

# Welcome to Smartpay's half year report for 2021

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

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# Chairman and Chief Executive's Review



**Our organisational performance and execution strength continued to deliver great results and positive customer outcomes, a clear testament to the quality of our leadership team, culture and people**



We are very pleased with the overall performance of the business in the first half of FY22 in what was a very challenging period for our customers and our team. Throughout the months of July, August and September 2021 we had the majority of our people in Australia and New Zealand working remotely due to lockdown restrictions in Sydney and Auckland

Our Business Continuity Plans again proved very effective as we successfully transitioned the bulk of our people across our business to working from home, and then back into our offices again as the restrictions lifted.

Throughout the lockdown periods in both countries we maintained a growth focus and continued to operate as normal. Our organisational performance and execution strength continued to deliver great results and positive customer outcomes, a clear testament to the quality of our leadership team, culture and people.

The momentum in Australian customer acquisition, seen through the second half of FY21, continued through the first half of FY22, further reinforcing our view that the Australian SME market is open to disruption by a specialist payments provider with targeted, customer focused propositions. Whilst many of our customers experienced a downturn in trading in the second quarter the majority have returned to pre-lockdown levels as trading restrictions have eased across both countries.

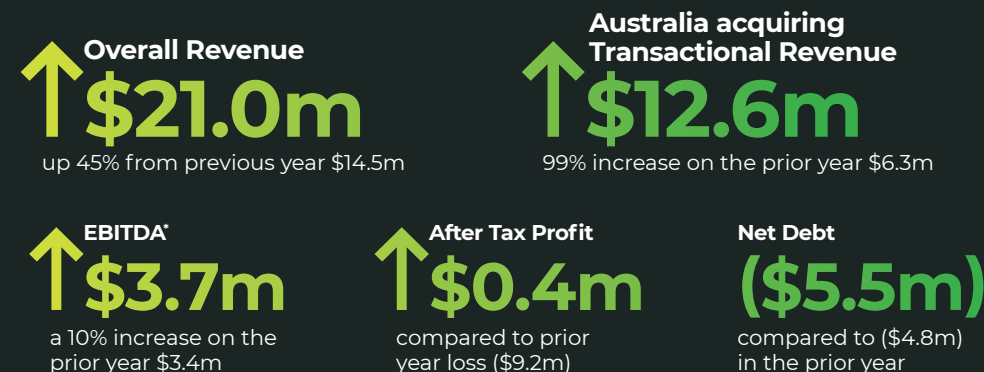
The regional lockdowns in New South Wales and Victoria had an effect on our transacting terminals through the period with 6,737 transacting at the end of September 21. Pleasingly we were able to maintain our customer acquisition performance throughout the lockdown affected months. Current transacting terminals has increased to 8,083 at the end of October, as our customer acquisition efforts continue to deliver results and the majority of lockdown impacted customers in Victoria and New South Wales return to trading.

Our ongoing customer acquisition, with an increase in revenue per terminal, has delivered top line revenue growth through the period. Customer preference for our Smartcharge product, and the economies of scale advantage we are getting through overall fleet growth, has also resulted in further improvements in acquiring margin in October 2021.

We have continued to invest through the first half of FY22 in our Australian marketing and sales capacity and activity to support our growth execution plans in Australia. The bulk of the investment has been targeted towards refining our digital and social channel message and reach. Additionally, our brand awareness efforts have increased with PR activity through the period and the completion of the initial stages of our merchant insights work - the first stage of our brand strategy.

In New Zealand we continue to focus on reinforcing our market presence and developing additional products to enhance our customer product suite and further monetise our significant network of terminals.

## Six Month Financial Highlights



\*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.

## Operating Performance

Overall revenues were \$21.0m, up 45% on the prior year \$14.5m. The key driver of our revenue growth continues to be the strong growth in our Australian acquiring transactional revenues, \$12.6m compared to \$6.3m in the prior period.

Our efforts at targeting specific higher value market verticals with our marketing investment, and the majority of newly acquired customers choosing our Smartcharge product, are contributing to an ongoing increase in revenue per terminal. Monthly acquiring revenues in October 21, following the easing of trading restrictions in New South Wales and Victoria during the month, were \$2.74m.

Total Transaction Value (TTV) of \$1.1b over the six months was an increase of 103% versus \$545m in the prior year.

