

Smartpay Holdings Limited

# THE INTERIM REPORT 2024

# About This Report

## On behalf of the Board and Smartpay team, we are pleased to present Smartpay’s 2024 Interim Report

The 2024 Interim Report describes Smartpay Holdings Limited’s (Smartpay) financial performance for the six months to 30 September 2023.

The Interim Report and financial performance relate to the period 1 April 2023 to 30 September 2023 and should be read in conjunction with other reports and presentations that comprise our 2024 Interim Reporting suite. These are available at Smartpay’s Investor Centre. [smartpayinvestor.com](https://smartpayinvestor.com)

Smartpay is a New Zealand incorporated company that is listed on the New Zealand Stock Exchange (NZX) with a foreign exempt listing on the Australian Securities Exchange (ASX). Accordingly, the Interim Report is primarily governed by the New Zealand Companies Act 1993 together with the NZX Listing Rules and NZX Corporate Governance Code.

The Company confirms that it continues to comply with the NZX Listing Rules.

The Interim Report covers the total group of Smartpay consisting of the entities noted on page 55 of the 31 March 2023 Annual Report (the Group), which operates in both New Zealand and Australia.

### Non-GAAP Measures

Non-Generally Accepted Accounting Practice (Non-GAAP) measures have been included as the directors and management of the Group believe they provide useful information for readers to assist in understanding the Group’s financial performance. Non-GAAP financial measures are not prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and are not uniformly defined, therefore Non-GAAP measures reported in this Interim Report may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported in accordance with NZ IFRS. The Non-GAAP measures Smartpay has used are EBITDA and Free Cash Flow. The definitions of these can be found on page 24 of this report.

Some reported measures have been amended from those previously reported due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision which resulted in a change in accounting policy in the year ended 31 March 2023.

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# Interim FY24 Highlights

Strong business fundamentals underlie profitable growth and cashflow generated

Revenue growth funds ongoing strengthening of the business, whilst maintaining leverage and building a sound sustainable business

Increased investment to deliver on the strategic plan, funded from free cash flows

Revenue  
\$46.9m

Up 33% PCP

Operating Cashflows  
\$9.0m

Down 11% PCP

EBITDA  
\$9.6m (Normalised \$10.6\*\*)

Up 18% PCP

Free Cash Flow  
\$1.0m

1H23 \$3.5m

Profit Before Tax  
\$3.8m (Normalised \$4.8\*\*)

Up 33% PCP

Net Cash  
\$2.2m

1H23 \$1.3m

Total Employees  
179 ↑

1H23 - 151

Total Trans-Tasman Terminal Fleet  
48,000+ ↑

1H23 - 43,000+

\*\*Normalised for cyber incident.

# Interim FY24 Financial Performance Summary



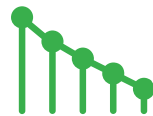
### Revenue by Market

Australian revenues represent 84.9% of total revenue (79.5% in 1H23)



### Free Cash Flow

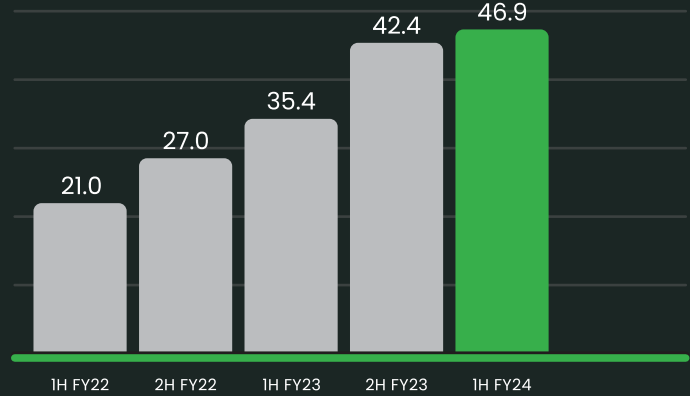
Free cashflows of \$1m generated after accelerating Android developments and paying \$1.7m of taxation and \$0.8m of cyber attack related costs



