BUSINESS NEWS

THE SMARTPAY TIMES

ANNUAL REPORT 2022

Smartpay, Smartcharge, Smart Growth

May. 2022

"FY22 has been another year of growth on several fronts. Our Smartcharge solution is being very well received in the Australian market and sales numbers have increased from FY21. Revenues are up 42.1%, EBITDA is up 46.3% and a profit of $3.1m shows that the activity is turning into strength in the financial statements". - Marty Pomeroy, CEO.

Lockdowns impact AU revenue but long-term prospects unchanged

Jul. 2021

We have witnessed in previous national and state specific lockdowns, sectors outside of tourism return to normal trading rather quickly and we are assuming that type of recovery to repeat in this instance as well. SMP's SmartCharge proposition remains unique and competitive against competitors.

Terminals return in time for Christmas

Nov. 2021

SMP continues to invest in its sales and marketing competencies, sustaining its strong sales momentum. It is also expected to gain further margin expansions as its TTV continues to grow. History indicates Q3 to be seasonally the strongest quarter (5-10% uplift) and we expect this period to be no different. This will be further aided with VIC fully operational for the entire period.

AU recovery and Christmas accelerates growth trajectory

Jan. 2022

AU segment reported rev of $9.1m, up +81% PCP as merchants experienced favourable conditions with the easing of lockdowns and increased spending during Christmas. With a significant increase of +78% growth in TTV to $795.4m, SMP expects further gross margin expansion as they benefit from economies of scale with reduced transactional processing rates.

Disruptive FY21 but Aussie merchants are getting 'Smart'

May. 2021

Outlook – Australia the Key for Growth Management indicates its growth in the AU market validates the customer demand for SMP's simple products. AU will remain its key focus and expects to scale quickly with its established in-bound sales capability. FY22 focus will shift to developing out-bound sales, investment in brand and product development in new payment technologies.

Inside this issue:

Average AU NPS of **66**
Average NZ NPS of **46**

Revenue **$48.1m** Up 42.1%

EBITDA **$11.1m** Up 46.3%

NPAT **$3.1m**

For further stories and more info visit: **smartpayinvestor.com**

ANNUAL REPORT 2022

smartpay

Welcome to Smartpay's annual report for the year ending 31st March 2022

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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.

Contents

Chairman's Report

> "We remain committed to deliver shareholder value by adhering to our core principles, our key strategic priorities and by staying very focused on achieving the objectives we have set for ourselves."

We can only describe this as another very good year for Smartpay, considering the difficult trading conditions for businesses in Australia and New Zealand. The financial results have seen a substantial increase in both revenue and EBITDA, and we have seen an overall excellent financial performance for the full year. The New Zealand terminal business remains very stable while in Australia our ongoing terminal expansion provides significant medium to long term growth potential.

We remain acutely aware of the challenging environment in which we have operated over the past year and are very cognisant that economic recovery will continue to have its challenges. We remain committed to deliver shareholder value by adhering to our core principles, our key strategic priorities and by staying very focused on achieving the objectives we have set for ourselves.

A genuinely innovative approach has meant that Smartpay continues to stay at the front of the payments industry, which is a fast-moving and dynamic business sector. Early success has already been achieved in Australia and Smartpay continues to develop product and solutions which we are confident will continue to fuel this growth. Of course, innovation cannot happen unless the right people are engaged throughout the organisation. Our highly motivated team has very deep knowledge of, and experience in, the payments industry. Quite simply, our people are a huge factor contributing to the reason that the company performs to the level that it does.

Our customer offerings and operation focuses largely on smaller and medium size enterprises. This provides a mitigant to concentration risk which has served us well through the challenges associated to COVID-19 over the last two financial years. Couple this with innovative products and an identifiable, addressable market and the future certainly does look exciting.

"Couple this with innovative products and an identifiable, addressable market and the future certainly does look exciting."

At board level and as was recently announced, Australian director William Pulver has announced his resignation from the board. William joined us some six months prior to the pandemic hitting Australia and New Zealand and through his commercial skill and acumen, has provided valuable support and guidance to the board and to management. We are fortunate to have gained the services of Sydney based Director Geoff Carrick whose broad commercial experience and specific expertise in the capital markets will be invaluable moving forward. We remain very committed to ongoing succession planning and are looking to further bolster the boards capability in the near future.

