



**smartpay**

*payment solutions made easy*

HALF YEAR REPORT 2018



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# Report from the Board & Management





# Chairman and Chief Executive's Review

The Board of Smartpay is pleased to present its half year results to 30 September 2018.

## Six Month Financial Highlights

- Revenue \$10.1m:
  - a 3% decrease on the prior year \$10.4m;
  - a 2% increase on the previous half \$9.9m (6 months to March 18)
- EBITDA\* \$3.3m, a 25% decrease on the prior year \$4.4m
- NPAT \$0.2m, an 80% decrease on prior year of \$0.9m
- Diluted Earnings Per Share (EPS) of 0.10 cents, an 80% decrease on prior year of 0.51 cents

## Business Update Highlights

- Australian terminal and acquiring business achieving strong growth.
- Profit decrease reflects increased expenditure to accelerate and support this growth, funded predominantly through the recent capital raise.

## Operating Results

Given the substantial change in our business over the past 12 months, this half year result belies the significant growth being achieved in our Australian business and is not directly comparable with the same period last year.

In the prior year the Australian revenue model was predominantly terminal rental based with a large one-off terminal sale boosting revenue in the first half. With the focus of the business having transitioned over the ensuing period towards the current transactional acquiring model, the lack of a corresponding one-off terminal sale in the current period explains the lower revenue.

Of greater significance is the revenue increase this half over the previous 6 months (rather than the first half last year) which begins to capture the benefits of the new Australian acquiring business model. Although relatively modest at just 2% growth, this understates the current revenue position due to accelerated growth over a relatively short period. The illustration under the heading "Review of Operations" below shows the growth in terminal numbers and the revenue growth in the Australian acquiring business is on the same trajectory.

*\*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 the contribution to earnings prior to finance costs and non cash items.*

Our Australian acquiring terminal fleet now stands at close to 1,500 self acquired terminals, up from ~1,000 at the time of our last market update (our AGM in late September). Simply put, our Australian strategy is working and our new business model is contributing to the strong level of growth we are achieving in our Australian business.

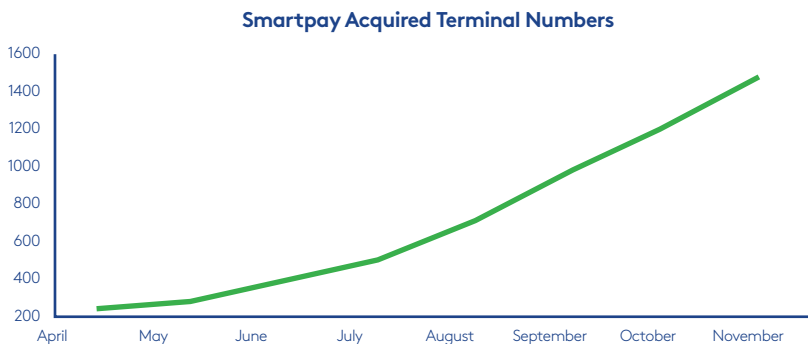
On the cost side, the current period saw increases in costs, mainly in the areas of marketing, sales and headcount to accelerate and support the growth we are seeing in the Australian acquiring business. Importantly these are planned cost increases that are being funded through our recent capital raise which we completed primarily for this purpose.

## Review of Operations

The focus during the period has been the bedding down and growth of our Australian acquiring business.

We are pleased to confirm that our Australian acquiring strategy is delivering the expected outcomes of growth in all key metrics of terminal numbers, revenue and gross margin.

Total self-acquired terminal numbers have grown to close to 1,500 in a relatively short space of time.



As we mature the product, we are turning our attention to developing marketing and sales channels to further accelerate growth. This is taking the form of new marketing campaigns, growth in our internal sales teams and external channel partners. The latter allows us to scale cost effectively and we expect to see incremental growth achieved as these channels come on-line and begin to scale.

# Chairman and Chief Executive's Review

The Board of Smartpay is pleased to present its half year results to 30 September 2018.