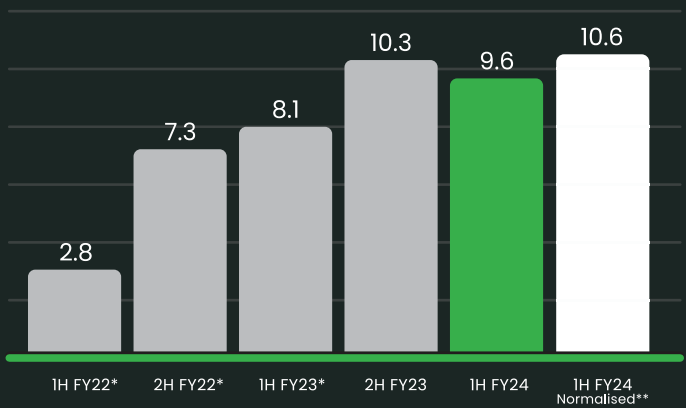
### Bank Debt

Continuing to reduce bank debt

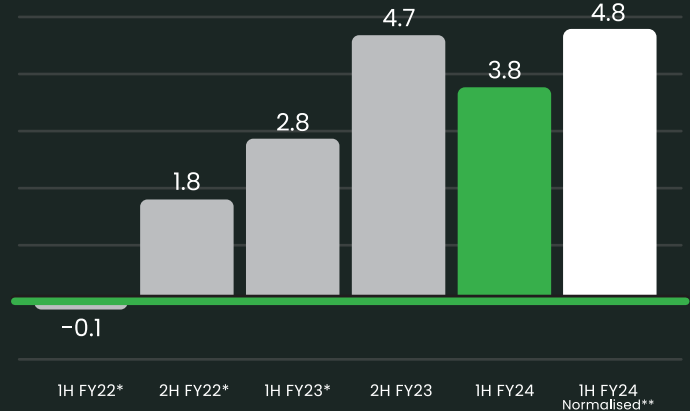
### \$'m Revenue



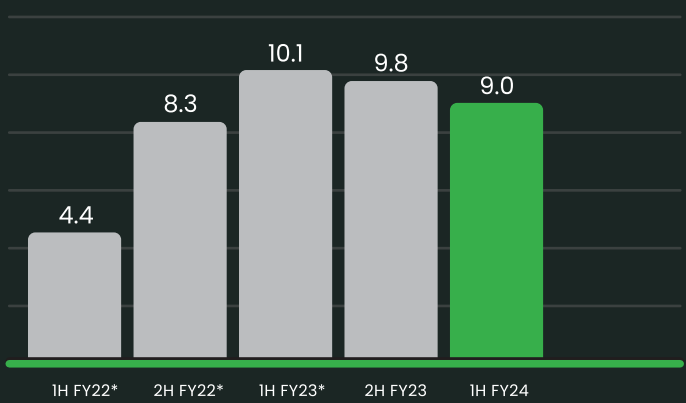
### \$'m EBITDA



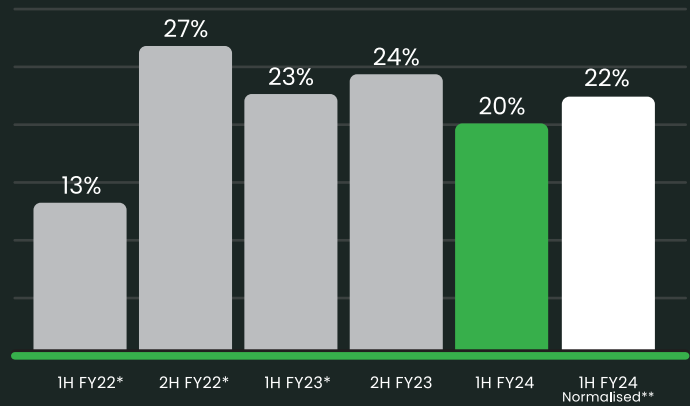
### \$'m Profit Before Tax



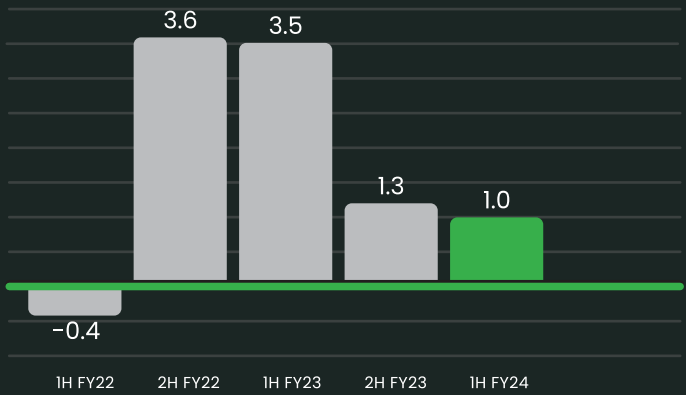
### \$'m Operating Cashflows



### % EBITDA



### \$'m Generating Free Cash Flows



\*numbers have been restated to reflect change in accounting policy for SaaS assets

\*\*Normalised for cyber incident.

# Chair and Chief Executive's Review



It is with pleasure that we write this review for the first half of FY24. Throughout the period we have remained focused on growing our Australian business whilst accelerating investment in unlocking the New Zealand opportunity to allow for the delivery of a truly trans-Tasman payments business.

Our ongoing progress towards 'One Team - One Organisation' saw the introduction of two new members to our executive team throughout the first half of FY24 with Andrew Davies as Chief Revenue Officer and Arron Patterson most recently as Chief Technology Officer. With further internal changes resulting in two of our long-standing senior managers also taking on executive responsibilities we have now rounded out our executive and leadership structure, preparing the business well for executing into our trans-Tasman opportunities now and into the future.