As always, I acknowledge my fellow board members for their ongoing support and contribution and I want to thank the Smartpay management team and staff for their endeavour, they have been outstanding. My sincere thanks also to our customers and to our shareholders, for your commitment and support again this year. Hopefully, we will continue to reward you all with continued growth and value in Smartpay throughout the next year and beyond.

Gregor Barclay
Chairman

Chief Executive's Review

> "The collective and collaborative approach our people have shown in delivering against our execution plans, has been exceptional"

When reviewing the 2022 financial year it is appropriate to begin by acknowledging our fantastic team of people, our values and our culture. The collective and collaborative approach our people have shown in delivering against our execution plans and ongoing customer experience excellence, throughout a very challenging period, has been exceptional. We have a diverse, purpose driven highly experienced team and I am very proud of what has been achieved this financial year.

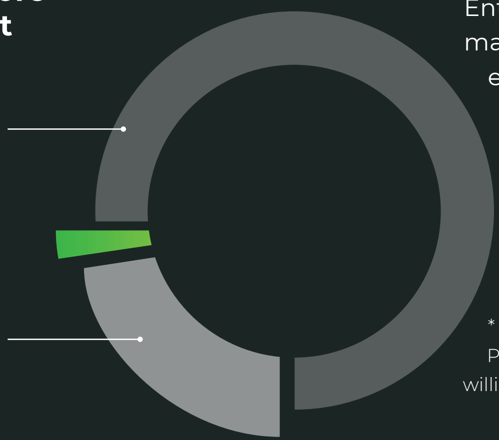
We have delivered further improvement in our Net Promoter Score (*NPS) across both Australia and New Zealand over the last 12 months. Our Australian result in particular highlights that our proposition and customer experience is delivering a real point of difference - not just providing an alternative in a competitive market. This is a tremendous accomplishment.

Average NZ NPS score:	Average AU NPS score:
46	**66**

Throughout the 2022 financial year many of our customers continued to experience challenges associated with COVID-19 trading restrictions and in Quarter 4 of the financial year a number of our customers in New South Wales and Queensland were further affected by the serious flooding events. We remain fully committed to supporting our customers as they navigate these challenges and are ready to engage and assist them as trading conditions improve and they focus on the future success of their business.

Our continued focus on the Small to Medium Enterprise customer segment across our chosen markets is proving successful. The impact and engagement we are achieving with our core payments solution and our broader customer engagement model reinforces our view that this is a poorly served part of the market that we are very well placed to disrupt and scale into.

Australian In-store Terminal Market



* NPS – Net Promoter Score (measures the percentage of Promoters vs Detractors on a simple measurement of "How willing an existing customer is to refer others to Smartpay.")

Screenshot of the Smartpay HUB

"...increased free cash flows and generated our first profit since launching our acquiring business into Australia."

SmartCharge continues to prove to be a highly attractive solution to our target audience with the majority of new customers in Australia choosing this product. Feedback from our customers reinforces the value they see in this solution where timely and certain cashflow and transparency of charges is of the utmost importance.

Our ongoing investment in marketing throughout FY22, predominantly in digital and social customer acquisition channels, particularly in the Australian market, continued to deliver in both quality and volume of customer opportunities. In the second half of the financial year we introduced additional investment in radio and television channels and these have added to our market reach and further improved our lead volumes.

With the future in mind, late in the year, we delivered two significant technology projects. We launched the pilot of our Smartpay HUB solution to our Australian and New Zealand customers. The HUB delivers online analytics and reporting for our customers and will provide the foundation for our roadmap to deliver a digital business solution-set to trans-tasman small to medium enterprises. We also migrated our core enterprise systems to a cloud based ERP – Netsuite. Netsuite provides our businessthe opportunity to more efficiently scale and add further value to our customer experience through self-serve and streamlined onboarding and customer engagement.

The year has seen us continue to execute against our strategic objectives of growth into Australia. We have strengthened the business, reduced debt, increased free cash flows and generated our first profit since launching our acquing business into Australia.

