SmartTrans Holdings Limited

2016 Annual Report

ABN 86 009 065 650

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2016 Annual Report

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CORPORATE DIRECTORY

Directors

Hon. Mark Vaile AO	Chairman
Andrew D FORSYTH Llb	Non-Executive Director
Bryan E CARR BSc	Executive Director
Ian R HAWKINS	Executive Director
Yui (Ian) TANG	Non-Executive Director
Gregory Simpson	Non-Executive Director

Company Secretary

Leanne RALPH
BBus ACIS AAICD

Senior Management

James BROOKE (joined 26 October 2015)

Registered Office

Level 1,
10 Queens Road,
MELBOURNE VIC 3004

Head Office

Level 1,
10 Queens Road,
MELBOURNE VIC 3004
Telephone: (61-3) 9866 7333
Facsimile: (61-8) 9866 7303

Email: smarttrans@smarttrans.com.au
Homepage: www.smarttransholdings.com

Auditors

RSM Australia Partners
Level 21,
55 Collins Street
MELBOURNE VIC 3000

Bankers

Westpac Banking Corporation
275 George Street
SYDNEY NSW 2000

Solicitors

HopgoodGanim
Level 4,
105 St Georges Terrace
PERTH WA 6000

Securities Quoted

Australian Securities Exchange
Home Exchange – Australian Securities Exchange (Perth)

Share Registry

Computershare Registry Services
Level 2, 45 St Georges Terrace
PERTH WA 6000

Telephone: (61-8) 9323 2000
Facsimile: (61-8) 9323 2033

Corporate Governance Statement

Statement is available on homepage: www.smarttransholdings.com

Chairman's Report

Following on from the significant growth achieved by the company last year, SmartTrans has achieved further growth in financial year 2016, increasing revenue by 172% to $11.65 million as the company continued to expand its business and the applications for its payments platform in China.

With a well-established mobile and internet-based logistics software business in Australia, SmartTrans has successfully established itself in the emerging "fintech" sector, operating in the largest consumer market in the world – China.

SmartTrans has positioned itself at the nexus of Technology, Consumption, Mobile and Finance, having established itself as the gateway to China for businesses seeking to sell their products in China.

The company has formed privileged and trusted relationships in China working with companies such as China Mobile, China Telecom, Alibaba and QianDaiPay Payments and is trusted by Australian businesses seeking to sell their products in China.

In the last year SmartTrans has taken the decision to broaden its portfolio of applications for its mobile and internet-based billing system extending its business into e-Commerce and providing its services to the emerging lotteries sector in China.

During the year, having built up a substantial database of recurring customers, the company made the strategic decision to move its focus towards marketing products with lower volume but higher gross margins.

SmartTrans' business is simple at its core - we "clip the ticket", whether it be a mobile-based app, the cross-border sale of goods and services or the buying of a lottery product for which the company provides its technical services and marketing support.

By investing in SmartTrans, shareholders gain diversified exposure to China's consumption boom. Operating in the most highly populated country in the world, China, SmartTrans delivers access to the largest mobile phone market in the world, the largest online shopping and e-commerce market in the world and the largest lottery market in the world.[(i)]

With a diversified portfolio of products being distributed and billed for in China, SmartTrans offers a broader thematic exposure to Chinese consumption and cross-border trade than investment in any one product or sector. We expect to continue to build our portfolio of products being sold and distributed in China and to continue to develop a valuable customer database.

On behalf of the Board I thank the SmartTrans team for another year of hard work and dedication in which significant revenue growth was achieved and a diverse range of applications for the company's billing platform was realised.

I thank you, our shareholders, for your continued loyalty and support.

Hon. Mark Vaile AO

Chairman

28 September 2016

(i) Source: www.sites.nielsen.com/newscenter/chinas-e-commerce-market-untapped-potential-for-global-companies/, www.agtech.com/html/industry_lottery_overview_char.php

DIRECTORS' REPORT

Your directors present their report on the economic entity consisting of SmartTrans Holdings Limited and the entities it controls at the end of and during the year ended 30 June 2016.

Directors

The directors' names and qualifications during the financial year and up to the date of this report are:

Hon. Mark Vaile AO (appointed on 4th April 2016)
Andrew D Forsyth Llb
Bryan Carr BSc
Ian R Hawkins
Yui (Ian) Tang
Gregory Simpson
Geoff Raby (resigned on 1st April 2016)

Hon. Mark Vaile AO – *Chairman*

Appointed 4th April 2016. Hon. Mark Vaile AO is the former Deputy Prime Minister of Australia and former leader of the National Party. He brings a wealth of experience in the global commerce environment, including that of Trade Minister involved in negotiating the US-Australia Free Trade Agreement (FTA), the then proposed Australia-China FTA, as well as similar agreements with trading partners Singapore, Thailand and Malaysia. Also a director of the company's subsidiary Sm@rtTrans Limited.

Andrew D Forsyth – Non-Executive Director

Solicitor, former partner Deacons Sydney and a director of Dymocks Group of Companies, Sm@rtTrans Limited, Tandragee Pty Limited, Coolgardie Units Pty Limited and Jamajon Pty Limited. Also a director of the company's subsidiaries Sm@rtTrans Limited, SmartTrans Technology (Beijing) Limited and SmartTrans (HK) Ltd.

Bryan E Carr – Executive *Director, CEO*

Appointed 26 July 2011, with significant experience in the information technology sector and its application to the transport industry and mobile payments sector along with extensive experience managing business operations in China. Also a director of the company's subsidiaries Sm@rtTrans Limited, SmartTrans Technology (Beijing) Limited and SmartTrans (HK) Ltd.

Ian R Hawkins- Executive-Director, CTO

Appointed 13 March 2013, also a director of the company's subsidiary Sm@rtTrans Limited. Ian Hawkins is also the Chief Technical Officer of Sm@rtTrans Limited.

Yui (Ian) Tang - Non-Executive Director

Appointed 13 March 2013, also a director of the company's subsidiary Sm@rtTrans Limited. Mr Tang is the CEO of Beijing AustChina Technology, the Chairman of 123 AustChina Education Consultancy and a Director on the Board of the China-Australia Chamber of Commerce (AustCham Beijing).

Gregory Simpson - Non-Executive Director

Appointed 22 April 2015, holds a Bachelor of Commerce and is a Chartered Accountant.

Company Secretaries

Leanne Ralph BBus ACIS AAICD (appointed on 11 September 2015)
David J Thomson, B.Bus (Acc), IPA (resigned on 11 September 2015)

Dividends

There were no dividends declared or paid during the course of the financial year and no dividend is recommended.

Principal Activities

Internet and mobile software systems for logistics and consumer mobile applications and billing.

Operating Results

The consolidated operating loss of the economic entity amounted to $2,811,131 (2015: $1,653,165 loss).
As at 30 June 2016 the Company had net assets of $3,535,238.

DIRECTORS' REPORT (Cont)

Review of Operations

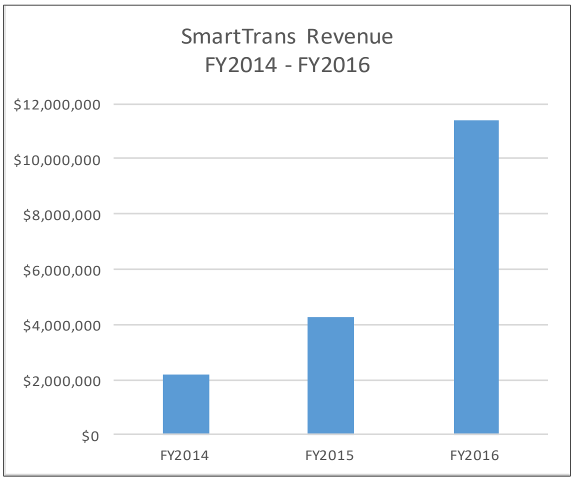
OVERVIEW

SmartTrans Holdings Limited is a leading technology and software company that has developed and provides its mobile and online billing and payment platform for the China market. The company has agreements in place to provide billing services with major payment collection groups including China Mobile, China Telecom, China Unicom, UnionPay, Alipay and WeChat Pay.

With the growing use of the smartphone as a billing device in China, the company has experienced significant uptake of its technology and services in that market.

SmartTrans has also developed and provides its cutting-edge proprietary logistics software which is used by some of Australia's leading blue-chip organisations who have long term contracts in place with the company. SmartTrans is assessing growth opportunities for its logistic offering in China to complement its mobile and online payments platform.

The company achieved strong revenue growth in financial year 2016, increasing revenue by 172% from the previous year to $11.65 million.