As we have previously indicated, the year to date has been focused on a number of key areas of investment. In Australia we have continued to invest our resources to drive customer acquisition with an overall investment in marketing for the period equivalent to our second half financial year 2023 run-rate. We have however invested more of the marketing spend in directly attributable activities focused on merchant verticals where we see value, supporting our Business Development and Outbound sales capacity. We have added over 2,000 net transacting terminals for the period with the result reflecting strong ongoing merchant onboarding performance balanced by economic pressures impacting our more vulnerable merchants.

The majority of our newly established customer relationships continue to choose SmartCharge as their preferred in-store payment solution. This solution continues to drive our disruption of the incumbent providers and is maintaining our average merchant revenue and margin – notwithstanding the broader softening in TTV seen over the first half of FY24 due to macro-economic conditions.

Ongoing growth in Australian customer numbers has delivered a further increase in revenue. The continuation of our measured approach to investing in our growth, and continued focus on business unit economics, has maintained our strong operating leverage, and delivered a further uplift in EBITDA.

We continue to build a sound, sustainable business.

We remain very focused on executing against the strategic opportunity in Australia and continuing to invest in a measured manner in not only growth but strengthening the business, retaining our customers, and preparing for our New Zealand opportunity.

Technology development and implementation have seen accelerated investment in the first half FY24, as we seek to rapidly develop and deploy our next generation Android terminal into the Australian market prior to the end of calendar year 23. This will be followed by the anticipated launch of our Android terminal and acquiring product into the New Zealand market in the middle of calendar year 24.

### Operating Results

Overall revenues were \$46.9m, up 33% on the prior year of \$35.4m. The key driver of this revenue growth continues to be the growth in our Australian acquiring transaction revenues.

Our ongoing customer acquisition through the period has resulted in our Australian transacting terminal fleet expanding to 17,700 terminals at the end of September 2023, reflected as 7% of our total addressable market opportunity.

The EBITDA increase of 18% year on year, to \$9.6m, reflects ongoing strength in our operating leverage and includes a one-off impact in the period of approximately \$1m associated to the cyber incident in June 2023.

Profit Before Tax (PBT) of \$3.8m highlights the cascading effect of our improving operating leverage to the bottom line and further confirms our resolution to grow the business on a profitable and free cashflow basis.

The business is generating positive operating cashflows with \$9.0m being generated for the period – down on the prior period due to the payment of tax in the period and the one-off expense associated to the cyber incident.

Adjusting for the cyber incident, EBITDA is \$10.6m, a 31% increase year on year and PBT is \$4.8m.

### Summary and Outlook

Maintaining our strong operating leverage whilst making good progress towards our launch into the New Zealand acquiring market and delivering ongoing growth into our Australian opportunity is reflected in a pleasing result for the first half of FY24. We have further strengthened our talent pool of people and the business in the period, and this positions us well for the exciting opportunities ahead.

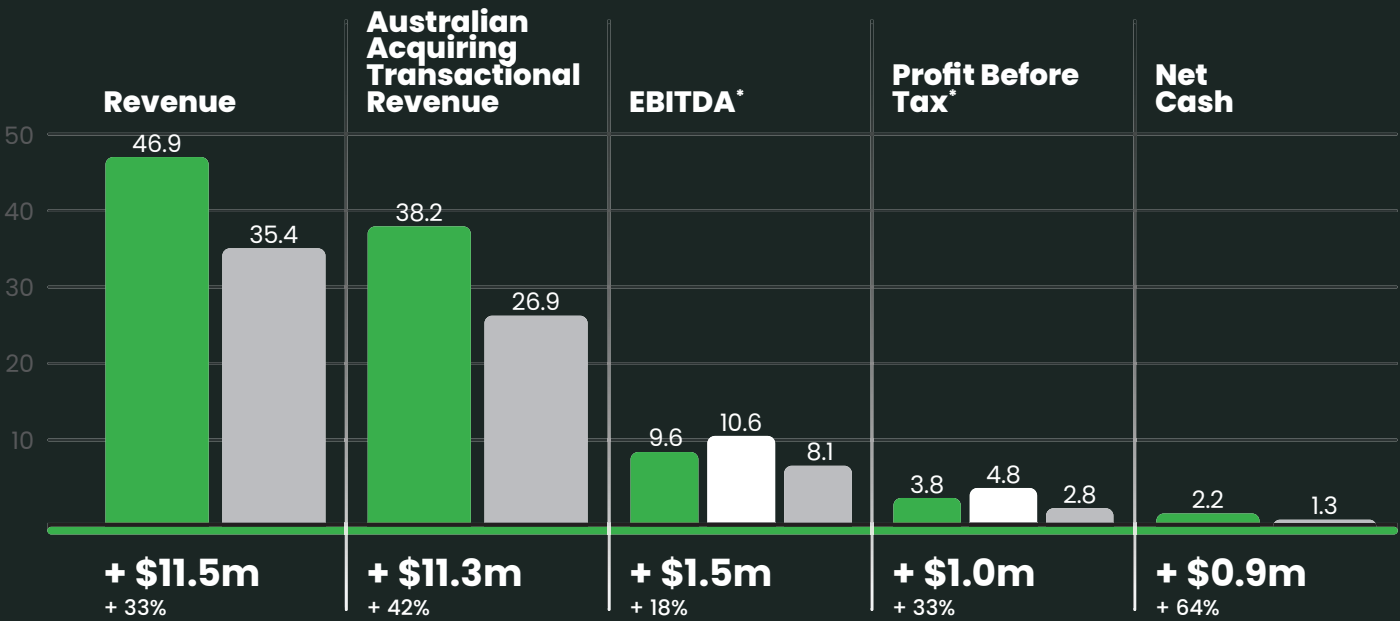
We are building a sustainable business based on sound business fundamentals and are committed as one team to ensuring that we remain true to our values, people, customers, and shareholders.