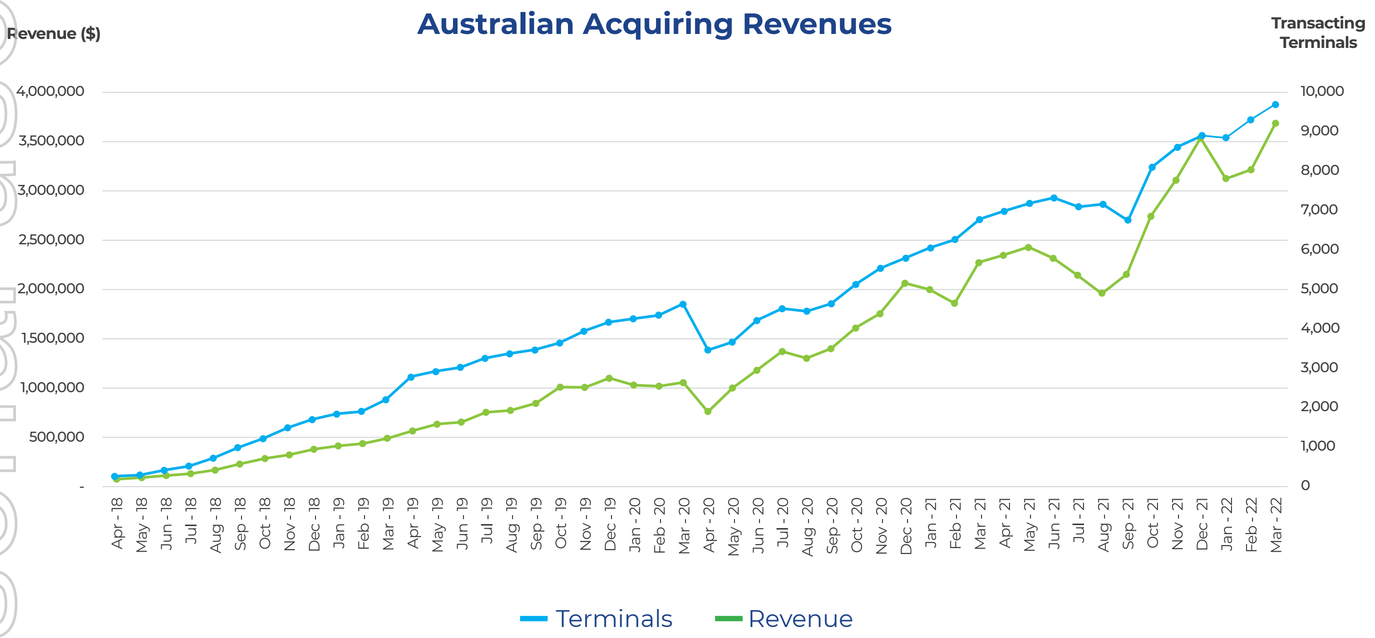
Operating Results

The key driver of our revenue growth in FY22 was the strong growth in our Australian acquiring revenues. Our transacting terminal base now exceeds 9,650 terminals at March 22 and our Australian acquiring transactional revenues grew to $31.2m, up 82.6% from $17.1m in FY21.

- Overall revenues were $48.1m, up 42.1% on the prior year $33.8m.

Monthly acquiring revenues grew to $3.7m by March 22, up from $2.2m in March 21. During the challenging trading conditions experienced in Quarter 2 we continued our marketing effort and maintained customer acquisition volumes which contributed to this result. An outstanding result which positions us well.

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



Marketing expenses were $4.0m, compared to the prior period $1.8m, and were directed towards a mixture of digital and social lead generation, market awareness and customer reach. Australian Sales and Marketing headcount increased from 17 to 23 through the period, directly supporting our growth objectives in the in-store payments market. Included in this, late in the financial year we employed a Head of Business Development in Australia and also increased our Outbound Sales capacity.

Overall **EBITDA grew to $11.1m, an increase of 46.3% compared to the prior period $7.6m, and a positive result highlighting the improvement in operating leverage we are realising early in our growth phase.

The 46.3% increase in EBITDA is larger than the 42.1% increase in revenue and reflects ongoing improvement in our gross profit. The gross profit improvement largely reflects a concerted effort to reduce our switching and processing fees and the ongoing uptake of our SmartCharge solution and we expect further improvement as our volumes increase.

Profit after tax of $3.1m is favourable to the prior year net loss after taxation of $15.2m, primarily due to underlying business growth, together with the reduction in funding costs and the benefit of the reduction in the principal balances outstanding on the convertible notes in FY21. The remaining convertible notes matured during the year ended 31 March 2022, which is pleasing as it reflects the continued strengthening of the company and will remove the impact of the fair valuation of the convertible notes on our financial performance going forward.