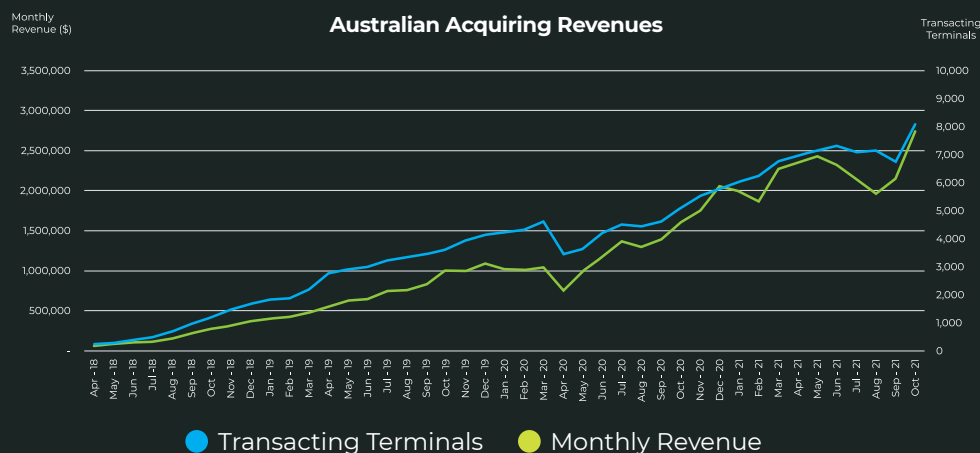
The EBITDA increase of 10% year on year reflects the impact of the lockdowns in New South Wales and Victoria during the reporting period and the focus of the business on maintaining our investment in growth and customer acquisition cadence.

Our expectation of post lockdown trading performance is a prompt return to expected EBITDA levels and ongoing top line revenue growth.

NPAT of \$0.4m is a positive result in a lockdown impacted period and includes a non-cash gain (\$0.9m) as a result of the conversion of the remaining Convertible Notes during the period. The conversion of the Notes also increases the Net Assets of the business, when compared to year end FY21, by \$5.0m.

With Net Debt of (\$5.5m) at the end of September 21 the business has a strong balance sheet to support our execution plan and continued growth through the remainder of FY22.

The graph below shows the impact to both transacting terminals and acquiring revenues through the lockdown impacted months of June, July, August and September. Also evident is the speed of recovery in October, in both metrics, resulting from our ongoing customer acquisition throughout the lockdown period and the easing of restrictions in New South Wales and Victoria.



We experienced a similar trend in the level of activity of our New Zealand terminal fleet during the months of August and September, however the revenue impact was significantly mitigated due to the predominantly fixed rental fee nature of our New Zealand business model. A portion of our Auckland terminal fleet in New Zealand remains subject to lockdown trading restrictions and we are providing short term rental support to assist our customers on a case by case basis.

## Summary and Outlook

We are very pleased with the execution against our strategic objectives and overall business performance in the first half FY22 in a very challenging trading environment in both Australia and New Zealand.

Despite lockdowns affecting trading conditions we delivered 10% EBITDA growth compared to the prior period with monthly EBITDA improving to \$0.8m in October 21 as trading conditions begin to improve off the back of easing of restrictions.

With the ongoing momentum in our Australian customer acquisition through the period and a strong 'bounce back' effect seen in our Australian transacting terminals and acquiring revenues, we look forward to a strong second half performance to Financial Year 22.

**Gregor Barclay**  
Chairman

**Marty Pomeroy**  
Chief Executive



# Board of Directors



**Gregor John Barclay (Greg)**  
Chairman and Independent Director - LLB, Dip. Bus

Greg joined the board of Smartpay in 2010 and he was appointed Chairman in 2016.

He is a commercial lawyer with over 30 years of experience in advising a range of commercial and corporate clients. In 1997 he was a founder of Claymore Partners, an Auckland based commercial law and business advisory firm. He continues to act as a consultant to that firm at present.

He is an experienced company director and Chair having held various directorships and advisory roles across a number of New Zealand and off-shore entities. Greg has also had an extensive involvement in the business of sport, both as an advisor and director of a number of sporting entities. He is a director (and immediate past Chair) of the International Rugby League, a former Chairman of New Zealand Cricket and is currently the Chairman of the International Cricket Council based in Dubai.