Thank you for your continued support of our business.

Greg Barclay  
Chairman

Martyn Pomeroy  
Managing Director and  
Chief Executive Officer

### Financial Performance Metrics



\*Normalised for cyber incident.



Smartpay Holdings Limited

# 2024 Interim Financial Statements





# Income Statement

For the six months ended 30 September 2023

	Note	30 Sep 2023 Unaudited \$'000	30 Sep 2022 Unaudited restated* \$'000	31 Mar 2023 \$'000
Revenue	3	46,913	35,401	77,775
Other income	4	20	-	4
Operating expenditure	5	(37,451)	(27,251)	(59,158)
Revaluation gain / (loss) on financial assets		71	(80)	(227)
Earnings before interest, tax, depreciation, amortisation expense, foreign exchange adjustments, share performance rights amortisation expense, financial instrument realised/unrealised revaluation movements, and impairment and loss on disposal of property, plant and equipment		9,553	8,070	18,394
Depreciation and amortisation expense		(4,943)	(4,175)	(8,824)
Foreign exchange adjustments		28	(243)	(86)
Share performance rights amortisation expense		(535)	(540)	(1,035)
Impairment and loss on disposal of property, plant and equipment		(82)	(112)	(238)
Finance income		380	35	378
Finance costs		(640)	(197)	(1,016)
		(5,792)	(5,232)	(10,821)
Profit before tax		3,761	2,838	7,573
Income tax benefit / (expense)	6	(1,124)	344	885
Profit for the period		2,637	3,182	8,458
<b>Earnings per share attributable to the shareholders of the Parent during the period</b>				
Weighted average number of shares ('000)		238,285	238,285	238,285
Basic and diluted earnings per share (cents)		1.11	1.34	3.55

\*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2e.

# Statement of Comprehensive Income

For the six months ended 30 September 2023

	Note	30 Sep 2023 Unaudited \$'000	30 Sep 2022 Unaudited restated* \$'000	31 Mar 2023 \$'000
Profit for the period		2,637	3,182	8,458
<b>Items that may be classified to profit or loss</b>				
Exchange differences on translation of foreign operation		45	492	(115)
Total other comprehensive income, net of tax		45	492	(115)
Total comprehensive income		2,682	3,674	8,343

\*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2e.  
The accompanying Notes to the Interim Financial Statements form part of the financial statements.

# Statement of Financial Position

As at 30 September 2023

	Note	30 Sep 2023 Unaudited \$'000	30 Sep 2022 Unaudited restated* \$'000	31 Mar 2023 \$'000
<b>Current assets</b>				
Cash and bank balances		19,047	15,084	19,477
Trade and other receivables		38,150	18,573	15,961
Derivative financial instruments		65	270	92
Current tax assets		30	19	-
Total current assets		57,292	33,946	35,530
<b>Non-current assets</b>				
Property, plant and equipment	7	17,323	13,606	15,632
Right-of-use assets		5,225	5,155	4,402
Contract costs		2,477	1,625	2,477
Intangible assets	8	15,519	12,700	13,305
Goodwill		14,772	14,772	14,772
Deferred tax assets		1,452	-	2,152
Total non-current assets		56,768	47,858	52,740
Total assets		114,060	81,804	88,270
<b>Current liabilities</b>				
Trade payables and accruals		52,931	28,838	29,781
Borrowings	11	-	1,000	1,000
Lease liabilities		1,526	1,200	1,220
Current tax liabilities		-	-	1,330
Deferred tax liabilities		-	40	-
Total current liabilities		54,457	31,078	33,331
<b>Non-current liabilities</b>				
Borrowings	11	9,500	9,500	9,000
Lease liabilities		4,206	4,366	3,634
Total non-current liabilities		13,706	13,866	12,634
Total liabilities		68,163	44,944	45,965
Net assets		45,897	36,860	42,305
<b>Equity</b>				
Share capital	10	91,641	91,641	91,641
Share performance rights		2,765	1,079	1,855
Foreign currency translation reserve		208	770	163
Retained deficits		(48,717)	(56,630)	(51,354)
Total equity		45,897	36,860	42,305

\*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2e.  
The accompanying Notes to the Interim Financial Statements form part of the financial statements.

