smartpay

ANNUAL REPORT **2020**

Welcome to Smartpay's annual report for the year ending 31st March 2020

Smartpay designs, develops and implements innovative payment solutions for customers in New Zealand and Australia. Smartpay offers a variety of advanced payment and data management solutions for retail, business payment and transactional processing requirements.

Contents

Chairman’s Report

Smartpay Annual Report – 2020

This has again been a very solid year for Smartpay and we are pleased that as we turn into this next year that the company is very well placed to continue to meet its growth objectives and to deliver on its strategic objectives. Overall we have made excellent progress, while maintaining good performance in the New Zealand market and we have now built a very strong platform to continue upward growth in Australia.

We will look back on this past year as one that has been marked by two particularly significant, and totally contrasting, events. The first is the Covid 19 pandemic which has swept the world since the beginning of the calendar year and which has had a dramatic impact on the lives of all Australians and New Zealanders over the last few months. As a company we have not been immune to its effects which will continue to impact Smartpay, the wider business community and, indeed, our countries for potentially years to come. Of course, our first concern has been for our staff and their families and we will continue to do all we can to ensure their health and safety remain paramount.

Likewise, we are doing all we can to help to support the thousands of businesses that we are fortunate to have as customers on both sides of the Tasman. Getting through this pandemic remains a focus for us as it will for every other business in Australasia. Fortunately, Smartpay has proved to be remarkably resilient and our careful planning and rapid response have stood us in good stead thus far. It has been a salutary lesson in the need to understand and plan for risk and to prepare for unprecedented disruption on the business. However, out of the upheaval will undoubtedly come opportunity and we believe that we are well placed to identify and to take advantage of these opportunities as they arise. Notwithstanding that, we remain mindful of our obligations to our staff and our stakeholders and also our obligation to perform as a good corporate citizen and we will do our utmost to help to contribute to the wellbeing of, not only our stakeholders but the broader community as well.

The second major event for the company this year was the offer from Verifone to acquire the New Zealand based terminal business for the sum of $70million. Once the board determined that the offer was in the best interests of shareholders a considerable amount of time and resource was deployed to complete due diligence, work through commercial and legal arrangements and to satisfy various conditions. Ultimately, Commerce Commission approval was unable to be obtained in time to meet the final condition but the process certainly demonstrated the value inherent in our NZ assets. This sale process was incredibly demanding on company resources and I would like to acknowledge and thank Smartpay’s senior executive team and all of the staff who worked tirelessly to try to get this transaction successfully over the line. That the sale was ultimately not completed was wholly attributable to Covid related circumstance and was in no way a reflection on the value of the company or the executive team who were, simply outstanding throughout.

Despite the impact of the two aforementioned events on the company this year, we should not let that detract from the performance of Smartpay throughout the past year. In New Zealand we continue to be a market leader around product and product innovation and the company remains a leading provider of payment and payment solutions to the New Zealand market. As I have said in previous reports, this part of the business also provides the support base for a rapidly growing business in Australia. For the foreseeable future Australia, of course, remains our growth opportunity and we have provided quarterly updates throughout the year to demonstrate progress being made. Notwithstanding the disruption of the above events, we remain confident that the Australian terminal and acquiring business will continue to add significant upside to Smartpay and its shareholders. The recent capital raise has put the company into a strong position to fund growth initiatives and, if appropriate, to undertake strategic investments if they are determined to be beneficial to the company.

Finally, I want to acknowledge the staff of Smartpay. We are very fortunate to have some of the best people in the business and, notwithstanding that it has, in many respects, been a difficult year, they have performed exceptionally well. I also want to thank my fellow board members for the direction provided to the company and for the knowledge and wisdom that has helped guide the company through some challenging issues.

As always, we appreciate the support that we have from our shareholders and it has been heartening to see the number of new shareholders who have joined the company over the past year. I believe that this is testament to a firm belief in Smartpay and we will strive hard to continue to repay the faith that you have shown in us. There is no doubt that the year ahead is going to be incredibly challenging for many businesses as the economic effects of Covid continue to manifest on both sides of the Tasman. However, and not to any way downplay the difficulties ahead, we are looking forward to the year ahead with optimism and remain excited by the growth prospects in the Australian market whilst maintaining and growing what is a very solid business in New Zealand.

Greg Barclay
Chairman

Chief Executive's Review

I couldn't be more pleased with the progress achieved this financial year. After a number of years building the platform for growth into Australia, the result presented here is a clear statement of our early success in validating the Australian growth opportunity and represents what I believe to be just an ember of what is achievable.

The 34% increase in aggregate revenue to $28.3m was almost entirely driven by the growth in our Australian acquiring business which grew 275%, or $7m, to $9.5m from $2.5m for the previous period. To put this in context, our Australian acquiring revenue hit $1m/month (before COVID), from $0.5m at the beginning of the financial year. We achieved this growth through adding our forecast 2,500 new terminals to our Australian fleet during the period.

The other notable event during the year was the offer by Verifone Inc to acquire our New Zealand business and assets for $70m. To put this in context, this represented more than double the market cap for the entire business in the period leading up to announcing the deal. Notwithstanding the deal having been subsequently terminated due to the impacts of COVID-19 on timing to satisfy the final condition to the deal, the ability to achieve a firm offer at such a level provides the best possible external validation of the value we have built into this part of our business.

Of course COVID-19 also had a real impact on the operational performance of our business. This was particularly evident in the reported decline in our Australian transactional revenues during the period of lock-down. However through making some tough decisions early on in the pandemic, we were able to largely offset the cash impacts to our business and come through this difficult period largely unaffected at a cash level. What is particularly pleasing is the speed of the recovery we have seen in our transactions as the lock down restrictions eased. As recently reported to the market, we are back to 95% of pre-COVID transactional revenue in Australia with just one merchant category representing the remaining 5% set to open again soon.

With COVID-19 largely behind us, we have readied the business to resume and increase our growth. As the termination of the expected sale of the New Zealand business left us without the expected capital inflow we planned to use to fund this next growth phase, we progressed instead with an external capital raise last month which was strongly supported by both current and new shareholders. The capital from this raise will allow us to continue to pursue our growth strategy and also increase our financial strength through significantly reducing our debt. I believe we now have all the pieces in place for another year of strong growth.

Operating Results

The key driver of revenue growth was the strong growth in our Australian acquiring revenues as a result of increasing our terminal base to over 4,600 terminals from around 2,200 at the beginning of the period.

Australian acquiring revenue grew to $9.5m, a 275% increase on the prior year $2.5m.

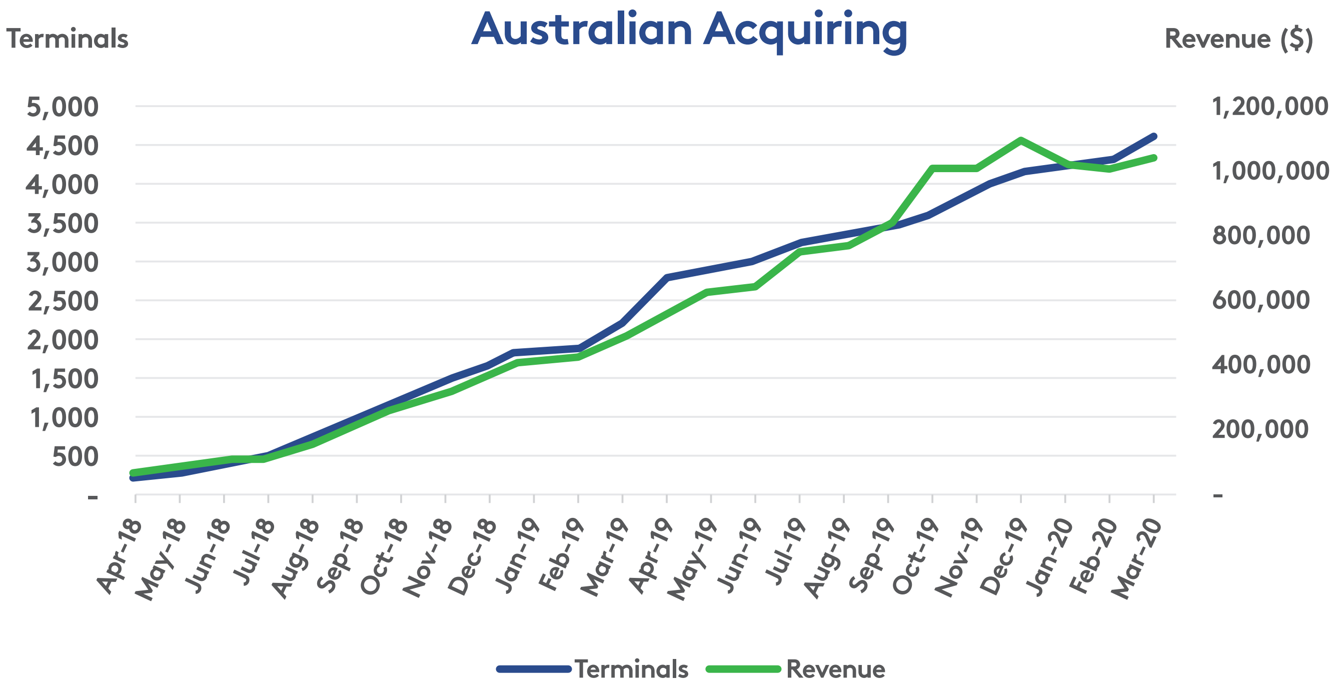
The growth within the period is most evident in monthly acquiring revenue numbers which grew to $1m/month (prior to COVID-19), up from $0.5m at the beginning of the period.

In addition to the growth in terminal and transaction numbers, we also saw a steady increase in gross margin per terminal as we refined our pricing and product mix through the year.

The graph below shows the growth in terminal numbers and revenue in the Australian acquiring business.

The growth in EBITDA* to $7.4m represents a 15% increase on the prior period $6.4m. The lower % growth at EBITDA* than revenue represents the investment in additional cost into our Australian business, mainly in the areas of sales, marketing and systems to scale for growth (around $1m) and around $400k of cost related to the terminated sale of our NZ business.

The reduction in Net Profit After Tax to $4.4m loss vs the prior period $1.8m loss is largely due to $2.5m of non-cash costs related to the valuation of the convertible notes on issue and some forex movements in the year. The large charge in respect of the valuation of the convertible notes is due to the sharp increase in our share price during the year.



Summary and Outlook

As mentioned above, I am extremely pleased with the performance of the business over the year. In addition to the growth we achieved pre COVID-19, the resilience our business has shown through the COVID-19 period is testament to our strong foundation, focus on our customers and in particular to the excellence and commitment of our people.

I'd like to thank all our stakeholders for their continued support of our business. Our staff in particular have worked tirelessly through the year without wavering notwithstanding the challenges and uncertainty through the NZ sale transaction and subsequently COVID-19. I'd also like to thank our shareholders, existing and new, for their overwhelming support for the company, our strategy and our people as evidenced in the strength of demand in our recent capital raise which was completed without a discount to market.

With the growth model now proven and with a well-capitalised balance sheet, I believe we can look forward to another year of strong growth.

Bradley Gerdis
Chief Executive

* EBITDA = Earnings Before Interest, Tax, Depreciation, Amortisation (including share option amortisation) impairments and foreign exchange adjustments. EBITDA is a useful non-GAAP measure as it shows contribution to earnings prior to finance cost and non-cash items

Board of Directors

Gregor John Barclay

Chairman and Independent Director – LLB, Dip. Bus

Greg joined the board of Smartpay in 2010 and was appointed Chairman in 2016. He is an experienced company director having held various directorships and advisory roles across a number of New Zealand and off-shore entities. Currently he is also chairman of the Pacific Forest Products group (an international log export and marketing company), Franchised Businesses Limited (by number the largest franchise company in New Zealand) and Boffa Miskell Limited. He is an approved Chartered Member of the NZ Institute of Directors.

Having graduated from Canterbury University in 1985 Greg practises as a commercial lawyer. He was a founder partner of Claymore Partners in 1997 and still continues to act as a consultant to the firm at present. His practice area includes mergers/acquisitions, project commercialisation, new ventures and structured financing. Greg has also had an extensive involvement in the business of sport as an advisor to sports entities and as an owner of a national sports event and management company. He is currently the chairman of New Zealand Cricket, a member of the board of the International Cricket Council and was a board member of Cricket World Cup 2015 Limited.

In addition to being on the Board, Greg serves on the Board's Audit and Finance Committee.

Greg Resides in Auckland, NZ.

Carlos Gil

Non-Executive Director - BEc, GradDipAppFin SIA, MAppFin FSIA

Carlos Gil is the founder and current CEO of ASX listed Microequities Asset Management, Smartpay's largest shareholder. He has extensive experience in stockbroking, funds management, and investment research gained over a career spanning more than 20 years. He has held various senior management positions in Europe, including roles as Head of International Securities at BM Securities, and at Banesto Bank (Santander Group).

Carlos holds a Bachelor of Economics from Sydney University, a Graduate Diploma in Applied Finance and Investment Analysis from the Australian Securities Institute and a Master in Applied Finance and Investment Analysis from the Financial Services Institute of Australia.

In addition to being on the Board, Carlos serves on the Board's Audit and Finance Committee.

Carlos resides in Sydney, Australia.

Bill Pulver

Non-Executive Director - BCom Marketing

Bill Pulver was Chief Executive Officer of Australian Rugby Union (ARU) from February 2013 until January 2018. Prior to joining Australian Rugby, Bill was CEO of Appen Pty Ltd a Linguistic Technology Solutions company and is currently a non-executive director of Appen. From 2008 to 2010 he was Chairman of Repucom International, a global leader in sports marketing research.

Bill spent eight years as President and Chief Executive Officer of the New York based, NASDAQ-listed internet media research company NetRatings Inc. He spent 17 years at global marketing research company ACNielsen, in roles that included Managing Director in Australia, Group Chief Executive for Japan and Korea based in Tokyo; and President of ACNielsen eRatings.com, an internet audience measurement company based in London.

Bill holds a Bachelor of Commerce degree, with a major in marketing from the University of New South Wales in Sydney.
In addition to being on the Board, Bill serves on the Board's Remuneration and Nominations Committee.

Bill resides in Sydney, Australia.

Matthew George Turnbull

Independent Director – BCom, CA

Matt joined the Board of Smartpay in April 2013, he is a Chartered Accountant and is a member of Chartered Accountants Australia and New Zealand. He commenced his career with PWC (then Price Waterhouse) and has over 20 years experience providing accounting and corporate advisory services. Matt has a detailed understanding of Smartpay, having assisted the company in the 2012 recapitalisation and restructure, and the acquisition of Viaduct Limited.

In addition to being on the Board, Matt serves on the Board's Remuneration and Nominations Committee and is the Chair of the Audit and Finance Committee.

Matt resides in Auckland, New Zealand.

Bradley Gavin Gerdis

Managing Director B.Bus (Hons), MCom

Bradley joined Smartpay in December 2011 bringing to the company expertise and experience in managing high growth payments businesses. He joined the Smartpay Board in July 2012.

Prior to joining Smartpay, Bradley was a founding executive of Customers Ltd, an ASX listed ATM and payments company which grew from start-up to become Australia's largest ATM operator during his time with the business. Bradley also played a leading role as a founding director in the development of Strategic Payments Services Pty Ltd, a payments processing business in joint venture with Customers Limited, Bendigo Bank Ltd and MasterCard International. Bradley's experience includes direct investment roles with ANZPrivate Equity and Gresham Private Equity.

He has held executive and non-executive director positions in both publicly listed and private companies.

Bradley resides in Sydney, Australia.

Martyn Richard Pomeroy

Executive Director

Marty joined Smartpay in January 2013 post the acquisition of Viaduct Limited. Marty joined the Smartpay Board in April 2014.

Prior to joining Smartpay Marty was one of the two founding Directors of Viaduct Limited. Marty was instrumental in the development and success of the Viaduct business from a startup in 2001, through a period of growth to it becoming the third largest provider of EFTPOS terminals in New Zealand with an annual turnover of $7 million and employing 36 staff. Prior to Viaduct Marty held managerial roles in sales and service with EFTPOS New Zealand. He brings over 13 years of experience in the NZ Payments industry to the Board.

Marty has a detailed understanding of the operational, sales and commercial elements of the Smartpay business and is also involved in the strategy and build of the opportunity in Australia.

Marty resides in Auckland, New Zealand.

Corporate Governance

Smartpay is committed to maintaining high standards of ethical behaviour, social and environmental responsibility throughout the organisation; at the heart of our business are our values:

- **One Team** – we will work together to create an inspiring company that we are all proud to work for
- **Fearless** – in our approach and our focus on the customer
- **We deliver** - by listening, engaging and being held accountable

Our Governance Framework sets out our accountabilities to our stakeholders, how we expect to conduct our business, communicate, and manage risks. The framework and the individual policies are reviewed on a regular basis. The key documents can be found on our investor website: **smartpayinvestor.com**. A commentary on our Framework is contained in the pages that follow.

A key responsibility for our Audit and Finance Committee is the oversight and management of the Governance Framework as set out in its Terms of Reference.

We have reviewed our governance framework with reference to the NZX Corporate Governance Code dated 1 January 2020 and believe that in most respects our framework complies with the Code, exceptions are identified in the narrative that follows.

This Corporate Governance Statement was approved by the Board on 22 June 2020.

Ethical behaviour

Our values of teamwork, focus on the customer, delivery and accountability are at the heart of what we do and how we do it. Our Board has established a formal Ethics and Code of Conduct policy which sets the standards of behaviour required of all members of the Smartpay team when they represent us.

The Policy covers the conduct expected and deals with:

- responsibilities of all individuals;
- standards of personal behaviour;
- unacceptable behaviours;
- equal employment opportunities;
- discrimination, harassment and bullying;
- unauthorised removal of property;
- responsibilities to shareholders and the financial community; and
- reporting of incidents

It is one of our key documents that can be found on our website **smartpayinvestor.com**.