SmartTrans Revenue Growth FY2014-FY2016

During the year, SmartTrans,

- Achieved significant growth in revenue and customer base to which it can market a growing range of products;
- Expanded the range of its logistics software with the launch of its Express product focused on companies with smaller fleets;
- Established highly sought after and privileged cross-border payment facility from China;
- Established presence in the high growth e-Commerce market in China;
- Partnered with significant brands for e-Commerce in this rapidly growing online market in China;
- Established a position in newly emerging lotteries market;
- Won the Outstanding Technology Award from China's Ministry of Commerce and China World Trade Organisation;
- Won the Business Excellence Award for Business Innovation at the AustCham Westpac Australia-China Business Awards;
- Positioned itself as the "Gateway to China" for foreign businesses seeking to sell into China.

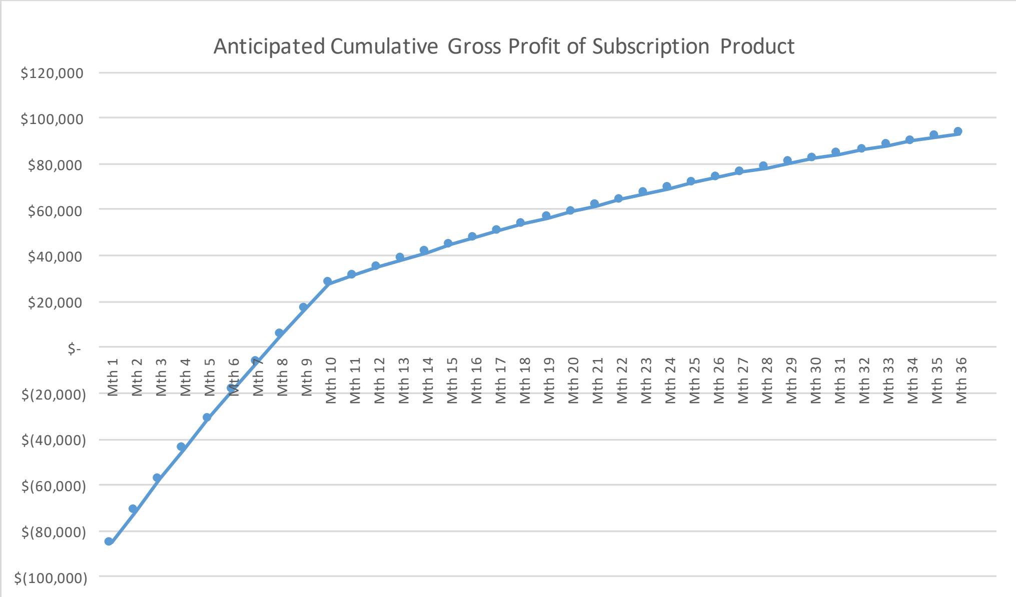
In financial year 2016, SmartTrans concentrated on scaling up its platform and revenue for its Direct Carrier Billing services. The company's strategy in financial year 2017 is to secure lower volume but higher margin third-party billing agreements focused on products with cross-product and cross-platform marketing synergies.

SmartTrans intends to continue to develop and broaden the application of the SmartTrans billing and payment systems to an emerging product range.

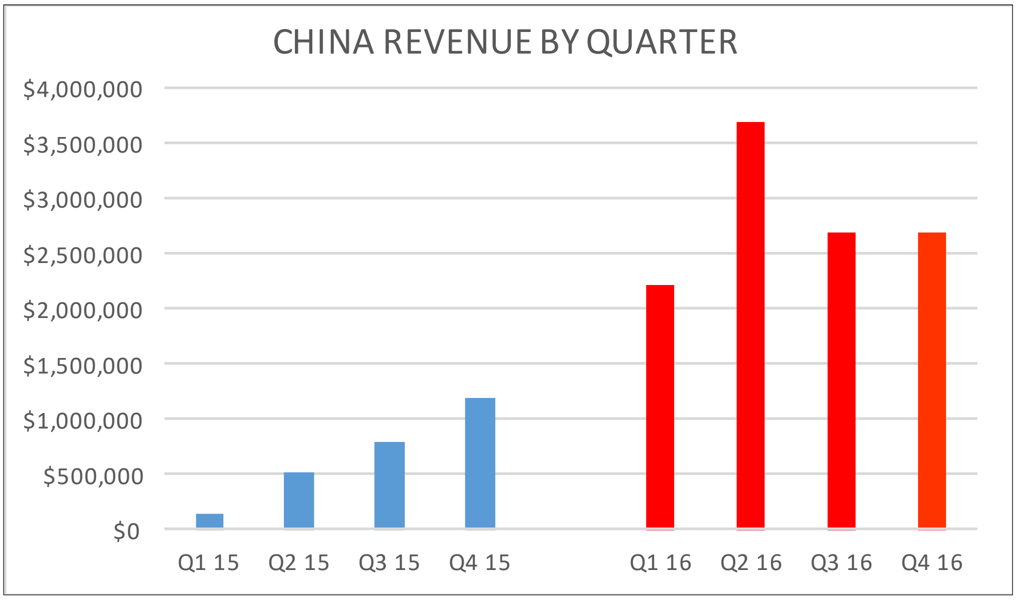
The company is looking for revenue growth through transaction fees plus royalties and commissions from a share of content/product sales along with selected subscription billing, which has historically delivered high double digit return on investment.

Based on historical data, SmartTrans expects subscription-based billing to deliver revenue to the company over a number of years. While the company recognises the full cost of acquiring the customer in month one, the investment generates revenue in that month and subsequent months with gross profitability progressively increasing over time. Cash collection is expected in months three or four onwards.

By way of example, the expected future return of one of the company's subscription products based on the historical performance of its subscription products, is illustrated in the graph below.



SmartTrans' revenue for the last four quarters of FY 2016 and comparison to FY 2015 is set out below:



Revenue in the latter part of financial year 2016 levelled off, as having built up a substantial database of recurring customers by concentrating upon volume rather than margin and having gained credibility in the market place, the company moved its focus towards marketing products with higher gross margins and those products which are expected to provide higher lifetime customer value to the company. Whilst this is anticipated to reduce gross revenue in the immediate term, it is also expected to increase the overall return to the company.

During the year the company's employee and consultancy costs increased as the company rapidly expanded its reach and revenue in China.

The company bolstered its sales teams in both Australia and China with commensurate costs, but expects to receive returns on this investment in the coming year.

The company will in the current financial year examine closely each item of cost with a view to reducing its cost of doing business.

DIRECTORS' REPORT (Cont)

BUSINESS OVERVIEW FOR ONLINE & MOBILE PAYMENTS PLATFORM AND LOGISTICS SOFTWARE SOLUTIONS

The company operates the following mobile and online business activities in China:

- Direct Carrier Billing in which users make in-app purchases;
- Direct Carrier Subscription Billing for which it derives ongoing monthly revenue;
- Provision of e-Commerce services incorporating:
  - Payment Processing;
  - Digital marketing and customer acquisition services;
  - Commission-based sales;
  - Cross-border payment settlement;
- Technical and support services for lotteries billing.

Within Australia, the company provides mobile and online software and services in the transport and logistics area and works closely with a diversified blue-chip client base.

SmartTrans is exploring opportunities to expand its services in other geographic regions integrating its transport software whilst servicing the Internet of Things market providing connectivity to the internet to vehicles and other machines.

Whilst achieving overall strong revenue growth for the year, the company has strategically positioned itself to achieve future growth in lucrative and expanding markets in China. Having established solid positions in Direct Carrier Billing with major telcos, e-Commerce sales and distribution, participation in new lotteries programmes and having commenced operations in the privileged cross-border payment settlement, SmartTrans has established a solid platform on which to further grow its business.

The company has focused on achieving longer term returns for the business by investing strongly towards securing subscription-based recurring revenue streams.

Based on historic performance of its subscription-based billing programmes the company expects these customers to continue to generate revenue into the next financial year and beyond for no additional expense to itself.

SmartTrans has consolidated its mobile and internet payment services and is expanding its application to a number of additional product ranges, once again focused on achieving higher margins and delivering stable revenue streams.

The SmartTrans SmartPay service remains integral to the company's service offering but now leverages strategic agreements and services expected to generate additional revenue from each customer via fees from marketing and customer acquisition, commissions, payment processing fees and payment settlement fees.

SmartTrans' extension of mobile and online services into the e-Commerce market.

