



**smartpay**  
payment solutions made easy

HALF YEAR REPORT 2020



Ginger \$6.00  
Beetroot \$7.00  
Celery



# SMASHED AVOCADO  
AVO \$75  
TOMATO \$80  
FETA \$9.0

TIPS  
THANK A WHOLE LOT

\$4.5

13.50

# Contents

## Report from the Board and Management

Chairman and Chief Executive's Review	01
Directors Holding Office	05

## Financial Statements

Condensed Statement of Comprehensive Income	09
Condensed Statement of Changes in Equity	10
Condensed Statement of Financial Position	11
Condensed Statement of Cash Flows	14
Condensed Notes to the Financial Statements	15
Directory	28



# 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 2020.

We are extremely pleased with the overall performance of the business in the first half of the financial year in what was a very challenging period for our customers and our team.

Both our Australian and New Zealand operations showed strong resilience to the effects of the national lockdowns through the first quarter of the financial year and this was in large part due to the effectiveness of our management team and the agility and adaptability of our people. Whilst we were not immune to the effects of the downturn on trading conditions due to the Covid-19 pandemic, our Business Continuity plans proved very effective as we successfully transitioned the bulk of our employees across Australia and New Zealand to working from home, and then back into our offices again as the restrictions lifted.

Whilst many of our customers experienced a downturn in trading in the first quarter, most have returned to pre Covid-19 levels as trading restrictions have eased across both countries.

In late June we completed a very successful capital raise which immediately reduced our debt levels and provided cash to support our ongoing growth ambitions in the Australian market. We continue to invest in both capacity and direct marketing activity to support our growth execution plans and in the second quarter of the financial year we have doubled the size of both our Australian sales and marketing teams. This investment has resulted in record monthly lead generation and customer acquisition results in the second quarter off the back of our growing market presence, increased marketing activity and brand awareness campaigns.

Australian transacting terminals grew to 4,611 at the end of September. Current transacting terminals has further increased to 5,098 as at the end of October.

Pleasingly, this top-level growth has been achieved with increases in acquiring margin through the period.

In New Zealand we have focused on reinforcing our market presence and the strength of our brand with a marketing program promoting our market leading payments solutions and customer experience. This activity has seen our customer acquisition rates return to pre Covid-19 levels.

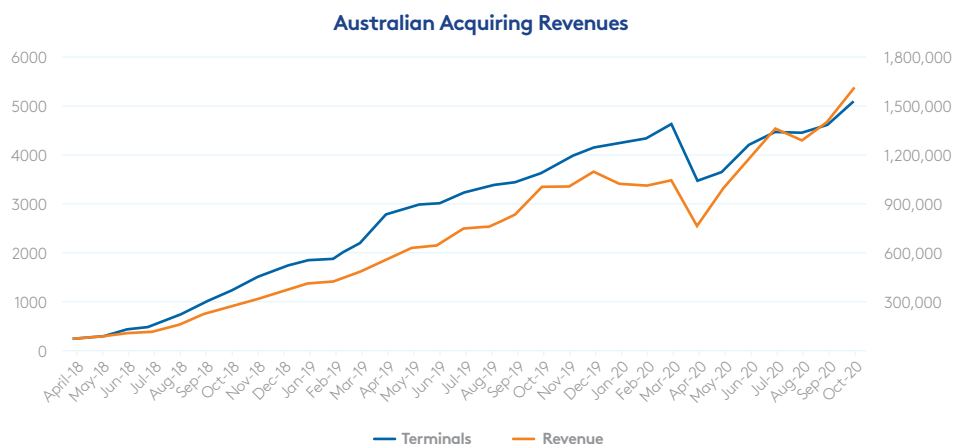
## Six Month Financial Highlights

- Revenue \$14.5m, an 8% increase on the prior year \$13.4m.
- Australia acquiring income:
  - \$6.3m, a 67% increase on the prior year \$3.8m.
  - Strong recovery post Covid-19 with September the largest month on record.
  - Current annualised run-rate over \$19m (based on October) compared to \$9.5m for the entire 2020 financial year.