The Policy includes our approach to equal opportunities and diversity, protection of our assets, securities trading, diversity and inclusion, conflicts, interests and related parties and reporting of incidents. Many of these are covered in more detail in additional supporting policies such as our Securities Trading Policy, which can also be found on our website and our Protected Disclosures Policy.

Our Staff handbook, which is issued to all members of the Smartpay team contains specifically those values and standards expected of employees including confidentiality, and equal opportunities.

The implementation and management of the Code is undertaken by our management team and any breaches dealt with as appropriate through our disciplinary process.

Board Composition and Performance

Our Board is committed to ensuring that it has the skills, knowledge and experience to effectively govern and direct the Smartpay group recognising that it has the overall responsibility for our strategy, culture, health and safety, governance, performance and the management of risk.

Our Performance Management Policy, available on our website **smartpayinvestor.com**, is reviewed annually and applies to all staff, senior executives, individual directors' the Board as a whole and its committees. The Board is undertaking an internal evaluation of its performance this year.

The Board is Chaired by Greg Barclay who is an independent director, the board comprises three independent directors (including the Chair), one non- executive director and two executive directors. Independence is defined in our Board Charter which is available on our website. The Board recognizes that it does not meet the recommendation of the Corporate Governance Code that a majority of the directors are independent.

It is comfortable that, given the size of the Board and the Company and the strengths of its independent directors, its' decision making process are robust and reflect the interests of the entity and its' security holders. An outline of each director's skills and experience can be found on our website and in our Annual Report. Details of their ownership of shares in our Company are set out in the Annual Report on page 80.

The requirements for nomination and appointment of directors to the Board is identified out of the Board's performance review and skills matrix processes which identify skills required on the Board in alignment with its strategy. The induction process established for new directors ensures that any new director appointed to the board receives the information he/she needs to be able to contribute to board proceedings when they join the Board.

The process includes the requirement for written agreements to be entered into which outline the expectations and terms of appointment.

To ensure directors' ongoing effectiveness our directors are encouraged to undertake training and we are corporate members of the Institute of Directors which provides our directors with access to training and development opportunities, information and reference material.

The full board meets at least six times a year, the record of attendance at both Board and Committee meetings by directors for FY20 is detailed below:

	Status	Board	Audit & Finance Committee	Remuneration & Nominations Committee
Meetings Held/Attended		12	5	2
Greg Barclay	Independent Chairman	12	5	n/a
Bradley Gerdis	Managing Director	12	n/a	n/a
Marty Pomeroy	Executive Director	12	n/a	n/a
Matt Turnbull	Independent Director	12	5	2
Carlos Gill	Non-Executive Director	12	5	n/a
William Pulver	Independent Director	12	n/a	2

The Board Papers provided by management before each meeting provide comprehensive information on operations, financial and risk aspects of the business and directors have unrestricted access to any other information or records. Reporting to the Board is structured to require reporting by Management against the Board's identified strategic goals. Where directors are unable to participate in a meeting they are encouraged to forward their views to another director in advance of the meeting however we note that this has not been required for FY20 as all directors have been in attendance at all Board or committee meetings. Senior Management are available at the Board's request to address queries and to assist in developing the Board's understanding of issues facing us and the performance of our business.

Committees

The Board will use committees where this enhances its effectiveness in key areas while still retaining Board responsibility.

The Board has constituted two Committees which report to the Board:

- Audit and Finance Committee
- Remuneration and Nominations Committee

These Committees focus on specific responsibilities in greater detail and operate under written terms of reference which are available on our website.

Given the size of our business the Board has determined that the roles and functions of Remuneration and Nominations committees can be effectively dealt with by one committee and the Terms of Reference for its Remuneration and Nominations Committee include the roles and functions for nomination and remuneration of directors, senior managers and policies for the company as a whole. The Board Charter recognises that the ultimate responsibility for Board appointments and remuneration rests with the Board.

The Board appoints the committee members, current membership is as follows:

	Audit & Finance Committee		Remuneration & Nominations Committee	
Name	Appointed	Position	Appointed	Position
Matt Turnbull*	1 April 2013	Chair	5 June 2013	Member
Greg Barclay*	24 May 2010	Member	n/a	n/a
Carlos Gil	11 December 2018	Member	n/a	n/a
William Pulver*	n/a	n/a	n/a	Chair
Marty Pomeroy	n/a	n/a	n/a	n/a
Bradley Gerdis	n/a	n/a	n/a	n/a

*Independent director

The Board reviews its Board Charter at least annually and as part of the formal review considers the benefits of constituting additional committees. It has elected not to establish a takeover committee or protocols setting out the procedure to be followed in the event of a takeover offer. Given the small size of the Board it has determined that it can effectively, efficiently and independently manage any additional issues as a whole Board.

Reporting and Disclosure

We are committed to the promotion of investor confidence by taking steps within our power to ensure that trade in our securities takes place in an effective and informed market. To this end we are committed to providing timely, orderly and credible information consistent with legal and regulatory requirements.

The key policy documents within our Governance Framework are available on our website at **smartpayinvestor.com** and include our:

- Board Charter
- Audit and Finance Committee Terms of Reference
- Disclosure and Communication Policy
- Audit Independence PolicyFraud Risk Management Policy
- Diversity and Inclusion Policy
- Performance Management Policy
- Health and Safety Policy
- Risk Management Policy
- Disclosure and Communication Policy
- Ethics and Code of Conduct
- Remuneration Policy
- Securities Trading Policy
- Stakeholder Communication Policy
- Remuneration and Nominations Committee Terms of Reference

While the ultimate responsibility to ensure the integrity of our financial reporting rests with our Board, we have in place a structure of review and authorisation designed to ensure truthful and factual presentation of our financial position. This includes an appropriately resourced Audit and Finance Committee operating under written terms of reference which require it to review and consider the accounts and preliminary releases of results to the market. We have an Audit Independence Policy which requires that our external auditor remains independent and identifies that the appointment of the auditor is reviewed regularly by the Audit and Finance Committee.

We also have a Fraud Risk Management Policy designed with three objectives:

- **Prevent**: reduce the risk of fraud and misconduct occurring
- **Detect**: Discover fraud and misconduct when it occurs
- **Respond**: Take corrective action and remedy the harm caused by fraud or misconduct.

The Board has required rigorous processes to ensure that it can reasonably rely on the information provided to it by our Management team. All financial reporting provided to the Board goes through a tiered review process and is accompanied by management sign-offs.

The Board and Auditors review information contained in our Financial Statements to ensure its compliance with GAAP.

Our Board is committed to the promotion of investor confidence by taking steps within its power to ensure that trade in our securities takes place in an effective and informed market. To this end it is committed to providing timely, orderly and credible information consistent with legal and regulatory requirements and has adopted a Disclosures and Communication Policy which can be found at **smartpayinvestor.com/corporate-documents**, it reinforces our commitment to the continuous disclosure obligations imposed by the NZX, ensures timely and accurate information is provided equally to all shareholders and market participants and provides guidance on the process to ensure compliance. This policy, together with our procedures relating to disclosure, is designed to ensure accountability at a senior management level and compliance with our disclosure obligations under the NZSX Listing Rules and New Zealand law such that all investors have equal and timely access to material information concerning our company, our financial position, performance and governance and that Company announcements are factual and are presented in a clear and balanced way.

The Board has appointed our Managing Director as our Market Disclosure Officer who is responsible for monitoring our business to ensure we meet our disclosure obligations. He is supported by the Company Secretary and, when necessary, will consult professional legal advisers.

In addition, a key role of the Audit and Finance Committee is to monitor legislative and regulatory compliance.

We report non-financial information about the business through-out our Annual Report, and specifically in respect of our key stakeholders at the end of this Corporate Governance Section.

Remuneration

Our Board has identified one of its strategic goals is to attract and retain the best people and to be recognised as the preferred employer in the payments industry. To this end we are committed to providing structures in our performance management and remuneration that enables us to recognise each individual's contribution to the business and to attract, reward and retain staff by providing a remuneration environment that rewards activities that are aligned with the values and strategic goals of the business.

Our Remuneration Policy can be found on our website and applies to executive and non executive directors, senior management and all employees at Smartpay.

Performance and Remuneration are key responsibilities of our Remuneration and Nominations Committee, the terms of reference for whom can also be found on our website.

Directors Remuneration

Our non-executive directors are paid a basic fee as ordinary remuneration for their appointment as a Director of Smartpay, in addition they may be paid extra remuneration for their membership of Board appointed committees and/or in consideration for their appointment as Chairman or Deputy Chairman. They receive no retirement or other benefits. In the event that the total remuneration of the directors exceeds the current limit approved by shareholders no changes can be made until shareholder approval is obtained. The current limit available for directors fees, as approved by the shareholders at the 2018 Annual Meeting is $300,000 per annum. The actual remuneration paid to the non-executive directors is set out on page 65 of the Annual Report.

Executive Directors and Officers

Our executive directors are paid as employees of Smartpay and remuneration payable to them and our officers is be made up of three components:

1. Fixed Remuneration

2. At risk/variable remuneration to reward performance in the form of a bonus scheme which is linked to key performance indicators set and reviewed by the Remuneration and Nominations Committee annually.

3. Long term incentive plans. We do not currently have a long term incentive plan in place.

The remuneration of individual executive directors and officers of the Company is reviewed annually by the Remuneration and Nominations Committee, part of this review includes a review of the appropriateness of long term incentive plans. We have no pre-determined weighting for the balance of each remuneration element to be awarded, this is contemplated in the context of our strategic plans and budget process to ensure that remuneration packages remain closely aligned with our values, vision and strategy whilst ensuring that high caliber individuals are appropriately incentivised.

The detail of the remuneration payments to directors of Smartpay Holdings Limited are included in the related party note to the Financial Statement on page 65 and their individual shareholdings are detailed in the Statutory Information section of the Annual Report on page 78. The subsidiary companies' directorships are detailed in the Statutory Information section on page 78, the subsidiary company directors are also directors of Smartpay Holdings Limited, they receive no additional fees for being directors of subsidiary companies.

Chief Executive Officer

				At Risk Incentive		
	Base Salary	Other benefits including superannuation contributions	Subtotal	STI*	% STI against maximum	Total Renumeration
FY20	418,000	20,000	438,000	45,500	22.75%	483,500
FY19	418,000	20,000	438,000	137,500	68.75%	575,500

*STI (Short Term Incentive) is based on payments made in the period but relates to assessment of performance in the prior period.

The review and approval of the Chief Executive's remuneration is the responsibility of the Remuneration and Nominations Committee.

External benchmarking and advice is sought by the Remuneration and Nominations Committee as required.

The Chief Executive's remuneration currently comprises a base salary plus an at risk short term incentive payable annually.

There is no long-term incentive plan currently in place. The at-risk incentives are paid against targets which are agreed with the Chief Executive annually and are based on financial measures, including earnings targets and progress against objectives relating to the strategic plan and other personal objectives.

The figures above are shown in AU$ as the Chief Executive is based in Australia and receives his remuneration in Australia.

Employees

Our Remuneration Policy applies to all employees, whether they are based in our New Zealand or our Australia offices. As part of our salary review process we benchmark our salaries against the appropriate regional market, this is an exercise we undertake annually for the business as a whole and when employees join the business or change roles. In July 2017 we reviewed our New Zealand salaries cognisant of the recognised Living Wage in New Zealand and for FY19 every NZ employee was paid the minimum of the living wage at the time. The NZ Living Wage is being increased to $22.10 with effect from September 2020 and the Company will review its salaries in line with this at that time.

During the year the number of employees, not being directors of the company received remuneration and other benefits that exceeded NZ$100,000 (overseas amounts are converted into NZ $ for these purposes):

Remuneration Range $	Number of Employees
260,000 – 269,000	2
250,000 – 259,000	1
200,000 – 209,000	2
190,000 – 199,000	1
170,000 – 179,000	1
160,000 – 169,000	2
150,000 – 159,000	2
140,000 – 149,000	2
130,000 – 139,000	6
120,000 – 129,000	1
110,000 – 119,000	4
100,000 – 109,000	6

Risk Management

Risk Management is a critical business discipline that reduces uncertainty and strengthens and complements other corporate governance initiatives. We actively manage all material risks in order to conduct business as usual and to accept an appropriate level of commercial, financial, compliance and strategic risk consistent with desired profitability.

There are three main policies which make up our Risk Management Framework:

- Risk Management Policy
- Health and Safety Policy
- Fraud Risk Management Policy

Each of these policies can be found on our website. Supporting each policy are detailed management frameworks which ensure the comprehensive management and reporting of risk in our business.

Our Risk Management Policy and Risk Register was established based on The Committee of Sponsoring Organisations (COSO) Enterprise Risk Management (ERM) framework. Each risk identified is evaluated in terms of impact and likelihood, and then re-evaluated post the mitigating factors identified and implemented by our management team.

A comprehensive risk register is maintained which identifies the risks facing the business, potential consequences of those risks and the mitigating factors management have identified to minimise or remove any impact of such risks to our business. Risks are categorised as operational, financial, compliance and strategic risks and enable the Board to easily identify risks that may require additional investment and/or processes in order to mitigate further. The review of the Register is a standing agenda item for our regular Senior Management meetings and Management review the risk register in response to new business initiatives. In addition, our Management team reviews the risk register quarterly and provides the board with reporting as to risks, mitigating factors that may have changed, a summary report of changes.

Our internal control systems support our risk management and include processes which enable the identification, quantification and monitoring of significant risks, the development of risk mitigation strategies, the monitoring of compliance and the review of systems and records.

We do not have sufficient scale to have a dedicated internal audit function however, we recognise the value an internal audit process adds, and we place emphasis on the systems and policies in place, including the Delegation of Authorities Manual and other processes which ensure the separation of duties in relation to the authorisation of, and commitment to, expenses and obligations and that such decisions are made at the appropriate level. Key to internal controls, risk management and in response to the risk identified in our current systems, is the implementation of a new ERP system. This has been a key project for the Management Team over the past financial year and the business is expecting this to be implemented by Q2 of the FY21 financial year. The implementation of the ERP system will streamline internal controls and provide efficiencies across the business.

The end of the FY20 year saw the start of the worldwide COVID 19 pandemic. Our first response was to ensure the safety and wellbeing of our staff and were quickly able to move all our staff to remote working. In doing so we tested key aspects of our Business Interruption and Continuity programs which proved to be robust and the business continued to operate, albeit with lower demands over this period, efficiently and effectively. At the time of printing of the Annual Report all staff will be moving back to the offices and we anticipate that this will be as seamless as the transition to remote working was.

Health, Safety and Wellness

We are committed to maintaining a safe and healthy working environment for anyone working on Smartpay premises and to a culture of ensuring the wellbeing of our staff.

We believe that no business activity should take priority over health and safety and are committed to protecting all people from injury or illness as a result of our operations so they can go home safe to their families at the end of each day.

Our Board has the ultimate responsibility for health and safety and is closely involved with the review of our health and safety management system receiving the full health and safety risk register in it's board packs and considering health and safety issues as a standing agenda item of it's board meetings. It obtains external advice from specialists in the field when necessary.

Management and each person in our business has an important role to play by being involved, engaged and accountable, ensuring that health and safety remains a priority.

During FY20 there were no Health and Safety serious harm incidents reported, and no accidents or incidents occurring in the workplace which resulted in sick leave being taken.

We have utilised our rehabilitation policy for individuals suffering illness or injured outside of the work place to enable their smooth transition back to the workplace.

True to our "One Team" value we have an active Wellness Committee whose responsibilities cover health and safety and premises issues. In addition, they run various 'wellness' initiatives such as mindfulness information, yoga and exercise classes, sporting competitions, financial wellness seminars, flu vaccinations and blood donations to name but a few.

We recognise that when life works better, business works better; life is not always stress or crises free and if left unattended these may in turn lead to time off, increased risk of accidents, high levels of stress and possible health issues. As part of our commitment to promoting a healthy workplace and caring for our team we have an Employee Assistance Programme in place which is facilitated by an external expert organisation. This enables employees to access specialist assistance on an anonymous and confidential basis.

Auditors

The ultimate responsibility to ensure the quality and independence of the external audit process rests with our Board.

The framework in place to enable our Board to discharge this responsibility include:

- an appropriately resourced Audit and Finance Committee operating under written terms of reference
- Audit Independence Policy defining the services that may or may not normally be performed by Smartpay's external auditors

Both these documents can be found on our website.

Following a review process KPMG became auditors to the company for the FY13 year end. In accordance with our Audit Independence policy the lead audit partner has changed since then and for the FY20 audit John Kensington is the lead audit partner.

Our Auditors are invited to Audit and Finance committee meetings leading up to and during the audit and work closely with the Chairman of the Audit and Finance Committee during this time. We promote good dialogue and encourage a supportive relationship, and the Audit team has unfettered access to our senior executive team and finance team members at all times.

The auditors are invited to, and attend, all meetings of shareholders.

Smartpay engages other external advisors to assist with such matters as taxation to support the business in its tax dealings to ensure a true separation of duties. Where there are overlaps with audit work KPMG are engaged to provide only additional audit related advice.

KPMG have confirmed their independence in relation to the audit and that there have been no contraventions of any applicable code of professional conduct in relation to the audit.

The fee paid to the auditors is detailed on page 45.

Stakeholder rights and relations

We recognise that our key stakeholders are our shareholders and the investment community. We also acknowledge that we have other, no less important, stakeholders both externally and internally to the organisation. For us, sustainability means building a long-term business through relationships with all who we interact with.

We are committed to using our best endeavours to familiarise ourselves with the issues of concern to all stakeholders, including shareholders, customers, staff, the payments industry and the communities in and around our Company. We seek to ensure that we maintain good relationships with all stakeholders, to develop brand awareness and to clearly communicate our goals strategies and performance.

Our Shareholders

We are committed to adding value for our shareholders and our strategic plan is structured with this target in our sights.