**EBITDA – Earnings Before Interest, Tax, Depreciation, Amortisation, impairments, foreign exchange adjustments and share performance rights. EBITDA is a useful non-GAAP measure as it shows the contribution to earnings prior to finance costs and non-cash items.

Australian transactional terminal base over

9,650 terminals

Australian acquiring revenue grew to $31.2m

an 82.6% increase

on the prior year $17.1m.

The growth within the period is most evident in monthly acquiring revenue numbers which

grew to $3.7m/month

up from $2.2m at the beginning of the period.

Total terminal network

40,000+ terminals

across New Zealand and Australia.

Summary and Outlook

I am very pleased with and proud of our progress and performance in a very challenging year for our people, our business and our customers and thank our team for their commitment to our vision, upholding our values, supporting our customers and consistent operational excellence.

I thank our shareholders, existing and new, for their overwhelming support for the company, our strategy and our people.

FY22 further demonstrated our ability to deliver on the strategic opportunity of our business and has further validated our ability to scale into the opportunity that exists for the company.

We now look forward to FY23 and beyond, where Smartpay's immediate attention remains on the opportunity we have in Australia and accelerating SME customer uptake of our payments offering, and in doing so maximising the margin scale that this provides to the business.

This will allow us to continue to grow the EBITDA outcome whilst continuing to invest and strengthen the business.

In terms of ongoing investment, we will continue the measured and appropriate approach we have taken to date of investing in resources where we see benefit and therefore return. Ongoing software development remains a core requirement of our business and this year's agenda includes the work on an Android in-store proposition to bring to the market ahead of the new PCI compliance requirements.

We are committed to ongoing development of our HUB online solution which is seen as a significant support offering for our customers. We will also focus on imbedding and leveraging the benefit of the new ERP system previously mentioned that went live at the end of FY22 into the way we operate internally, to ensure we maximise the efficiencies and enhancements that this brings to our business.

As always, we remain open to opportunities that may present themselves to allow us to extend our product reach or service offering to our customers in both our chosen markets.

We have another exciting year ahead where we will continue to deliver for our people, our customers and our shareholders.

Martyn Pomeroy
Chief Executive Officer

We are delivering on our Strategic Plan

↑ **42.1%**
Revenue
FY22: $48.1m | FY21: $33.8m

↑ **47.4%**
Operating Cashflows
FY22: $12.7m | FY21: $8.6m

↓ **-7.8%**
Borrowings*
FY22: $11.3m | FY21: $12.2m

*Excludes convertible notes

Note from Chief Business Officer

Number of transactions processed:

FY22
78.1m

FY21
44.9m

↑ Increase
73.9%

Total Transaction Value:

FY22
$2.7b

FY21
$1.5b

↑ Increase
78.8%

Average revenue per unit PA:

FY22
$4,105

FY21
$3,900

↑ Increase
5.3%

FY22 has been a very positive year for the Smartpay Australian acquiring fleet. The improvements have been evident in the quarterly reporting and especially satisfying given the disruption we have seen with both COVID-19 and flooding during the period.

We have seen our unit economics improve with both revenue increasing and cost of goods decreasing, leading to improved margins which are having a positive impact on the overall financials.

The increasing revenue year on year is driven by the following;

- Our fleet continuing to move towards more SmartCharge than Flat Rate. Our SmartCharge solution delivers more revenue than the Flat Rate product and the majority of sales completed during the year have been SmartCharge. At the beginning of the financial year the fleet was 67.8% SmartCharge, this has increased to 77.2% by year end. We expect this trend to continue into FY23 as SmartCharge is the product that we are currently focussing most of our marketing efforts on. SmartCharge is a surcharge solution which allows merchants to surcharge their cost of acceptance, thus offsetting the merchant service fees and saving costs to be invested elsewhere in their businesses. It is providing a great alternative to the traditional acquiring solutions that most merchants in Australia are still using.

- An increase in total transaction value per unit. As can be seen in the highlights both the number of transactions processed, and total transaction value (TTV) have significantly increased year on year. A 73.9% increase in number of transactions and an 78.8% increase in TTV illustrates that our average ticket size (ATS) is increasing. Given we charge a fixed percentage for each transaction processed this increase leads to improved revenues for the business. Whilst this is not driven from a focus away from the SME market it is evidence that the targeting of specific industries and customer types is paying off. The

ATS has increased from $33.4 to $34.8 when comparing FY21 to FY22. The average monthly TTV per unit has also increased over the period from $25.4k to $28.6k, an increase of 12.7%.