- EBITDA\* of \$3.4m, a 6% decrease on prior year. The result includes approximately \$500k adverse Covid 19 related impact to the business and significant ramp up in marketing and sales activities.
- After Tax Loss of \$9.2m largely driven by \$7.7m non-cash fair value adjustment of existing convertible notes – a direct result of our strong share price increase
- Net debt, excluding convertible notes, has reduced significantly to \$4.8m from \$19.4m at the beginning of the period through the capital raise.

## Operating Performance

With the period under review beginning on 1 April, aligning almost exactly with the start of the full Covid-19 lock-down in Australia and New Zealand, operating performance was heavily impacted in the first part of the period. This is clearly reflected in the Australian Acquiring graph below which also highlights the speed of our recovery to pre- Covid-19 levels and continued growth to the record level of both terminal deployment and revenue generation we are experiencing today. So, notwithstanding the strong revenue increase over the prior year period, this would have been even stronger but for the impact of Covid-19.



We experienced a similar trend in the level of activity of our New Zealand terminals during the period of much stricter lockdown in that market, however the revenue impact was significantly mitigated due to the predominantly fixed rental fee nature of our New Zealand business model.

\*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.

# Chairman and Chief Executive's Review

The Board of Smartpay is pleased to present its half year results to 30 September 2020.

## Summary and Outlook

Notwithstanding the disruption of the Covid-19 lockdowns on both our business and those of our customers, we have come through the period well capitalised and with the business growing strongly.

Given the current level of growth and underlying performance of the business, we expect to generate record revenue in the second half.

A stylized, handwritten signature in black ink, featuring a large, sweeping loop at the top and a long, horizontal stroke extending to the right.

**Gregor Barclay**  
Chairman

A stylized, handwritten signature in black ink, featuring a large, sweeping loop at the top and a long, horizontal stroke extending to the right.

**Marty Pomeroy**  
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 Audit and Finance Committee.

Greg Resides in Auckland, New Zealand.

### 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.

### 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.

## 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 driving the strategy and build of the opportunity in Australia.

Marty resides in Auckland, New Zealand.

# Financial Statements





# Condensed Statement of Comprehensive Income

For the Six Months Ended 30 September 2020

	Note	Group		
		30 Sept 2020 Unaudited \$'000	30 Sept 2019 Unaudited \$'000	31 Mar 2020 \$'000
<b>Continuing operations</b>				
<b>Revenue</b>	3	14,530	13,423	28,271
Other income	4	3	13	19
Operating expenditure	5	(11,142)	(9,838)	(20,894)
<b>Earnings before interest, tax, depreciation, share options expense, amortisation, impairments, and unrealised foreign exchange</b>		<b>3,391</b>	<b>3,598</b>	<b>7,396</b>
Depreciation and amortisation	5	(3,386)	(3,579)	(7,350)
Unrealised foreign currency exchange differences		(202)	(255)	(214)
Net finance costs	5	(1,022)	(1,199)	(2,453)
Change in fair value of convertible notes	5	(7,700)	298	(1,809)
Impairments	5	(358)	(53)	(553)
		(12,668)	(4,788)	(12,379)
<b>Loss before tax</b>		<b>(9,277)</b>	<b>(1,190)</b>	<b>(4,983)</b>
Tax benefit	6	59	451	511
<b>Loss for the period from continuing operations of owners</b>		<b>(9,218)</b>	<b>(739)</b>	<b>(4,472)</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)		241	163	(45)
Share based payments reversal which will not subsequently be reclassified to profit/loss (no tax effect)		-	-	104
<b>Total comprehensive income of owners</b>		<b>(8,977)</b>	<b>(576)</b>	<b>(4,413)</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		(4.68) cents	(0.43) cents	(2.59) 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 2020