In addition to being on the board, Greg serves on the board's Audit and Finance Committee. He is an approved Chartered Member of the New Zealand Institute of Directors.

Greg resides in Auckland, New Zealand.



**Martyn Richard Pomeroy (Marty)**  
Managing 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. Prior to Viaduct Marty held managerial roles in sales

and service with EFTPOS New Zealand. He brings over 20 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 driving the strategy of the business, and leading the teams in New Zealand and Australia.

Marty resides in Auckland, New Zealand.



**Carlos Gil**  
Non-Executive Director - B Ec, 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.



**William Robert Pulver (Bill)**  
Independent Director - BCom Marketing

Bill Pulver is currently a Director of his new business, Mona Farm Pty Ltd, which offers luxury accommodation, bespoke weddings and events in Braidwood NSW. Prior to that Bill was Chief Executive Officer of Australian Rugby Union from 2013 - 2018. From 2010 - 2013 Bill was CEO of Appen Pty Ltd, who provide high quality training data from

their leading technology platform, managed services, and global crowd to power artificial intelligence globally.

From 2008 - 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 Chairs the Board's Remuneration and Nominations Committee.

Bill resides in Sydney, Australia.



**Matthew George Turnbull (Matt)**  
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.

# Financial Statements



## Condensed Statement of Comprehensive Income

For the Six Months Ended 30 September 2021

	Note	Group		
		30 Sept 2021	30 Sept 2020	31 Mar 2021
		Unaudited \$'000	Unaudited \$'000	\$'000
<b>Continuing operations</b>				
<b>Revenue</b>	3	21,036	14,530	33,845
Other income	4	-	3	16
Operating expenditure	5	(17,292)	(11,142)	(26,279)
<b>Earnings before interest, tax, depreciation, share options expense, amortisation, impairment, and unrealised foreign exchange</b>		<b>3,744</b>	<b>3,391</b>	<b>7,582</b>
Depreciation and amortisation	5	(3,704)	(3,386)	(7,803)
Employee share performance rights amortisation	12	(104)	-	-
Unrealised foreign exchange adjustments		(161)	(202)	74
Net finance costs	5	(267)	(1,022)	(1,612)
Change in fair value of convertible notes	5	909	(7,700)	(12,731)
Impairment	5	(51)	(358)	(468)
		(3,378)	(12,668)	(22,540)
<b>Profit / (Loss) before tax</b>		<b>366</b>	<b>(9,277)</b>	<b>(14,958)</b>
Tax benefit / (expense)	6	59	59	(242)
<b>Profit / (Loss) for the period from continuing operations of owners</b>		<b>425</b>	<b>(9,218)</b>	<b>(15,200)</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)		(347)	241	291
<b>Total comprehensive income of owners</b>		<b>78</b>	<b>(8,977)</b>	<b>(14,909)</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		0.18 cents	(4.68) cents	(7.24) 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 2021

	Note	Group			
		Share Capital (note 12)	Foreign Currency Translation Reserve	Retained Deficits	Total Equity
		\$'000	\$'000	\$'000	\$'000
<b>Balance at 31 March 2020</b>		<b>54,433</b>	<b>70</b>	<b>(44,290)</b>	<b>10,213</b>
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>
Loss for the six months from continuing operations of owners		-	-	(5,982)	(5,982)
Other comprehensive income		-	50	-	50
Total comprehensive income		-	50	(5,982)	(5,932)
Convertible notes converted to ordinary shares (net of fees)		16,691	-	-	16,691
<b>Total changes in equity</b>		<b>16,691</b>	<b>50</b>	<b>(5,982)</b>	<b>10,759</b>
<b>Balance at 31 March 2021</b>		<b>86,663</b>	<b>361</b>	<b>(59,490)</b>	<b>27,534</b>
Profit for the six months from continuing operations of owners		-	-	425	425
Other comprehensive income		-	(347)	-	(347)
Total comprehensive income		-	(347)	425	78
Convertible notes converted to ordinary shares (net of fees)	12	4,978	-	-	4,978
Share based payments	12	104	-	-	104
<b>Total changes in equity</b>		<b>5,082</b>	<b>(347)</b>	<b>425</b>	<b>5,160</b>
<b>Balance at 30 September 2021 (unaudited)</b>		<b>91,745</b>	<b>14</b>	<b>(59,065)</b>	<b>32,694</b>