Decreasing cost of goods is explained by the following:

- As mentioned previously we use an existing scaled partner for switching capability. Our switching fees are paid on a fixed fee per transaction. As the number of transactions processed increases, we incur lower switching fees per transaction.

- We also gain similar reductions from the schemes, as the number of transactions and overall transaction value increases the scheme fees per transaction reduce. With a growing fleet we have realised the benefit during the period of these reductions. This impact is largely in second half post the COVID-19 disruption we experienced in the first half of the year.

The result of the efforts mentioned above has led to improved gross margins in the second half of the financial year. These improved metrics will continue into FY23 providing a positive outlook for the future growth of the Australian acquiring fleet

Aidan Murphy
Chief Business Officer

Management Team

Martyn Pomeroy
Chief Executive Officer

Martyn joined Smartpay in January 2013.

Martyn has over 20 years experience in the payments industry. Martyn sold his business Viaduct to Smartpay in 2013.

Martyn was appointed Chief Executive Officer in September 2020. Martyn is the leader of the management team and responsible for driving the strategy and culture of Smartpay.

Martyn is based in the Auckland office.

Cherise Barrie
Chief Financial Officer

Cherise joined Smartpay in May 2022.

Cherise brings a depth of knowledge and experience in finance gained from over 20 years in the financial services industry with companies such as Westpac New Zealand, ANZ, and Sovereign. Cherise is a chartered accountant.

Cherise is in a key strategic role with responsibilities including compliance and the financial oversight of the Smartpay group.

Cherise is based in the Auckland office.

Aidan Murphy
Chief Business Officer

Aidan joined Smartpay in 2012.

Aidan started his career with Deloitte and is a chartered accountant. Aidan has worked as Chief Financial Officer from 2014 to 2020 and again as acting CFO in the current financial year.

Aidan is in a key strategic role with responsibilities including margin optimization of the acquiring fleet and responsible around material commercial opportunities and agreements that Smartpay enter.

Aidan is based in the Auckland office.

Peter Thomas
Chief People & Customer Officer

Peter joined Smartpay in September 2016.

Peter possesses a strong background in Marketing and Change Management assisting with transformations of large organisations, having worked for the National Broadband Network, Tenix and QBE Insurance.

Peter is responsible for driving the customer and people initiatives across the Smartpay business as well as managing the marketing team in Australia.

Peter is based in the Sydney office.

Lucy Williams
General Manager New Zealand

Lucy has been involved with Smartpay since 2018.

Lucy brings extensive experience in building highly engaged sales and customer focused teams. Lucy had previously worked at Eroad.

Lucy is responsible for managing the contact center, technical helpdesk, sales, marketing and logistics teams in New Zealand.

Lucy is based in the Auckland office.

Gustavo Herrera
Head of Engineering

Gustavo joined Smartpay in June 2018.

Gustavo brings his extensive experience on how to address cybersecurity challenges, provide data protection and leverage technology to achieve business success in heavily regulated industries, having worked previously for Orion Health and Sky Television.

Gustavo manages the Engineering team in New Zealand, responsible for delivering the new products, softwares and compliance upgrades to existing products that Smartpay requires.

Gustavo is based in the Auckland office.

Management Team

Gillian De Noir
Head of Operations Australia

Gillian joined Smartpay in August 2021.

Gillian brings over 25 years of experience in Operations and Customer Service within the financial services sector.

Gillian manages the onboarding, logistics and merchant services teams in Australia. Gillian is responsible for ensuring that we operate effectively and efficiently with a focus on delivering the best solutions and customer experience.

Gillian is based in the Sydney office.

Gerard Yeterian
Head of Sales Australia

Gerard joined Smartpay back in 2018.

Gerard has experience in growing high performing, scaled sales teams through HiPages and Sensis. His experience brings a strong understanding of how to drive and lead sales teams to success.

Gerard manages both the inbound and outbound sales teams in our Australian office.

Gerard is based in the Sydney office.

Sean Kaplan
Head of Business Development Australia

Sean joined Smartpay in February 2022.

Sean has 20 years' experience in the telecoms industry and a knowledge of Eftpos distribution and vending. His skill set and focus involves growing sales teams and organisations through larger deal negotiation and distribution relationships.

Sean is responsible for driving the business development part of the Australian sales function. With a current pipeline of activity already engaged, we will begin to see the impact of this new role in the coming financial year and beyond.

