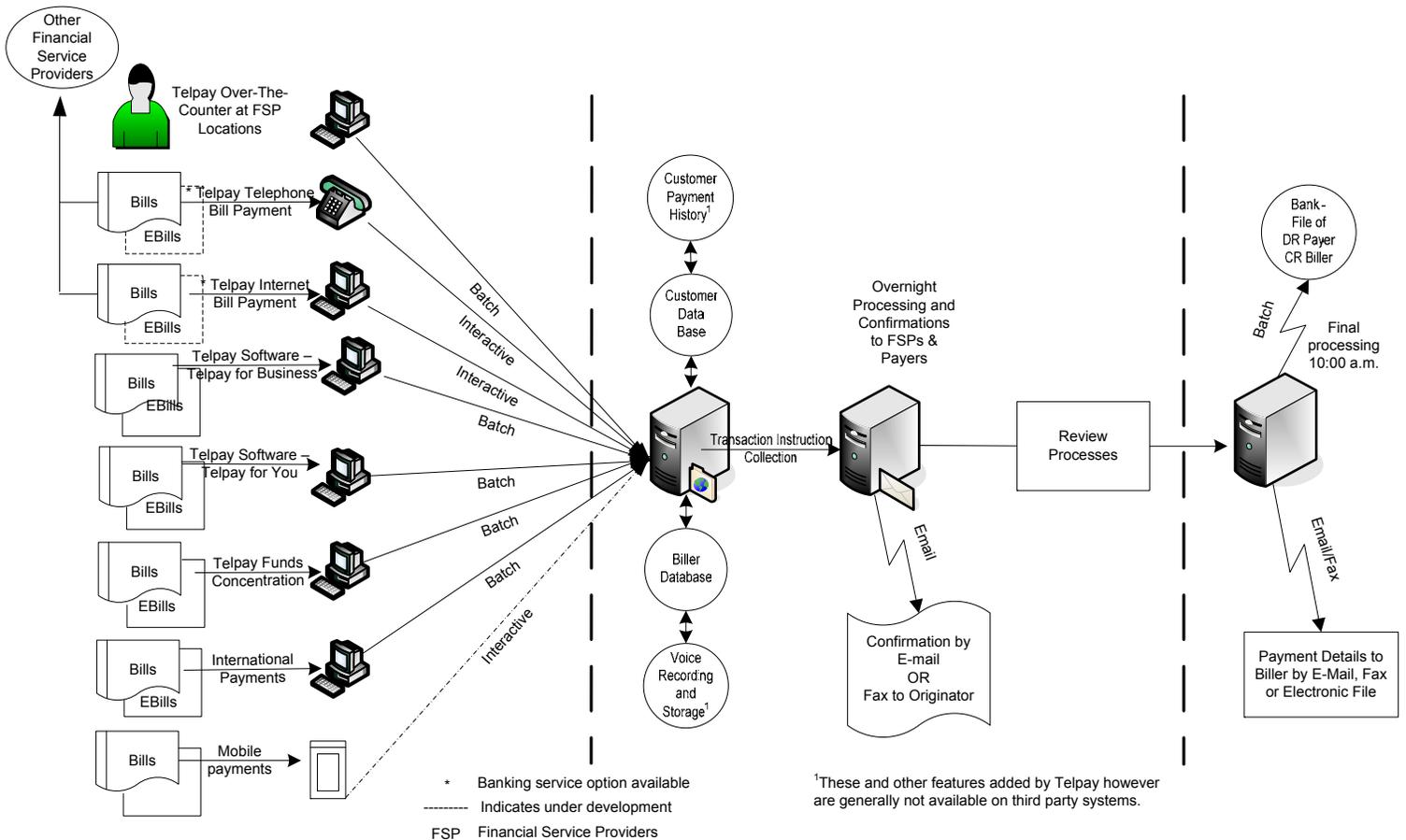
Telpay is best known as a bill payment service. We accept payment instructions from individuals and businesses by a variety of means – telephone, internet, payment software systems, and other financial service providers or any source that can provide accurate information in electronic form.

The fact that we then take these instructions, group them by biller 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 Payment Process





The Better Way to Pay.

298 Garry Street | Winnipeg, MB R3C 1H3
p: 800-665-0302 | w: telpay.ca