	Group			
	Share Capital (note 12)	Foreign Currency Translation Reserve	Retained Deficits	Total Equity
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 31 March 2019</b>	<b>53,454</b>	<b>115</b>	<b>(39,922)</b>	<b>13,647</b>
Profit / (loss) for the six months from continuing operations of owners	-	-	(739)	(739)
Other comprehensive income		163	-	163
Total comprehensive income	-	163	(739)	(576)
Share options recognised at fair value		-	-	-
<b>Total changes in equity</b>	<b>-</b>	<b>163</b>	<b>(739)</b>	<b>(576)</b>
<b>Balance at 30 September 2019 (unaudited)</b>	<b>53,454</b>	<b>278</b>	<b>(40,661)</b>	<b>13,071</b>
Profit / (loss) for the six months from continuing operations of owners	-	-	(3,733)	(3,733)
Other comprehensive income	-	(208)	104	(104)
Total comprehensive income	-	(208)	(3,629)	(3,837)
Convertible notes converted to ordinary shares	1,083	-	-	1,083
Share options recognised at fair value lapsed	(104)	-	-	(104)
<b>Total changes in equity</b>	<b>979</b>	<b>(208)</b>	<b>(3,629)</b>	<b>(2,858)</b>
<b>Balance at 31 March 2020</b>	<b>54,433</b>	<b>70</b>	<b>(44,290)</b>	<b>10,213</b>
Profit / (loss) for the six months from continuing operations of owners	-	-	(9,218)	(9,218)
Other comprehensive income	-	241	-	241
Total comprehensive income	-	241	(9,218)	(8,977)
New share capital	15,539	-	-	15,539
<b>Total changes in equity</b>	<b>15,539</b>	<b>241</b>	<b>(9,218)</b>	<b>6,562</b>
<b>Balance at 30 September 2020 (unaudited)</b>	<b>69,972</b>	<b>311</b>	<b>(53,508)</b>	<b>16,775</b>

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

# Condensed Statement of Financial Position

As at 30 September 2020

	Note	Group		
		30 Sept 2020	30 Sept 2019	31 Mar 2020
		Unaudited \$'000	Unaudited \$'000	\$'000
<b>Current assets</b>				
Cash and bank balances		8,194	4,187	1,648
Trade and other receivables	8	5,667	4,136	3,986
Derivative financial instruments		1	15	-
Income tax receivable		15	417	15
<b>Total current assets</b>		<b>13,877</b>	<b>8,755</b>	<b>5,649</b>
<b>Non-current assets</b>				
Secured loan to related party	15	1,621	-	-
Property, plant and equipment	9	8,313	10,969	9,072
Right of use assets		630	1,098	849
Contract assets		894	1,025	934
Intangible assets	10	15,249	14,674	15,100
Goodwill		14,772	14,772	14,772
Deferred tax asset		84	-	25
<b>Total non-current assets</b>		<b>41,563</b>	<b>42,538</b>	<b>40,752</b>
<b>Total assets</b>		<b>55,440</b>	<b>51,293</b>	<b>46,401</b>
<b>Current liabilities</b>				
Trade payables and accruals	11	8,068	8,462	5,426
Derivative financial instruments		-	-	19
Borrowings	12	739	3,000	3,218
Lease liabilities	16	545	468	413
Convertible notes		-	-	8,988
<b>Total current liabilities</b>		<b>9,352</b>	<b>11,930</b>	<b>18,064</b>
<b>Non-current liabilities</b>				
Borrowings	12	11,500	17,474	17,505
Convertible notes	12	17,576	7,947	-
Lease liabilities	16	237	836	619
Deferred tax liabilities		-	35	-
<b>Total non-current liabilities</b>		<b>29,313</b>	<b>26,292</b>	<b>18,124</b>
<b>Total liabilities</b>		<b>38,665</b>	<b>38,222</b>	<b>36,188</b>
<b>Net assets</b>		<b>16,775</b>	<b>13,071</b>	<b>10,213</b>
<b>Equity</b>				
Share capital	12	69,972	53,454	54,433
Foreign currency translation reserve		311	278	70
Retained deficits		(53,508)	(40,661)	(44,290)
<b>Total equity</b>		<b>16,775</b>	<b>13,071</b>	<b>10,213</b>
Net tangible asset backing cents per share		(6.79)	(10.77)	(11.87)