SmartTrans is targeting growth in the large and still rapidly growing e-Commerce market in China by targeting mobile users in a region where 76% of people have used their smartphone to make purchases within the last three months. [i]

China's online shoppers are expected to increase to 587 million in 2018, up from 413 million in 2015[ii] and SmartTrans, with a focus on high-growth markets, is launching the sale of third-party products in the following sectors:

- Vitamins and supplements market in China being, reportedly a $20 billion market growing at 20% per annum[iii]
- Personal hygiene market which is reportedly growing at 41% per annum[iv]
- Personal skin care market which is reportedly growing at 29% per annum[v]
- Australian wine exports to China which reportedly grew by 64% last year to A$397 million[vi]

The company is launching its online sales platform with selected brands positioned in key product segments of expected growth.

The Company has also entered into its first business-to-business (B2B) partnership for the e-commerce offering through a landmark Master Merchant Agreement with BPS Technology (ASX: BPS). BPS Technology, best known for its Bartercard offering, has partnered with SmartTrans to enable its merchants to market and sell their products online in China via SmartTrans' specialised product outlet and Alibaba's website www.1688.com.

Under this Master Services Agreement, via SmartTrans, BPS is initially planning to deliver key suppliers access to four major market sectors: Health & Wellness, Travel & Tourism, Property, and Education, which are Australia's four largest export sectors to China after resources.[vii]

During the year SmartTrans commenced working with an online and offline lottery provider in China, providing access to a lucrative and growing sector. Lotteries and online betting was first launched in China in 1987 and has since grown to become the world's largest lottery market by sales volume.[viii]

DIRECTORS' REPORT (Cont)

The General Administration of Sport released the 13th Five-year Plan for China's sports development on 5 May 2016, restating the objective of policymakers to accelerate innovation in the sports lottery segment. Through its strategic partnerships SmartTrans is positioning itself to become a leading service provider to this sector.

The sports lottery business is seeing strong growth[ix] and this is expected to extend into the online market where SmartTrans is a well-established and trusted service provider.

The service has initially been launched in Hainan Province, which is widely regarded as a major hub for lotteries and associated businesses, and provides consumers with easy mobile access to lottery and associated products. The pilot project has been progressing well and the company was subsequently appointed to the think tank to work with the Lottery Research Center of Guangdong University of Finance and Economics, the first academic lottery research institution in South China.

During the year SmartTrans was recognised for its achievements with two prestigious awards, the first being the '***Business Excellence Award for Business Innovation***' at the ***AustCham Westpac Australia-China Business Awards*** held in Shanghai in April 2016.

The Company received a further accolade in May 2016 by winning the '***Outstanding Technology Award'*** at the prestigious ***China International Fair for Trade in Services*** held in Beijing. The award from the ***Ministry of Commerce of the People's Republic of China*** and the ***China World Trade Organisation*** was in recognition of the Company's best-of-breed technology that underpins its proprietary SmartPay platform.

LOGISTICS SOFTWARE & SERVICE BUSINESS

SmartTrans' Australian business division, which provides mobile and online software and services in the transport and logistics area, continues to perform in line with expectations servicing a diverse range of blue-chip customers spread across a range of industry sectors in this region.

The division continues to work closely with partner CEVA Australia (a subsidiary of the large global CEVA Logistics operation) assessing ways in which SmartTrans' proprietary technology may be applied to enhance CEVA's operations in terms of safety, efficiency and sustainability.

During the year the company developed and successfully launched its Express product focussed on servicing the needs of companies with smaller fleets which opens up a larger market for SmartTrans.

The China division of the Company's logistics business, launched in 2015 through an agreement executed with Yanfeng Automotive Trim Systems Co. Ltd (Yanfeng Visteon Automotive), continues to assess further potential opportunities in this market while also further progressing this project.

SmartTrans is exploring opportunities to expand its services in the provision of data products in China servicing the Internet of Things market by providing connectivity to the internet for vehicles and other machines.

BOARD APPOINTMENT

On 4th April 2016, SmartTrans appointed the Hon. Mark Vaile AO as the Company's Non-Executive Chairman.

Hon. Mark Vaile AO, former Deputy Prime Minister of Australia and former leader of the National Party, brings a wealth of experience in the global commerce environment having held several key ministerial positions during his political career, including that of Trade Minister involved in negotiating the US-Australia Free Trade Agreement (FTA), the then proposed Australia-China FTA, along with similar agreements between Australia and its trading partners Singapore, Thailand and Malaysia.

Mr Vaile has also forged a successful career in the private sector since retiring from political life and sits on the boards of a number of high-profile public companies, including Virgin Australia Holdings, Whitehaven Coal and Servcorp

OUTLOOK

SmartTrans enters FY2017 with a clearly defined strategy designed to further leverage its well-entrenched position as a leading provider of mobile and online billing and payments services in China.

The Company's new e-commerce offering, made possible by its privileged cross-border settlement capabilities, is a unique point of difference that SmartTrans intends to leverage through financial year 2017 and beyond. This platform provides a turn-key solution for any business outside of China wishing to market and sell directly to consumers or businesses in China and to receive payment in Australia.

The Board and management of SmartTrans believe that the Company is well placed as it enters into an exciting new phase of growth and development.

Whilst SmartTrans recorded a statutory loss for the financial year it should be noted that the company has fully recognised all costs associated with customer acquisition during the period and based on the past performance of its subscription products, revenue from these customers is expected to continue into subsequent financial years.

i. Source: www.masterintelligence.com/content/intelligence/en/research/press-release/2016/digital-wallets-surge-popularity.html
ii. Source: www.scmp.com/business/companies/article/1994999/chinas-online-retail-sales-double-three-years-analysts-say
iii. Source: Euromonitor International Country Reports 2015
iv-v. Source: Nielsen 2015 online shopper study
vi. Source: www.wineaustralia.com/en/Market%20Development/Market%20Programs/China.aspx
vii. Source: www.dfat.gov.au/about-us/publications/trade-investment/australias-trade-in-goods-andservices/Pages/australias-trade-in-goods-and-services-2014-15.aspx
viii. Source: www.agtech.com/html/industry_lottery_overview_char.php
ix. Source: www.scmp.com/business/markets/article/1977977/chinas-sports-lottery-business-see-continued-high-growth-2016

DIRECTORS' REPORT (Cont)

Significant Events after the Reporting Date

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect SmartTrans Holdings Limited and its controlled entities' operations, the results of those operations, or the state of affairs in future financial years.

Non-Audit Services

SmartTrans has engaged RSM Australia Partners on assignments additional to their statutory audit duties. These assignments involved provision of professional technical advice and preparation of the Company's income tax return for which RSM Australia Partners was paid $5,720.

The Board of Directors is satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

a) all non-audit services have been reviewed by the Board of Directors to ensure they do not impact on the integrity and objectivity of the auditor; and
b) none of the services undermined the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Insurance of Directors and Officers

During the financial year, SmartTrans Holdings Limited insured all directors and officers of the economic entity for all liabilities and costs relating to any claim made against them arising out of their conduct whilst acting as a director or officer of the economic entity, other than conduct involving a wilful breach of duty in relation to the economic entity.

Meetings of Directors

The following table sets out the number of formal meetings of the Company's directors during the year ended 30 June 2015 and the number of meetings attended by each director:

Number of meetings held:

Director	No. of meetings held whilst Director	No. of Meetings Attended
Hon. Mark Vaile AO	2	2
Geoffrey W Raby	7	5
Andrew D Forsyth	9	9
Bryan E Carr	9	9
Ian R Hawkins	9	7
Yui (Ian) Tang	9	6
Gregory Simpson	9	6

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of SmartTrans Holdings Limited support and have adhered to the principles of corporate governance.

DIRECTORS' REPORT (Cont)

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Options

At the date of this report, the unissued ordinary shares of SmartTrans Holdings Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
04/11/2014	04/11/2016	$0.030	10,000,000*
04/11/2014	04/11/2016	$0.040	10,000,000*
11/05/2015	11/05/2017	$0.020	1,300,000*
23/06/2015	23/06/2017	$0.035	131,365,056
23/06/2015	23/06/2017	$0.035	5,000,000*
08/12/2015	08/12/2018	$0.067	6,026,233
29/01/2016	29/01/2018	$0.035	2,000,000

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity. There have been no unissued shares or interests under option of any controlled entity within the Group during or since the end of the reporting period.
* Relates to options issued as share-based payment transaction. For details of these options, refer to Note 25 to the financial statements.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in these financial statements.

REMUNERATION REPORT

Your directors present their Remuneration Report for the year 1 July 2015 to 30 June 2016.

Role of Board of Directors

The Board determines the appropriate nature and amount of remuneration. The Board seeks to ensure that executive reward satisfies the following criteria for good reward governance practice:

- competitiveness and reasonableness;
- acceptability to shareholders;
- alignment of executive remuneration to performance;
- transparency; and
- capital management.

Non-Executive Directors

Fees paid to non-executive directors reflect the benefit of research into published information as to the level of remuneration paid to directors of comparable companies.