## Summary and Outlook

The company is making significant progress in the execution of our growth strategy. Australian terminal numbers are showing strong growth and at significantly higher gross margin with our own acquiring.

The lower profit reported here reflects the board's commitment to invest in accelerating the execution of our growth strategy that we have steadily proven up over the past 12 months and is consistent with the guidance previously given to the market that this year will see lower profit than last year as the P&L reflects the cost impact of this investment.

Notwithstanding the lower profit expected for this year, it is our expectation that the accumulating revenue effect as our network of terminals grows will yield higher revenues and profits into next year and beyond.

A stylized, handwritten signature in black ink, consisting of a large, sweeping loop followed by a vertical line and a small horizontal stroke at the bottom.

**Gregor Barclay**  
Chairman

A stylized, handwritten signature in black ink, featuring a large, bold 'B' followed by a series of connected loops and a horizontal line at the end.

**Bradley Gerdis**  
Chief Executive





## Directors Holding Office

The profiles of the directors who held office during or since the end of the half year are detailed below:

### 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 Remuneration and Nominations Committee and Audit and Finance Committee.

### 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.

Matt resides in Auckland, New Zealand.

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.

## **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 ANZ Private Equity and Gresham Private Equity.

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

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

Marty resides in Auckland, New Zealand.

# Financial Statements







# Condensed Statement of Comprehensive Income

For the Six Months Ended 30 September 2018

		Note	Group		
			30 Sept 2018 Unaudited	30 Sept 2017 Unaudited	31 Mar 2018
			\$'000	\$'000	\$'000
<b>Continuing operations</b>					
Revenue	3		10,098	10,410	20,347
Other income	4		7	11	16
Operating expenditure	5		(6,807)	(6,016)	(10,806)
<b>Earnings before interest, tax, depreciation, share options expense, amortisation, impairments, and unrealised foreign exchange</b>			<b>3,298</b>	<b>4,405</b>	<b>9,557</b>
Depreciation and amortisation	5		(2,792)	(2,951)	(5,878)
Unrealised foreign currency exchange differences			13	22	-
Share option amortisation			-	(10)	(15)
Net finance (costs) / income	5		(701)	(766)	(1,307)
Impairments	5		(18)	(113)	(179)
			(3,498)	(3,818)	(7,379)
<b>Profit (loss) before tax</b>			<b>(200)</b>	<b>587</b>	<b>2,178</b>
Tax benefit	6		367	283	346
<b>Profit for the period from continuing operations of owners</b>			<b>167</b>	<b>870</b>	<b>2,524</b>
<b>Other comprehensive income</b>					
Foreign currency translation differences for foreign operations which may be reclassified subsequently to profit and loss (no tax effect)			125	(43)	(133)
Share based payments reversal which will not subsequently be reclassified to profit / (loss) (no tax effect)			-	-	559
<b>Total comprehensive income of owners</b>			<b>292</b>	<b>827</b>	<b>2,950</b>
<b>Earnings per share from continuing operations attributable to the equity holders of the company during the period.</b>		7			
Basic and diluted earnings per share - cents			0.10 cents	0.51 cents	1.47 cents

The accompanying notes form an integral part of the financial statements.