# Statement of Changes in Equity

For the six months ended 30 September 2023

	Share Capital	Share Performance Rights Reserve	Foreign Currency Translation Reserve	Retained Deficits restated* \$'000	Total Equity restated* \$'000
	\$'000	\$'000	\$'000		
Six months ended 30 September 2022					
Balance at 31 March 2022*	91,641	539	278	(59,812)	32,646
Profit for the six months*	-	-	-	3,182	3,182
Exchange differences on translation of foreign operation	-	-	492	-	492
Total comprehensive income*	-	-	492	3,182	3,674
Share performance rights	-	540	-	-	540
At the end of the six months*	91,641	1,079	770	(56,630)	36,860
Six months ended 31 March 2023					
Profit for the six months	-	-	-	5,276	5,276
Exchange differences on translation of foreign operation	-	-	(607)	-	(607)
Total comprehensive income	-	-	(607)	5,276	4,669
Share performance rights	-	495	-	-	495
Deferred tax benefit on share performance rights	-	281	-	-	281
Total changes in equity	-	776	(607)	5,276	5,445
At the end of the six months	91,641	1,855	163	(51,354)	42,305
Six months ended 30 September 2023					
Profit for the six months	-	-	-	2,637	2,637
Exchange differences on translation of foreign operation	-	-	45	-	45
Total comprehensive income	-	-	45	2,637	2,682
Share performance rights	-	535	-	-	535
Deferred tax benefit on share performance rights	-	375	-	-	375
At the end of the six months	91,641	2,765	208	(48,717)	45,897

\*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2e. The accompanying Notes to the Interim Financial Statement form part of the financial statements.

# Statement of Cash Flows

For the six months ended 30 September 2023

	Note	30 Sep 2023 Unaudited \$'000	30 Sep 2022 Unaudited restated* \$'000	31 Mar 2023 restated* \$'000
Cash flows from operating activities				
Receipts from customers		47,775	35,393	77,294
Receipts from research and development grants		319	564	563
Interest received		353	31	232
Payments to suppliers and employees		(37,163)	(25,447)	(57,210)
Interest paid		(599)	(478)	(999)
income tax paid		(1,700)	-	-
Net cash inflow from operating activities	12	8,985	10,063	19,880
Cash flows from investing activities				
Payments for terminal assets and other property, plant and equipment		(4,203)	(3,609)	(8,991)
Payments for contract costs		(993)	(900)	(1,953)
Payments for intangible assets		(2,813)	(2,047)	(4,175)
Net cash outflow from investing activities		(8,009)	(6,556)	(15,119)
Cash flows from financing activities				
Repayment of borrowings		(500)	(500)	(1,279)
Repayment of short term borrowings		-	(279)	-
Principal elements of lease payments		(821)	(540)	(1,092)
Net cash outflow from financing activities		(1,321)	(1,319)	(2,371)
Net increase / (decrease) in cash equivalents		(345)	2,188	2,390
Add opening cash equivalents		12,042	9,652	9,652
Closing cash equivalents		11,697	11,840	12,042
Reconciliation of closing cash equivalents to the Statement of Financial Position:				
Cash and cash equivalents		11,697	11,840	12,042
Other bank balances (restricted use)	9	7,350	3,244	7,435
Closing cash and bank balances		19,047	15,084	19,477

\*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2e. The accompanying Notes to the Interim Financial Statement form part of the financial statements.



# Condensed Statement of Accounting Policies and Notes

For the six months ended 30 September 2023

## 1. General Information

Smartpay Holdings Limited (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 reporting entity) in terms of the Financial Markets Conduct Act 2013.

The consolidated financial statements of Smartpay Holdings Limited comprise the Parent and its subsidiaries together referred to as the Group. The Interim Report is presented for the six months ended 30 September 2023 and is unaudited.

The Group’s principal activity is that of a merchant service provider, facilitating payments and providing technology products, services and software to merchants in New Zealand and Australia.

## 2. Basis of Preparation

### 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 unaudited 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 NZ IAS 34: Interim Financial Reporting.

### Use of Non-GAAP measures within the financial statements

Non-generally accepted accounting principle (Non-GAAP) measures have been included as the directors and management believe they provide useful information for readers to assist in understanding the Group’s financial performance. Non-GAAP financial measures are not prepared in accordance with NZ IFRS and are not uniformly defined, therefore Non-GAAP measures reported in the financial statements may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported in accordance with NZ IFRS. The Non-GAAP measure the Group has used is EBITDA, as defined below.

EBITDA – A Non-GAAP measure representing earnings before interest, tax, depreciation, amortisation expense, foreign exchange adjustments, share performance rights amortisation expense, financial instrument realised/unrealised revaluation movements, and impairment and loss on disposal of property, plant and equipment.