Executives

Executive directors and key management personnel remuneration comprises base salary and superannuation. Base salary is reviewed annually by the Board having regard to the overall levels of remuneration of executives in comparable Australian companies.

Chairman

The services of the Chairman reflect the benefit of research into published information as to the level of remuneration paid to chairpersons of comparable companies.

Letter of Appointment

Remuneration and other terms of employment for the executive director are formalised in a letter of appointment that also contains comprehensive provisions in relation to termination, confidentiality and suspension.

DIRECTORS' REPORT (Cont)

Remuneration of Directors and Key Management Personnel

(a) Names and positions held of Parent Entity Directors and Key Management Personnel in office at any time during the financial year are:

Parent Entity Directors	
Hon Mark Vaile AO	Chairman-Non-Executive (Appointed 04/04/16)
Geoffrey W. Raby	Chairman-Non-Executive (Resigned 01/04/16)
Andrew D. Forsyth	Director – Non-Executive
Bryan E. Carr	Director – Executive
Ian R. Hawkins	Director – Executive
Yui (Ian) Tang	Director – Non Executive
Gregory Simpson	Director – Non Executive
Key Management Personnel	
David J. Thomson	CFO / Co. Secretary (resigned on 11 September 2015)
James Brooke	CFO (Appointed 26/10/15)

(b) Table of benefits and payments for the year ended 30 June 2016

Directors' and Key Management Personnel

		Short-term benefits				Post-employment benefits		Long-term benefits		Equity-settled share-based payments		
		Salary, fees and leave	**Profit share and bonuses**	**Non-monetary**	**Other**	**Pension and Superannuation**	**Other**	**LSL**	**Shares / Units**	**Options / Rights**	**Termination benefits**	**Total**
Directors												
Geoffrey W. Raby	2015	40,000	-	-	-	-	-	-	-	*12,172	-	52,172
	2016	52,500	-	-	-	-	-	-	-	50,000	-	102,500
Mark Vaile	2015	-	-	-	-	-	-	-	-	-	-	-
	2016	30,000	-	-	-	2,850	-	-	-	-	-	32,850
Bryan E. Carr	2015	**305,344	-	-	192,103	-	-	-	-	-	-	497,447
	2016	**281,331	-	-	209,581	-	-	-	-	-	-	490,912
Andrew D. Forsyth	2015	18,350	-	-	5,041	1,650	-	-	-	-	-	25,041
	2016	45,000	-	-	-	4,275	-	-	-	25,000	-	74,275
Yui (Ian) Tang	2015	20,000	-	-	-	-	-	-	-	-	-	20,000
	2016	35,000	-	-	-	-	-	-	-	25,000	-	60,000
Ian R. Hawkins	2015	48,953	-	-	-	-	-	-	-	-	-	48,953
	2016	50,818	-	-	-	-	-	-	-	25,000	-	75,818
Gregory Simpson	2015	3,453	-	-	16,219	328	-	-	-	-	-	20,000
	2016	45,000	-	-	-	4,275	-	-	-	25,000	-	74,275
Sub-Total	2015	***436,100***	-	-	***213,363***	***1,978***	-	-	-	12,172	-	***663,613***
	2016	***539,649***	-	-	***209,581***	***11,400***	-	-	-	150,000	-	***910,630***
Other Key Management Personnel												
James Brooke	2015	-	-		-	-	-	-	-	-	-	-
	2016	114,904	-		-	10,915	-	-	-	-	-	125,819
David Thomson	2015	137,300	-		-	13,044	-	-	-	-	-	150,344
	2016	42,245	-		-	4,013	-	-	-	-	-	46,258
Total	***2015***	***573,400***			***213,363***	***15,022***	-	-	-	***12,172***	-	***813,957***
	2016	***696,798***	-		***209,581***	***26,328***	-	-	-	***150,000***	-	***1,082,707***

* Share based payment arising from the issue of options as referred to in Note 25.

** Fees were paid to I.T.S. Worldwide Ltd in which Bryan E. Carr has an interest and of which he is a director. I.T.S Worldwide Ltd provides the services of a Chief Executive Officer to SmartTrans Holdings Limited and its subsidiaries.

The service and performance criteria set to determine remuneration are set out in paragraph (f) of the Remuneration Report

(b) Table of benefits and payments for the year ended 30 June 2016 (Cont)

Performance Conditions Linked to Remuneration

The Group's emphasis upon incentives that reward for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of revenue and profit targets, return on equity ratios, and continued employment with the Group provides management with a performance target which focuses upon sales growth and profitability utilising existing group resources.

The performance related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders. There has been no alteration to the terms of the bonuses paid since grant date.

The satisfaction of the performance conditions is based on a review of the audited financial statements of the Group as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external to the Group at this time

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

Group KMP	Position held as at 30 June 2016 and any change during the year	Contract Details (Duration and Termination)	Proportions of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance	
			Non-salary cash-based incentives	Shares/ Units	Options/ Rights	Fixed Salary/Fees	Total
Mark Valie	Non-Executive Chairman	Letter of appointment.	-	-	-	100.0%	100.0%
Bryan E. Carr	Managing Director commenced 16 December 2014	Ongoing agreement 6 months' notice required to terminate. Entitled to 6 months' gross salary.	30%	-	-	70.0%	100.0%
Andrew D. Forsyth	Non Executive Director	Letter of appointment.	-	-	-	100.0%	100.0%
Yui (Ian) Tang	Non Executive Director	Letter of appointment.	-	-	-	100.0%	100.0%
Ian R. Hawkins	Executive Director	Ongoing agreement 3 months' notice required to terminate. Entitled to 3 months' gross salary.	-	-	-	100.0%	100.0%
Gregory Simpson	Non Executive Director	Letter of appointment.	-	-	-	100.0%	100.0%

On appointment to the board, all non-executive Directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of director.

The employment terms and conditions of all KMP are formalised in contracts of employment. Each of these agreements provide for the provision of performance related cash bonuses, other benefits including car allowances, mobile telephone and laptop, and equity participation, when eligible.

Terms of employment of other KMP require that the relevant group entity provide an executive contracted person with a minimum of one month's notice prior to termination of contract. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

Non-Executive Directors are subject to similar contracts requiring one month's notice to be given on termination. Termination payments are at the discretion of the remuneration committee.

Changes in Directors and Executives Subsequent to Year-end
No changes in Directors and Executives subsequent to year-end.

DIRECTORS' REPORT (Cont)

(b) Table of benefits and payments for the year ended 30 June 2016 (Cont)

Securities Received that are not Performance Related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Cash Bonuses, Performance-related Bonuses and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to key management personnel and other executives during the year are as follows:

Executive	Remuneration Type	Grant Date	Grant Value	Reason for grant
Nil				

Description of Options Issued as Remuneration

Details of the options granted as remuneration to those listed in the previous table are as follows:

Grant Date	Entitlement on Exercise	Dates of Exercisable	Exercise Price	Value of Option at Grant Date	Amount Paid/Payable by Recipient
08/11/2015	6,026,233 options exercisable into shares on a 1:1 basis	08/12/2018	0.067	0.055	Nil

(c) Shareholdings

Number of Shares held directly or indirectly by Parent Entity Directors

30 June 2016	Balance at the start of the year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at the end of the year
Parent Entity Directors					
Mark Vaile	-	-	-	375,000	375,000
Andrew Forsyth	40,933,511	-	-	(555,377)	40,378,134
Bryan Carr	61,715,049	-	-	-	61,715,049
Ian Hawkins	5,751,256	-	-	-	5,751,256
Gregory Simpson	11,456,981	-	-	(5,000,000)	6,456,981
Total	119,856,797	-	-	(6,868,840)	112,987,957

30 June 2015	Balance at the start of the year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at the end of the year
Parent Entity Directors					
Andrew Forsyth	35,816,823	-	-	5,116,688	40,933,511
Bryan Carr	57,552,292	-	-	4,162,757	61,715,049
Geoff Raby**	10,000,000	-	-	1,428,572	11,428,572
Ian Hawkins	5,032,349	-	-	718,907	5,751,256
Gregory Simpson	10,024,858*	-	-	1,432,123	11,456,981
Total	118,426,322	-	-	12,858,237	131,285,369

*Represents existing shareholding held by Gregory Simpson prior to being appointed as director on 22 April 2015.
**Geoff Raby ceased to be director on 1 April 2016.