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





# Condensed Statement of Cash Flows

For the Six Months Ended 30 September 2020

	Note	Group	
		30 Sept 2020	30 Sept 2019
		Unaudited	Unaudited
		\$'000	\$'000
			31 Mar 2020
			\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		14,731	14,200
Interest received		-	10
Receipts from R&D grants		-	-
Payments to suppliers & employees		(10,663)	(9,924)
Interest paid		(366)	(955)
<b>Net cash inflow from operating activities</b>	13	<b>3,702</b>	<b>3,331</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of assets		-	-
Purchase of terminal assets and other property, plant and equipment		(964)	(671)
Spend on contract costs		(271)	(358)
Spend on intangible assets		(1,421)	(2,520)
<b>Net cash (outflow) from investing activities</b>		<b>(2,656)</b>	<b>(3,549)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue		15,564	-
Repayment of borrowings		(8,505)	(750)
Repayments of short term borrowings		(245)	-
Secured loan to related party		(1,594)	-
Payments of lease liabilities		(212)	(218)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>5,008</b>	<b>(968)</b>
<b>Net increase/(decrease) in cash equivalents</b>		<b>6,054</b>	<b>(1,186)</b>
<b>Add opening cash equivalents</b>		<b>1,101</b>	<b>2,407</b>
<b>Closing cash equivalents</b>		<b>7,155</b>	<b>1,221</b>
<i>Reconciliation of closing cash equivalents to the statement of financial position:</i>			
Cash and bank balances		7,155	1,221
Other bank balances		1,039	2,966
<b>Closing cash equivalents</b>		<b>8,194</b>	<b>4,187</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 2020

## 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 2020 and is unaudited.

The Group comprises profit-oriented entities and is a provider of technology products, merchant acquiring 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 2020. 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 25 November 2020.

### 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 2020.

Covid 19 has had an impact on the Group in this reporting period, especially the April to June quarter. Please refer to Note 2 of the most recent financial statements for details around how this impact was mitigated. In July to September 2020, the company experienced an increase in customer demand in New Zealand and Australia.

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

The condensed consolidated financial statements for the six months ended 30 September 2020 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 31 March 2020.

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2020

## 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.

## Geographical Segments

Geographical Segments at 30 September 2020 and 30 September 2019	New Zealand		Australia	
	2020	2019	2020	2019
	Unaudited	Unaudited	Unaudited	Unaudited
	\$'000	\$'000	\$'000	\$'000
<b>Sales - external</b>				
Service revenue	7,190	7,545	668	801
Transactional income	147	389	6,319	3,786
Other service revenue	38	36	24	30
Sale of goods	75	549	50	646
Short term rentals	19	97	-	-
Total segment sales	7,469	8,616	7,061	5,263

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.

Elimination		Total	
2020	2019	2020	2019
Unaudited	Unaudited	Unaudited	Unaudited
\$'000	\$'000	\$'000	\$'000
-	-	7,858	8,346
-	-	6,466	4,175
-	-	62	66
-	(456)	125	739
-	-	19	97
-	(456)	14,530	13,423

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2020

## 4. Other Income

Other Income	Group		
	30 Sept 2020	30 Sept 2019	31 Mar 2020
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Bad debts recovered	3	10	19
Gain on disposal of fixed assets	-	3	-
	3	13	19