## 2. Basis of Preparation (continued)

The Interim Report should be read in conjunction with the financial statements and related accounting policies and notes included in the Group’s Annual Report for the year ended 31 March 2023. The Interim Report does not include all accounting policies and notes of the type normally included within the Annual Report and therefore cannot be expected to provide as comprehensive an understanding of the financial performance, financial position, and financing and investing activities as the Annual Report.

The financial statements were authorised for issue by the Directors on 27 November 2023.

### b. Judgements and Estimates

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. In preparing these financial statements, the significant judgements made by management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2023.

### c. Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (\$’000), which is the Parent’s functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

### d. Accounting Policies

The accounting policies are the same as those adopted in the Annual Report for the year ended 31 March 2023.

The financial statements are prepared on a historical cost basis, except for certain financial instruments carried at fair value and are represented by a Level 2 measurement under the fair value measurement hierarchy.

### e. Comparatives

When the presentation or classification of items is changed, comparative amounts are reclassified unless the reclassification is impractical.

## 2. Basis of Preparation (continued)

### Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision clarifying the accounting treatment for configuration and customisation costs associated with Software as a Service (SaaS) cloud computing arrangements. The new interpretation only permits capitalisation in limited circumstances and in many instances configuration and customisation costs must be recognised as an operating expense.

Under the Group’s previous accounting policy, these configuration and customisation costs were recorded as Work

in Progress prior to capitalisation as an intangible asset. In accordance with the IFRIC agenda decision, the accounting policy should have been revised and would have resulted in the costs being expensed in the year they were incurred. The accounting policy was however not revised by the Group until the end of the prior period and accordingly the adjustments arising have resulted in a prior period restatement.

The impact of the change in the Group’s accounting policy in relation to SaaS cloud computing arrangements on the comparative financial statements is as follows:

Income Statement	Previously Reported (30 Sep 2022)	Change in Accounting Policy	Restated
Operating expenditure*	(27,220)	(31)	(27,251)
Earnings before interest, tax, depreciation, amortisation expense , foreign exchange adjustments, share performance rights amortisation expense, financial instrument realised/unrealised revaluation movements, and impairment and loss on disposal of property, plant and equipment	8,101	(31)	8,070
Depreciation and amortisation expense	(4,348)	173	(4,175)
Profit before tax	2,696	142	2,838
Profit for the period	3,040	142	3,182
Basic and diluted earnings per share	1.28	0.06	1.34
Statement of Financial Position			
Intangible assets	15,984	(3,284)	12,700
Total non-current assets	51,142	(3,284)	47,858
Total assets	85,088	(3,284)	81,804
Net assets	40,144	(3,284)	36,860
Retained deficits	(53,346)	(3,284)	(56,630)
Total equity	40,144	(3,284)	36,860
Statement of Changes in Equity			
Balance at 31 March 2022	(56,386)	(3,426)	(59,812)
Profit for the six months	3,040	142	3,182
Total comprehensive income	3,040	142	3,182
At the end of six months	(53,346)	(3,284)	(56,630)
Statement of Cash Flows			
Payments to suppliers and employees	(25,380)	(67)	(25,447)
Net cash inflow from operating activities	10,130	(67)	10,063
Payments for intangible assets	(2,114)	67	(2,047)
Net cash outflow from investing activities	(6,623)	67	(6,556)

\*The previously reported number for operating expenditure has been adjusted by \$80,000 to reflect that impairment losses on financial assets are now being presented separately on the face of the Income Statement.

3. 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 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.

	New Zealand			Australia			Elimination			Total		
	30 Sep 2023 unaudited \$'000	30 Sep 2022 unaudited \$'000	31 Mar 2023 \$'000	30 Sep 2023 unaudited \$'000	30 Sep 2022 unaudited \$'000	31 Mar 2023 \$'000	30 Sep 2023 unaudited \$'000	30 Sep 2022 unaudited \$'000	31 Mar 2023 \$'000	30 Sep 2023 unaudited \$'000	30 Sep 2022 unaudited \$'000	31 Mar 2023 \$'000
Revenue from contracts with customers												
Service revenue	6,611	6,792	13,507	1,359	1,062	2,264	-	-	-	7,970	7,854	15,771
Transactional income	212	203	427	38,221	26,893	60,549	-	-	-	38,433	27,096	60,976
Other service revenue	34	62	124	16	28	40	-	-	-	50	90	164
Short term rentals	91	72	274	-	-	-	-	-	-	91	72	274
Sale of goods	1,377	2,299	7,185	228	172	342	(1,236)	(2,182)	(6,937)	369	289	590
Total revenue from contracts with customers	8,325	9,428	21,517	39,824	28,155	63,195	(1,236)	(2,182)	(6,937)	46,913	35,401	77,775

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 relates to the revenue on sales of EFTPOS terminals from New Zealand to Australia within the Group.