DIRECTORS' REPORT (Cont)

(d) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

30 June 2016	Balance at the start of the year	Granted as remuneration during the year	Other Changes during the year	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares						
Andrew Forsyth	2,558,345	1,004,372	-	-	-	3,562,717
Bryan Carr	2,081,379	-	-	-	-	2,081,379
Geoff Raby*	714,287	1,004,372	-	-	-	1,718,659
Ian Hawkins	359,454	1,004,372	-	-	-	1,363,826
Ian Tang	-	1,004,372	-	-	-	1,004,372
Gregory Simpson	716,062	1,004,372	-	-	-	1,720,434
	6,429,527	5,021,860	-	-	-	11,451,387

30 June 2015	Balance at the start of the year	Granted as remuneration during the year	Other Changes during the year	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares						
Andrew Forsyth	-	-	2,558,345	-	-	2,558,345
Bryan Carr	-	-	2,081,379	-	-	2,081,379
Geoff Raby*	6,666,666	-	714,287	-	(6,666,666)	714,287
Ian Hawkins	-	-	359,454	-	-	359,454
Ian Tang	-	-	-	-	-	-
Gregory Simpson	-	-	716,062	-	-	716,062
	6,666,666	-	6,429,527	-	(6,666,666)	6,429,527

*Geoff Raby ceased to be a director on 1 April 2016

(e) Other transactions with key management personnel and their related parties

There has been no other transactions involving equity instruments other than those described in the tables above.

(f) Remuneration Practices

The Company's policy for determining the nature and amount of emoluments of directors and key management personnel of the Company is as follows:

The remuneration structure for the executive directors and key management personnel is based on a number of factors including length of service, particular experience of the individual concerned, and overall performance of the Company. Employment between the Company and the executive directors and key management personnel is on a continuing basis, not formalized by service agreements, the terms of which are not expected to change in the immediate future. Upon retirement the executive director and key management personnel are paid employee benefit entitlements accrued to date of retirement. The executive directors and key management personnel are paid a percentage of their salary (determined by the Board at the time) in the event of redundancy. Additionally, remuneration and other terms of employment for the executive directors are formalised in a letter of appointment that also contains comprehensive provisions in relation to termination, confidentiality and suspension.

(g) Remuneration policy

The remuneration policy of SmartTrans Holdings Limited has been designed to align key management personnel ("KMP") objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated Group's financial results.

The Board of SmartTrans Holdings Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group as well as create goal congruence between Directors, Executives and Shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group is as follows:

- The remuneration policy is to be developed by the Remuneration Committee and approved by the Board after professional advice is sought from independent external consultants where considered necessary.

DIRECTORS' REPORT (Cont)

(g) Remuneration Policy (Cont)

- KMP receive a combination of base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.

- Performance incentives are generally only paid once predetermined key performance indicators have been met.

- Incentives paid in the form of options or rights are intended to align the interests of the Directors and Company with those of the Shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

- The Remuneration Committee reviews KMP packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive a superannuation guarantee contribution required by the government, which for the FY2016 financial year was 9.5% of the individual's average weekly ordinary time earnings (AWOTE), and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.
KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is valued using the Black-Scholes methodology.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the Board's remuneration policy prohibits directors and KMP from using SmartTrans Holdings Limited shares as collateral in any financial transaction, including margin loan arrangements.

(h) Engagement of Remuneration Consultants

No remuneration consultant was engaged during the year.

(i) Performance-based Remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, SmartTrans Holdings Limited bases the assessment on audited figures; however, where the KPI involves comparison of the Group, or a division within the Group, to the market, independent reports may be obtained from organisations such as Standard & Poors.

DIRECTORS' REPORT (Cont)

(j) Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between Shareholders, Directors and Executives. Two methods have been applied to achieve this aim, the first a performance-based bonus based on key performance indicators and the second the issue of options to Executives to encourage the alignment of personal and shareholder interests when considered appropriate.

The following table shows the gross revenue and profits for the last five years for the listed entity, as well as the share prices at the end of the respective financial years.

	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Revenue	11,648	4,277	2,194	2,692	602
Net Profit/(loss)	(2,811)	(1,653)	(4,376)	(2,123)	(2,528)
Share price at year-end (cents)	0.035	0.029	0.014	0.005	0.008

This concludes the remuneration report, which has been audited.

Signed in accordance with a resolution of the Board of Directors.

B. E. Carr.

BRYAN E CARR
Director
Melbourne, Victoria

Dated: 29 September 2016

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of SmartTrans Holdings Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Philip A Ransom

P A RANSOM
Partner

Dated: 29 September 2016
Melbourne, Victoria

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
   a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

BRYAN E CARR
Director

Melbourne, Victoria

Dated: 29 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Note	2016 $	2015 $
Revenue - Operations		**11,648,458**	4,277,301
Online mobile promotion & third party cost		**(9,470,545)**	(2,176,918)
Employee salaries and benefits expense		**(1,800,055)**	(1,695,785)
Material and installation costs		**(432,786)**	(335,382)
Depreciation expense		**(31,544)**	(8,677)
Consultancy cost		**(995,271)**	(400,555)
Share registration regulatory and compliance costs		**(330,152)**	(296,435)
Corporate Advisory		**(207,089)**	-
Share based payment		**(246,800)**	(67,176)
Rental & occupancy costs		**(248,791)**	(267,516)
Travelling and accommodation costs		**(287,430)**	(183,020)
Amortisation of intangible assets		**(10,061)**	(122,742)
Legal & associated costs		**(65,530)**	(152,731)
Foreign exchange gain/(loss)		**(20,619)**	(98,179)
Other Expenses	4	**(312,916)**	(125,350)
Loss before income tax		**(2,811,131)**	(1,653,165)
Income tax benefit	5	-	-
Loss for the year		**(2,811,131)**	(1,653,165)
Other comprehensive income for the year			
Foreign currency translation reserve		**(108,256)**	-
Total comprehensive income for the year		**(2,919,387)**	(1,653,165)
Total comprehensive income for the year attributable to:			
Members of the parent equity		**(2,919,387)**	(1,653,165)
Basic Earnings per share (cents per share)	18	**(0.13)**	(0.09)
Diluted Earnings per share (cents per share)	18	**(0.13)**	(0.09)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 $	2015 $
Current Assets			
Cash and cash equivalents	6	**2,130,093**	6,058,169
Trade and other receivables	7	**4,899,182**	1,545,558
Other current assets	8	**56,547**	25,534
Total Current Assets		**7,085,822**	7,629 ,261
Non-Current Assets			
Trade and other receivables	7	**-**	26,981
Intangible Asset	11	**221,462**	-
Property, plant and equipment	10	**27,037**	34,647
Total Non-Current Assets		**248,499**	61,628
TOTAL ASSETS		**7,334,321**	7,690,889
Current Liabilities			
Trade and other payables	12	**3,639,504**	1,578,076
Provisions	13	**159,579**	158,715
TOTAL LIABILITIES		**3,799,083**	1,736,791
NET ASSETS		**3,535,238**	5,954,098
Equity			
Issued capital	14	**73,035,195**	72,684,668
Reserves		**695,149**	653,405
Accumulated losses		**(70,195,106)**	(67,383,975)
TOTAL EQUITY		**3,535,238**	5,954,098

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Note	Ordinary Share Capital	Reserves	Accumulated Losses	Total Equity
		$	$	$	$
Balance at *1 July 2014*		64,927,987	586,229	(65,730,810)	(216,594)
Shares issued during the year		8,559,095	-	-	8,559,095
Share issue costs		(802,414)	-	-	(802,414)
Share based payments		-	67,176	-	67,176
Loss after tax for the year		-	-	(1,653,165)	(1,653,165)
Balance at *30 June 2015*	14	72,684,668	653,405	(67,383,975)	5,954,098
Balance at *1 July 2015*		72,684,668	653,405	(67,383,975)	5,954,098
Shares issued during the year		258,691	-	-	258,691
Share issue costs		(4,964)	-	-	(4,964)
Share based payments		96,800	150,000	-	246,800
Foreign currency translation		-	(108,256)	-	(108,256)
Loss after tax for the year		-	-	(2,811,131)	(2,811,131)
Balance at *30 June 2016*	14	73,035,195	695,149	(70,195,106)	3,535,238

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	2016 $	2015 $
Cash Flows from Operating Activities			
Receipts from customers and government grants		**8,696,208**	2,167,877
Software fees from previous years		**-**	600,000
Payments to suppliers and employees		**(12,816,197)**	(5,386,968)
Research and development tax concession		**371,458**	296,224
Interest received		**50,841**	8,845
Net cash used in Operating Activities	21	**(3,697,688)**	(2,314,022)
Cash Flows from Investing Activities			
Payment for intangible asset		**(220,849)**	-
Payments for termination of joint venture		**(77,060)**	-
Payments for plant and equipment	10	**(25,080)**	(21,861)
Net cash used in Investing Activities		**(322,989)**	(21,861)
Cash Flows from Financing Activities			
Proceeds from convertible loan		**-**	550,000
Payment for capital raising costs		**(199,044)**	(278,959)
Proceeds from issue of shares		**254,718**	7,309,097
Net cash provided by Financing Activities		**55,674**	7,580,138
Net increase/(decrease) in cash and cash equivalents		**(3,965,003)**	5,244,256
Cash and cash equivalents at the beginning of year		**6,058,169**	813,913
Effects of foreign exchange		**36,927**	-
Cash and cash equivalents at the end of year	6	**2,130,093**	6,058,169

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 1 : STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers the economic entity of SmartTrans Holdings Limited and controlled entities ("Group"). SmartTrans Holdings Limited is a listed public company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, SmartTrans Holdings Limited, have not been presented within this financial report as permitted by the Corporation Act 2001.