# Condensed Statement of Changes in Equity

For the Six Months Ended 30 September 2018

	Group			
	Share Capital (note 11)	Foreign Currency Translation Reserve	Retained Deficits	Total Equity
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 31 March 2017</b>	<b>53,998</b>	<b>276</b>	<b>(40,665)</b>	<b>13,609</b>
Profit / (loss) for the six months from continuing operations of owners	-	-	870	870
Other comprehensive income		(43)	-	(43)
Total comprehensive income	-	(43)	870	827
Share options recognised at fair value	10	-	-	10
<b>Total changes in equity</b>	<b>10</b>	<b>(43)</b>	<b>870</b>	<b>837</b>
<b>Balance at 30 September 2017 (unaudited)</b>	<b>54,008</b>	<b>233</b>	<b>(39,795)</b>	<b>14,446</b>
Profit / (loss) for the six months from continuing operations of owners	-	-	1,654	1,654
Other comprehensive income	-	(90)	559	469
Total comprehensive income	-	(90)	2,213	2,123
Share options recognised at fair value net of options lapsed	(554)	-	-	(554)
<b>Total changes in equity</b>	<b>(554)</b>	<b>(90)</b>	<b>2,213</b>	<b>1,569</b>
<b>Balance at 31 March 2018</b>	<b>53,454</b>	<b>143</b>	<b>(37,582)</b>	<b>16,015</b>
Profit / (loss) for the six months from continuing operations of owners	-	-	167	167
Other comprehensive income	-	125	-	125
Total comprehensive income	-	125	167	292
Share options recognised at fair value net of options lapsed	-	-	-	-
<b>Total changes in equity</b>	<b>-</b>	<b>125</b>	<b>167</b>	<b>292</b>
<b>Balance at 30 September 2018 (unaudited)</b>	<b>53,454</b>	<b>268</b>	<b>(37,415)</b>	<b>16,307</b>

The accompanying notes form an integral part of the financial statements.

# Condensed Statement of Financial Position

As at 30 September 2018

	Note	Group		
		30 Sept 2018	30 Sept 2017	31 Mar 2018
		Unaudited \$'000	Unaudited \$'000	\$'000
<b>Current assets</b>				
Cash and bank balances		8,797	819	2,396
Trade and other receivables	8	7,233	3,639	5,201
Finance receivable		106	99	100
Income tax receivable		325	236	13
<b>Total current assets</b>		<b>16,461</b>	<b>4,793</b>	<b>7,710</b>
<b>Non-current assets</b>				
Finance and other receivables		71	176	122
Property, plant and equipment	10	13,458	15,273	13,670
Intangible assets		11,563	8,564	10,250
Goodwill		14,772	14,772	14,772
<b>Total non-current assets</b>		<b>39,864</b>	<b>38,785</b>	<b>38,814</b>
<b>Total assets</b>		<b>56,325</b>	<b>43,578</b>	<b>46,524</b>
<b>Current liabilities</b>				
Trade payables and accruals	9	8,453	2,839	5,867
Derivative financial instruments		129	157	164
Borrowings	11	3,568	2,993	2,998
<b>Total current liabilities</b>		<b>12,150</b>	<b>5,989</b>	<b>9,029</b>
<b>Non-current liabilities</b>				
Borrowings	11	19,724	22,724	21,224
Convertible notes	11	7,991	-	-
Derivative financial instruments		-	147	44
Deferred tax liabilities		153	272	212
<b>Total non-current liabilities</b>		<b>27,868</b>	<b>23,143</b>	<b>21,480</b>
<b>Total liabilities</b>		<b>40,018</b>	<b>29,132</b>	<b>30,509</b>
<b>Net assets</b>		<b>16,307</b>	<b>14,446</b>	<b>16,015</b>
<b>Equity</b>				
Share capital	11	53,454	54,008	53,454
Foreign currency translation reserve		268	233	143
Retained deficits		(37,415)	(39,795)	(37,582)
<b>Total equity</b>		<b>16,307</b>	<b>14,446</b>	<b>16,015</b>
Net tangible asset backing cents per share		(5.56)	(5.18)	(5.24)

The accompanying notes form an integral part of the financial statements.





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\$2.50

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LETTER CAKE MIX

Show us your  
lips!

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# Condensed Statement of Cash Flows