## 5. Expenditure

Operating Expenditure	Group		
	30 Sept 2020	30 Sept 2019	31 Mar 2020
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Direct cost of sales	4,219	3,632	7,193
Terminal communication & servicing costs	254	207	1,039
Compliance, IT and Marketing costs	1,622	1,223	2,785
Employee costs net of capitalised amounts	4,607	4,185	8,663
Occupancy costs	72	105	236
Other costs	346	321	687
Travel and accommodation	22	165	291
	11,142	9,838	20,894

Depreciation and Amortisation	Group		
	30 Sept 2020	30 Sept 2019	31 Mar 2020
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Depreciation of property, plant and equipment	1,757	1,961	4,004
Amortisation of contract costs and intangible assets	1,629	1,618	3,346
	3,386	3,579	7,350

## 5. Expenditure (continued)

Net Finance Costs	Group		
	30 Sept 2020	30 Sept 2019	31 Mar 2020
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Interest receivable	(12)	(10)	(14)
Interest on bank overdrafts and borrowings	355	613	1,138
Interest on lease liabilities	21	47	91
Convertible note interest paid	245	318	621
Convertible note amortisation	369	306	664
Change in fair value - Interest rate swap	-	(46)	(47)
Change in fair value - foreign exchange contract (realised and unrealised)	44	(33)	-
Finance transaction fees amortisation	-	4	-
	1,022	1,199	2,453

Change in fair value of convertible notes	Group		
	30 Sept 2020	30 Sept 2019	31 Mar 2020
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Debt modification gain	(782)	-	-
Option fair value movement	8,481	(298)	1,809
	7,700	(298)	1,809

Impairments	Group		
	30 Sept 2020	30 Sept 2019	31 Mar 2020
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Merchant terminal impairment write off	398	53	512
Merchant terminal impairment provision (reduction)	(40)	-	41
	358	53	553

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 2020

## 6. Taxation Benefit

	Group		
	30 Sept 2020	30 Sept 2019	31 Mar 2020
	Unaudited \$'000	Unaudited \$'000	\$'000
Income tax (expense) / benefit comprises:			
Current income tax benefits	-	392	392
Deferred tax benefit	59	59	119
Income tax benefit	59	451	511

There has been no material change to the tax position as reported at 31 March 2020.

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

## 7. Earnings Per Share

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

	Group		
	30 Sept 2020	30 Sept 2019	31 Mar 2020
	Unaudited \$'000	Unaudited \$'000	\$'000
<b>Basic earnings/(loss) per share - cents</b>			
Profit/(loss) for the period	(9,218)	(739)	(4,472)
Weighted average number of shares ('000)	196,871	171,752	172,332
Basic and diluted earnings/(loss) per share - cents	(4.68)	(0.43)	(2.59)

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 2020 the convertible notes were not dilutive so the calculation excludes the impact of shares potentially issuable. These are 28,818,400 shares that could be issued if the convertible notes issued on 16 July 2018 including the PIK interest (30 September 2019: 30,000,000 and 31 March 2020: 28,000,000) converted. Consequently the diluted earnings per share is equivalent to the basic earnings per share.



## 8. Trade and Other Receivables

	Group		
	30 Sept 2020	30 Sept 2019	31 Mar 2020
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Accounts receivable	1,401	1,685	1,462
Less: Impairment provision on receivables	(208)	(63)	(82)
Less: provision for Kit recovery	(177)	(261)	(187)
Merchant receivables	3,063	1,726	1,264
Accrued Revenue	996	821	1,153
Prepayments	592	228	376
<b>Total trade and other receivables</b>	<b>5,667</b>	<b>4,136</b>	<b>3,986</b>