The financial report was authorised for issue on 28 September 2016 by the Board of Directors.

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 ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
Except for the cash flow information, the financial statements have been prepared on an accrual basis under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity'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 in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 24.

Going concern
The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the group incurred a loss of $2,811,131 and had net cash outflows from operating activities of $3,697,688 for the year ended 30 June 2016. As at that date the group had net current assets of $3,286,739.

The Directors believe that it is reasonably foreseeable that the group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- Positive net current assets of $3,286,739 provide working capital to meet the company obligations over the next 12 months;
- New business lines, including sports lottery, are expected to generate significant additional revenue and cash flow in FY2017;
- The group's cash flow forecasts, inclusive of the new business lines referred to above, indicate the group will be in a positive working capital position during the period of twelve months from the date of this report;
- Marketing and administration costs are constantly being monitored so that they are kept at minimal levels and certain marketing costs are of the discretion of management; and
- The Company in the past has been able to raise capital as and when required and the Directors believe it could do so in the future if it becomes appropriate to do so.

Accordingly, the Directors believe that the group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

New, revised or amending Accounting Standards and Interpretations adopted
The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 1 : STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

New standards and interpretations issued but not yet effective

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective.

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 16, 19, 107 & 127 for issuance of AASB 9.	1 January 2018	No expected impact
AASB 1057	Application of Australian Accounting Standards	The AASB moved application paragraphs in all Australian Accounting Standards to this new standard, in order to maintain consistency with the layout of IFRS standards.	1 January 2016	No expected impact
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset, and to clarify that revenue is generally presumed to be an inappropriate basis for that purpose.	1 January 2016	No expected impact
AASB 2015-2	Amendments to Australian Accounting Standards –Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.	1 January 2016	Disclosures Only
AASB 2015-5	Amendments to Australian Accounting Standards –Investment Entities: Applying the Consolidation Exception	This Standard makes amendments to AASB 10, AASB 12 and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1 January 2016	No expected impact
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs	This Standard inserts scope paragraphs into AASB 8 Operating Segments and AASB 133 Earnings Per Share, as the AASB inadvertently deleted the scope details from AASB 8 and AASB 133 when moving the application paragraphs to AASB 1057 Application of Australian Accounting Standards.	1 January 2016	No expected impact
AASB 15	Revenue from Contracts with Customers	It contains a single model for contracts with customers based on a five-step analysis of transactions for revenue recognition, and two approach, a single time or over time, for revenue recognition.	1 January 2018	The changes in revenue recognition measurements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9	Financial Instruments	This Standard supersedes both AASB 9 (December 2010) and AASB 9 (December 2009) when applied. It introduces a "fair value through other comprehensive income" category for debt instruments, contains requirements for impairment of financial assets, etc.	1 January 2018	No expected impact
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	Consequential amendments arising from the issuance of AASB 9	1 January 2018	No expected impact
AASB 16	Leases	AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts, effectively resulting in the recognition of almost all leases on the statement of financial position. The accounting by lessors, however, will not significantly change.	1 January 2019	The impact of AASB 16 has not yet been quantified but expected to be not material.
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	Disclosures Only

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 1 : STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

Accounting Policies

(a) Principles of consolidation

A controlled entity is any entity SmartTrans Holdings Limited is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A list of controlled entities is contained in Note 9 to the financial statements. All controlled entities have a June financial year end except for SmartTrans Technology (Beijing) Co. Limited which has a December financial year end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Subsidiaries are all those entities over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(b) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the financial position date.

Deferred tax is accounted for using the financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 1 : STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(c) Recoverable amount of non-current assets

The carrying values of non-current assets are recorded at their recoverable amounts, which are determined by reference to the present value of future net cash flows expected to be generated by those assets.

The present value of future net cash flows expected to be generated by the parent entity's investment in Sm@rtTrans Ltd cannot be assessed with certainty as it is dependent upon a continuation of the successful development and commercialisation of the on-line intelligent transport systems, software, services and other technology. Refer to note (f) for accounting policy on impairment.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and any impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The useful lives for each class of depreciable assets are:

Class of Fixed Asset	Useful lives
Plant and equipment	2 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial position date.

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 the carrying amount. These gains and losses are included in the statement of comprehensive income.

(e) Financial instruments

Recognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Held- to- maturity investments
The investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 1 : STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(e) Financial instruments (cont)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment
At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(f) Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Intangibles

Research and development
Expenditure during the research phase of a project is recognised as an expense when incurred. Products and software development costs, including the economic entity's route optimisation and mobile data systems technology, are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Products and software development costs have a finite life and are amortised on a systematic basis over the useful life of the project which is estimated to be 4 to 5 years. Products and software development costs are carried at cost less accumulated amortisation and any impairment loss.

(h) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to financial position date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(i) Earnings per share

Basic earnings per share is determined by dividing the operating loss after income tax attributable to members of SmartTrans Holdings Limited by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing the operating loss after income tax attributable to members of SmartTrans Holdings Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for the effects of all dilutive potential ordinary shares.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and less bank overdrafts if any.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(k) Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(l) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Revenue from application usage and subscription services is recognised upon usage or take up by customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(m) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial positions are shown inclusive of GST.

Cash flows are presented in the Statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(o) Leases

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

(q) Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(q) Foreign Currency Transactions and Balances (Cont)

Group companies
The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

(r) Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(s) Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

(t) Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity 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 60 days overdue) are considered indicators that the trade receivable may be 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 if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

(u) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(v) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 2 : FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on liquidity and seeks to minimise potential adverse effects on the financial performance of the group. The group uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks and ageing analysis for credit risk.

Risk management is carried out by senior management in consultation with the Board of Directors. See Note 22 for the group's overall risk management program.

NOTE 3 : CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 4 : OTHER EXPENSES	**2016** **$**	2015 $
Advertising and promotion	**107,790**	29,147
Internet /Hosting	**39,483**	-
Bad Debt	**664**	15,169
Other	**164,979**	81,034
	312,916	125,350

NOTE 5 : INCOME TAX

No income tax is payable by the economic entity as it incurred losses for income tax purposes for the year. The economic entity also has available for recoupment, income tax and capital losses at balance date.

	2016 **$**	2015 $
(a) Reconciliation		
The prima facie income tax benefit on the loss from ordinary activities is reconciled as follows:		
Loss from ordinary activities before income tax	**(2,811,131)**	(1,653,165)
Income tax benefit at 30%	**843,339**	495,950
Tax effect of expenses not deductible	**58,082**	23,508
Tax effect of utilisation of tax losses		
Tax effect of temporary differences and tax losses not recognised/(recognised)	**(901,421)**	(519,458)
Income tax benefit	**-**	-
(b) Deferred Tax Assets not recognised:		
Accumulated tax losses	**11,231,676**	10,388,337
Capital losses not recognised	**1,093,920**	1,093,920

The above benefits will only be obtained if:

(i) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be realised;

(ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) no changes in tax legislation adversely affect the Company in realising the benefits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 6 : CASH AND CASH EQUIVALENTS

	2016	2015
	$	$
Cash on hand	**26,666**	3,140
Cash at bank	**2,103,427**	6,055,029
	2,130,093	6,058,169

NOTE 7 : TRADE AND OTHER RECEIVABLES

	2016	2015
	$	$
Current		
Trade receivables	**170,717**	73,058
Accrued income	**4,689,112**	1,375,566
Sundry receivables	**39,353**	96,934
	4,899,182	1,545,558
Non Current		
Performance bonds	**-**	26,981
	-	26,981

The ageing of trade receivables is as follows:

0-30 days	**48,730**	57,476
31-60 days#	**11,308**	2,167
61-90 days#	**47,755**	-
>90 days#	**62,924**	13,415
	170,717	73,058

overdue but not impaired

(a) Trade and other receivables

Trade receivables that are classified as “overdue but not impaired” have been substantially recovered after balance date. There is no impairment of sundry receivables as all were recovered within one month of balance date.