Sean is based in the Sydney office.

Toni Cookson
Financial Controller

Toni joined Smartpay in June 2020.

Toni has expertise and experience in international finance across global, high growth organisations. She brings commercial expertise, financial acumen, and an enthusiasm to grow and engage teams to enhance performance and work to a unified business strategy.

Toni is responsible for managing the finance team in the Auckland office.

Toni is based in the Auckland office.

Daniel Richardson
Head of Information Technology

Daniel joined Smartpay in September 2021.

Daniel has over 25 years of experience in Information Technology ranging from Enterprise to Small business, having worked in Healthcare, Travel, Expense management and more recently with Visa. Bringing a breadth of knowledge in cybersecurity, compliance, data loss protection and vulnerability management.

Daniel is responsible for the management, oversight and reporting on Smartpay cybersecurity program and trans-tasman IT requirements.

Daniel is based in the Auckland office.

Rowena Bowman
Company Secretary

Rowena has been with Smartpay since 2009.

Rowena has been in governance, compliance and human resources roles and is a Governance NZ Fellow.

Rowena is currently responsible for company secretarial for the Smartpay group.

Rowena is based in Auckland.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Purpose, Values & Strategic Goal

Our Purpose

Payments made easy ensuring businesses are paid anywhere, anytime, every time.

Strategic Goal

Be recognised as the most reliable, capable, agile and innovative omni-channel payments provider in Australia and New Zealand.

Our Values

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

2. **Fearless**
In our approach and our focus on the customer

3. **We deliver**
By listening, engaging and being held accountable

Attract, Retain and Engage the Best Talent

We are committed to looking after our team, who are looking after our customers, which is resulting in a stronger company for our shareholders.

We are committed to ensuring the experiences of our people are aligned with our purpose and values.

Employee Impact during COVID-19

The on-going impact of the pandemic was evident throughout the year, with countries and regions going into lockdowns. Throughout this period our teams have shown resilience, determination and passion to provide the best customer experience to our customers.

The wellbeing of our employees was a significant focus of the leadership team during this time. We strongly advocated the use of our Employee Assistance Programs, provided our people with Wellbeing Leave, facilitated wellbeing activities and ensured our people stayed connected professionally and socially.

Employee Engagement, Recognition & Retention

It is our mission to provide our people with a 'Great Place to Work'. We believe in a collaborative approach - asking our people what they value, what their priorities are and what type of engagement or 'place' is most meaningful to them.

We believe that by creating a safe, inclusive and collaborative workplace, we retain our people and keep them engaged. A 'Great Place to Work' is about having a place our people want to come to, and are proud to come to.

Given the growth that we have been having in Australia, during the year we relocated our Sydney team to a new office which better meets our ambition to provide our people with a modern, open plan collaborative working environment, and helps deliver on our mission around creating a 'Great Place to Work'.

> "We strive to be a Great Place to Work."

Professional and personal development remains a priority for us. We encourage both informal and formal learning and development. Leaders are provided with the tools to mentor and coach their people and ensure they enable their teams to meet their professional and personal goals. Formal learning and development opportunities are also provided through structured learning, coaching and training programs/courses. With growing teams we have been able to create new career pathways for our people. There were a number of promotions during the year for employees moving to more senior positions and employees moving to different roles.

Recognition is an integral part of acknowledging our people for their efforts . We believe this is not just the responsibility of the Leadership team to provide this recognition, rather we empower and encourage our people to recognise colleagues and celebrate each-others' success through our 'Recognise your Colleagues' program.

Health, Safety & Wellness

Smartpay is committed to providing a safe and inclusive workplace. Our workplace policies outline the priorities of individuals, leaders and the Board.

We do not tolerate workplace discrimination, bullying or harassment and our Bullying, Discrimination and Harassment, Whistleblower and related policies provide our people with a framework to follow.

The Human Resources Hub was launched to provide a central place for all policies, procedures and documents and ensure accessibility and transparency of obligations and responsibilities.

These responsibilities are communicated to new team members as part of the induction process.

The health, safety and wellbeing of our people is our utmost priority and we are committed to providing our people with a safe and inclusive environment.

Maintaining Workplace Health and Safety is an ongoing objective for everyone in the company. The Board is ultimately responsible for Health and Safety which is an ongoing agenda item for Board meetings where they review objectives, obligations and manage the review of our Health and Safety risk register.