Goal/Challenge	Progress	Areas of Focus/Measurement
Build a profitable and diversified payments business	Work in progress	• Maintain and grow the market in NZ. The value of which was demonstrated by the strong interest shown in the business by Verifone. Through the COVID 19 lockdown it has proved its robustness as a business model.
Deliver increasing value to shareholders	Work in progress	• Australia – Organic Growth in terminal fleet/customers • We have now fully transitioned our Australian business into a growing transactional financial service provider

Achieved Work in progress

More detail on our progress as a business can be found in our Chief Executive's report on page 6 of our Annual Report.

In September 2019 we once again held our Annual Meeting in Australia, recognising that the majority of our shareholders in terms of holdings of shares are held by Australian investors and wanting to make the meeting as accessible as possible to our investors.

We were also pleased to be able to offer any shareholder, not able to attend the meeting in person, the opportunity to attend via a remote meeting platform, through which they were able to ask questions and vote on resolutions, and we intend to hold future meetings in a similar fashion.

Voting at the meeting was conducted by poll rather than show of hands reflecting the principle of one share one vote. We held our Special Meeting of Shareholders in April this year under very unusual and rapidly changing circumstances. This was held via Zoom and shareholders were invited to appoint proxies and submit questions prior to the meeting. We can report a higher than usual level of shareholder participation in that meeting.

We maintain websites specific to our New Zealand and Australian customers with a separate one for our investors. When a shareholder first invests in our Company they are sent a welcome letter which provides information on where to find our website and an invitation to elect to receive communications from us electronically. The impact of COVID 19 on postal services and our recent mailing of the Share Purchase Plan offer documentation highlights the benefits of receiving communications electronically.

Our Stakeholder Communications policy sets out our expectations of how we will communicate with our shareholders and around our annual meeting.

In May we undertook a capital raise and raised AU$13m via a placement to institutional, sophisticated and professional investors (Placement). This does not meet the recommendation 8.4 of the NZX Corporate Governance Code however, we have offered all existing shareholders the opportunity to participate in a Share Purchase Plan at the same share price as the capital raise.

Our customers

Fearless – in our approach and focus on the customer.

Goal/Challenge	Progress	Areas of Focus/Measurement
To be the provider of choice to customers in the NZ market		• Product stability, security and compliance • Product development aligned with customer demand and technological developments
Have a business in Australia the equal of New Zealand		• Expand the Customer Success team to ensure customers are getting value from our products and solutions
Provide leading edge/ innovative solutions through superior technology		• Develop a best in class Customer service team to manage all customer queries across ANZ
Develop and deliver an end to end payment solution		• Competitive pricing to customer segments • Continue with customer Research to gain ongoing insights • Manage any customer complaints effectively

Achieved Work in progress

Customer success continues to be a key focus for us for FY20.

We have restructured and refocused our customer service and technical help desk teams to ensure a seamless support experience for our customers. This team is structured to accommodate the growth in our acquiring product in Australia – additional support, training and tools have been implemented to ensure we provide excellent customer service for our merchants – across both countries.

We are developing more ways in which customers can interact with us via our website and social media, recognising that customers communication preferences vary.

Key Performance indicators and service level requirements throughout the business are structured to ensure that behaviours are directly linked to customer success

Our community

Alongside our shareholders and our people, the Smartpay community includes the payments industry in which we play a key role, and the communities in which we operate.

Goal/Challenge	Progress	Areas of Focus/Measurement
Dependency on strategic partners	Work in progress	• Build strong relationships with key strategic partners in the payments industry • Contribution to payments events • Attendance at Global Payments forums
Minimise environmental impact	Work in progress	• Obtain maximum use/shelf life of terminals • Recycling of obsolete terminals • Minimise waste and maximise recycling at our premises

Achieved   Work in progress

The Board approved Stakeholder Communication Policy recognises the interests of stakeholders wider than its shareholders and investment community. It is committed to using its best endeavours to familiarise itself with the issues of concern to all stakeholders including customers, staff, the payments industry and the communities in and around the Company.

It has established its Ethics and Code of Conduct and Communications and Disclosures Policy which are covered in more detail on pages 10 and 12.

Smartpay's business is an integral part of the payments industry and as such has an important role to play in ensuring that public confidence in the payments infrastructure and ecosystem is maintained. Key external stakeholders in the payments industry, many who have strategic partnerships with Smartpay, are the Banks, Paymark and Visa/Mastercard.

We acknowledge that our operations have minimal environmental impacts compared to many industries however we strive to play our part in reducing environmental impact.

We maximise the useful life of terminals, which has three key impacts:

- Minimises impact/inconvenience to our customers
- Minimises operational costs
- Minimises waste and our environmental impact.

We achieve this by enabling remote updating of software onto terminals, refurbishing returned equipment for redeployment and sending obsolete and decommissioned terminals to specialist recyclers.

As a business we can offer discounted rates on short term rentals for Charities and our staff are able to have the use of a short-term rental for events such as school fairs and sports events.

As a team we participate in charitable events and our Social Club and Wellness Committee organises a variety of events, with the emphasis on the giving of our time and efforts. Events include mid-winter food collections for the City Mission in Auckland, collections of children's Christmas gifts donated to the Salvation Army and donating our time to events such as the Christmas Parade in Auckland as donation collectors for charities.

Our People

One Team – we will work together to create an inspiring company that we are all proud to work for.

Goal/Challenge	Progress	Area of Focus/Measurement
Attract and retain the best people	Work in progress	• Pay parity and payment of living wage in NZ • Immigration NZ Accredited Employer status maintained • Group and Individual Training Plans • Internal Promotion of staff • Introduction of Confluence as a source of information and support material • Establish efficient systems, processes and disciplines which provide staff with the freedom to be innovative, be agile and engaged

Achieved   Work in progress

We recognise that delivering on our goals, including providing excellent customer service, innovative new products and building a profitable and diversified payments business, is directly linked to our ability to attract and retain the best people in our business.

It is essential to our ongoing success that we ensure our people feel confident, appreciated and inspired, have opportunities to develop and are motivated to excel. Our teams are based largely in Auckland and Sydney with small representation in Wellington and Christchurch. Our culture and values are fundamental to our attraction and retention strategies and we periodically test our success at this through internal staff surveys and feedback. Formal reporting on retention rates has not yet been established however we aim to ensure that we understand what is motivating any turnover we do have so we can address as appropriate.

Our strategies for attracting and retaining the best people are on three fronts:

- *Culture:* We continually strive for a culture that engages our people, with customer success at the core of what we do and how we do it. Through our management structures, we have focused on ensuring that each individual in our business, regardless of role, has an understanding of the contribution they make to our customer experience.

  We have an active Social Club and Wellness Committee which support our One Team Value.

- *Learning and Development:* We take a continuous improvement approach to learning and development, performance reviews are conducted throughout the business from a member of our Equipment Management Team, through our management structure all the way to our Board. Clear performance outcomes are set with our customer success a focus. Training starts on day one with our induction programme after which, training and development is largely planned and constructed for individual requirements. We ensure we deliver consistent approaches and messaging to staff through group training sessions and regular toolbox meetings and updates.

We are committed to a workplace culture that promotes and values diversity and inclusion.

We introduced a Diversity and Inclusion Policy for the first time during 2017. Taking a broad sense of diversity and recognising, valuing and considering our employees' different backgrounds, knowledge, skills, needs and experiences, we set ourselves targets to be achieved.

We have not yet set numerically measurable standards and instead have set objectives which promote diversity across the business, these include:

Target	Progress
To achieve and maintain NZ Immigration Accredited employer status to ensure access to a wide pool of talent	
Living wage and gender pay parity	
Skills diversity of the board – appointment of new directors	

Achieved

We continue to review pay parity for male and female members of staff doing the same role and are pleased to report that there is no difference in the salaries paid in those roles. Our approach to our staff has always been to have the right people in the role without reference to bias or discrimination and it is important to us that our staff are reflective of the communities in which we operate.

For commentary on the living wage see the Remuneration section on page 15.

The Board's skills matrix is cornerstone to the identification of skills needed on the Board and is reviewed and updated annually and whenever a new director joins the Board. The Board remains committed to improving gender diversity in its membership however, as a small board, it was determined that the appointments made best met the needs of the business, being aligned the skills required to support the strategic aims of the business.

Diversity disclosure

Directors

During FY20

Male: 6/100% Female: 0/0%

During FY19

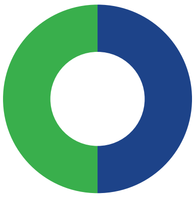
Male: 5/100% Female: 0/0%

Senior Managers

Senior Managers of the company include anyone who is not a director but occupies a position that allows that person to exercise significant influence over the management or administration of the Company. The list of people considered to be senior managers by the company is contained in the directory at the back of the Annual Report.

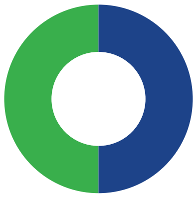
During FY20

Male: 1/50% Female: 1/50%



During FY19

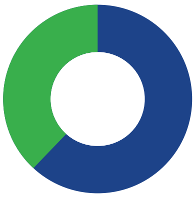
Male: 1/50% Female: 1/50%



Other Staff

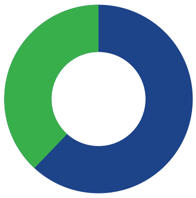
During FY20

Male: 108/63.9% Female: 61/36.1%



During FY19

Male: 87/64.4% Female: 48/35.6%




欢迎使用
支付
ALIP
smartpay
For any queries call 1800 433 876
ENTER
ALPHA
CLEAR

2020 Financial Statements

Directors' Responsibility Statement

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Smartpay Holdings Limited and its subsidiaries (the Group) as at 31 March 2020 and the results of their operations and cash flows for the year ended 31 March 2020.

The Directors consider that the financial statements of the Group have been prepared using accounting policies appropriate to the Group's circumstances, consistently applied except where indicated, and supported by reasonable and prudent judgements and estimates, and that all applicable New Zealand equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and enable them to ensure that the financial statements comply with the Financial Markets Conduct Act 2013.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors have considered the impact that the Covid-19 Pandemic has and will have on the business, refer note 2d.

The Directors are pleased to present the financial statements of the Group for the year ended 31 March 2020.

These financial statements dated 23 June 2020 are signed in accordance with a resolution of the directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors

Gregor Barclay
Chairman

Bradley Gerdis
Managing Director

Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	Group 2020 $'000	Group 2019 $'000
Continuing operations			
Revenue	5 & 6	28,271	21,097
Other income	7	19	15
Operating expenditure	8	(20,894)	(14,695)
Earnings before interest, tax, depreciation, share options expense, amortisation, impairments and unrealised foreign exchange		7,396	6,417
Depreciation and amortisation	8	(7,350)	(6,535)
Unrealised foreign exchange adjustments		(214)	167
Net finance (costs)	8	(4,262)	(1,814)
Impairment	8	(553)	(490)
		(12,379)	(8,672)
(Loss)/Profit before tax		(4,983)	(2,255)
Tax benefit	9	511	427
(Loss)/Profit for the year from continuing operations of owners		(4,472)	(1,828)
Other comprehensive income			
Foreign currency translation differences for foreign operations which may be reclassified subsequently to profit and loss (no tax effect)	26	(45)	(21)
Share based payments reversal which will not subsequently be reclassified to profit/(loss) (no tax effect)	25	104	-
Total comprehensive (loss)/income of owners		(4,413)	(1,849)
Earnings/(losses) per share from continuing operations attributable to the equity holders of the company during the year	10		
Basic earnings per share		(2.59) cents	(1.06) cents
Diluted earnings per share		(2.59) cents	(1.06) cents

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 29 to 71 form part of the financial statements.

Statement of Changes in Equity

For the year ended 31 March 2020

	Group			
	Share Capital	Foreign Currency Translation Reserve	Retained Deficits	Total
	$'000	$'000	$'000	$'000
Balance at 31 March 2018	53,454	136	(38,094)	15,496
Loss for the year from continuing operations of owners	-	-	(1,828)	(1,828)
Other comprehensive income	-	(21)	-	(21)
Total comprehensive income	-	(21)	(1,828)	(1,849)
Share options recognised at fair value net of options lapsed (note 25b)	-	-	-	-
Total changes in equity	-	(21)	(1,828)	(1,849)
Balance at 31 March 2019	53,454	115	(39,922)	13,647
Loss for the year from continuing operations of owners	-	-	(4,472)	(4,472)
Other comprehensive income loss	-	(45)	104	59
Total comprehensive loss	-	(45)	(4,368)	(4,413)
Convertible notes converted to ordinary shares	1,083	-		1,083
Share options recognised at fair value lapsed (note 25b)	(104)	-	-	(104)
Total changes in equity	979	(45)	(4,368)	(3,434)
Balance at 31 March 2020	54,433	70	(44,290)	10,213

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 29 to 71 form part of the financial statements.

Statement of Financial Position

As at 31 March 2020

		Group	
		2020	2019
	Note	$'000	$'000
Current assets			
Cash and bank balances	11	1,648	3,357
Trade and other receivables	12	3,986	9,308
Income tax receivable	21	15	24
Total current assets		5,649	12,689
Non-current assets			
Property, plant and equipment	15	9,072	12,121
Right of Use assets	16	849	1,324
Contract costs	17	934	867
Intangible assets	17	15,100	13,336
Goodwill	18	14,772	14,772
Deferred tax asset	19	25	-
Total non-current assets		40,752	42,420
Total assets		46,401	55,109
Current liabilities			
Trade payables and accruals	20	5,426	10,834
Derivative financial instruments	13	19	47
Borrowings	22	3,218	3,000
Lease liabilities	23	413	495
Convertible notes	24	8,988	-
Total current liabilities		18,064	14,376
Non-current liabilities			
Borrowings	22	17,505	18,224
Lease liabilities	23	619	1,045
Convertible notes	24	-	7,723
Deferred tax liabilities	19	-	94
Total non-current liabilities		18,124	27,086
Total liabilities		36,188	41,462
Net assets		10,213	13,647
Equity			
Share capital	25	54,433	53,454
Foreign currency translation reserve	26	70	115
Retained deficits		(44,290)	(39,922)
Total equity		10,213	13,647

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 29 to 71 form part of the financial statements

Statement of Cash Flows

For the year ended 31 March 2020

		Group	
		2020	2019
	Note	$'000	$'000
Cash flows from operating activities			
Receipts from customers		28,279	20,833
Interest received		23	61
Payments to suppliers & employees		(20,380)	(13,929)
Interest paid		(1,839)	(1,809)
Tax refund from R&D grants		392	308
Net cash inflow from operating activities	27	6,475	5,464
Cash flows from investing activities			
Proceeds from disposal of assets		4	-
Purchase of terminal assets and other property, plant and equipment		(1,207)	(2,816)
Spend on contract costs		(782)	(646)
Spend on intangible assets		(4,214)	(4,902)
Net cash outflow from investing activities		(6,199)	(8,364)
Cash flows from financing activities			
Proceeds from convertible notes		-	7,815
Repayments of borrowings		(750)	(3,000)
Repayments of short term borrowings		(324)	-
Payments of lease liabilities		(508)	(462)
Net cash outflow from financing activities		(1,582)	4,353
Net increase / (decrease) in cash equivalents		(1,306)	1,453
Add opening cash equivalents		2,407	954
Closing cash equivalents		1,101	2,407
Reconciliation of closing cash equivalents to the balance sheet:			
Cash and cash equivalents		1,101	2,407
Other bank balances		547	950
Closing cash and bank balances	11	1,648	3,357

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 29 to 71 form part of the financial statements.

Notes to the Financial Statements

1. General Information

Smartpay Holdings Limited (the "Parent") is a New Zealand company registered under the Companies Act 1993 and listed on both the New Zealand Stock Exchange ("NZX") and the Australian Securities Exchange ("ASX"). The Parent is an issuer (FMC entity) in terms of the Financial Markets Conduct Act 2013. The addresses of its registered office and principal place of business are disclosed in the directory to the annual report.

The consolidated financial statements of Smartpay Holdings Limited comprise the Parent and its subsidiaries (together referred to as the "Group").

The Group comprises profit-oriented entities and is a provider of technology products, services and software to merchants and retailers in New Zealand and Australia.

2. Summary of Significant Accounting Policies

a. Statement of Compliance

The Parent is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with that Act.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities and the requirements of the Companies Act 1993 and the Financial Markets Conduct Act 2013.

The financial statements comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Directors on 23 June 2020.

b. Basis of Preparation

The Group financial statements have been prepared on a historical cost basis except for certain assets, which have been measured at fair value. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The principal accounting policies are set out below.

The going concern assumption is applied, it is supported by current cash flow and cash flow forecasts for 2020/2021. The cashflow forecasts indicate that there is adequate cover for the current net liability position and to support its ongoing operations. A capital raise was completed post balance date, refer to note 32, Subsequent Events.

c. Functional and Presentation Currency

The financial statements are presented in New Zealand dollars ($'000), which is the Parent's and New Zealand subsidiaries functional currency. All financial information is presented in New Zealand dollars except if stated otherwise, and has been rounded to the nearest thousand where appropriate.

d. Accounting Judgements and Major Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 3 for a discussion of judgements in applying the accounting policies, and major sources of estimation uncertainty.

Covid-19 Pandemic

Smartpay services EFTPOS terminals across New Zealand and Australia. The revenues generated in New Zealand are primarily subscription based. The revenues generated in Australia are primarily Transactional income. (Note 5)

Due to the Covid 19 Pandemic, on 20 March 2020 the New Zealand Government announced a 4 week (Level 4) full lockdown of non-essential services from 25 March 2020. While they have eased this to Level 1 since that point restrictions remain in place at the time of signing the annual accounts. During the lockdown period the demand for new sales, customer service calls and service swapouts was reduced however the reduction was not significant.