## 9. Property, Plant and Equipment

	Group		
	30 Sept 2020	30 Sept 2019	31 Mar 2020
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Opening carrying value	7,635	10,099	10,099
Transfers from capital work in progress	714	671	1,676
Additions	15	6	43
Depreciation	(1,466)	(1,782)	(3,533)
Disposals	-	(11)	-
Cost of sales	(4)	(5)	(257)
Impairment	(3)	(26)	(345)
FX adjustments	145	100	(48)
Closing carrying value	7,036	9,052	7,635
Capital work in progress	1,277	1,917	1,437
<b>Total property, plant and equipment</b>	<b>8,313</b>	<b>10,969</b>	<b>9,072</b>
Reconciled to:			
Cost	20,272	22,753	20,789
less accumulated depreciation and impairment	(13,065)	(13,364)	(12,843)
less impairment provision	(171)	(337)	(311)
Closing carrying value	7,036	9,052	7,635
Capital work in progress	1,277	1,917	1,437
<b>Total property, plant and equipment</b>	<b>8,313</b>	<b>10,969</b>	<b>9,072</b>

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2020

## 10. Intangible Assets

	Group		
	30 Sept 2020	30 Sept 2019	31 Mar 2020
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Opening carrying value	15,100	13,336	13,336
Additions	1,403	2,534	4,282
Amortisation	(1,261)	(1,203)	(2,517)
FX adjustments	7	7	(1)
Closing carrying value	15,249	14,674	15,100
Reconciled to:			
Cost	23,952	22,563	24,285
less accumulated depreciation and impairment	(8,703)	(7,889)	(9,185)
Closing carrying value	15,249	14,674	15,100

## 11. Trade Payables and Accruals

	Group		
	30 Sept 2020	30 Sept 2019	31 Mar 2020
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Trade Payables	1,726	1,725	2,229
Merchant payables	4,334	4,954	1,778
GST	193	290	133
Accruals	760	644	508
Deferred revenue	10	-	103
Employee Entitlements	1,045	849	675
<b>Total trade payables and accruals</b>	<b>8,068</b>	<b>8,462</b>	<b>5,426</b>

## 12. Debt and Equity Securities

There has been a rights issue of shares completed at 2 dates during the six months ended 30 September 2020.

Share Capital	Number of Shares ('000)	\$'000
Opening balance at 1 April 2020	173,752	54,433
Shares issued 28 May 2020	30,953	13,927
Shares issued 25 June 2020	4,762	2,131
Share rights issue costs	-	(519)
Closing Balance 30 September 2020	209,467	69,972

The total number of shares on issue at 30 September 2020 was 209,466,562 (31 March 2020: 173,752,278 shares and 30 September 2019: 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**

### **Borrowings**

In accordance with the amendment to the ASB loan agreement entered into on 30 June 2020 the term loan facility has been repaid in full and the facility has been cancelled. The existing capex facility provided by ASB Bank has been extended and now expires on 1 October 2021, together with an increase in the facility to \$12 million. The amortisation of the capex facility is \$250,000 payable on 30 June 2021 and \$250,000 each quarter from then on until termination. There has been no breach of covenants during this period.

### **Convertible Notes**

On 16 July 2018 15 convertible notes were originally issued with a face value of A\$500,000 each for an aggregate value of A\$7,500,000 and carried an interest rate of 8% per annum. The notes were to mature on 16 October 2020 and were 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. One of the notes was converted on 17 December 2019. See 31 March 2020 financial statement for full details.

The terms of the convertible notes were amended on 16 April 2020. The changes to the terms were an extension of the termination date to 16 October 2021 and a reduction in the interest rate from 8% to 6.4% from April 2020. In addition, all interest for the period 1 April 2020 to 30 September 2020 was paid in kind (PIK). That is, the PIK interest amount was added to the principal amount at the same conversion rate of A\$0.25 cents per share.