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



## Condensed Statement of Financial Position

As at 30 September 2021

	Note	Group		
		30 Sept 2021 Unaudited \$'000	30 Sept 2020 Unaudited \$'000	31 Mar 2021 \$'000
<b>Current assets</b>				
Cash and bank balances		7,011	7,951	9,021
Trade and other receivables	8	9,366	5,910	9,011
Derivative financial instruments		8	1	3
Income tax receivable		15	15	15
<b>Total current assets</b>		<b>16,400</b>	<b>13,877</b>	<b>18,050</b>
<b>Non-current assets</b>				
Secured loan to related party	15	-	1,621	-
Property, plant and equipment	9	9,538	8,313	9,045
Right of use assets		246	630	438
Contract assets		960	894	891
Intangible assets	10	15,275	15,249	14,660
Goodwill		14,772	14,772	14,772
Deferred tax asset			84	-
<b>Total non-current assets</b>		<b>40,791</b>	<b>41,563</b>	<b>39,806</b>
<b>Total assets</b>		<b>57,191</b>	<b>55,440</b>	<b>57,856</b>
<b>Current liabilities</b>				
Trade payables and accruals	11	12,251	8,068	11,464
Borrowings	12	1,289	739	1,235
Lease liabilities		289	545	538
Convertible notes		-	-	5,857
<b>Total current liabilities</b>		<b>13,829</b>	<b>9,352</b>	<b>19,094</b>
<b>Non-current liabilities</b>				
Borrowings	12	10,500	11,500	11,000
Convertible notes	12	-	17,576	-
Lease liabilities		10	237	11
Deferred tax liabilities		158	-	217
<b>Total non-current liabilities</b>		<b>10,668</b>	<b>29,313</b>	<b>11,228</b>
<b>Total liabilities</b>		<b>24,497</b>	<b>38,665</b>	<b>30,322</b>
<b>Net assets</b>		<b>32,694</b>	<b>16,775</b>	<b>27,534</b>
<b>Equity</b>				
Share capital	12	91,745	69,972	86,663
Foreign currency translation reserve		14	311	361
Retained deficits		(59,065)	(53,508)	(59,490)
<b>Total equity</b>		<b>32,694</b>	<b>16,775</b>	<b>27,534</b>
Net tangible asset backing cents per share		0.71	(6.79)	(1.20)

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

## Condensed Statement of Cash Flows

For the Six Months Ended 30 September 2021

	Note	Group		
		30 Sept 2021 Unaudited \$'000	30 Sept 2020 Unaudited \$'000	31 Mar 2021 \$'000
<b>Cash flows from operating activities</b>				
Receipts from customers		21,140	14,731	33,834
Interest received		-	-	-
Payments to suppliers & employees		(16,477)	(10,663)	(24,490)
Interest paid		(267)	(366)	(729)
<b>Net cash inflow from operating activities</b>	13	<b>4,396</b>	<b>3,702</b>	<b>8,615</b>
<b>Cash flows from investing activities</b>				
Purchase of terminal assets and other property, plant and equipment		(2,291)	(964)	(2,913)
Spend on contract costs		(472)	(271)	(710)
Spend on intangible assets		(2,021)	(1,421)	(2,988)
<b>Net cash (outflow) from investing activities</b>		<b>(4,784)</b>	<b>(2,656)</b>	<b>(6,611)</b>
<b>Cash flows from financing activities</b>				
Proceeds from shares		(23)	15,564	15,508
Repayment of borrowings		(500)	(8,505)	(8,505)
Repayments of short term borrowings		(247)	(245)	(691)
Secured loan to related party		-	(1,594)	(1,594)
Payments of lease liabilities		(374)	(212)	(531)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(1,144)</b>	<b>5,008</b>	<b>4,187</b>
<b>Net increase/(decrease) in cash equivalents</b>		<b>(1,532)</b>	<b>6,054</b>	<b>6,191</b>
<b>Add opening cash equivalents</b>		<b>7,292</b>	<b>1,101</b>	<b>1,101</b>
<b>Closing cash equivalents</b>		<b>5,760</b>	<b>7,155</b>	<b>7,292</b>
<i>Reconciliation of closing cash equivalents to the statement of financial position:</i>				
Cash and bank balances		5,760	7,155	7,292
Other bank balances		1,251	796	1,729
<b>Closing cash equivalents</b>		<b>7,011</b>	<b>7,951</b>	<b>9,021</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 2021

## 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 2021 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 2021. 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 2021

### 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 2021.

COVID-19 has had an impact on the Group in this reporting period, especially July to September. We have reassessed the COVID-19 impact in September 2021 and determined there were no issues which needed to be adjusted in the judgements and estimates.