4. Other Income

	30 Sep 2023 Unaudited \$'000	30 Sep 2022 unaudited \$'000	31 Mar 2023 \$'000
Proceeds of insurance claim	20	-	-
Gain on disposal of vehicle	-	-	4
	20	-	4

5. Operating Expenditure

	30 Sep 2023 unaudited \$'000	30 Sep 2022 unaudited restated* \$'000	31 Mar 2023 \$'000
Direct cost of sales	19,264	12,749	29,464
Terminal communication and servicing	529	369	806
Information technology	1,233	803	1,720
Compliance	1,356	923	1,967
Cyber incident	994	-	-
Employee expenses net of capitalised amounts	10,096	8,447	16,915
Marketing	3,256	3,286	6,931
Travel, accommodation and other	723	674	1,355
	37,451	27,251	59,158

\*Employee expenses net of capitalised amounts restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2e. In addition, compliance and information technology costs has been restated as a result of impairment losses on financial assets now being presented separately on the face of the Income Statement.

6. Income Tax Benefit / (Expense)

	30 Sep 2023 unaudited \$'000	30 Sep 2022 unaudited \$'000	31 Mar 2023 \$'000
Current income tax benefit / (expense)	(50)	285	(1,085)
Deferred tax benefit / (expense)	(1,074)	59	1,970
Income tax benefit / (expense)	(1,124)	344	885

7. Property, Plant and Equipment

	Merchant terminals			Furniture, fixtures, office and computer equipment and motor vehicles			Group total		
	30 Sep 2023 unaudited \$'000	30 Sep 2022 unaudited \$'000	31 Mar 2023 \$'000	30 Sep 2023 unaudited \$'000	30 Sep 2022 unaudited \$'000	31 Mar 2023 \$'000	30 Sep 2023 unaudited \$'000	30 Sep 2022 unaudited \$'000	31 Mar 2023 \$'000
Merchant terminals and other fixed assets									
Opening carrying value	11,139	7,705	7,705	411	344	344	11,550	8,049	8,049
Additions	-	-	-	228	139	310	228	139	310
Transfers from capital work in progress	6,262	3,181	7,241	-	-	-	6,262	3,181	7,241
Depreciation	(2,266)	(1,575)	(3,447)	(122)	(105)	(242)	(2,388)	(1,680)	(3,689)
Cost of sales	(6)	(6)	(17)	-	-	-	(6)	(6)	(17)
Impairment recoveries / (losses)	(5)	202	147	-	-	-	(5)	202	147
Disposals	(77)	(306)	(385)	-	-	-	(77)	(306)	(385)
Foreign exchange adjustments	61	302	(105)	(1)	6	(1)	60	308	(106)
Closing carrying value	15,108	9,503	11,139	516	384	411	15,624	9,887	11,550
Capital work in progress									
Opening carrying value	4,082	1,409	1,409	-	-	-	4,082	1,409	1,409
Additions	3,869	5,409	9,991	-	-	-	3,869	5,409	9,991
Transfers to fixed assets	(6,262)	(3,181)	(7,241)	-	-	-	(6,262)	(3,181)	(7,241)
Foreign exchange adjustments	10	82	(77)	-	-	-	10	82	(77)
Closing carrying value	1,699	3,719	4,082	-	-	-	1,699	3,719	4,082
Total	16,807	13,222	15,221	516	384	411	17,323	13,606	15,632
Reconciled to:									
Cost	28,983	22,262	24,818	2,149	1,813	1,920	31,132	24,075	26,738
Less accumulated depreciation	(13,746)	(12,676)	(13,547)	(1,633)	(1,429)	(1,509)	(15,379)	(14,105)	(15,056)
Less accumulated impairment losses	(129)	(83)	(132)	-	-	-	(129)	(83)	(132)
Closing carrying value	15,108	9,503	11,139	516	384	411	15,624	9,887	11,550
Capital work in progress	1,699	3,719	4,082	-	-	-	1,699	3,719	4,082
Total	16,807	13,222	15,221	516	384	411	17,323	13,606	15,632

8. Intangible Assets

	30 Sep 2023 Unaudited \$'000	30 Sep 2022 Unaudited restated* \$'000	31 Mar 2023 \$'000
Opening carrying value	13,305	12,638	12,638
Additions	3,348	1,926	4,189
Disposals	(60)	(476)	(718)
Amortisation	(1,074)	(1,388)	(2,804)
Closing carrying value	15,519	12,700	13,305
Reconciled to:			
Cost	24,962	26,175	25,909
Less accumulated amortisation and impairment	(9,443)	(13,475)	(12,604)
Closing carrying value	15,519	12,700	13,305

\*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2e.

9. Merchant Settlement

	30 Sep 2023 Unaudited \$'000	30 Sep 2022 Unaudited \$'000	31 Mar 2023 \$'000
Merchant settlement account	7,350	3,244	7,435
Merchant receivables	33,959	15,027	11,817
Merchant payables	(41,309)	(18,271)	(19,251)
Net merchant settlement balance	-	-	1

The merchant receivables and payables form part of cash, receivables and payables.