The Group does not hold any collateral in relation to the above receivables.

(b) Foreign exchange and interest rate risk

Information about the Group’s exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 22.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.
The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 22 for more information on the risk management policy of the Group and the credit quality of the group’s trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 8 : OTHER CURRENT ASSETS	**2016**	2015
	$	$
Prepayments	**56,547**	25,534

NOTE 9 : CONTROLLED ENTITIES

Investment in Controlled Entities:

	Place of Incorporation	**Equity Holding**	
		2016	2015
Parent Entity:		**$**	$
SmartTrans Holdings Limited	Australia		
Controlled Entities:			
Sm@rtTrans Limited	Australia	100%	100%
E-Trans Pty Ltd	Australia	100%	100%
SmartTrans Technology (Beijing) Ltd	People's Republic of China	100%	100%
Smartrans (HK) Ltd	Hong Kong	100%	100%
Digi 8 Limited	Hong Kong	100%	100%

NOTE 10 : PROPERTY, PLANT AND EQUIPMENT	**2016**	2015
	$	**$**
Plant and equipment		
Cost	**56,141**	619,285
Accumulated depreciation	**(29,104)**	(584,638)
Total property, plant and equipment	**27,037**	34,647

	2016	2015
	$	**$**
Plant and equipment		
Balance at the beginning of the year	**34,647**	21,463
Additions	**25,080**	21,861
Disposals	**(1,146)**	-
Depreciation	**(31,544)**	(8,677)
Carrying amount at the end of year	**27,037**	34,647

NOTE 11 : Intangible Asset	**2016**	2015
	$	**$**
Intangible Asset - Software		
Cost	**231,523**	-
Accumulated depreciation	**(10,061)**	-
Total Intangible Asset	**221,462**	-

	2016	2015
	$	**$**
Intangible Asset		
Balance at the beginning of the year	**-**	-
Additions	**231,523**	-
Disposals	**-**	-
Depreciation	**(10,061)**	-
Carrying amount at the end of year	**221,462**	-

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 12 : TRADE AND OTHER PAYABLES	2016	2015
	$	$
Trade creditors and accruals	**3,639,504**	1,578,077

NOTE 13: PROVISIONS

Employee entitlements	**159,579**	158,715
Balance at the beginning of the year	**158,715**	126,056
Additional provisions	**73,419**	74,781
Amount used	**(72,555)**	(42,122)
Balance at end of the year	**159,579**	158,715

NOTE 14 : ISSUED CAPITAL	2016	2015
	$	$
2,216,074,582 (2015 : 2,205,811,961) fully paid ordinary shares	**73,035,195**	72,684,668
Ordinary Shares	**Number**	Number
At beginning of the year	**2,205,811,961**	1,628,183,298
Shares issued	**10,262,621**	577,628,663
At end of year	**2,216,074,582**	2,205,811,961

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on show of hands.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Capital Management

Management controls the capital of the group, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks on a monthly basis and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. The group's gearing ratio is kept at a minimum. There is no intention to incur debt funding on behalf of the group. Ongoing operations will be funded via equity or joint ventures with other companies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 15 : KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2016	2015
	$	$
Short-term employee benefits	**888,879**	786,763
Post-employment benefits	**26,328**	15,022
Share-based payments	**150,000**	12,172
	1,065,207	813,957

NOTE 16 : REMUNERATION OF AUDITORS

	2016	2015
	$	$
Remuneration of the auditor of the parent entity for:		
Auditing or reviewing the financial statements	**87,154**	70,000
Other services including preparation of tax returns and accounting advice regarding an ESOP and employee matters.	**10,200**	15,000
	97,354	85,000

NOTE 17 : RELATED PARTY INFORMATION

(a) Parent entity

SmartTrans Holdings Limited is the parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out in note 9.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 15 and the remuneration report in the directors' report.

(d) Economic entity

The economic entity consists of SmartTrans Holdings Limited and its subsidiaries as disclosed in Note 9. Additionally, the parent has provided a letter to a controlled entity, undertaking to give or arrange any financial assistance which the controlled entity may need to ensure that it is solvent at the date upon which it incurs a debt within the meaning of section 588G of the Corporations Act 2001. Such financial assistance is not quantifiable at balance date, as it is dependent upon the trading performance of the controlled entity in the succeeding financial year.

NOTE 18 : EARNINGS PER SHARE

		2016	2015
		$	$
(a)	Operating loss used to calculate basic and diluted EPS	**(2,811,131)**	(1,653,165)
(b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	**2,211,641,015**	1,851,319,020

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 19 : SEGMENT INFORMATION

The consolidated entity has identified its operating segments based on internal reports that are provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources, and assessing performance of the operating segments has, been identified as the board of directors. The consolidated entity operates in one operating segment being internet and mobile software systems and applications across two geographical locations i.e. Australia and China.

(a) Intersegment transactions

There are no intersegment transactions.

(b) Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(c) Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(d) Unallocated items

The following items of expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Head office Plant & Equipment
- General Administration costs.
- Current tax liabilities

(e) Geographical Segment Summary

For the year ended 30 June 16

	Australia	**China**	**Total**
	$	**$**	**$**
Total Segment Revenue	1,204,052	10,393,579	11,597,631
Segment Loss	(454,928)	(609,514)	(1,064,442)
Segment Assets as at 30 June 2016	590,025	5,279,434	5,869,459
Segment Liabilities as at 30 June 2016	(314,568)	(3,125,152)	(3,439,720)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 19 : SEGMENT INFORMATION (Cont)

(e) Geographical Segment Summary (cont)

For the year ended 30 June 15

	Australia	China	Total
	$	$	$
Total Segment Revenue	1,532,135	2,736,727	4,268,862
Segment Loss	(749,820)	(316,603)	(1,066,423)
Segment Assets as at 30 June 2015	252,104	2,137,459	2,389,563
Segment Liabilities as at 30 June 2015	(298,114)	(955,882)	(1,253,996)

Reconciliation of reportable segment revenue to consolidated revenue	2016	2015
	$	$
Total segment revenue	**11,597,631**	4,268,862
Interest and other income	**50,827**	8,440
Total revenue	**11,648,458**	4,277,302

Reconciliation of reportable segment loss to consolidated loss		
	$	$
Total loss for reportable segments	**(1,064,442)**	(1,066,423)
Share based payments	**(246,800)**	(67,176)
Corporate costs	**(1,499,889)**	(519,566)
Loss before income tax	**(2,811,131)**	(1,653,165)

Reconciliation of reportable segment assets to consolidated assets		
	$	$
Reportable segment assets	**5,869,459**	2,389,562
Unallocated Assets	**1,464,862**	5,301,327
Total Assets	**7,334,321**	7,690,889

Reconciliation of reportable segment liabilities to consolidated liabilities		
	$	$
Reportable segment liabilities	**(3,439,720)**	(1,253,996)
Unallocated Liabilities	**(359,363)**	(482,795)
Total Liabilities	**(3,799,083)**	(1,736,791)

Major Customers

The Group’s top two customers, which represented all of Online & Mobile Payments (China) segment revenue, accounts for 63% (2015: 64%) of total Group’s revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 20 : COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital Expenditure

There are no capital expenditure commitments as at financial position date.

	2016	2015
	$	$
(b) Operating Lease Commitments		
Payable		
Not later than one year	**191,426**	158,520
Later than one year but not later than five years	**45,599**	36,275
Total operating lease liability	**237,025**	194,795

The property leases are non-cancellable with two to three year terms. Rents are payable monthly in advance and are indexed annually to the CPI.

(d) Contingent Liabilities and Contingent Assets

The Company and its controlled entities have no known material contingent liabilities or contingent assets as at 30 June 2016.

	2016	2015
	$	$
NOTE 21 : NOTES TO THE STATEMENT OF CASH FLOWS		
Reconciliation of net cash used in operating activities to net loss		
Net loss after income tax	**(2,811,131)**	(1,653,165)
Adjustments for		
Depreciation	**31,544**	8,677
Equity based payment	**246,800**	67,176
Amortisation of intangibles	**10,061**	122,742
Effects of foreign exchange	**36,927**	-
Fixed asset write off	**7,601**	-
Change in net assets and liabilities:		
(Increase)/ decrease in receivables	**(3,383,182)**	(1,314,757)
(Increase)/ decrease in other assets	**(25,534)**	(18,816)
Increase in payables	**2,188,362**	441,463
Increase/(decrease) in provisions	**864**	32,659
Net Cash used in Operating Activities	**(3,697,688)**	(2,314,022)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 22 : FINANCIAL INSTRUMENTS

Market risk

(a) Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The Group's exposure to foreign currency risk relates primarily to the Chinese Renminbi.