### c. Functional and Presentation Currency

The condensed consolidated financial statements for the six months ended 30 September 2021 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 2021.

### 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 2021 and 30 September 2020				
	New Zealand		Australia	
	2021	2020	2021	2020
	Unaudited	Unaudited	Unaudited	Unaudited
	\$'000	\$'000	\$'000	\$'000
<b>Sales - external</b>				
Service revenue	7,087	7,190	934	668
Transactional income	180	147	12,582	6,319
Other service revenue	60	38	-	24
Sale of goods	1,554	75	43	50
Short term rentals	70	19	-	-
Total segment sales	8,951	7,469	13,559	7,061

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	
2021	2020	2021	2020
Unaudited	Unaudited	Unaudited	Unaudited
\$'000	\$'000	\$'000	\$'000
-	-	8,021	7,858
-	-	12,762	6,466
-	-	60	62
(1,474)	-	123	125
-	-	70	19
(1,474)	-	21,036	14,530

#### 4. Other Income

Other Income	Group		
	30 Sept 2021	30 Sept 2020	31 Mar 2021
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Bad debts recovered	-	3	16

#### 5. Expenditure

Operating Expenditure	Group		
	30 Sept 2021	30 Sept 2020	31 Mar 2021
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Direct cost of sales	7,445	4,219	10,842
Terminal communication & servicing costs	308	254	623
Compliance, IT and Marketing costs	2,818	1,622	3,728
Employee costs net of capitalised amounts	6,238	4,607	10,094
Occupancy costs	114	72	182
Other costs	312	346	716
Travel and accommodation	57	22	94
	17,292	11,142	26,279

Depreciation and Amortisation	Group		
	30 Sept 2021	30 Sept 2020	31 Mar 2021
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Depreciation of property, plant and equipment	1,873	1,757	3,566
Amortisation of contract costs and intangible assets	1,831	1,629	4,237
	3,704	3,386	7,803

#### 5. Expenditure (continued)

Net Finance Costs	Group		
	30 Sept 2021	30 Sept 2020	31 Mar 2021
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Interest receivable	(24)	(12)	(36)
Interest on bank overdrafts and borrowings	192	355	492
Interest on lease liabilities	34	21	55
Convertible note interest paid	20	245	165
Convertible note amortisation	54	369	860
Change in fair value - foreign exchange contracts (realised and unrealised)	(9)	44	76
	267	1,022	1,612

Change in fair value of convertible notes	Group		
	30 Sept 2021	30 Sept 2020	31 Mar 2021
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Debt modification gain	-	(781)	(491)
Option fair value movement	(909)	8,481	13,222
	(909)	7,700	12,731

Impairment	Group		
	30 Sept 2021	30 Sept 2020	31 Mar 2021
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Merchant terminal impairment write off	55	398	569
Merchant terminal impairment provision (reduction)	(4)	(40)	(101)
	51	358	468

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



## 6. Taxation Benefit

	Group		
	30 Sept 2021	30 Sept 2020	31 Mar 2021
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
<i>Income tax (expense) / benefit comprises:</i>			
Current income tax	-	-	-
Deferred tax benefit	59	59	(242)
Income tax benefit	59	59	(242)

There has been no material change to the tax position as reported at 31 March 2021.

## 7. Earnings Per Share

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

	Group		
	30 Sept 2021	30 Sept 2020	31 Mar 2021
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
<b>Basic earnings/(loss) per share - cents</b>			
Profit/(loss) for the period	425	(9,218)	(15,200)
Weighted average number of shares ('000)	238,285	196,871	209,875
Basic and diluted earnings/(loss) per share - cents	0.18	(4.68)	(7.24)

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.

### 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 2021 the convertible notes were all converted to shares and treated as being issued at the start of the period. For the prior periods the convertible notes were not dilutive so the calculation excludes the impact of shares potentially issuable. Consequently the diluted earnings per share is equivalent to the basic earnings per share.