10. Equity Securities

Share Capital	Number of Shares '000	\$'000
Opening balance at 1 April 2023	238,285	91,641
Closing balance at 30 September 2023	238,285	91,641

The total number of shares on issue at 30 September 2023 was 238,284,963 (31 March 2023: 238,284,963 shares and 30 September 2022: 238,284,963 shares). All ordinary shares are fully paid and rank equally with one vote attaching to each share. The ordinary shares have no par value.

Share Performance Rights

In FY22 Smartpay implemented a share based long term incentive plan (LTI). The eligible employees were offered rights to shares in Smartpay Holdings Limited subject to conditions, to be known as Share Performance Rights (SPRs). The LTI operates for three financial years commencing 1 April 2021. SPRs conditionally vest annually based on two performance measures, EBITDA per share and revenue targets (refer Note 27 in the Annual Report for the year ended 31 March 2023 for further details). In this period 1,352,640 SPRs were conditionally vested.

Movement in share based payment rights	30 Sep 2023 Unaudited	30 Sep 2022 Unaudited	31 Mar 2023
Outstanding at beginning of period	4,057,920	3,947,748	3,947,748
Granted during the period	-	299,820	299,820
Forfeited during the period	-	-	(189,648)
Unconditional vesting during the period	-	-	-
Outstanding at end of period	4,057,920	4,247,568	4,057,920

The expense relating to the LTI plan recognised in this period as part of the employee share performance rights amortisation was \$535,000 (31 March 2023: \$1,035,000; 30 September 2022: \$540,000).

11. Borrowings

On 11 July 2012 the Group’s subsidiary Smartpay New Zealand Limited entered into a committed cash advance facility (CAF) with ASB Bank Limited. On 25 November 2022, the existing CAF was renewed and will expire on 1 October 2025.

On 24 April 2023 there was a further amendment, whereby the quarterly amortisation payments are not required providing that all covenants have been met. Therefore, the loan balance is deemed non-current.

	30 Sep 2023 Unaudited \$'000	30 Sep 2022 Unaudited \$'000	31 Mar 2023 \$'000
Current	-	1,000	1,000
Non-current	9,500	9,500	9,000
Total	9,500	10,500	10,000

Smartpay New Zealand Limited entered into an interest rate swap on 6 April 2022 in respect of approximately 50% of the interest obligations which mirrors the amortisation profile of the CAF. The term of the interest rate swap is 2 years and the fixed interest rate is 3.585%.

12. Operating Cash Flows Reconciliation

	30 Sep 2023 Unaudited \$'000	30 Sep 2022 Unaudited restated* \$'000	31 Mar 2023 restated* \$'000
Profit for the period	2,637	3,182	8,458
<b>Add / (deduct) non-cash items:</b>			
Depreciation and amortisation	4,943	4,175	8,824
Financing costs and merchant chargeback	(8)	23	56
Operating expenses paid through financing	-	-	352
Operating expenses previously capitalised	-	306	
Unrealised foreign exchange	69	129	(207)
Share performance rights amortisation	535	540	1035
Impairment and loss on disposal of property, plant and equipment	82	112	238
Deferred tax (benefit) / expense	700	(59)	(1,970)
<b>Add / (deduct) changes in working capital items:</b>			
Trade and other receivables	841	(8)	(481)
Derivative financial instruments	27	(286)	(107)
Payables and accruals	143	1,674	2,059
Current tax	(984)	275	1,623
Net cash inflow from operating activities	8,985	10,063	19,880

\*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2e.

13. Commitments and Contingencies

Guarantees

There have been no material changes to the guarantees disclosed in the Annual Report for the year ended 31 March 2023.

14. Related Parties

Related party transactions are consistent in nature with those reported in 31 March 2023.

15. Subsequent Events

There are no events subsequent to the reporting date.

# Glossary

**ATS**

Average Ticket Size represents the total value of transactions processed as an average of the number of transactions processed.

**AVERAGE MONTHLY TTV PER UNIT**

Average Monthly TTV per unit represents the total value of transactions processed in a month as an average of the number of transacting terminals for the month.

**COGS**

Cost of Goods Sold represent the costs associated with the provision of the services provided by the terminal. These costs form part of Operating Expenditure reported in Note 5 of the FY24 Interim Financial Statements.

**EBITDA**

A Non-GAAP measure representing Earnings before interest, tax, depreciation, amortisation expense, foreign exchange adjustments, share performance rights amortisation expense, financial instrument realised/unrealised revaluation movements, and impairment and loss on disposal of property, plant and equipment.

**FREE CASH FLOW**

A Non-GAAP measure representing cash flows from operating activites and cash flows from investing activites as reported in the Statement of Cash Flows.

**FY**

Financial year.

**PCP**

Prior Comparable Period.

**SaaS**

Software as a Service is a method of software delivery in which software is accessed online via a subscription rather than bought and installed on individual computers.

**TRANSACTIONING TERMINAL**

A transacting terminal represents a terminal that is processing transactions in the period.

**TTV**

Total Transaction Value represents the total value of transactions processed.

**YoY**

Year on Year.

# Directory

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