The Australian Government introduced similar restrictions on 22 March 2020. Following these restrictions transaction volumes reduced to a peak of around 40%. Demand for new sales, customer service calls and service swapouts also reduced during this period.

As a result Smartpay reduced the costs of the business in April 2020 to offset as much of the revenue impact as possible. This has included redundancies in both New Zealand and Australia, standing down a number of Australian staff and implementing salary reductions across all remaining staff and Directors for a period of time. The business has also reduced other costs such as marketing, travel and rent. The business has also put on hold some development projects, reducing capital expenditure for a period of time. The business also availed itself of the applicable government assistance packages available in both New Zealand and Australia which further assisted in mitigating the reduction in revenue.

A capital raise was also completed in May 2020 which will be used to reduce bank debt and ensure adequate cashflow for the business going forward.

An assessment of the impact of Covid 19 on a number of Smartpay assets has been conducted, based on the information available at the time of preparing the financial statements. Below is a summary of the work undertaken and the result of any related impairment:

Cash and Bank Balances (Note 11)
No impact on the carrying value of cash and bank balances as a result of Covid 19.

Trade and other receivables (Note 12)
Smartpay has not increased their provisions over receivables at 31 March 2020 due to Covid 19. The outstanding debtors at 31 March are due in the following month and should be unaffected by the impact of the Covid 19 Pandemic as the impact of Covid 19 and the lockdown to level 4 on our customers will not relate to their business in March 2020. Post balance date in April and May 2020 Smartpay has provided relief to customers who have been impacted negatively by Covid 19. This relief will be recognised as reduced income the 2021 financial year.

Property, plant and equipment (Note 15)
Smartpay has not impaired additional eftpos devices as a result of Covid 19, but has in the normal course of business. Smartpay expect that as the Covid 19 restrictions ease their customers will continue to use the terminals. As in normal course of business if a Smartpay customer returns a terminal this will be cosmetically cleaned, have new software loaded and re-used in market.

Right of Use Assets (Note 16)
Smartpay has not changed the terms of their lease agreements as a result of Covid 19.

Intangible Assets (Note 17)
No impairment has been considered against the carrying value of intangibles. Smartpay has internally developed softwares required to operate the terminal fleet in New Zealand and the acquiring fleet in Australia. The internally developed software for the Australian acquiring business was tested separately for impairment as part of the Australian CGU. The test for impairment used a terminal growth rate of 1.5% and a WACC of 11.5%, in line with the WACC used to test the New Zealand CGU. The impact of Covid 19 was included and no impairment was necessary.

Goodwill (Note 18)
Goodwill has been tested for impairment. The Goodwill is associated to the New Zealand cash generating unit. As a result of Covid 19 the forecast revenues were reduced. Additionally due to the uncertainty surrounding Covid 19 additional scenarios were considered.

e. Adoption of New and Revised Standards and Interpretations

i) Standards and Interpretations Effective in the Current Period

No new standards have been implemented in the current period.

ii) Standards on Issue Not Yet Adopted	Effective Date*
• 2019 Omnibus Amendments to NZ IFRS	1st January 2020

* The effective date for the Group is the commencement date of the next accounting period after the Effective Date

f. Consolidation

The Group financial statements incorporate the financial statements of the Parent and entities controlled by the Parent (its subsidiaries). Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of the subsidiaries are prepared using consistent accounting policies which may involve making adjustments to the financial statements of subsidiaries to bring them into line with other members of the Group.

All intra-group balances, transactions, income and expenses have been eliminated in full on consolidation.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any costs directly attributable to the business combination are expensed in the Statement of Comprehensive Income.

Any excess of the cost of acquisition over the aggregate fair values of the identifiable net assets acquired is recognised as goodwill. Goodwill arising on acquisition is recognised as an asset and initially measured at cost. Refer to note 2.u for the Group's accounting policy on Goodwill.

Where equity instruments are issued in a business combination, the fair value of the instruments is the published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. The 20 days volume weighted average prior to the date of exchange is used when there is low trading volume in the shares. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

g. Foreign Currencies

i) Foreign Currency Transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of any group entity whose functional currency is not New Zealand dollars is translated to New Zealand dollars being the functional currency of the Parent.

Transactions in currencies other than an entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated to the entity's functional currency at the spot rates prevailing at the end of the reporting period.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the Statement of Comprehensive Income in the period in which they arise.

ii) Foreign Operations

For the purpose of presenting the Group financial statements, the assets and liabilities of the Group's foreign operations are expressed in New Zealand dollars using exchange rates prevailing at the end of the reporting period. Items in the Statement of Comprehensive Income are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in Other Comprehensive Income and accumulated as a separate component of equity in the Group's Foreign Currency Translation Reserve. Such exchange differences are reclassified from equity to income (as a reclassification adjustment) on disposal of the net investment.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

h. Comparatives

When the presentation or classification of items is changed, comparative amounts are reclassified unless the reclassification is impractical. No comparatives have been reclassified.

i. Current versus Non Current Classification

The Group presents assets and liabilities in the statement of financial position based on current/non current classifications. An asset is current when it is:

- expected to be realised or intended to be sold or consumed within twelve months after the reporting date or
- is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date

All other assets are classified as non current.

A liability is current when it is:

- expected to be settled within twelve months after the reporting date or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date

All other liabilities are classified as non current.

j. Revenue Recognition

Refer to Note 5 and 6 for revenue streams and details of how revenue is calculated and when it is recognised.

k. Share-based Payment Transactions

Equity Settled Transaction

In prior financial years the Group has provided benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). Similarly in prior financial years share based benefits have been provided to other parties such as consultants and financiers, in settlement of services rendered. No benefits in the form of share based payments were provided in this financial year and all share based benefit have expired.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Smartpay Holdings Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

l. Finance Costs

Interest expense is accrued on a time basis using the effective interest method and are recognised as an expense when incurred.

m. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

i) Current Tax

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit as reported in the Statement of Comprehensive Income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date. Current tax assets and liabilities are the tax balances due from or owing to taxation authorities.

ii) Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Current and deferred tax are recognised as an expense or income in profit or loss except when they relate to items recognised in other comprehensive income or directly in equity in which case the tax is also recognised in other comprehensive income or directly in equity, or where they arise from initial accounting for a business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they are levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

iii) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

n. Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash, net of outstanding bank overdrafts and which are subject to an insignificant risk of changes in value.

The following terms are used in the Statement of Cash Flows:

- operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities; and

- investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents; and

- financing activities are the fund raising activities of the Group from both owners and financiers.

o. Financial Assets

Financial assets are classified into the following categories:

- at fair value through profit and loss

- at amortised cost

- at fair value through other comprehensive income (the group has no assets of this classification)

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and when allowed and appropriate, re-evaluates this designation at each reporting date.

When financial assets are initially recognised they are measured at fair value, plus, in the case of assets not at fair value through profit and loss, directly attributable transaction costs.

The Group has the following classifications:

i) Financial Assets at Fair value through Profit & Loss

This category includes in-the-money derivatives. They are carried at fair value through profit and loss with changes to fair value included in the statement of comprehensive income within Net finance costs.

The Group's derivative financial instruments are categorised 'at fair value through profit and loss' on initial recognition.

ii) Financial Assets at Amortised Cost

These are principally from the provision of goods and services to customers (eg trade receivables),but also include other types of financial assets where the objective is to hold these assets to collect contractual cash flows (eg cash and bank facilities) and solely used for the payment of principal and interest (eg loans and other receivables) that have fixed or determinable payments.

Trade receivables are amounts due from customers for services performed and goods provided in the ordinary course of business. Trade receivables, which generally have 30 day terms, are recognised at fair value less an allowance for any uncollectible amounts.

Impairment of Financial Assets

Collectability of trade and lease receivables are reviewed on an on-going basis. Receivables that are known to be uncollectible are written off when identified and any terminal associated with the contract that the receivable relates to will be repossessed and the debt written off.

Financial assets, other than those financial assets at fair value through profit and loss are assessed for indicators of impairment at the end of each reporting period including trade and lease receivables on a collective basis. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows.

Derecognition of Financial Assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

p. Derivative Financial Instruments
The Group's derivative financial instruments are categorised 'at fair value through profit and loss' on the date a derivative contract is entered into and are subsequently remeasured to their current fair value at each reporting date. The resulting gain or loss of any derivative is recognised immediately in the profit and loss.

The balance outstanding of derivative financial instruments are classified as current assets or liabilities if they are expected to be realised within 12 months otherwise they are treated as non-current assets or liabilities.

q. Merchant Terminals and Property, Plant and Equipment
Merchant terminals and plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. All other repairs and maintenance are recognised in the Statement of Comprehensive Income as incurred.

New terminals on hand are held in capital works in progress and are valued at cost.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets and charged to the Statement of Comprehensive Income as follows:

- Merchant terminals - 6 years
- Motor vehicles - 5 years
- Computer equipment – between 3 and 6 years
- Furniture, fixtures and office equipment - between 3 and 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal
A merchant terminal or an item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is de-recognised.

r. Leases
Leases are contracts which convey the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as Lessee
Assets held by the Group under leases are Right-of-Use assets initially recognised at the present value of the lease payments that are not paid at the inception of the lease. Subsequent to initial recognition the Right-of-Use asset is included in the Statement of Financial Position at the initial recognition amount less the aggregate amortisation and any impairment recognised.

The lease payments are discounted using the interest rate implicit in the lease or at the Group's incremental borrowing rate if the rate in the lease is not readily determined. The corresponding lease liability to the lessor is included in the Statement of Financial Position as a Lease Liability. Lease payments are apportioned between finance charges and a reduction in the lease liability. The lease finance charges and the amortisation of the Right-to-Use asset are charged directly to the Statement of Comprehensive Income.

s. Contract Costs and Intangibles
Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

i) Software and Development Costs
All costs directly incurred in the purchase or development of major software or subsequent upgrades and material enhancements, which can be reliably measured and are not integral to a related asset are capitalised as intangible assets. Direct costs may include payroll and on-costs for employees directly associated with the project. Costs incurred on Software maintenance are expensed to the Statement of Comprehensive Income as they are incurred. Software is amortised on a straight line basis over the period of time during which benefits are expected to arise. Amortisation commences once the Software is available for use.

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

ii) Intangible Assets Acquired in a Business Combination

Intangible assets other than goodwill acquired in a business combination are identified and recognised separately where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition (including any adjustment to previous provisionally assessed fair values), intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses where they have finite useful lives.

iii) Research

Expenditure on research activities undertaken with the prospect of gaining new technical knowledge and understanding is recognised in the Statement of Comprehensive Income when incurred.

iv) Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- capitalised development costs 2-10 years
- customer contracts 3-10 years
- software 2-10 years

Contract Costs

Commissions paid to secure a contract with a customer are capitalised to Contract Costs and classified separately.

t. Impairment of Non-financial Assets Other Than Goodwill

Non financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Any impairment loss identified is recognised immediately in the Statement of Comprehensive Income. All impairment to non-financial assets recognised in the current and prior year related to the impairment of terminal assets. The impairment of terminal assets is comprised of terminals held by customers that have been deemed irrecoverable and impairment of obsolete or damaged terminals.

u. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated across the Group's cash-generating unit or units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit/group of cash-generating units, to which the goodwill relates. When the recoverable amount of the cash-generating unit/group of cash-generating units is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit/group of cash-generating units and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

v. Financial Liabilities and Equity Instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

i) Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares are classified as equity. The equity portion of compound financial instruments is included in equity.

ii) Financial Liabilities

Financial liabilities, including borrowings and trade payables and accruals, are initially measured at fair value, plus directly attributable transaction costs. Other financial liabilities are subsequently measured at amortised cost, with any interest expense recognised on an effective interest basis.

Lease liabilities are explained in note r. above.
Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

w. Provisions and Employee Leave Benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in interest costs.

Employee Leave Benefits

Wages, salaries, annual leave and sick leave: Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

x. Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members of the Group, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the Group, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

y. Fair value of financial assets and liabilities

Fair Value Methodologies

The Group measures financial instruments such as derivatives, at fair value at each balance sheet date.

Fair value is defined as 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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Certain Short Term Financial Assets

For cash and short term funds, balances with other financial institutions with maturities for less than 3 months and other types of short term financial assets, the carrying value of these financial instruments are considered to approximate fair values as they are short term in nature or are receivable on demand.

Trade Receivables

Trade receivables are recognised at fair value.

Other Financial Assets

The carrying value of accrued interest and income receivable approximate fair values as they are short term in nature or are receivable on demand. Prepaid expenses are not considered financial assets.

Payables and Other Financial Liabilities

This category includes accrued interest and payables for which the carrying amount is considered to approximate fair value, as they are short term in nature or are payable on demand. Income tax liabilities, provisions and accrued charges are not considered financial liabilities.

Borrowings
The fair value of borrowings is the amount payable on demand as at balance date. The carrying values of all liabilities with maturities of less than 12 months are considered to approximate fair values as they are short term in nature. In respect of borrowings with maturities greater than 12 months they are recognised at amortised cost.

Lease Liabilities
See note 2 r.

Compound Financial Instruments
Compound financial instrument are measured on the basis of the components of the instrument. The debt component is measured at amortised costs. The residual component is assessed to determine if an equity component exist. If the instrument has a variable conversion feature the component is recognised as a derivative at fair value through Profit & Loss

z. Government Grants

Government grants that compensate the Group for expenses incurred are recognised as profit and loss in the same periods in which the expenses are recognised.

3. Significant Accounting Judgments, Estimates and Assumptions

In applying the Group's accounting policies management continually evaluate judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by the Directors and management in the preparation of these financial statements are outlined below.

Significant Accounting Estimates and Assumptions

i) Contracts with Customers
The Group provides a right to use its Eftpos terminals as part of its contracts with customers. Determining whether the contract contains a lease is a significant judgement requiring consideration as to whether the customer has the right to direct the use of the terminal. See note 6.

The Group has determined that its customers don't have the right to direct the use of the asset because the Group continues to have the right and ability to change how the Eftpos terminal operates during the customer's contractual term. The Group determined that customers do not have the right to control the use of its terminals and therefore the arrangement does not contain a lease. Therefore the contracts have been accounted for as a service contracts.

The contracts with customers include promises to provide multiple services and products. Determining whether the services and products are considered distinct performance obligations that should be accounted for separately versus together requires significant judgement. The Group assess each of its contracts as a portfolio to determine whether the performance obligation is at a point in time or over time.

ii) Impairment of Goodwill and Intangibles with Indefinite Useful Lives
The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with useful lives are discussed in note 17 and 18.

iii) Recognition of Software Development
The Group develops software to use internally, on eftpos terminals or to be sold.

The Group assesses all development expenditure in accordance with the future economic benefits to determine if it fulfils the criteria for capitalisation as an intangible asset.

The Group mostly measures the cost of developing software from an assessment of the time spent by developers and management in bringing the asset into use.

Note 17 of the financial statements provides information on the software developed in the period.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise loans, convertible notes, leases, interest rate swaps and foreign exchange contracts. The main purpose of these financial instruments is to raise finance for the Group's operations and hedge currency exposure. The Group has various other financial assets and liabilities such as overdraft facilities, cash, accounts receivable, and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments, assets and liabilities are risks in the movement of, interest rates and foreign exchange rates, liquidity risk, and credit risk. The Board reviews and agrees policies for managing each of these risks as summarised below.

a. Market Risk

(i) Foreign Currency Risk

The Group has a growing Australian business and an exposure to foreign exchange risk. The Group acquires terminal assets from foreign suppliers and they are denominated in USD. The group uses forward exchange contracts to manage the exposure to currency fluctuation in respect of the USD risk.

(ii) Cash Flow and Fair Value Interest Rate Risk

The Group's only significant financial asset subject to floating interest rates is its cash held in the bank, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from its borrowings. Following maturity the Group has not renewed its interest rate swap in respect of 75% of the interest obligations. In the current low interest rate enviroment it was considered unnecessary to hedge its interest rate exposure.

b. Credit Risk

In the normal course of business, the Group incurs credit risk (defined as the risk of failure of a counterparty to a transaction) from accounts receivable and transactions with financial institutions.

Management have a credit policy in place and the exposure to credit risk is monitored on an on-going basis with the review of payment history of trade receivable. A review of all types of accounts takes place daily with active measures taken to collect outstanding amounts and prevent them becoming non performing accounts.

See note 31.c for more explanation on determining objective evidence that an impairment has occurred and an analysis of accounts overdue and concentrations of credit risk.

The Group deals with high credit quality financial institutions in placing its cash and deposits.

c. Liquidity Risk

Liquidity risk arises from the financial liabilities of the Group and the ability to meet their obligations to repay their financial liabilities as and when they fall due. The objective is to maintain a balance between continuity of funding and committed available credit lines. See note 25 for more information on the Group's Capital Management processes.

The Group manages its liquidity by forecasting and monitoring the total cash flows on a daily, monthly and annual basis (see note 31.e).

d. Fair Values

The carrying value of all debt and leases is the fair value of these liabilities.

5. Segment Information

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments and whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

The Group's business provides technology solutions through various product lines into the same markets, to the same customers, with all product lines being reported as a single business.

The only data that is reviewed by management that is analysed by any segment breakdown is revenue showing the various revenue streams split geographically. Costs and funding are analysed at a group level for decision making purposes.

Geographical Segments

2020	New Zealand	Australia	Elimination	Total
Revenue	**$'000**	**$'000**	**$'000**	**$'000**
Revenue from Contracts with Customers				
Service revenue	15,134	1,560		16,694
Transactional income	755	9,537		10,292
Other service revenue	83	38		121
Short term rentals	248	-		248
Sale of goods	678	703	(465)	916
Total revenue from contracts with customers	**16,898**	**11,838**	**(465)**	**28,271**
Additions to non current assets	5,682	794	-	6,476
Non current assets	37,320	4,338	(906)	40,752

In New Zealand and Australia no single customer represents more than 10% of total revenues as such there is no concentration of customers.