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2020

## 12. Debt and Equity Securities (continued)

<i>Carrying Value at 31 March 2020</i>	<b>\$'000</b>
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)
<i>Convertible note balance at 31 March 2020</i>	8,988

<i>Carrying Value at 30 September 2020</i>	<b>\$'000</b>
Convertible note balance at 31 March 2020	8,988
Debt modification gain	(782)
Option fair value movement	8,481
Amortisation (option and fees)	369
Capitalised interest for April to September 2020	221
Unrealised FX movement	299
<i>Convertible note balance at 30 September 2020</i>	17,576

<i>Movement in Unrealised fair value of the option</i>	<b>Group</b>		
	<b>30 Sept 2020</b>	<b>30 Sept 2019</b>	<b>31 Mar 2020</b>
	<b>Unaudited</b>	<b>Unaudited</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fair value opening	2,159	913	913
Fair value closing	10,640	615	2,159
<i>Total increase / (decrease) in value of option above</i>	8,481	(298)	1,246

<i>Debt Modification gain/(loss) at 16 April 2020</i>			
Convertible notes	782	-	-
Options	(469)	-	-
	313	-	-

## 13. Operating Cash Flows Reconciliation

	Group		
	30 Sept 2020	30 Sept 2019	31 Mar 2020
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Profit/(loss) for the period	(9,218)	(739)	(4,472)
<i>Add/(deduct) non-cash items:</i>			
Depreciation & amortisation	3,386	3,579	7,350
Loss/(gain) on disposal of fixed assets	-	(4)	(4)
Financing costs and bad debts	262	(9)	112
Convertible note option and fees	369	521	664
Change in fair value of convertible notes	7,700	(298)	1,809
Change in fair value of interest rate swap	-	-	(47)
Foreign exchange adjustments	265	45	214
Impairment	358	53	553
Deferred tax	(59)	(59)	(119)
<i>Add/(deduct) changes in working capital items:</i>			
Trade and other receivables	201	778	9
Derivative financial instruments	(20)	(79)	(28)
Payables and accruals	458	(64)	425
Provision for current tax	-	(393)	9
Net cash inflow/(outflow) from operating activities	3,702	3,331	6,475

## 14. 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.

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2020

## 15. Related Parties

This note should be read in conjunction with note 30 Related Parties in the most recent annual financial statements for the year ended 31 March 2020.

Bradley Gerdis has resigned from being the Managing Director of Smartpay Holdings Limited but through his directorship of Haymaker Investments Pty Limited which retains a shareholding at 30 September 2020 of 6,515,422 shares (31 March 2020: 6,515,422) in Smartpay Holdings Limited he remains a related party. A secured loan of A\$1,500,000 (NZ\$1,621,000) was provided to Haymaker Trust on 6 July 2020 for a term of 18 months at 3% interest and 4,500,000 ordinary shares are held as security against the loan. Interest is capitalised into the loan and paid at maturity.

## 16. Lease Liabilities

As a direct result of the COVID-19 pandemic the Group, as a lessee, received \$32,000 in rent concessions over the three-month period from April to June 2020. The COVID-19 practical expedient, issued by the IASB in May 2020, has been applied and the rent concessions have been accounted for as if they were not lease modifications. The rent concessions have instead been accounted for as a reduction of operating costs.

## 17. Subsequent Events

Following balance date the following events have occurred:

- On 17<sup>th</sup> November 2020, the debt facility with ASB has been extended. The new expiry date of the agreement is 1 October 2022.



## Registered office

205-209 Wairau Road, Glenfield  
PO Box 100490,  
North Shore Mail Centre  
Auckland, New Zealand  
0800 4 SMARTPAY (476 278)  
Email: [investor@smartpayltd.com](mailto:investor@smartpayltd.com)  
Website: [smartpayinvestor.com](http://smartpayinvestor.com)

## Australian offices

Level 2, 117 York Street  
Sydney  
NSW 2000, Australia

## Board

Greg Barclay  
*Chairman and Independent Director*

Matthew Turnbull  
*Independent Director*

Carlos Gil  
*Non-Executive Director*

Bill Pulver  
*Non-Executive Director*

Marty Pomeroy  
*Managing Director*

## Management

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

Claymore Partners Limited  
Level 2  
63 Fort Street  
Auckland, New Zealand  
P: +64 9 379 3163

## Auditors

KPMG  
KPMG Centre  
18 Viaduct Harbour Avenue  
Auckland, New Zealand  
P: +64 9 367 5800