The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Chinese Renminbi	5,109,272	1,837,893	(3,145,390)	(821,424)

The Group had net assets denominated in Chinese Renminbi of $1,963882 (assets of $5,109,272 less liabilities of $3,145,390) as at 30 June 2016 (2015: $1,016,469 (assets of $1,837,893 less liabilities of $821,424). Based on this exposure, had the Australian dollar weakened by 5%/strengthened by 5% (2015: weakened by 5%/strengthened by 5%) against the Chinese Renminbi with all other variables held constant, the Group's profit before tax for the year would have been $51,000 lower/$51,000 higher (2015: $98,000 lower/$98,000) and equity would have been $51,000 lower/$51,000 higher (2015: $98,000 lower/$98,000 higher). The percentage change is the expected overall volatility of this currency, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

(b) Price risk
The Group is not exposed to any significant price risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 22 : FINANCIAL INSTRUMENTS (CONT)

Market risk (Cont)

(c) Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to interest on deposits with banking institutions. The group has no interest bearing borrowings or finance leases.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balance are monitored on an ongoing basis with the result that Group's exposure to debt is minimal. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

A considerable component of the Group's revenue is generated from State owned organizations in China which have low credit risk. Therefore the Group has no significant credit risk at 30 June 2016 or 30 June 2015.

Liquidity risk
The Group's has appropriate procedures in place to manage cash flows including continuing monitoring of forecast and actual cash flows to ensure funds are available to meet commitments.
There are no unused borrowing facilities at the reporting date.

The following table details the Group's financial instrument composition and maturity analysis

	Weighted average effective interest rate	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total $
2016						
Financial assets						
Interest bearing						
Non-interest bearing						
Receivables	-%	4,899,182	-	-	-	4,899,182
		4,899,182	-	-	-	4,899,182
Financial liabilities						
Non-interest bearing						
Payables	-%	3,639,504	-	-	-	3,639,504
Other borrowings	-%	-	-	-	-	-
		3,639,504	-	-	-	3,639,504
Net financial assets		1,259,678	-	-	-	1,259,678
2015						
Financial assets						
Interest bearing						
Non-interest bearing						
Receivables	-%	1,545,558	-	-	-	1,545,558
		1,545,558	-	-	-	1,545,558
Financial liabilities						
Non-interest bearing						
Payables	-%	1,578,077	-	-	-	1,578,077
Other borrowings	-%	-	-	-	-	-
		1,578,077	-	-	-	1,578,077
Net financial assets		(32,519)	-	-	-	(32,519)

Fair value of financial instrument
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 23 : EVENTS AFTER REPORTING PERIOD

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 24 : PARENT ENTITY STATEMENT OF FINANCIAL POSITION

	Company	
	2016	2015
	$	$
Total Current Assets	**1,394,453**	5,287,866
Total Non-Current Assets	**1,166,406**	6,907,611
TOTAL ASSETS	**2,560,859**	12,195,477
TOTAL CURRENT LIABILITIES	**359,351**	469,334
NET ASSETS	**2,201,508**	11,726,143
Equity		
Issued capital	**73,035,195**	72,684,668
Reserves	**803,403**	653,405
Accumulated losses	**(71,637,094)**	(62,053,182)
TOTAL EQUITY	**2,201,508**	11,284,891
Loss for the year	**(10,025,163)**	(441,252)
Other comprehensive income/(loss) for the year	**-**	-
Total comprehensive loss for the year	**(10,025,163)**	(441,252)

This loss of $10,025,163 arises primarily from a decision to forgive loans from the parent entity to its subsidiaries which forgiveness has no net effect on the consolidated group result. Commitments of the parent entity are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (Cont)

NOTE 25 : SHARE BASED PAYMENTS

(i) On 7 September 2011, 20,000,000 share options were granted to Dr Geoff Raby, a director of the Company. The options were issued under the Company's Employee Share Option Plan. As at 30 June 2015, remaining options granted to Dr Raby in September 2011 which had not been exercised had expired.

(ii) During the year, the Company has granted options to external parties for services received in relation to capital raising activities.

(iii) A summary of company options issued is set out below:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / forfeited	Balance at the end of the year
04/11/2014	04/11/2016	$0.030	10,000,000	-	-	-	10,000,000
04/11/2014	04/11/2016	$0.040	10,000,000	-	-	-	10,000,000
11/05/2015	11/05/2018	$0.030	1,500,000	-	1,500,000	-	-
11/05/2015	11/05/2017	$0.020	1,500,000	-	200,000	-	1,300,000
23/06/2015	23/06/2017	$0.035	5,000,000	-	-	-	5,000,000
23/06/2015	23/06/2017	$0.035	137,727,677	-	6,362,621	-	131,365,056
08/12/2015	08/12/2018	$0.067	-	6,026,233	-	-	6,026,233
29/01/2016	29/01/2018	$0.035		2,000,000	-	-	2,000,000
			165,727,677	8,062,233	8,062,621	-	165,691,289
Weighted average exercise price			$0.035	$0.051	$0.034		$0.036

The weighted average remaining contractual life of options outstanding at year-end was 1.08 years.

For options granted during the year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
08/11/2015	08/12/2018	$0.055	$0.067	85%	0.0%	3.00%	$0.0249
29/06/2016	29/01/2018	$0.046	$0.035	85%	0.0%	1.89%	$0.0246

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

SMARTTRANS HOLDINGS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of SmartTrans Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 report 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 the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of SmartTrans Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of SmartTrans Holdings Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of SmartTrans Holdings Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

RSM

RSM AUSTRALIA PARTNERS

Philip A Ransom

P A RANSOM
Partner

29 September 2016
Melbourne

ADDITIONAL INFORMATION

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 27 September 2016.

(a) Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 27 September 2016:

Shareholder	No. of Shares
Dymocks Securities Pty Ltd	528,612,469
Coolgardie Units Pty Ltd	554,217,247
Tandragee Pty Ltd	554,217,247
Canala Services Pty Ltd	107,714,121

This table discloses Relevant Interests in shares as defined by the Corporations Act and does not reflect beneficial interests in shares.

(b) Twenty Largest Shareholders

The names of the twenty largest shareholders of fully paid shares in the Company are:

		No. of Ordinary Fully Paid Shares Held	Percentage Held Issued Ordinary Capital
1	Dymocks Securities Pty Limited	382,453,519	17.26%
2	Loyal Strategic Investment Ltd	221,892,063	10.01%
3	HSBC Custody Nominees (Australia) Limited	114,021,951	5.15%
4	Ocean Magic Investment Ltd	99,673,393	4.50%
5	Jamajon Pty Ltd	81,651,941	3.68%
6	Tandragee Pty Limited	51,810,246	2.34%
7	ITS Worldwide Limited	45,740,000	2.06%
8	Jamajon Pty Limited <JF Superfund A/C>	44,614,367	2.01%
9	Coolgardie Units Pty Ltd	37,562,504	1.70%
10	Canala Services Pty Ltd	29,262,604	1.32%
11	Mr Zani il Yazovsski	29,140,374	1.31%
12	Isatsan Pty Ltd	25,468,335	1.15%
13	Porthide Pty Ltd	21,755,655	0.98%
14	Citicorp Nominees Pty Limited	21,615,620	0.98%
15	Domson Pty Ltd <Domson Pty Ltd S/F A/C>	20,053,133	0.90%
16	Connaught Consultants (Finance) Pty Ltd	14,500,000	0.65%
17	Dr Kuen Seng Chan	14,000,000	0.63%
18	Blamnco Trading Pty Ltd	12,100,000	0.55%
19	Mr Paul Francise Murray	11,388,575	0.52%
20	Top Oceania International Limited	11,251,172	0.51%
		1,289,955,452	58.21%

SHAREHOLDER INFORMATION (Cont.)

(c) Distribution of Shareholders

(i) Ordinary Shareholders

Spread of Holding	Holders	Shares Held	% of Issued Capital
1 - 1,000	72	9,419	0.00
1,001 - 5,000	37	121,615	0.01
5,001 - 10,000	53	457,474	0.02
10,001 - 100,000	1,378	64,790,510	2.92
100,001 and over	1,237	2,150,709,136	97.05
	2,777	2,216,088,154	100.00

(d) Less than marketable parcels of ordinary shares
There are 248 shareholders with unmarketable parcels totalling 1,762,129 shares.

(e) Options over Unissued Shares
A total of 165,691,289 unlisted options are on issue.

(f) Restricted Securities
The Company had no restricted securities on issue as at 27 September 2016.

(g) Voting Rights
In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll. Option holders have no voting rights.

(h) On-Market Buy-Backs
There is no current on-market buy-back in relation to the Company's securities.