The elimination of $465,000 relates to the revenue on the sales of eftpos terminals from New Zealand to Australia within the Group.

2019	New Zealand	Australia	Elimination	Total
Revenue	**$'000**	**$'000**	**$'000**	**$'000**
Revenue from Contracts with Customers				
Service revenue	15,102	1,924	-	17,026
Transactional income	837	2,542	-	3,379
Other service revenue	120	31	-	151
Short term rentals	278	9		287
Sale of goods	2,206	40	(1,992)	254
Total revenue from contracts with customers	**18,543**	**4,546**	**(1,992)**	**21,097**
Additions to non current assets	8,178	812	-	8,990
Non current assets	37,527	6,334	(1,441)	42,420

6. Revenue

A. Revenue streams

The Group generates revenue primarily from service contracts with customers for the provision of eftpos terminals and transaction processing on the eftpos terminals together in some cases with software development and the sale of eftpos terminals. Other minor sources of revenue include service income from short term contracts and ancillary services. See note 5 Segment Information above for the composition of revenue from contracts with customers.

B. Disaggregation of revenue from contracts with customers

In Note 5 Segment Information above, revenue from contracts with customers is disaggregated by primary geographical market and service lines. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

Below the revenue is analysed by major products and service lines and timing of revenue recognition.

Major products and service lines	**Group**	
	2020	**2019**
	$'000	**$'000**
Eftpos terminal service	16,942	17,313
Transaction processing	10,292	3,379
Direct sales	916	254
Other	121	151
Total revenue from contracts with customers	28,271	21,097

Timing of revenue recognition	**Group**	
	2020	**2019**
	$'000	**$'000**
Services transferred at point in time	10,661	3,817
Services transferred over time	16,694	17,026
Products transferred at point in time	916	254
Total revenue from contracts with customers	28,271	21,097

Contract costs	**Group**	
	2020	**2019**
	$'000	**$'000**
Costs to obtain contracts	934	867

Costs relate to sales commissions to obtain service contracts and are amortised over the term of the contracts (refer note 17).

c. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

Receivables which are included in trade and other receivables	Group	
	2020	2019
	$'000	$'000
Contract Assets	1,153	930
Contract Liabilities	(102)	-
	1,051	930
Contract Assets		
Opening Balance	930	1,260
Additions	479	126
Transfers out	(255)	(450)
FX adjustment	(1)	(6)
Closing Balance	1,153	930

The contract assets primarily relate to the Group's rights to consideration for services provided but not billed at the reporting date on eftpos terminal service contracts. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer (refer note 12 Trade Receivables).

The contract liabilities primarily relate to the advance consideration received from customers for eftpos service contracts, for which revenue is recognised over time.

The amount of revenue recognised in the period ended 31 March 2020 from performance obligations satisfied (or partially satisfied) in previous periods is nil. This is mainly due to changes in the estimate.

d. Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following provides information for each of the types of service/product the Group provides about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

i) Eftpos terminal services

Nature and timing of satisfaction of performance obligations, including significant payment terms

The eftpos terminal service provided to the customer is a bundled service made up of the following services.

- Provision of the hardware -
- Provision of the software -
- Provision of maintenance and repairs.

The contracts with the customers do not permit components of the bundled service to be provided separately nor can the customer benefit from each component individually. Therefore, only one bundled service is provided and are combined into a single performance obligation.

The customer is provided with the continuous use of an eftpos terminal, i.e. the hardware, software and support service, for the duration of the contract and does not provide a specified quantity of services. The underlying activities in providing the terminal can vary from day to day, however the daily services are activities performed to fulfil the service are substantially the same. Consequently, for each period (1) it is providing an integrated service; (2) the customer is continuously receiving substantially the same benefit, which is distinct and (3) each increment of time is substantially the same.

During the term of the contracts the customer pay an amount per terminal per month depending on the type of terminal provided, the term of the contract and the number of terminals provided. In some contracts a deferred period i.e. the rent-free period at the beginning of the contract is given and therefore is regarded as "variable consideration" and is included in the transaction price. A significant financing component does not exist with the Smartpay contracts as the deferred period in the contracts does not exceed 12 months.

Revenue recognition
The monthly payments are recognised evenly through the contract term, taking into account part months at the start and end of the contract. The deferred period included for revenue recognition and the payments are spread through the term of the contract.

The service is provided and the customers consumes the benefit of the service over time. Firstly, the provision of the eftpos terminal and service contract is considered to be a single performance obligation. The customer is provided with the eftpos terminal for the duration of the contract and ensures that the eftpos terminal functions properly for the duration of the contract. Consequently, the customer is able to transact on the eftpos terminal from the day the terminal is installed to the day the terminal is returned to Smartpay. These dates will essentially coincide with the duration of the contract.

ii) Transactional processing services
Nature and timing of satisfaction of performance obligations, including significant payment terms
The transactional processing service is a bundled service made up of the following components.

- Provision of transaction processing
- Provision of support services

In respect of the transaction processing and the support services, we have relied on the practical expedient given that if the performance obligations were unbundled the amount recognised in the financial statements would be the same. We therefore consider that there are two performance obligations. The bundled services are combined into a single performance obligation.

The customer consumes the benefit of the transaction bundled service at a point in time. The provision of the transaction processing and support service is a single performance obligation. Smartpay provides the transaction processing service and support for the duration of the contract.

Revenue recognition
The transaction processing service revenue is recognised as the processing service is performed.

iii) Sale of Eftpos terminals
Nature and timing of satisfaction of performance obligations, including significant payment terms

Customers obtain control of the eftpos terminals when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30 days. No discounts are provided, the transaction price is agreed with the customer at the time of entering into the agreement for sale.

Some contracts may permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered.

Revenue recognition
Revenue is recognised when the goods are delivered and have been accepted by customers at their premises. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

7. Other Income

The following items are included in other income:

	Group	
	2020	2019
	$'000	$'000
Bad debts recovered	19	15
	19	15

8. Expenditure

The following items are included within the Statement of Comprehensive Income:

Operating Expenditure	Note	Group	
		2020	2019
		$'000	$'000
Direct costs of sales		7,193	2,168
Terminal Communication & servicing costs		1,039	800
Compliance, IT and Marketing costs		2,785	2,179
Employee costs net of capitalised amounts		8,663	8,195
Occupancy costs		236	249
Other costs		687	718
Travel and accommodation		291	386
		20,894	14,695

Depreciation and Amortisation		Group	
		2020	2019
		$'000	$'000
Depreciation of property, plant and equipment			
Merchant terminals	15	3,295	3,346
Computer equipment	15	161	135
Furniture, fixtures and office equipment	15	77	81
Right-of-use assets	16	471	467
Amortisation of contract costs and intangible assets			
Contract costs	17	829	629
Software	17	2,094	1,453
Customer contracts	17	423	424
		7,350	6,535

Auditors Fees included in operating expenditure	Group	
	2020	2019
	$'000	$'000
Audit fees to the principal auditor (note 1)	280	143
Fees for tax services to the principal auditor (note 2)	3	13
	283	156

Fees paid to the principal auditor were for:

1. Annual audit of the consolidated financial statements. Of the 2020 $280,000, $67,000 relates to the prior year.

2. Fees for advice and tax advisory on the sale of the NZ business.

Operating expenditure includes the following costs	Group	
	2020	2019
	$'000	$'000
Bad debts written off (Not written off through the provision)	121	54
Impairment provision for receivables	114	79
Net loss/ (gain) on disposal of assets	(4)	14
Directors fees	220	166
Net foreign exchange losses	10	4

Net finance costs	Group	
	2020	2019
	$'000	$'000
Interest received	(14)	(54)
Interest on bank overdrafts and borrowings	1,138	1,291
Interest on lease liabilities	91	66
Convertible note interest paid	621	452
Convertible note amortisation	664	394
Change in fair value of convertible note option	1,809	(155)
Change in fair value - interest rate swap (note 13)	(47)	(158)
Change in fair value - foreign exchange contract (realised and unrealised)	-	(24)
Finance transaction fees amortisation	-	2
	4,262	1,814

Impairments	Group	
	2020	2019
	$'000	$'000
Merchant terminal impairment write off	512	220
Merchant terminal impairment provision	41	270
	553	490

9. Taxation Expense / (Credit)

	Group	
	2020	2019
	$'000	$'000
Income tax expense comprises:		
Current income tax benefit	392	309
Deferred tax benefit	119	118
Income tax benefit	511	427
Reconciliation between charge for year and accounting profit		
Loss / profit before tax	(4,983)	(2,255)
Income tax at 28%	1,395	631
Add/(deduct) the tax effect of:		
Non-deductible expenses	(423)	(1,011)
Non-assessable income	218	181
Temporary differences not recognised	(1,146)	251
Tax benefit recognised	392	309
Australian tax rate differences	75	66
Income tax benefit	511	427

The tax rate used in the above reconciliation is the corporate tax rate applicable at 31 March 2020 payable on taxable profits under New Zealand (28%) and Australian tax law (30%). The current income tax benefit recognised relates to the R&D grant received from Inland Revenue.

10. Earnings per Share

The calculation of basic and fully diluted earnings per share is as follows:

	Group	
	2020	2019
Basic earnings per share - cents	**$'000**	**$'000**
Loss/profit for the period ($'000)	(4,472)	(1,828)
Weighted average number of shares ('000)	172,332	171,752
Basic earnings per share - cents	(2.59)	(1.06)

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares issued during the year.

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares whether issued or able to be issued during the year. For 2020 the convertible notes were not dilutive so the calculation excludes the impact of the convertible notes 28,000,000 shares (2019: 30,000,000) potentially issuable, consequently the diluted earnings per share is equivalent to the basic earnings per share.

11. Cash and Bank Balances

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding overdrafts.

	Group	
	2020	2019
Cash and cash equivalents	**$'000**	**$'000**
Cash at bank and in hand	1,101	2,407
Total cash and cash equivalents	1,101	2,407
Other bank balances		
Merchant settlement account	316	715
Secured Deposit	231	235
Total cash and bank balances	1,648	3,357

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value. The carrying amount in the Merchant Settlement account represents the surplus cash balances the Group holds on behalf of its customers when the incoming amount from the card schemes precedes the funding obligation to customers.

12. Trade and Other Receivables

	Group	
	2020	**2019**
	$'000	**$'000**
Accounts receivable	1,462	1,860
Less impairment provision on receivables	(82)	(66)
Less provision for kit recovery	(187)	(328)
Merchant receivables	1,264	6,520
Accrued revenue (contract assets see note 6.c)	1,153	930
Prepayments	376	392
Total trade and other receivables	3,986	9,308

Movements in Provisions	Group	
	2020	**2019**
	$'000	**$'000**
Allowance for impairment on receivables		
Opening balance	(66)	(9)
Net remeasurement of loss allowance	(114)	(79)
Amounts written off	96	22
FX adjustment	2	-
Closing balance	(82)	(66)
Provision for Kit Recovery		
Opening balance	(328)	(244)
Additions to the provision for exposure to recovery recognised in the Statement of Comprehensive Income	(365)	(834)
Recovered from customer	59	49
Provision utilised or terminal recovered	446	701
FX adjustment	1	-
Closing balance	(187)	(328)

An allowance for impairment loss is recognised when there is objective evidence that a receivable is impaired. The Group manages its receivables in line with its approved credit control procedures see note 4 b. The Merchant receivables are amounts due from the card schemes for transactions processed on behalf of customers. Provision for Kit Recovery is an equivalent to the invoiced value of terminals to be recovered from customers. Trade and Merchant receivables are held at a value equivalent to their fair value.

13. Derivative Financial Instruments

i) The group has 3 foreign currency contracts in place at 31 March 2020 for hedging foreign currency exposures with a foreign currency face value of US$400,000 (2019: $nil) and a NZ dollar maturity value of NZ$683,000. Contracts are for maturity in 1 to 3 months. The fair value of the contracts at 31 March 2020 was a liability of $19,000 (2019: Nil).

ii) The Group had entered into two interest rate swap transactions with ASB Bank Limited and they both matured on 30 June 2019.

Fair Value

	Group	
	2020	**2019**
	$'000	**$'000**
Swap A	-	(12)
Swap B	-	(35)
Foreign exchange contracts	(19)	-
Total	(19)	(47)
Current	(19)	(47)

14. Subsidiary Companies

The consolidated financial statements include the financial statements of Smartpay Holdings Limited and the subsidiaries listed in the following table.

	Equity Interest		Place of Incorporation	Activities
	2020	2019		
Subsidiaries				
Smartpay Limited	100%	100%	NZ	Product and services
Smartpay New Zealand Limited	100%	100%	NZ	Product and services
Smartpay Software Limited	100%	100%	NZ	Software ownership
Viaduct Limited	100%	100%	NZ	Non-trading
Smartpay Rental Services Limited	100%	100%	NZ	Rental of equipment
Smartpay Australia Pty Limited	100%	100%	Aust	Product and services
Smartpay Rentals Pty Limited	100%	100%	Aust	Non-trading
Cadmus Payment Solutions Pty Limited	100%	100%	Aust	Non-trading
Pax Technology Pty Limited	100%	100%	Aust	Non-trading
Smartpay Taxis Pty Limited	100%	100%	Aust	Non-trading
Smartpay Epayments Pty Limited	100%	100%	Aust	Non-trading
Smartpay Ethos Limited	100%	100%	NZ	Non-trading
Product Rentals Pty Limited	100%	100%	Aust	Non-trading

All subsidiary companies have the same balance date as the their parent company of 31 March and all subsidiaries were owned for the full financial year.

15. Property, Plant and Equipment

	Merchant terminals at cost		Furniture, fixtures,office and computer equipment and motor vehicles at cost		Group Total	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Opening carrying value	9,484	11,295	615	324	10,099	11,619
Additions	-	848	43	509	43	1,357
Transfers from Capital work in progress	1,676	1,264		-	1,676	1,264
Depreciation	(3,295)	(3,346)	(238)	(216)	(3,533)	(3,562)
Cost of sales	(257)	(16)	-	-	(257)	(16)
Impairment	(345)	(488)	-	(2)	(345)	(490)
FX adjustments	(46)	(73)	(2)	-	(48)	(73)
Closing carrying value	7,217	9,484	418	615	7,635	10,099
Capital work in progress						
Opening carrying value	2,022	1,329	-	-	2,022	1,329
Additions	1,307	1,973	-	-	2,013	2,321
Transfers to fixed asset	(1,676)	(1,264)	-	-	(1,676)	(1,264)
Impairment	(208)	(2)	-	-	(208)	(2)
FX adjustments	(8)	(14)	-	-	(8)	(14)
Closing carrying value	1,437	2,022	-	-	1,437	2,022
Total	8,654	11,506	418	615	9,072	12,121
Reconciled to:						
Cost	19,271	23,086	1,518	1,489	20,789	24,575
Less accumulated depreciation and impairment	(11,743)	(13,332)	(1,100)	(874)	(12,843)	(14,206)
Less impairment provision	(311)	(270)	-	-	(311)	(270)
Closing carrying value	7,217	9,484	418	615	7,635	10,099
Capital work in progress	1,437	2,022	-	-	1,437	2,022
Total	8,654	11,506	418	615	9,072	12,121

Merchant terminals represents the equipment provided to customers, primarily EFTPOS terminals.

ASB Bank Ltd has a general security over the assets of the Parent and certain subsidiaries.

16. Right-of-Use Assets

Right-of-use assets are principally the rental of offices, and other assets such as motor vehicles.

	Right-of-use Property at cost		Other Right-of-use assets at cost		Group Total	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Opening carrying value	1,275	1,732	49	30	1,324	1,762
Additions	-	-	-	38	-	38
Amortisation	(446)	(448)	(25)	(19)	(471)	(467)
FX adjustments	(4)	(9)	-	-	(4)	(9)
Closing carrying value*	825	1,275	24	49	849	1,324
Reconciled to:						
Cost	2,248	2,261	82	83	2,330	2,344
Less accumulated amortisation	(1,423)	(986)	(58)	(34)	(1,481)	(1,020)
Closing carrying value	825	1,275	24	49	849	1,324

Refer to note 23 for details of the Lease Liability associated with these assets.

17. Intangible Assets

Software and development costs are intangible assets.

	Software and development costs at cost		Customer contracts at cost		Group Total	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Opening carrying value	11,713	8,203	1,623	2,047	13,336	10,250
Additions	4,282	4,973	-	-	4,282	4,973
Amortisation	(2,094)	(1,453)	(423)	(424)	(2,517)	(1,877)
Disposals	-	(6)	-	-	-	(6)
FX adjustments	(1)	(4)	-	-	(1)	(4)
Closing carrying value*	13,900	11,713	1,200	1,623	15,100	13,336
Reconciled to:						
Cost	20,050	15,777	4,235	4,235	24,285	20,012
Less accumulated amortisation	(6,150)	(4,064)	(3,035)	(2,612)	(9,185)	(6,676)
Closing carrying value	13,900	11,713	1,200	1,623	15,100	13,336

* This balance includes development in progress totalling $5,353,000 (2019 $4,096,000)

The directors have considered the carrying value of software and development and have concluded no provision is required.

Significant Software and Development

(i) Internally Developed Software

Internally developed software to operate and manage the EFTPOS terminals has a carrying value of $13,900,000 (2019: $11,713,000) including capital work in progress of $5,353,000 (2019: $4,096,000).

The Group undertakes development in New Zealand in relation to projects on its eftpos terminal fleet for both New Zealand and Australia. The combination of the development undertaken in this financial year and previous financial years resulted in the completion of internally developed software amounting to $3,018,000 (2019 $4,646,000). The work in progress software amounting to $5,353,000 (2019: $4,096,000) relates to ongoing eftpos terminal development, the development of the internal Enterprise Resource Planning (ERP) system, the development of the transaction processing and merchant management system to support the Merchant Acquiring business. Phase one of the Merchant Acquiring processing system became operational during the prior financial year. This release has allowed Smartpay to launch a number of acquiring products into market during the financial year. The second phase of development on the system is currently under development and will ensure the system remains resilient and robust as well as providing new products and enhancements to the existing platform.