For the Six Months Ended 30 September 2018

	Note	Group		
		30 Sept 2018	30 Sept 2017	31 Mar 2018
		Unaudited \$'000	Unaudited \$'000	\$'000
<b>Cash flows from operating activities</b>				
Receipts from customers		9,602	9,744	20,506
Interest received		30	35	92
Receipts from R&D Tax Credit		-	140	364
Payments to suppliers & employees		(5,969)	(5,759)	(10,870)
Interest paid		(684)	(733)	(1,426)
<b>Net cash inflow/(outflow) from operating activities</b>	12	<b>2,979</b>	<b>3,427</b>	<b>8,666</b>
<b>Cash flows from investing activities</b>				
Proceeds from disposal of assets		-	35	1
Purchase of terminal assets and other property, plant and equipment		(1,515)	(2,655)	(3,361)
Spend on intangible assets		(2,122)	(1,674)	(4,299)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(3,637)</b>	<b>(4,294)</b>	<b>(7,659)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		7,761	290	290
Repayment of borrowings		(750)	(1,500)	(3,000)
Secured deposit		-	-	(239)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>7,011</b>	<b>(1,210)</b>	<b>(2,949)</b>
<b>Net increase/(decrease) in cash equivalents</b>		<b>6,353</b>	<b>(2,077)</b>	<b>(1,942)</b>
<b>Add opening cash equivalents</b>		<b>954</b>	<b>2,896</b>	<b>2,896</b>
<b>Closing cash equivalents</b>		<b>7,307</b>	<b>819</b>	<b>954</b>
Reconciliation of closing cash equivalents to the statement of financial position:				
Cash and bank balances		7,307	819	954
Other bank balances		1,490	-	1,442
<b>Closing cash equivalents</b>		<b>8,797</b>	<b>819</b>	<b>2,396</b>

The accompanying notes form an integral part of the financial statements.



# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2018

## 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 addresses of its registered office and principal place of business are disclosed in the directory to the interim report.

The condensed 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 2018 and is unaudited.

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. 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 condensed consolidated financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. 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 Reporting Act 2013. The financial statements comply with NZ IFRS (NZ IAS 34:Interim Financial Reporting).

The interim report should be read in conjunction with the financial statements and related notes included in the Group’s annual report for the year ended 31 March 2018. The interim report does not include all notes of the type normally included within the annual financial 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 full financial report.

The condensed financial statements were authorised for issue by the Directors on 28 November 2018

### 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 condensed consolidated interim 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 2018.

### **c. Functional and Presentation Currency**

The condensed consolidated financial statements for the six months ended 30 September 2018 are expressed in New Zealand dollars (\$), 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 most recent annual financial report except for the adoption of NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers. There was no material impact on earnings or financial position from the adoption of NZ IFRS 9 and 15. There are some minor changes in presentation and where these have occurred the comparable information in the prior periods has been changed to ensure consistency.

#### **(i) NZ IFRS 15 Revenue from Contracts with Customers**

NZ IFRS 15 is based on a five step approach to recognise revenue from contracts with customers unless those contracts are within the scope of another standard. In accordance with IFRS 15 the Group revenue within scope, is recognised in line with the transfer of goods or services to a customer for an amount that reflects the consideration to which the entity is expected to be entitled in exchange for those goods or services.

#### **(ii) NZ IFRS 9 Financial Instruments**

In accordance with NZ IFRS 9 the Groups financial liabilities and assets are measured at amortised cost. On initial recognition transaction costs are included and amortised over the term of the facility. Financial assets (trade receivables) are assessed on a forward looking basis to determine credit worthiness.

## **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, 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 not analysed for decision making purposes to a segment level.

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2018

## Geographical Segments

Geographical Segments at 30 September 2018 and 30 September 2017	New Zealand		Australia	
	2018	2017	2018	2017
	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000	Unaudited \$'000
<b>Sales – external</b>				
Operating lease, software and support revenue	7,547	7,792	1,050	1,078
Acquiring transactional income	5	-	602	-
Other transactional income	454	462	85	118
Other service revenue	194	156	25	42
Sale of goods	817	857	9	614
Finance revenue	-	1	6	5
Other revenue	5	5	1	1
Total segment sales	9,022	9,273	1,778	1,858

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

Elimination		Total	
2018	2017	2018	2017
Unaudited	Unaudited	Unaudited	Unaudited
\$'000	\$'000	\$'000	\$'000
-	-	8,597	8,870
-	-	607	-
-	-	539	580
-	-	219	198
(702)	(721)	124	750
-	-	6	6
-	-	6	6
(702)	(721)	10,098	10,410

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2018

## 4. Other Income

Other Income	Group		
	30 Sept 2018	30 Sept 2017	31 Mar 2018
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Bad debts recovered	7	11	16
	7	11	16