Our Wellness Committee manage Wellness initiatives at Smartpay such as encouraging the use of our Employee Assistance Program, providing mindfulness information, mindfulness meditation, yoga and exercise classes, sporting competitions and flu vaccinations.

Mental Health has been brought to the fore with COVID-19 lockdowns and the on-going pressures that were associated with this for our people. With this in mind we launched our first Mental Health Awareness week at Smartpay which was well received. During the week, a number of sessions were made available to staff including building resilience, mindfulness meditation and leading resilience. A really important outcome from the leading resilience session, was that people leaders were given the skills to allow them to recognise when their team members may be struggling with their mental health, and how to engage in impactful conversations on this topic with people to provide support.

Diversity

Diversity and inclusion is an integral part of our culture and is represented in our values. We believe that the diversity within our organisation is a strength. We are here to do the right thing by each other, our customers and our shareholders and diversity fosters a better outcome for all of our stakeholders.

The company values are:

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

In order to articulate our commitment to diversity, Smartpay has a Diversity and Inclusion Policy.

We have diversity embedded in our leadership goals and are proud to confirm we have a gender diverse Leadership Team. The diversity results have shown further improvement at 31 March 2022 which is pleasing. Gender diversity is also reflected in our broader team, where we are 34 percent female and 66 percent male, and across a number of different cultures. Our approach has always been and will continue to be to recruit the right people for the right role. We are proud to be an equal opportunity employer.

The Board's skills matrix provides identification of skills needed on the Board and is reviewed and updated annually.

Smartpay has demonstrated support in Pride and Women in the workplace by supporting events across the organisation.

In the countries in which we operate, we subscribe to paying our people at a minimum the prescribed living wage as opposed to the minimum wage.

We have identified the increasing need to provide our people with flexibility, and this is something we know our people value. We believe in a personalised approach to flexibility, where each employee is able to request flexible working arrangements that are suitable to their needs. This facilitates and allows for work/life balance with minimum impact to their career progression.

We remain focused on further developing and enhancing our Smartpay employee experience and strive to continuously create and embed a one-team experience across our dual offices.


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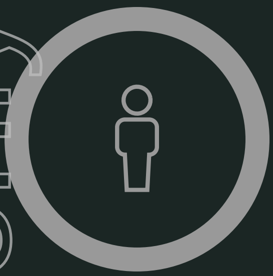
Diversity Reporting

Directors



Male: 5 | 100%
Female: 0 | 0%

As at 31 March 2022

Male: 5 | 100%
Female: 0 | 0%

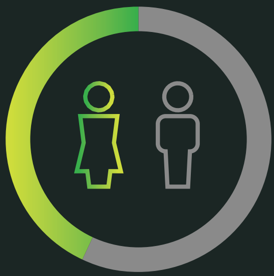
As at 31 March 2021

Officers

It has been determined that, for the purposes of the NZX Listing Rule's diversity reporting the definition of Officer encompasses our key management team which includes the following positions:

Male: 6 | 60%
Female: 4 | 40%

As at 31 March 2022



Male: 5 | 63%
Female: 3 | 37%

As at 31 March 2021

Smartpay's key management personnel include

- Chief Financial Officer / Chief Business Officer
- Chief People & Customer Officer
- General Manager New Zealand
- Head of Engineering
- Head of Operations Australia
- Head of Business Development Australia
- Head of Sales Australia
- Financial Controller
- Head of Information Technology
- Company Secretary

Delivering Best in Class Customer Experience

Our customers are at the heart of what we do. We continue to develop and deliver best-in-class Customer Experience (CX). CX is embedded into our culture and values. Our customer and their experience with our product and support offering remains at the center of all that we do, all of the time.

> Smartpay is focused on innovation and CX as we continue to develop our next- generation customer interfaces.

A key part of our CX strategy has been regularly measuring our Net Promoter Score (NPS). NPS measures the percentage of 'Promoters vs Detractors' on a simple measurement of "how willing an existing customer is to refer others to Smartpay." Over the past three years, as we have grown into the Australian market, we have seen our Australian NPS increase materially with our most recent surveys resulting in an average NPS of 66. For New Zealand the average NPS is 46. With improvement in CX across both countries, it proves that the efforts we are making are being well received by our customers and we are very pleased with these results.

The NPS offers invaluable insight from our customers including recommendations for improvements and enhancements to our product offerings, insight into current market trends and customer preferences. These assist with our innovation efforts and future product developments.