## 8. Trade and Other Receivables

	Note	Group		
		30 Sept 2021	30 Sept 2020	31 Mar 2021
		Unaudited	Unaudited	
		\$'000	\$'000	\$'000
Accounts receivable		1,541	1,401	1,694
Less: expected credit losses on receivables		(265)	(208)	(259)
Less: provision for Kit recovery		(147)	(177)	(248)
Merchant receivables		5,025	3,063	4,560
Accrued Revenue		770	996	824
Prepayments		638	592	562
Acquiring facility security deposit		235	243	245
Secured loan to related party	15	1,569	-	1,633
<b>Total trade and other receivables</b>		<b>9,366</b>	<b>5,910</b>	<b>9,011</b>

## 9. Property, Plant and Equipment

	Group		
	30 Sept 2021	30 Sept 2020	31 Mar 2021
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Opening carrying value	6,665	7,635	7,635
Transfers from capital work in progress	2,136	714	1,993
Additions	98	15	74
Depreciation	(1,561)	(1,466)	(3,082)
Cost of sales	(3)	(4)	(11)
Impairment	(51)	(3)	(113)
FX adjustments	(128)	145	169
Closing carrying value	7,156	7,036	6,665
Capital work in progress	2,382	1,277	2,380
Total property, plant and equipment	9,538	8,313	9,045
Reconciled to:			
Cost	23,291	20,272	21,887
Less accumulated depreciation and impairment	(15,929)	(13,065)	(15,012)
Less impairment provision	(206)	(171)	(210)
Closing carrying value	7,156	7,036	6,665
Capital work in progress	2,382	1,277	2,380
Total property, plant and equipment	9,538	8,313	9,045

## 10. Intangible Assets

	Group		
	30 Sept 2021	30 Sept 2020	31 Mar 2021
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Opening carrying value	14,660	15,100	15,100
Additions	2,075	1,403	3,013
Amortisation	(1,460)	(1,261)	(3,459)
FX adjustments		7	6
Closing carrying value	15,275	15,249	14,660
Reconciled to:			
Cost	25,754	23,952	23,680
Less accumulated depreciation and impairment	(10,479)	(8,703)	(9,020)
Closing carrying value	15,275	15,249	14,660

## 11. Trade Payables and Accruals

	Group		
	30 Sept 2021	30 Sept 2020	31 Mar 2021
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Trade Payables	2,336	1,726	2,361
Merchant payables	7,423	4,334	7,188
GST	203	193	180
Accruals	627	660	529
Related party accrual	165	100	128
Deferred revenue	106	10	97
Employee Entitlements	1,391	1,045	981
<b>Total trade payables and accruals</b>	<b>12,251</b>	<b>8,068</b>	<b>11,464</b>

## 12. Debt and Equity Securities

There has been the conversion of the remaining convertible notes during the six months ended 30 September 2021.

Share Capital	Number of Shares ('000)	\$'000
Opening balance at 1 April 2021	232,110	86,663
Shares issued 21 July 2021 (convertible note conversion)	2,058	1,666
Shares issued 29 July 2021 (convertible note conversion)	4,117	3,336
Cost of share issues	-	(24)
Share performance rights (SPR) issued to management under the LTI	-	104
Closing Balance 30 September 2021	238,285	91,745

The total number of shares on issue at 30 September 2021 was 238,284,963 (31 March 2021: 232,109,592 shares and 30 September 2020:209,466,562 shares). All ordinary shares are fully paid and rank equally with one vote attaching to each share. The ordinary shares have no par value.

Smartpay have implemented a share based long term incentive plan ("LTI"). The eligible employees will be offered rights to shares in Smartpay Holdings Limited subject to the conditions, to be known as Share Performance Rights ("SPR"). The LTI will operate for three financial years commencing 1 April 2021, FY22-24. SPRs conditionally vest annually based on two performance measures, EBITDA per share and revenue targets. In the period to 30 September 2021 all 2,239,380 SPRs have been approved and issued, the first tranche of 746,460 SPRs will become eligible in FY22 subject to the two performance measures being met.