## 5. Expenditure

Operating Expenditure	Group		
	30 Sept 2018	30 Sept 2017	31 Mar 2018
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Terminal direct costs of sales	107	350	525
Acquiring cost of sales	389	-	96
Terminal communication & servicing costs	396	479	780
Compliance, IT and Marketing costs	843	732	1,325
Employee costs	4,129	3,462	6,350
Occupancy costs	353	397	591
Other costs	409	434	766
Travel and accommodation	181	162	373
	6,807	6,016	10,806

Depreciation and Amortisation	Group		
	30 Sept 2018	30 Sept 2017	31 Mar 2018
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Depreciation	1,993	1,964	3,981
Amortisation	799	987	1,897
	2,792	2,951	5,878

## 5. Expenditure (continued)

Net Finance Costs	Group		
	30 Sept 2018	30 Sept 2017	31 Mar 2018
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Other interest received	(23)	(11)	(50)
Interest on bank overdrafts and borrowings	661	731	1,419
Interest on convertible notes	136	-	-
Change in fair value - Interest rate swap	(71)	(15)	(92)
Change in fair value - foreign exchange contract (realised and unrealised)	(42)	52	16
Finance transaction fees amortisation	40	9	14
	701	766	1,307

Impairments	Group		
	30 Sept 2018	30 Sept 2017	31 Mar 2018
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Merchant terminals	18	113	179
	18	113	179

EFTPOS terminals are impaired if they are damaged and not economic to repair or refurbish.

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2018

## 6. Taxation Expense

	Group		
	30 Sept 2018	30 Sept 2017	31 Mar 2018
	Unaudited \$'000	Unaudited \$'000	\$'000
Income tax (expense) / benefit comprises:			
Current income tax benefits	308	224	227
Deferred tax benefit	59	59	119
Income tax benefit	367	283	346

There has been no material change to the tax position as reported at 31 March 2018.

The current income tax benefit recognised relates to the R&D grant to be received from Inland Revenue.

## 7. Earnings Per Share

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

	Group		
	30 Sept 2018	30 Sept 2017	31 Mar 2018
	Unaudited \$'000	Unaudited \$'000	\$'000
<b>Basic earnings/(loss) per share - cents</b>			
Profit/(loss) for the period	167	870	2,524
Weighted average number of shares ('000)	171,752	171,752	171,752
Basic and diluted earnings/(loss) per share - cents	0.10	0.51	1.47

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 (if any).

### Diluted earnings/(loss) per share - cents

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 30 September 2018 the share options and convertible notes were not dilutive so the calculation excludes the impact of shares potentially issuable. These are 1,000,000 shares (30 September 2017: 7,000,000 and 31 March 2018: 1,000,000 shares) attributable to the share options and the 30,000,000 shares that could be issued if the convertible notes issued on 16 July 2018 (30 September 2017: Nil and 31 March 2018: Nil) converted. Consequently the diluted earnings per share is equivalent to the basic earnings per share.



## 8. Trade and Other Receivables

	Group		
	30 Sept 2018	30 Sept 2017	31 Mar 2018
	Unaudited \$'000	Unaudited \$'000	\$'000
Accounts receivable	1,643	2,084	1,244
Less: Impairment provision on receivables	(21)	(10)	(9)
Less: provision for Kit recovery	(270)	(352)	(244)
Merchant receivables	3,967	-	2,457
Accrued Revenue	1,378	1,586	1,466
Prepayments	536	331	287
<b>Total trade and other receivables</b>	<b>7,233</b>	<b>3,639</b>	<b>5,201</b>

## 9. Trade Payables and Accruals

	Group		
	30 Sept 2018	30 Sept 2017	31 Mar 2018
	Unaudited \$'000	Unaudited \$'000	\$'000
Trade Payables	1,822	1,308	1,096
Merchant payables	5,225	-	3,658
Other payables	-	257	77
GST	106	149	179
Accruals	669	192	292
Employee Entitlements	631	933	565
<b>Total trade payables and accruals</b>	<b>8,453</b>	<b>2,839</b>	<b>5,867</b>