Customer Contracts

Customer contracts relate to the terminal contracts purchased as part of the business combination of Viaduct. The customer contracts acquired as part of a business combination are valued at fair value.

ii) Contract Costs

Contract costs are sales commissions paid to employees and third parties for service contracts and amortised over the life of the contract.

	Group	
	2020	2019
	$'000	$'000
Opening carrying value	867	852
Additions	891	649
Amortisation	(829)	(629)
FX adjustments	5	(5)
Closing carrying value	934	867
Reconciled to:		
Cost	1,842	1,879
Less accumulated amortisation	(908)	(1,012)
Closing carrying value	934	867

18. Goodwill

	Group	
	2020	2019
	$'000	$'000
Opening value net of accumulated impairment	14,772	14,772
Impairment	-	-
Closing carrying value	14,772	14,772
Reconciled to:		
Cost	14,772	14,772
Less accumulated impairment	-	-
Closing carrying value	14,772	14,772

Impairment

At 31 March 2020 the directors tested the goodwill for impairment. The impairment testing was performed over the New Zealand business on the basis that the goodwill relates only to New Zealand. Given the uncertainty at 31 March 2020 surrounding the Covid 19 pandemic a number of scenarios were considered based on potential periods of lockdown in the New Zealand market. The additional scenarios were modelled using the NZ Treasury projections around alert levels and their potential impact to the economy in the upcoming period. The NZ Treasury scenarios had assumptions based upon the expected time in the various alert levels.

NZ Treasury Scenario 1 assumed alert level 4 for one month, alert level 3 for one month and alert levels 2 and 1 for ten months. At alert level 4 the output was expected to be down by 40% from pre Covid 19 levels. At alert level 3 a 25% reduction, alert level 2 a 10-15% reduction and alert level 1 a 5-10% reduction. These assumptions were then applied to the New Zealand CGU by modelling a reduction in income of 40% in month one, 25% in month two and 10% for months three to twelve.

NZ Treasury Scenario 1 was deemed most appropriate as it was the scenario that is most aligned to the actual time spent at the various alert levels. The additional scenarios (1&2) further reduced the forecast revenue assumptions by 7% and 10%. By the time of signing the annual report these scenarios are deemed less likely as New Zealand moved to alert level 1 as of 9th June 2020. Therefore the business has used the forecast model outlined below.

The value in use methodology has been applied using past experience of sales, growth and margin to determine the expectations for the future. Due to the Covid 19 pandemic an overlay of the potential impact of this on the New Zealand revenues has been included. The expectation is that the impact of this pandemic will be largely in the first year of the forecast model but that there will be an ongoing impact as the business recovers these incomes over the years 2 to 5. These cash flows are based on the Directors' view of the projected cash flows for 2 years and beyond that used an average growth rate of 1%. For cash flows beyond 5 years a terminal value has been used based on the average of the 5 years net cash flows. The cash flows are discounted using a nominal rate of 11.5% after tax.

The recoverable amount was determined by taking the value in use compared to the carrying amount. The value in use was also tested against market capitalisation. This testing indicated no impairment had occurred.

Adverse changes in actual performance or future rates of growth will reduce the calculated recoverable amount. An increase to the discount rate used of 1.3%, reduction in revenue of 3% or a 16% reduction in the terminal value is required for the carrying amount of goodwill to equal the recoverable amount.

Forecast capital expenditure for the New Zealand business includes spend on software development and terminals. The assumptions have been based on past experience and include forecast fleet upgrades. The carrying value used includes Net Working Capital and Total Fixed Assets including Software for the New Zealand business.
The assumptions are considered to be a view of the reasonable outcomes as the business is mature and there are no significant uncertainties.

19. Deferred Tax Asset / (Liability)

	Group	
Movements in deferred tax:	2020	2019
	$'000	$'000
Opening balance	(94)	(212)
Charge to profit and loss	119	118
Balance at end of the year	25	(94)
Deferred tax balance reconciliation:		
Employee entitlements	122	118
Receivables impairment provision	12	7
Non deductible accruals	33	35
Revenue recognition differences	939	2,238
Computer software and development and customer contracts	(616)	(454)
Deferred tax asset not recognised for accounting	(465)	(2,038)
Total deferred tax balance	25	(94)
Deferred tax asset / (liability) - New Zealand	25	(94)

a. Tax losses

The Group has aggregate estimated New Zealand net tax losses of $20,916,000 as at 31 March 2020 (31 March 2019 actual $21,102,000) and in Australia estimated net tax losses at the same date of A$11,074,000 (31 March 2019 actual A$7,738,000). No tax losses have been recognised in the balance sheet as deferred tax in either reporting period. Subject to IRD confirmation and maintaining the required shareholder continuity, these losses are available to carry forward in aggregate from the individual New Zealand companies within the Group. In Australia a different test is required to carry forward and utilise the losses. This requires that the same business continues to be conducted to maintain the availability of the losses. There are no plans to change the type of business.

In prior years deferred tax assets were recognised for deductible temporary differences as the Directors considered that it was probable that future reversal of deferred tax liabilities would off-set the temporary differences. However the Directors reversed the deferred tax asset in 2013 as it was no longer probable that the losses could be utilised over the next 2 to 3 years. On completion of the 2019 tax returns the continuity has remained constant and no further tax losses have been forfeited, however in 2020 $1,400,000 (2019: $1,100,000) of tax losses have been utilised in relation to the R&D grant. Utilisation of tax losses requires that the shareholder continuity remains above 49%. Currently based on the reset date shareholder continuity is above this threshold. Because of the uncertainty of when these losses will be utilised no losses have been recognised for 2020. The deferred tax asset recognised relates to the customer contracts acquired from Viaduct as well as the above mentioned temporary differences. No new temporary differences have been recognised.

20. Trade Payables and Accruals

	Group	
	2020	2019
	$'000	$'000
Trade payables	2,229	1,790
Merchant payables	1,778	7,662
Other payables	-	103
GST	133	226
Accruals	508	379
Deferred revenue	103	-
Employee entitlements	675	674
Total trade payables and accruals	5,426	10,834

Trade payables are typically non-interest bearing and are normally settled in 7–60 day terms.

Within trade payables are accrued costs of $63,000 (2019:$Nil) for capex purchases.

Merchant payables represents amounts that are due to acquiring customers in respect of transactions that have been processed.

21. Income Tax Payable/(Receivable)

	Group	
	2020	2019
Current Tax	$'000	$'000
Opening balance	(24)	(13)
RWT credits (received)/used	9	(11)
Balance at end of the year - receivable	(15)	(24)

Imputation credit account balances

Neither the Parent company or any of the subsidiary companies have any material imputation credit account balances.

22. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans which are measured at amortised cost. For more information about the Groups exposure to interest rate, foreign currency and liquidity risk see note 31.

	Group	
	2020	2019
Borrowings	$'000	$'000
Secured - at amortised cost		
Current	3,218	3,000
Non-current	17,505	18,224
Total Borrowings	20,723	21,224

a. Summary of borrowing arrangements

On 11 July 2012 the Group's subsidiary Smartpay New Zealand Limited entered into a term loan facility and a committed cash advance facility (CAF) with ASB Bank Limited. During the year the term loan facility and CAF was extended until 30 June 2021. Quarterly amortisations of the term loan facility amount to $750,000. A total of $750,000 was repaid in this financial year and ASB Bank Limited agreed to defer 3 instalments. The accumulative drawdowns on the CAF facility amounted to $9,974,000.

The interest rate is the BKBM (90 day bill rate) plus a margin set at 2.25%. In addition a line fee is payable quarterly and is currently set at 1.50% based on the facility limit.

The CAF remains in place until 30 June 2021, each drawdown on the facility is provided on 90 day terms and rolled over.

ASB Bank Limited has security over all the assets of the Group with all companies in the Group providing cross guarantees and indemnities in favour of the Bank (refer to note 14 for a list of the group companies).

The specific covenants relating to financial ratios the group was required to meet in 2020 are:

i) Interest cover ratio

ii) Net leverage ratio

The covenants were monitored and reported to the ASB Bank Limited on a quarterly basis. The Company was in compliance with its covenants during the period.

The Group also has a short term facility loan with Synergy Finance amounting to $218,000 with interest rates of 3.3% and 3.9% and a term of twelve months. The remainder of the borrowings has been provided by ASB.

23. Lease Liabilities

Leases as Lessee

Non cancellable lease liabilities are payable as follows:

Lease Commitments	Group	
	2020	2019
	$'000	$'000
Within one year	414	495
After one year but not more than five years	618	1,045
Total lease liability commitments	1,032	1,540

The Groups leases its office and warehouse premises situated at 205 Wairau Road. The lease period of the premises is 6 years from December 2015. The Group also leases office premises in Sydney and a small shared office in Wellington.

The Group also leases various motor vehicles under cancellable operating lease agreements.

24. Convertible Notes

On 16 July 2018 15 convertible notes were issued with a face value of A$500,000 each for an aggregate value of A$7,500,000 (NZ$8,226,000) and carry an interest rate of 8% per annum. The notes mature at 16 October 2020 and are convertible into 30,000,000 ordinary shares at A$0.25 per share at the option of the noteholder. The convertible noteholders have the option to convert the notes to shares at any time during the course of the period of the note on the same terms.

The convertible notes have characteristics associated with a financial liability as they have an obligation to make fixed interest payments, and deliver cash on redemption in the event that the holder does not exercise the conversion option. All payments are in Australian dollars(AUD).

The option is an embedded derivative within the host liability. The option did not meet the requirements of an equity instrument as the option represents an obligation to issue a fixed number of shares for a variable amount of cash. Although, the cash is fixed in AUD terms, it is variable in NZD and the amount to be settled depends on the foreign exchange rate at the date of settlement.

Measurement

The fair value of the option was determined using the Black Scholes model using the inputs in the following table at each valuation date.

Valuation dates

	16/07/18	31/03/19	31/03/20
Underlying share price (AUD)	0.18	0.19	0.29
Strike price (AUD)	0.25	0.25	0.25
Volatility (%)	48.75	48.75	66.33
Time to expiry (years)	2.25	1.55	0.54
Risk free rate (%)	1.84	1.84	0.81

The host contract liability's (i.e.the loan component) carrying value at initial recognition is the residual difference between the fair value of the convertible notes and the option's fair value. As the option was not closely related to the host contract it was separately recognised. The reason for this is that the fair value of the conversion feature is affected by changes in the fair value of AUD denominated Smartpay's shares, while the fair value of the loan is not.

The convertible note loan is then accounted for at amortised cost with foreign exchange differences recognised in the income statement on translation of the financial liability. The option liability is measured at fair value, with changes in the fair value being recorded in the income statement. In addition a calculation was required to impute an interest rate between the host contract liability at inception and maturity to unwind over time being recorded in the income statement.

On 17 December 2019 one of the noteholders exercised their option and the convertible note with a face value of AU$500,000 was converted into 2,000,000 ordinary shares at AU$0.25 cent per share. The market value of the shares at the date of issue was AU $0.52 and at an FX conversion rate of 0.96 the New Zealand dollar equivalent was $0.54.

Carrying value at initial recognition at 16 July 2018	$'000	$AUD'000
Convertible note	7,158	6,526
Option	1,068	974
	8,226	7,500
less Fees	411	375
	7,815	7,125

Carrying value at 31 March 2019	$'000
Option fair value movement	(155)
Amortisation (option and fees)	394
Unrealised FX movement	(331)
Convertible note balance at 31 March 2019	7,723

Carrying value at 31 March 2020	$'000
Convertible note balance at 31 March 2019	7,723
Conversion of convertible notes 17 December 2019	(1,083)
Option fair value movement	1,809
Amortisation (option and fees)	664
Unrealised FX movement	(125)
Convertible note balance at 31 March 2020	8,988

Convertible Notes ageing	2020	2019
	$'000	$'000
Within one year	8,988	-
After one year but not more than five years	-	7,723
Total convertible notes net of arrangement fees	8,988	7,723

Movement in Unrealised Fair value of the option	2020	2019
	$'000	$'000
Fair value at 31 March 2019/2018	913	1,068
Fair value at 31 March 2020/2019	2,159	913
Movement in unrealised fair value of the option	(1,246)	155
Realised fair value at 17 December 2019 at time of conversion	(563)	-
Total movement in fair value of the option	(1,809)	155

Conversion of Options (17 December 2019)	$'000	$AUD'000
Face value of convertible note	520	500
Fair value at conversion (17 December 2019)	563	
Market value of shares issued	1,083	

	$'000
Fair value at 31 March 2019	61
Fair value at conversion (17 December 2019)	563
Fair value movement	(502)

25. Share Capital

Share Capital	Group 2020 $'000	Group 2019 $'000
Opening balance	53,454	53,454
Conversion of 1 convertible note into 2,000,000 ordinary shares	1,083	-
Share based payments:		
• Value of share options issued to management which were not exercised and which lapsed during the year.	(104)	-
Total shares issued during the year	979	-
Balance at end of the year	54,433	53,454

a) Ordinary Shares

As at 31 March 2020 there were 173,752,278 (2019:171,752,278) ordinary shares on issue. Shares were issued on the conversion of 1 convertible note (2,000,000 shares) on 17 December 2019 (2019: Nil). All ordinary shares are fully paid and rank equally with one vote attaching to each share. The ordinary shares have no par value. Ordinary shares are considered equity.

Movements in the Number of Ordinary Shares on issue	Group 2020 000's	Group 2019 000's
Opening balance	171,752	171,752
Conversion of convertible note	2,000	-
Balance at end of the year	173,752	171,752

b) Share Options

There are now no management options on issue. The final 2,000,000 management options on issue expired during the year.

Movements in the Management Share Options on issue

	Group 2020 000's	Group 2019 000's
Opening balance - weighted average exercise price per share: 2020 60.0c (2019 60.0c)	2,000	2,000
Options lapsed - weighted average exercise price per share 2020: 60.0c (2019: Nil)	(2,000)	-
Closing balance - weighted average exercise price per share: 2020 Nil (2019 60.0c)	-	2,000
Weighted average remaining contractual life of outstanding options (years)	-	0.750

In 2020 2,000,000 Management options for 1,000,000 shares lapsed. For the year ended 31 March 2019 there were no movements in the Management share options.

Option Pricing Assumptions

The options have been valued using the Black Scholes option pricing model to obtain their fair value which has been expensed on a pro rata basis according to the time expired. Volatility was considered on an historical basis but following the acquisition of the Viaduct assets in 2013 this has been amended to reflect the significantly different scale of the Group.

The assumptions used were:

	2020	2019
	Management 2013 Tranche 1	Management 2013 Tranche 1
Number of options issued (000) as performance incentive to management		
Number of options fair valued (000)	-	2,000
Number of shares	-	1,000
Risk-free interest rate	-	3.3%
Exercise price (per share)	-	60.0c
Share price at measurement date post 1:2 share consolidation	-	33 cents
Volatility	-	50%
Life of options	-	82 months
Exercise on or before	-	31/12/19
Dividend yield	-	-
Fair value	-	1.08 cents

c) Convertible Notes

At the 31 March 2020 as part of the issue of the Convertible Notes an option is attached to the noteholders to convert to 28,000,000 shares (2019: 30,000,000 shares). See note 24.

Capital Management

The main objective of capital management is to ensure the entity continues as a going concern, meets debts as they fall due, maintains the best possible capital structure and reduces the cost of capital.

Share capital is regarded as equity as shown in the Statement of Financial Position.

To maintain or alter the capital structure the Group has the ability to issue new shares, decide whether to pay a dividend to shareholders and what size that may be, reduce or increase debt or sell assets.

Gearing Ratios

	Group	
	2020	2019
	$'000	$'000
Total borrowings, lease liabilities and convertible notes (see note 22 to 24)	30,743	30,487
less Cash and cash equivalents (see note 11)	(1,101)	(2,407)
Net debt	29,642	28,080
Total Equity	10,213	13,647
Total Capital	39,855	41,727
Ratio of Net debt to Total Capital	74.4%	67.3%

26. Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all exchange rate differences arising from translating the financial statements of the foreign currency operations (see Note 2 g (ii)).

Movements are shown in the Statement of Changes in Equity.

27. Operating Cash Flows Reconciliation

	Group	
	2020	2019
	$'000	$'000
Loss/profit for the period	(4,472)	(1,828)
Add/(deduct) non-cash items:		
Depreciation & amortisation	7,350	6,535
Loss/(gain) on disposal of fixed assets	(4)	14
Financing costs and bad debts	112	57
Change in fair value of convertible note	1,809	(155)
Change in fair value of interest rate swap	(47)	(158)
Convertible note option and fees	664	394
Unrealised foreign exchange	214	64
Tax benefit	(119)	(118)
Impairment charges	553	490
Add/(deduct) changes in working capital items:		
Trade and other receivables	9	(264)
Derivative financial instruments	(28)	(161)
Payables and accruals	425	605
Provision for current tax	9	(11)
Net cash inflow/(outflow) from operating activities	6,475	5,464

28. Contingencies

Guarantees

The Group has provided bank guarantees in favour of NZX of $75,000 (2019: $75,000) and for the Sydney office of A$138,000 (2019: A$138,000) are issued.

ASB Bank Limited has security over all the assets of the Group with all companies in the Group providing cross guarantees and indemnities in favour of the Bank (refer to note 14 for a list of the group companies).

The Group has a secured bank deposit with Cuscal Limited amounting to $231,000 (2019: $235,000).

29. Capital Commitments

The Group has no capital commitments at 31 March 2020 (2019: Nil).

30. Related Parties

Parent and ultimate controlling party

The parent company of the Group and the listed entity is Smartpay Holdings Limited.

Identity of related parties with whom material transactions have occurred.