### Debt Borrowings

On 11 July 2012 the Group's subsidiary Smartpay New Zealand Limited entered into a term loan facility and a committed cash advance facility (CAF) with ASB Bank Limited. On the 30 June 2020 the loan agreement was amended so that the term loan facility was repaid in full, amounting to \$8,500,000, and the facility cancelled. The existing CAF has been extended and increased to \$12,000,000 and will expire on 1 October 2022. Quarterly amortisations of the CAF commenced on 30 June 2021 with amounts of \$250,000 payable each quarter thereafter until termination. Repayments of the CAF have been made during this financial year.

### 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.

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 converted to options to acquire further shares in Smartpay at the same conversion rate of A\$0.25 cents per share.

In the prior financial years the noteholders exercised their options and the convertible notes with a face value of A\$6,000,000 plus PIK interest of A\$161,000 were converted into 24,643,028 ordinary shares at A\$ 0.25.

Convertible notes with a face value of A\$ 1,500,000 plus PIK interest of A\$ 44,000 remained at the beginning of this financial year (FY22) and all three note holders exercised their options and converted to 6,175,000 Smartpay Shares in July 2021.

The market value of the shares at the date of issue was NZ\$ 0.81.

## 12. Debt and Equity Securities (continued)

<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>Carrying Value at 31 March 2021</i>	<b>\$'000</b>
Convertible note balance at 31 March 2020	8,988
Conversion of convertible notes 23 December 2020	(16,722)
Debt modification gain	(835)
Option fair value movement	13,222
Amortisation (option and fees)	860
Realised and unrealised FX movement	344
<i>Convertible note balance at 31 March 2021</i>	5,857

<i>Carrying Value at 30 September 2021</i>	
Convertible note balance at 31 March 2021	5,857
Conversion of convertible notes 21 and 29 July 2021	(5,002)
Option fair value movement	(909)
Amortisation (option and fees) and realised FX movement	54
<i>Convertible note balance at 30 September 2021</i>	0

<i>Movement in Unrealised fair value of the option</i>	<b>Group</b>		
	<b>30 Sept 2021</b>	<b>30 Sept 2020</b>	<b>31 Mar 2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fair value opening	4,276	2,159	2,159
Fair value closing (21 and 29 July 2021)	3,367	10,640	4,276
<i>Total increase / (decrease) in value of option above</i>	(909)	8,481	2,117

## 13. Operating Cash Flows Reconciliation

	<b>Group</b>		
	<b>30 Sept 2021</b>	<b>30 Sept 2020</b>	<b>31 Mar 2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) for the period	425	(9,218)	(15,200)
<i>Add/(deduct) non-cash items:</i>			
Depreciation & amortisation	3,704	3,386	7,803
Financing costs and bad debts	1	262	(41)
Convertible note option and fees	54	369	860
Change in fair value of convertible notes	(909)	7,700	12,731
Foreign exchange adjustments	156	265	(74)
Share performance rights amortisation	104	-	-
Impairment	51	358	468
Tax expense / (benefit)	(59)	(59)	242
<i>Add/(deduct) changes in working capital items:</i>			
Trade and other receivables	104	201	(11)
Derivative financial instruments	(5)	(20)	(22)
Payables and accruals	770	458	1,859
Net cash inflow/(outflow) from operating activities	4,396	3,702	8,615

## 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.



## 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 2021.

## 16. Subsequent Events

Following balance date the following events have occurred:

There have been no events subsequent to balance date.

# Directory

## Registered office

205-209 Wairau Road, Glenfield  
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Email: investor@smartpayltd.com  
Website: smartpayinvestor.com

## Board

Greg Barclay  
*Chairman and Independent Director*

Matthew Turnbull  
*Independent Director*

Carlos Gil  
*Non-Executive Director*

Bill Pulver  
*Independent Director*

Marty Pomeroy  
*Chief Executive & Managing Director*

## Key Management Personnel

Aidan Murphy  
*Chief Business Officer*

Peter Thomas  
*Chief People & Customer Officer*

Gustavo Herrera  
*Head of Engineering*

Toni Cookson  
*Financial Controller*

Lucy Williams  
*General Manager New Zealand*

Gerard Yeterian  
*Head of Sales Australia*

Gillian De Noir  
*Head of Operations*

Rowena Bowman  
*Company Secretary*

## Australian offices

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Sydney  
NSW 2000, Australia

## Share registrar – New Zealand

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Services Limited  
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Takapuna, North Shore City  
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P: + 64 9 488 8700

## Share registrar – Australia

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