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2018

## 10. Property, Plant and Equipment

	Group		
	30 Sept 2018	30 Sept 2017	31 Mar 2018
	Unaudited \$'000	Unaudited \$'000	\$'000
Opening carrying value	12,341	13,182	13,182
Transfers from capital work in progress	921	1,924	2,664
Additions	419	482	759
Depreciation	(1,994)	(1,964)	(3,981)
Disposals	-	-	-
Cost of sales	(9)	(11)	(25)
Impairment	(18)	(113)	(164)
FX adjustments	93	(16)	(94)
Closing carrying value	11,753	13,484	12,341
Capital work in progress	1,705	1,789	1,329
Total property, plant and equipment	13,458	15,273	13,670

## 11. Debt and Equity Securities

There have been no new share or option issues during the period other than the convertible note issue (see details below).

Share Capital	Number of Shares ('000)	\$'000
Opening balance at 1 April 2018	171,752	53,454
Share based payments	-	-
Closing Balance 30 September 2018	171,752	53,454

The total number of shares on issue at 30 September 2018 was 171,752,278 (31 March 2018: 171,752,278 shares and 30 September 2017: 171,752,278 shares). All ordinary shares are fully paid and rank equally with one vote attaching to each share. The ordinary shares have no par value.

### Debt

The existing ASB Bank facilities have been extended and now expire on 30 January 2020. The capex facility is in place until 30 January 2020 however each draw down on the facility is provided on 90 day terms and rolled over. Normal quarterly repayments have been made in accordance with the ASB Bank's requirements and there has been no breach of covenants during this period. 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 and carry an interest rate of 8% per annum. The notes mature on 16 October 2020 and are convertible into 30,000,000 ordinary shares at A\$0.25 per share at the option of the note holder. The convertible note holders 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.

## 12. Operating Cash Flows Reconciliation

	Group		
	30 Sept 2018	30 Sept 2017	31 Mar 2018
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Profit/(loss) for the period	167	870	2,524
Add/(deduct) non-cash items:			
Depreciation & amortisation	2,793	2,951	5,878
Share based payments	-	10	15
Financing costs and bad debts	60	20	103
Foreign exchange adjustments	(13)	(22)	-
Impairment	18	113	179
Deferred tax	(59)	(59)	(119)
Add/(deduct) changes in working capital items:			
Trade and other receivables	(497)	(547)	144
Derivative financial instruments	(107)	37	(57)
Payables and accruals	929	117	(161)
Provision for current tax	(312)	(63)	160
Net cash inflow/(outflow) from operating activities	2,979	3,427	8,666

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2018

## 13. Commitments and Contingencies

### a. Operating Lease Commitments

There has been no material change to the operating lease commitments disclosed in the most recent annual financial report.

### b. Guarantees

There has been no material change to the guarantees disclosed in the most recent annual financial report.

## 14. Related Parties

The notes below should be read in conjunction with note 28 Related Parties in the most recent annual financial statements for the year ended 31 March 2018. The comments in the most recent financial statements are not materially different for the period to 30 September 2018.

## 15. Subsequent Events

Following balance date the following events have occurred:

There have been no events subsequent to balance date.

## Registered office

205-209 Wairau Road, Glenfield  
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0800 4 SMARTPAY (476 278)  
Email: investor@smartpayltd.com  
Website: smartpayinvestor.com

## Australian offices

Level 2, 117 York Street  
Sydney  
NSW 2000, Australia

## Board

Greg Barclay – Chairman and Independent Director  
Matthew Turnbull – Independent Director  
Bradley Gerdis – Managing Director  
Marty Pomeroy – Executive Director

## Management

Bradley Gerdis – Managing Director  
Marty Pomeroy – Chief Operating Officer  
Aidan Murphy – Chief Financial Officer  
Rowena Bowman – Company Secretary

## 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  
P: + 64 9 488 8700

## Share registrar – Australia

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

## Solicitors

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Level 2  
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P: +64 9 379 3163

## Auditors

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