Note 14 identifies all entities within the Group. All those entities are related parties of the Parent. In addition, the directors, companies with which the directors and key management are associated and key management personnel of the Group are also related parties.

a. Transactions with directors and key management or entities related to them

Gregor Barclay is a Director and principal of Ngatapa Trust, and provided consulting services in relation to Directors' fees on normal commercial terms amounting to $60,000 (2019: $60,000).

Bradley Gerdis is the Managing Director of Smartpay Holdings Limited. He is a Director of Haymaker Investments Pty Limited (HIL) which is the Trustee of the Haymaker Trust which is a shareholder of Smartpay Holdings Limited.

Bradley Gerdis or his associated entities have received:

- Salary received A$483,000, NZ$497,000 (2019: A$576,000, NZ$601,000) which included a bonus of A$45,000 NZ$46,000 (2019: A$138,000, NZ$144,000).

HIL is a shareholder of the Company and Bradley Gerdis has an interest in these shares by virtue of being a potential beneficiary of a discretionary trust. HIL holds 6,515,422 (2019: 6,515,422) ordinary shares.

Martyn Pomeroy is Chief Operating Officer at Smartpay since January 2013 and is a shareholder and director of TEOV Limited (formerly Viaduct Limited) whose assets were acquired by Smartpay on 23 January 2013. He holds Nil (2019: 2,000,000) options to purchase Nil (2019: 1,000,000) shares - the options lapsed at 31 December 2019. At 31 March 2020 he holds 3,399,053 shares (2019: 3,399,053) directly. Martyn Pomeroy was appointed a director of the Company on 1 April 2014.

Martyn Pomeroy or his associated entities have received:

- Salary received $344,000 (2019: $417,000) which included a bonus of $33,000 (2019: $99,000).

Matthew Turnbull was appointed a Director of the Company on 1 April 2013 and is also a Director of Black Rock Capital Limited, and received Directors' fees of $55,000 (2019: $55,000).

William Pulver was appointed a director of the Company on 11 December 2018. New Greenwich Pty Ltd (as trustee of the New Greenwich Superannuation Fund) is a shareholder of the Company and William Pulver has an interest in 1,575,413 (2019: 1,575,413) ordinary shares by virtue of being a potential beneficiary of the Superannuation Fund. New Greenwich Pty Ltd is a holder of convertible notes issued by the Company which entitled the holder to purchase shares and holds shares in the Company . Directors fees earned amounted to $53,000 (2019: $16,000).

Carlos Gill was appointed a director of the company on 5 December 2018. He is a director of Microequities Asset Management Pty Ltd and they hold directly and indirectly 33,127,406 (2019: 33,127,406) ordinary shares in the Company. He received $53,000 (2019: $17,000) directors fees in 2020.

b. Key management and director compensation

Key management personnel comprises employees who are part of the Senior Management Team (Aidan Murphy and Rowena Bowman). Bradley Gerdis and Martyn Pomeroy are excluded as this information is provided above and is included in Directors remuneration. Key management personnel compensation comprised short term benefits and share instruments for the year ended 31 March 2020 of $418,000 (2019: $442,000). Directors remuneration was $841,000 (2019: $1,018,000).

Key Management Compensation	2020 $'000	2019 $'000
Salaries and other short term employee benefits	418	442

31. Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- foreign exchange risk
- credit risk
- interest rate risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

a. Financial Instruments by Category

	Group		
Group	**Measured at fair value through profit and loss**	**Measured at amortised cost**	**Total**
2020	**$'000**	**$'000**	**$'000**
Financial assets			
Cash and bank balances	-	1,648	1,648
Trade and other receivables	-	2,457	2,457
	-	4,105	4,105
Financial liabilities			
Trade payables and accruals	-	4,515	4,515
Derivative financial instruments	19	-	19
Borrowings	-	20,723	20,723
Lease liability	-	1,032	1,032
Convertible notes and option	2,159	6,829	8,988
	2,178	33,099	35,277

2019

	Measured at fair value through profit and lost	**Measured at amortised cost**	**Total**
	$'000	**$'000**	**$'000**
Financial assets			
Cash and bank balances	-	3,357	3,357
Trade and other receivables	-	7,986	7,986
	-	11,343	11,343
Financial liabilities			
Trade payables and accruals	-	9,934	9,934
Derivative financial instruments	47	-	47
Borrowings	-	21,224	21,224
Lease liabilities	-	1,540	1,540
Convertible notes and option	913	6,810	7,723
	960	39,508	40,468

The financial assets and financial liabilities above are being carried at their cost less any impairment which is considered to approximate fair value.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities

	Fair value measurement using				
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		$'000	$'000	$'000	$'000
Liabilities measured at fair value					
Derivative financial liabilities					
Forward exchange contracts	31-Mar-20	(19)		(19)	
Convertible Note option (note 24)	31-Mar-20	(2,159)	-	(2,159)	

There were no transfers between Level 1 and Level 2 during 2020.

	Fair value measurement using				
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		$'000	$'000	$'000	$'000
Liabilities measured at fair value					
Derivative financial liabilities					
Interest rate swap	31-Mar-19	(47)	-	(47)	
Forward exchange contracts	31-Mar-19	-	-		
Convertible note option (Note 24)	31-Mar-19	(913)	-	(913)	

There were no transfers between Level 1 and Level 2 during 2019.

b. Foreign currency exchange risk management

The Group is not exposed to significant foreign currency risk arising from its Australian operations on the basis that the receivables and payables are denominated in the same foreign currency which is AUD. For accounting purposes, this works as a 'natural' hedge because the gains and losses from the foreign currency on all those items are immediately recognised in the income statement.

c. Credit risk

Credit risk arises from cash deposits with banks and outstanding receivables.

	Group	
	2020	2019
Maximum exposure to credit risk at balance date is:	$'000	$'000
Cash and cash equivalents	1,648	3,357
Trade receivables (net of impairment)	2,644	8,314

The amount of loss allowance is based on the simplified Expected Credit Loss (ECL) approach which involves the Group estimating the lifetime ECL at each balance date. The lifetime ECL is calculated using a provision matrix based on historical credit loss experience and adjusted for forward looking factors specific to the debtors and the economic environment." The receivables are classified into the following categories.

- Merchant receivable
- Unbilled (contract assets)
- Current trade receivables
- Payments overdue 10-60 days (arrears)
- Payments overdue 61-100 days (collections) and
- Greater than 101 days overdue (salvage).

	2020			2019		
	Gross carrying amount	Loss rate	Loss Allowance	Gross carrying amount	Loss rate	Loss Allowance
	$'000		$'000	$'000		$'000
Merchant receivable	1,264	0.00%	0	6,520	0.00%	0
Unbilled (contract assets)	1,153	0.80%	9	930	0.80%	7
Current Trade Receivables	1,364	0.80%	11	1,736	0.80%	14
Arrears	10	2.00%	-	41	2.00%	1
Collections	6	2.00%	-	17	2.00%	-
Salvage	82	75.0%	62	66	66.0%	44
	3,879		82	9,310		66

Loss rates are based on actual credit loss experience over previous years and multiplied by a factor based on the Group's view of economic conditions over the expected lives of the receivables. The Covid 19 pandemic has had minimal impact on the collectability of our receivables. At year end our expectation was that the impact of the Covid 19 pandemic would be minimal in respect of the collectability of the receivables due primarily to the low value of the customers direct debits and the timing of the lockdown i.e. level 4 lock down was implemented at the very end of the financial year.

Action is taken as soon as the receivables are in arrears and consequently overdue payments are rectified within a short period of time. The policy is to write off the receivables if they remain uncollected after 120 days and pass the collection to third party debt collectors.

In terms of geographic location the merchant receivable category relates only to Australia and the other categories relate to both New Zealand and Australia. The Merchant receivable is considered to have a low credit risk due to the short term of settlement.

d. Interest Rate Risk

Disclosure is required of the fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The Group had interest rate swaps which fixed the interest rate in respect of 75% of the interest payable which matured on 30 June 2019. The Group has interest rate risk on the debt and CAF facility from 1 July 2019 and the interest coupon on the convertible notes. At 31 March 2020 if interest rates had changed by -/+ 1% from the year end rates with all other variables held constant, the Group's post tax profit for the period (annualised) and equity would have been $179,000 higher or $179,000 lower. The interest rate swaps matured during the year , the carrying value on the balance sheet is nil (2019: liability of $47,000).

The carrying amount has been determined in accordance with level 2 above.

e. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In respect of the Group's debt the following table indicates the periods in which they fall due:

	Total	Within 12 Months	Within 1 to 5 years
ASB Bank Limited	20,505	3,000	17,505
Other borrowings	218	218	-
Lease liabilities	1,032	413	619
Convertible notes	8,988	8,988	-
Total Group Debt	30,743	12,619	18,124

Total Aging of Financial Liabilities Commitments	Total	Within 12 Months	Within 1 to 5 years
Group			
2020			
Trade Payables and accruals	5,323	5,323	-
Future interest payments on borrowings (note 1)	1,925	1,286	639
Borrowings (note 2)	20,723	3,218	17,505
Lease liabilities	1,032	413	619
Convertible notes	8,988	8,988	-
	37,991	19,228	18,763
2019			
Trade Payables and accruals	10,834	10,834	-
Future interest payments on borrowings (note 1)	1,854	1,511	343
Borrowings (note 2)	21,224	3,000	18,224
Lease liabilities	1,540	495	1,045
Convertible notes	7,723	-	7,723
	43,175	15,840	27,335

1. The future interest payment on borrowings are based on an estimate of the floating interest rate.

2. Includes the drawn down revolving capex facility of $9,974,000.

32. Subsequent Events

Following balance date the following events have occurred:

1. Convertible Notes

Smartpay has reached agreement with all holders of the Convertible Notes to extend the maturity date of the Convertible Notes and to a reduction in the interest coupon and amendment in payment terms as follows:

- 12 month extension of the original maturity date from 16 October 2020 to 16 October 2021 with a reduction in interest rate conditional as per below.
- 6 month capitalisation of the interest coupon starting from 1 April 2020 at 6.4%p.a. (20% reduction to current 8% coupon rate).
- After 6 months, and for the following 12 months, coupon reverts to 6.4%p.a. if paid in cash monthly or 9.6% if capitalised.
- Each Note Holder gives its undertaking that in the event of the Commerce Commission clearance and cash completion of the sale of Smartpay's New Zealand business occurring on the current terms which have been disclosed to market (including pricing), that it will convert its notes in full within 20 business days of completion disclosed to the market.
- All other original terms remain unchanged.

2. Verifone Agreement

Smartpay received notice from Verifone on 30 April 2020 to terminate the Asset Sale Agreement in relation to the sale of its New Zealand business and assets (the "Agreement") due to one or more of the conditions to the Agreement having not been satisfied by the Condition Date (being 30 April 2020 as previously advised to the market). Smartpay notes the key condition which has not been satisfied by the Condition Date is New Zealand Commerce Commission clearance, a decision on which had previously been moved from the original date of 30 March 2020. Smartpay further wishes to advise that the Board of Smartpay has also received from Verifone proposed revised terms to complete the deal. Smartpay does not consider the revised terms currently proposed by Verifone to be acceptable. Smartpay has confirmed to Verifone that Smartpay considers the Agreement to now be cancelled and has reserved its rights. Smartpay notes that the termination of the Agreement releases Smartpay from its restriction to seek other potential opportunities. On 12 June 2020 the New Zealand Commerce Commission granted clearance for Verifone to acquire Smartpay.

3. Covid 19 - Cost reduction

In response to the Covid 19 pandemic and the move to a level 4 lockdown on 26 March 2020 the business moved to reduce the cost base in order to offset a potential revenue impact. The review of the cost base was conducted in April 2020, post year end and resulted in the announcement of redundancies in both NZ and Australia in April 2020, and standing down sales staff in Australia and implementing blanket salary reductions across all remaining staff and Directors for the months of April and May 2020. The salary reductions were removed from June 2020. Other cost reductions such as marketing and rent were also implemented in April.

4 Increase in Capital

Smartpay completed a capital raise in May 2020, raising AU$13m (NZD$13.9m) via a placement to institutional, sophisticated and professional investors (Placement). The Placement comprised 30,952,381 new fully-paid ordinary shares at an issue price of AU$0.42 (NZD$0.45) per ordinary share. Settlement of the Placement was completed on 27 May 2020 with allotment of the Placement shares on 28 May 2020. The Placement was conducted in accordance with NZX Listing Rule 4.5.1 and will be settled in one tranche. In addition to the Placement, the Company announced a Share Purchase Plan (SPP) for all existing shareholders to subscribe for new shares at the same price as the Placement and without brokerage, for up to AU$2m of shares in aggregate. Each existing shareholder is eligible to apply for a dollar amount of shares not exceeding AU$30,000 (NZ $32,200). The funds raised from the Placement and the SPP will be used to capitalise the business for growth in both the Australian and NZ markets and strengthen the balance sheet through debt reduction. The SPP closed on 18 June 2020 and was over subscribed.

Independent Auditor's Report

To the shareholders of Smartpay Holdings Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Smartpay Holdings Limited (the company) and its subsidiaries (the group) on pages 25 to 71:

i. present fairly in all material respects the Group's financial position as at 31 March 2020 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 March 2020;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the Group in relation to tax services. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $135,000 determined with reference to a benchmark of group revenue. We chose the benchmark because, in our view, this is a key measure of the group's performance and the growth phase of the business means that revenue is a more appropriate benchmark than loss before tax.

KPMG

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

Key changes in the assessment of audit risk due to the COVID-19 pandemic

The COVID-19 pandemic has created significant additional risks across a number of areas of the Group's operations, and in particular around the valuation of goodwill and the development asset. The impairment assessments of the goodwill and the development asset balances are dependent on forecast future cash flows which are conditional on forecasts of the economic environment. Consequently, all assumptions are inherently more uncertain during these unprecedented times. While the key audit matters "Valuation of Goodwill" and "Capitalisation and Valuation of Development Asset" detailed below are largely unchanged from last year, the underlying audit risk has increased which impacted the extent and nature of audit evidence that we had to gather.

The key audit matter	How the matter was addressed in our audit
Valuation of goodwill	
The Group has goodwill of $14.8 million as disclosed in note 18 of the financial statements, which relates solely to the NZ cash generating unit ('CGU'). Valuation of goodwill is considered to be a key audit matter due to the significance of the intangible asset and the models used in the impairment test included a range of subjective assumptions about future performance. Particular attention was paid to the forecast sales growth and the discount rate. The wider economic impacts of COVID-19 are an indicator of impairment. Covid-19 has created increased uncertainty around future cash flow forecasts, in particular around scenarios that might apply and the appropriateness of any weighted average cost of capital used in supporting models.	Our audit procedures included, amongst others: — challenging the appropriateness of the revenue and cost forecasts by comparing these forecasts to actual growth rates achieved historically along with comparisons to the NZ Treasury forecasts incorporating the potential impact of COVID-19 used as reference by management; — Involving a KPMG valuation specialist to challenge management's methodology used in impairment model; — Involving a KPMG valuation specialist to challenge key judgements, which included weighted average cost of capital and terminal growth rate used in the impairment model; — Performing sensitivity analysis considering a range of likely outcomes for various scenarios; — comparing the group's market capitalisation with the net asset value, as an indicator of possible impairment. — challenging management's assumptions in particular around the sales growth rate and we performed a sensitivity analysis using the NZ Treasury scenario 1 disclosed in Note 18 as a base scenario. We found no material issues in the impairment assessment or on the reported amount of goodwill.

Carrying value of terminal assets

The group has merchant EFTPOS terminal assets of $8.7 million, as disclosed in note 15 of the financial statements. These terminals are held by customers on service contracts. The valuation of terminal assets is a key audit matter due to the significance of the asset and the possibility of impairment. Terminal assets may be impaired due to technology changes and terminal model sunset dates required by the industry compliance requirements.	Our audit procedures included, amongst others: — assessing Management's methodology for writing down slow moving and idle terminals and challenging inputs on a sample basis; — comparing Management's judgments over technological obsolescence to externally obtained compliance requirements; and — performing a count of inventory held in the warehouse post year end, performing a roll back to year end quantities as a result of the COVID-19 lockdown together with testing of terminal assets with customers on a sample basis to confirm their existence We found no material issues in our work over the reported amounts.

Capitalisation and valuation of the development asset

The Group has development assets of $13.9 million as disclosed in note 17 of the financial statements, which relates primarily to internally developed software to operate and manage the EFTPOS terminals and the related acquiring/payment business. The valuation of the development asset is considered to be a key audit matter due to the significance of the asset and the impact revisions to the Group's business plans have on possible impairment. In addition, management applies significant judgement in determining if it is correct to capitalise amounts to the balance sheet or to expense them. The wider economic impacts of COVID-19 are an indicator of impairment. The assessment for potential impairment requires a range of subjective assumptions about future performance and the allocation of assets to different cash generating units.	Our audit procedures included, amongst others: — on a sample basis, determining the nature of expenditure by examining whether the development phase has commenced (and therefore whether the amount should be capitalised). This included considering management's assessment of the possible market, resources the Group has to complete the development assets and whether the product will generate future profits; — assessing how accurate the calculation of internal costs are based on hours which staff spend for developing software using salary data and timesheets. — challenging management's impairment assessment of the cash generating units containing the software balances after the economic uncertainty resulting from COVID-19 was identified as a potential indicator of impairment challenging the assumptions made in the impairment assessment model, in particular around the sales growth rate. This included performing a sensitivity analysis using the NZ Treasury scenario 1 disclosed in Note 18 as a base scenario. Based on the procedures performed we found no material issues with the reported capitalisation of the development asset or the impairment assessment.

Operation of IT systems and controls

Refer to note 6 to the financial statements. Many financial reporting controls depend on the correct functioning of IT systems. These include interfaces between transactional processing and financial reporting systems, and automated controls that prevent or detect inaccurate or incomplete transfers of financial information between systems. As part of our audit, we identified and tested the general IT controls in one key IT system that supports the acquiring transactional revenue. If these controls fail, a significant risk of error in reported financial information, including the data underlying the preparation of the statutory financial statements, can arise. This is an area of significant risk in our audit due to the complexity of the IT infrastructure.	With the assistance of KPMG IT specialists, our procedures included: — testing general IT controls around system access, change management and computer operations in relation to the selected system which mitigate the risk of misstatement in the financial statements — testing the automated interfaces between operational and financial IT systems which are required to be operating correctly to mitigate the risk of inaccurate or incomplete transfers of financial information between systems. Where general IT controls were not operating effectively and we were therefore unable to rely on the related automated IT controls, we addressed the increased risk that financial information was affected by extending the scope of our work. To do this we: — performed additional substantive testing of the transactional revenue through extended sample sizes and tracing recorded amounts back to external evidence; — performed data analysis routines over the full population of transactions; and — obtained a cash balance confirmation for the merchant settlement account

Valuation and presentation of convertible notes

Refer to note 24 to the financial statements. The conversion of some of the notes in the year required management to make judgmental elections over the accounting impact. The valuation of the financial instruments required judgmental assumptions to be made by management.	Our audit procedures included, amongst others: — obtaining management's assessment of the conversion and comparing it to the requirements of the relevant reporting standards; — reviewing the terms of the original signed agreements to identify additional areas which could have a potentially significant impact on the accounting treatment or related disclosures; — Involving a KPMG valuation specialist to assess the appropriateness of the valuation approach and subjective inputs used; Based on the procedures performed we found no material issues with the reported convertible notes balance.

Other Information

The Directors, on behalf of the group, are responsible for the other information included in the entity's financial statements. Other information includes the Directors' Responsibility Statement. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the Chairman's report, Chief Executive's report, and disclosures relating to corporate governance and statutory information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is **John Kensington.**

For and on behalf of

KPMG

KPMG
Auckland

23 June 2020

Statutory Information

Directors and Former Directors

Directors holding office
At 31st March 2020 the directors holding office were Bradley Gerdis, Gregor Barclay, Matthew Turnbull, William Pulver, Carlos Gil and Martyn Pomeroy.

Directors holding office during the year to 31 March 2020 and their appointment dates are detailed below:

Name	Date Appointed	Position	Independence (Yes/No)
Bradley Gerdis *B.Bus (Hons), MCom*	1 July 2012	Executive Director and Managing Director	No
Greg Barclay *LLB, Dip. Bus*	1 April 2010	Non-Executive Director	Yes
Matthew Turnbull *BCom, CA*	1 April 2013	Non-Executive Director	Yes
Marty Pomeroy	1 April 2014	Executive Director	No
William Pulver *BCom Marketing*	11 December 2018	Non-Executive Director	Yes
Carlos Gil *B Ec, GradDipAppFin SIA, MAppFin FSIA*	5 December 2018	Non-Executive Director	No

At the annual meeting of shareholders held on 24 September 2019 Matthew Turnbull, Marty Pomeroy, William Pulver and Carlos Gil stood for re-election and were re-elected by the shareholders as Directors of the Company.

Independent Directors
In accordance with the requirements of the Listing Rules the Board has determined that Gregor Barclay, Matthew Turnbull and William Pulver are Independent Directors.

Subsidiary Company Directorships
At 31 March 2020, subsidiary companies had directors as follows:

New Zealand Subsidiary Companies	Director
Smartpay Rental Services Limited	Bradley Gerdis, Gregor Barclay, Marty Pomeroy
Smartpay Limited	Bradley Gerdis, Gregor Barclay, Marty Pomeroy
Smartpay Ethos Limited	Bradley Gerdis, Gregor Barclay, Marty Pomeroy
Smartpay Software Limited	Bradley Gerdis, Gregor Barclay, Marty Pomeroy
Smartpay New Zealand Limited	Bradley Gerdis, Gregor Barclay, Marty Pomeroy
Viaduct Limited	Bradley Gerdis, Gregor Barclay, Marty Pomeroy

Australian Subsidiary Companies	Director
Smartpay Rentals Pty Limited	Gregor Barclay, Bradley Gerdis, Marty Pomeroy
Smartpay Australia Pty Limited	Gregor Barclay, Bradley Gerdis, Marty Pomeroy
Cadmus Payment Solutions Pty Limited	Gregor Barclay, Bradley Gerdis, Marty Pomeroy
Product Rentals Pty Limited	Gregor Barclay, Bradley Gerdis, Marty Pomeroy
Pax Technology Pty Limited	Bradley Gerdis, Marty Pomeroy
Smartpay Taxis Pty Limited	Bradley Gerdis, Marty Pomeroy
Smartpay Epayments Pty Limited	Bradley Gerdis, Marty Pomeroy

There were no changes to the subsidiary companies of the group during the period.

Directors' and Officers' Interests

Directors interests in external entities

The Directors have declared interests in the following entities:

Director	Interest	Entity
Bradley Gerdis	Director	Haymaker Investments Pty Limited
	Director	Active Capital Partners Pty Limited
Gregor Barclay	Consultant	Claymore Partners Limited
	Director	Various client trustee companies
	Director	Claymore Property Limited
	Director	Franchised Businesses Limited
	Director	Pacific Forest Products NZ Limited (and various related or subsidiary companies)
	Director	Planet Fun Limited
	Director	Rugby Hospitality New Zealand Limited (and related)
	Director & Shareholder	Kervus Property Group Limited
	Director	New Zealand Cricket Association
	Director	International Cricket Council
	Director	ICC Development (International) Limited
	Director	ICC Business Corporation NZ LLC
	Director	Boffa Miskell Limited
	Director	Ngatapa Finance Limited
	Director	Ngatapa Legal Limited
	Director	Ngatapa Trustees Limited
	Director	Stress Crete Group, including Stress Crete Northern Limited and Stress Crete Wellington Limited
Matthew Turnbull	Director	Black Rock Capital Limited
	Director	Verbier Limited
	Director	Mangawara Farms Limited
	Director	Browning Street Limited
Martyn Pomeroy	Director	TEOV Limited
	Director	iHoldings Limited
	Director	iGenerate Limited
Carlos Gil	Director	Microequities Asset Management pty Limited
Bill Pulver	Director	Appen Pty Limited

Information Used by Directors

There were no notices from Directors of the Company requesting to disclose or use Company information received in their capacity as Directors which would not otherwise have been available to them.

Director and Senior Managers Interests in Shares of The Company

Directors held interests in the following Ordinary shares in the Company as at the balance date:

Director	Name of shareholder	Nature of relevant interest	Balance at 31/03/2019	Movement in period	Balance at 31/3/2020
Bradley Gerdis	Haymaker Investments Pty Limited (Haymaker Account)	Potential beneficiary under a discretionary trust	6,515,422	0	6,515,422
Gregor Barclay	Ngatapa Trustees Ltd	Potential beneficiary under a discretionary trust	576,910	0	576,910
	Ngatapa Advisory Ltd	Potential beneficiary under a discretionary trust	49,404	0	49,404
Martyn Pomeroy	Pomeroy Asset Protection Trust	Potential beneficiary under the trust	3,399,053	0	3,399,053
William Pulver	New Greenwich Pty Limited	Potential beneficiary of the superannuation fund	1,575,413	0	1,575,413
Carlos Gil	Microequities Asset Management Pty Limited	Power to control the acquisition or disposal of securities or exercise the right to vote	33,127,406	0	33,127,406

Senior Managers of the company include anyone who is not a director but occupies a position that allows that person to exercise significant influence over the management or administration of the Company. Senior Managers of the Company are required by the Financial Markets Conduct Act 2013 to disclose their interests in the Company. The list of people considered to be senior managers by the company is contained in the directory at the back of the Annual Report. As at the balance date no senior managers, who are not also directors, held disclosable interests in the shares, options or convertible loan notes of the company.

Directors and Senior Managers Interests in Options of The Company

Directors held interests in the following Options in the Company as at the balance date:

Director	Name of holder	Nature of relevant interest	Type of Option	Conversion price	Balance as at 31/3/2019	Movement	Balance at 31/3/2020	Maximum number of shares on conversion
Marty Pomeroy	Marty Pomeroy	Beneficial	2019 Incentive Options	$0.60 per share	2,000,000	-2,000,000	0	0

As at the balance date no senior managers, who are not also directors, held disclosable interests in the shares, options or convertible loan notes of the company.

Directors and Senior Managers Interests in Convertible Loan Notes of The Company

Directors held interests in the following Convertible Loan Notes in the Company as at the balance date:

Director	Name of holder	Nature of relevant interest	Balance as at 31/3/2019	Movement	Balance at 31/3/2020	Maximum number of shares on conversion
William Pulver	New Greenwich Pty Limited	Potential beneficiary of the superannuation fund	1	0	1	2,288,853

As at the balance date no senior managers, who are not also directors, held disclosable interests in the shares, options or convertible loan notes of the company.

Directors' Insurance

The Group has arranged Directors and Officers Liability Insurance which is underwritten by Berkshire Hathaway Speciality Insurance Company, AIG Insurance and Chubb Insurance New Zealand Limited which ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors.

Directors' Indemnity

The Company has entered into Deeds of Indemnity with individual directors whereby it has agreed to indemnify the directors to the maximum extent permitted by the Companies Act 1993.

Directors' Remuneration

Directors fees and other remuneration are set out in detail in note 30 to the financial statements.

Other Disclosures

Listing

The ordinary shares of Smartpay Holdings Limited are listed on the securities exchanges operated by the New Zealand Exchange Limited (NZX) and the Australian Securities Exchange (ASX). On 1 April 2016 the ASX approved a change in admission category of Smartpay Holdings Limited (the "Company") from an ASX Listing to an ASX Foreign Exempt Listing which took effect on 5 April 2016. The Company confirms that it continues to comply with the New Zealand Stock Exchange Listing Rules.

Shareholders continue to be able to trade their shares on either the NZX or the ASX. In order to trade on either exchange shares must be held on the share register for that particular jurisdiction, for that purpose Smartpay has an Australian sub registry alongside its main share register, both of which are managed by Computershare.

Summary of Waivers and Exemptions

There were no waivers or exemptions granted specifically to Smartpay Holdings Limited during the period from 1 April 2019 to 31 March 2020.

Smartpay Holdings Limited relied on the Class Waiver from Listing Rules 3.5.1 provided by the NZX on 3 April 2020.

Investors Enquiries

Shareholders should address any queries regarding the operations of the Company to Mr Bradley Gerdis, Managing Director at the Company's business address.

Shareholders with administrative enquiries relating to their holdings should address these to Computershare whose contact details in each country are:

New Zealand	Australia
Computershare Investor Services Limited Private Bag 92119 Auckland 1142 Level 2, 159 Hurstmere Road, Takapuna, North Shore City, Auckland P: + 64 488 8700 F: + 64 9 488 8787	Computershare Investor Services Pty Limited GPO Box 3329, Melbourne VIC 3001 Freephone: 1 800 501 366 F: +61 3 9473 2500

Remuneration and gender diversity

Please see Governance Statement on pages 10 to 22.

Security Holder Information

Securities On Issue

The Securities on issue at the time of publication of the Annual Report are as follows:

Listed Securities

204,704,659 Ordinary fully paid shares, all shares in this class carry a 1 vote per share voting right.

On 2 June 2020 Smartpay Holdings Limited opened a Share Purchase Plan offer to all existing shareholders, the close date for applications being 18 June 2020, full details can be found on our investor website. The share purchase plan closed on 18 June 2020 and was over subscribed.

Unlisted Options

None.

Unlisted Convertible Notes

14 Convertible Notes.

15 Convertible Loan Notes were issued on 17 July 2018 for AUD$500,000 each resulting in aggregate consideration of AUD$7,500,000. On 17 December 2019, 1 Convertible note was converted into 2,000,000 ordinary shares in the Company, leaving 14 Convertible Loan Notes on issue.

On 16 April 2020 the certain terms of the of the Loan Notes were amended as follows:

- The term of the loan notes extended to 36 months
- Interest is 8% per annum (payable monthly), except:
  - With respect to the six Interest Periods commencing on 1 April 2020, means 6.4% per annum;
  - With respect to each Interest Period commencing on and from 1 October 2020; if interest is paid in cash, 6.4% per annum; or 9.6% per annum.

The conversion price is AUD$0.25, subject to downwards adjustment in the event of subsequent share issues at less than AUD$0.25 (provided that a Convertible Note cannot convert into more than 2,288,853 fully paid ordinary shares). Conversion is at the holder's option within the Term.

Distribution of Shareholders

As at 31 May 2020

Range	Total holders	Units	% of Issued Capital
Less than 5,000	1,044	1,705,085	1
5,000 to 9,999	267	1,723,673	0.84
10,000 to 49,999	519	10,320,149	5.04
50,000 to 99,999	94	5,952,174	2.91
100,000 to 499,999	78	14,641,453	7.15
500,000 to 999,999	17	11,286,706	5.51
Over 1,000,000	18	159,075,419	77.71
Rounding			**0.01**
Total	**2,037**	**204,704,659**	**100.00**

Geographical Distribution of Shareholders

As at 31 May 2020

Location	Total holders	Holder %	Units	% of Units
United Arab Emirates	1	0.05	100,000	0.05
Singapore	3	0.15	41,488	0.02
Turkey	1	0.05	2,000	0.00
U.S.A	1	0.05	10,000	0.00
Switzerland	2	0.10	17,500	0.01
United Kingdom	3	0.15	17,027	0.01
Malaysia	7	0.34	193,911	0.09
Philippines	1	0.05	30,000	0.01
Australia	961	47	154,811,207	76
New Zealand	1,057	51.89	49,481,526	24.17
Total	2,037	100.00	204,704,659	100.00

Twenty Largest Registered Shareholders

as at 31 May 2020

Rank	Name	Units	% of Units
1	JP Morgan Nominees Australia Limited	47,317,482	23.12
2	National Nominees Limited	27,589,001	13.48
3	National Nominees Limited - NZCSD <NNLZ90>	16,996,080	8.30
4	Anacacia Pty Ltd <Wattle Fund A/C>	8,835,534	4.32
5	UBS Nominees Pty Limited	8,355,009	4.08
6	HSBC Custody Nominees (Australia) Limited	7,234,264	3.53
7	Haymaker Investments Pty Limited <The Haymaker A/C>	6,515,422	3.18
8	Gwynvill Trading Pty Ltd	6,967,052	3.41
9	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	5,833,126	2.85
10	New Zealand Depository Nominee Limited <A/C 1 Cash Account>	3,629,896	1.77
11	Martyn Pomeroy + Sara Pomeroy <Pomeroy Asset Protection A/C>	3,399,053	1.66
12	Harrogate Trustee Limited <Brandywine A/C>	3,222,676	1.57
13	Walker & Hall Fine Gifts Limited	3,000,000	1.47
14	Microequities Asset Management Pty Ltd <Microequities Nanocap 9 A/C>	2,712,009	1.32
15	New Greenwich Pty Ltd <New Greenwich S/F A/C>	2,123,945	1.04
16	Craig Graeme Chapman <Nampac Discretionary A/C>	2,000,000	0.98
17	JDA Investments Pty Ltd	1,302,850	0.64
18	BNP Paribas Nominees Pty Ltd <IB Au Noms Retail client Drp>	945,587	0.46
19	Castlereagh Equity Pty Ltd	900,000	0.44
20	Snezana Bowden	800,000	0.39
Totals: Top 20 Holders Of Ordinary Shares		159,678,986	78.00
Total Remaining Holders Balance		45,025,673	22.00

Substantial Security Holders

At the time of publication of the Annual Report the following persons are substantial security holders (as defined in the Financial Markets Conduct Act 2013) in Smartpay Holdings Limited and have disclosed the Substantial Security Holdings to the NZX and ASX as per the table below:

	Number of Securities	% of Capital
Microequities Asset Management Pty Limited	34,317,882	16.76
Anacacia Pty Limited*	8,295,445	4.05
Milford Asset Management	17,238,131	9.92
Allan Walker Tattersfield	10,242,051	6.07
Jencay Capital Pty Limited	8,709,237	5.07
Regal Funds Management Pty Limited	12,017,852	5.87

* Anacacia Pty Limited also holds Convertible Notes, in the event that all the convertible notes on issue become convertible and are converted Anacacia will hold 30,507,734 shares, being 13.09% of the issued share capital of the Company of 232,974,845 that will then be on issue.

The total number of issued voting securities of Smartpay Holdings Limited is 204,704,659.

Directory

Registered Office
205 - 209 Wairau Road, Wairau Valley
PO Box 100490,
North Shore Mail Centre
Auckland, New Zealand
Phone: +64 9 442 2700
Email: info@smartpay.co.nz
Website: www.smartpayltd.com

Australian Office
Level 2, 117 York Street
Sydney
NSW 2000
Phone: +61 2 8876 2300
Website: www.smartpay.com.au

Board
Bradley Gerdis – Managing Director
Greg Barclay – Independent Director
Matthew Turnbull – Independent Director
Marty Pomeroy – Executive Director & Chief Operating Officer
Carlos Gil – Non-Executive Director
Bill Pulver – Independent Director

Senior Management
Aidan Murphy – Chief Financial Officer
Rowena Bowman – Company Secretary

Auditors
KPMG
KPMG Centre
18 Viaduct Harbour Avenue
Auckland
Phone: + 64 9 367 5800

Share Registrar – New Zealand
Computershare Investor Services Limited
Private Bay 92119 Auckland 1142
Level 2, 159 Hurstmere Road
Takapuna, North Shore City
Auckland, New Zealand
Phone: + 64 9 488 8700

Share Registrar – Australia
Computershare Investor Services Pty Ltd
GPO Box 3329
Melbourne Victoria 3001
Freephone: 1 800 501 366

Solicitors
Claymore Partners Limited
Level 2
63 Fort Street
Auckland
Phone : +64 9 379 3163

smartpay

MAR-340-0620