Customer service and support is just as important as the technology that our customers use. We provide our customers with service and technical helpdesk support to provide seamless access for our customers 24 hours a day 7 days a week. The team is contactable by telephone or email.

With the future in mind, late in the year, we delivered two significant technology projects. Firstly, we launched the pilot of our Smartpay HUB solution to our Australian and New Zealand customers. The HUB delivers online analytics and reporting for our customers and will provide the foundation for our roadmap to deliver a digital business solution-set to Trans-Tasman small to medium enterprises. We also migrated our core enterprise systems to a cloud based ERP – Netsuite. Netsuite provides our business the opportunity to more efficiently scale and add further value to our customer experience through self-serve and streamlined onboarding and customer engagement.

Smartpay continues to be mindful of the changing needs of our customers and continues to monitor, maintain regular contact with and show support where possible, to our loyal and growing customer base.

As we continue to grow, Smartpay will remain focused on innovation and CX as we further develop our next-generation customer interfaces.

Supporting Customers during COVID-19 and regional weather events

The disruption brought about by COVID-19 lockdowns and regional weather events meant that many of our customers endured challenges and uncertainty in respect to the ongoing performance of their business.

> We were always available to make sure our customers were operating smoothly.

Smartpay continued to develop and encourage initiatives to support customers and worked with many customers to provide free terminal rentals when the device was not being used throughout the lockdown period. We also provided relief to our customers in New South Wales and Queensland, impacted by flooding, with free terminal rental and replacement devices if required. Whilst the terminal rental fee is small in relation to a customers total outgoings, this offer was well received and seen as a meaningful contribution. In addition, we waived our usual cancellation fees for businesses that were forced to close as a direct result of the economic effects of these events.

We made sure our support and customer services teams were operating as usual and at peak performance, even when operating remotely, during the lockdown so that we were always available to make sure our customers were operating smoothly.

To minimise risk of staff shortages due to COVID-19, we developed a “Flex Crew”. Multiple people from different departments have been skilled to be able to step in to supplement the core customer service team in the event of staff shortages. In addition, we have implemented knowledge sharing workshops for ongoing strengthening of our Trans-Tasman One Team philosophy and operational capability.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Increasing our Profile

During the financial year we invested in increasing our profile in both Australia and New Zealand.

Scan the QR code above to view the clip.

As we continued to see success in customer acquisition, we commenced television advertising in January 2022 with our 'Make the Switch' campaign (have a look at the QR code above to see an advertisement). This has allowed us to continue building market awareness of our offering and position Smartpay as a preferred alternative to the big four banks. We also continued our radio advertising in both markets. These advertising activities support our long-term strategic objective of continuing to build our market awareness by using mediums that get a wider reach and in doing so generate more leads.

Our customers are our biggest supporters and during the year we launched an Ambassador program to recognise and reward customers who refer other businesses to Smartpay.

We implemented a 'Smartpay Merchant Education Series' (SMEs for SMEs) to provide knowledge and value add for our customers on key topics in business. The program included a series of webinar events and blog content that were delivered throughout the year. Some examples of blogs included "Federal Budget 2022-23 wrap up for SME's" and "Helpful hints for hiring a new employee, and how to keep them".

Developing our brand identity In the market remains a key area for strategic investment. We will continue to invest in activity and mediums we know are successful and provide a return and remain fearless in being innovative to achieve a wider reach.

Sustainability

Sustainability

Sustainability for Smartpay means that while we continue to grow and develop our business from an economic perspective, we are mindful of our wider impact from an environmental and social perspective. To date, recognising the age and stage of Smartpay, the focus has been on creating a sustainable business for shareholders.

Through this time, we have taken the opportunity to implement sustainable operating practices in our internal environment and reduce the impacts on the future. These have included simple practices such as use of recycling bins, reducing printing, and increasing the use of cloud storage for documents and recycling terminals that are no longer able to be used.

Focus has also been on our people and their health and safety and well being together with that of our customers in their times of need.

Smartpay acknowledge that this is an area where there is a need for increased attention as sustainability becomes more defined and understood and we continue to build a sustainable long term business supporting our customers, staff and shareholders.


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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.

Greg is a commercial lawyer with over 30 years of experience in advising a range of commercial and corporate clients. Greg 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.

Greg is an experienced company director and Chair having held various directorships and advisory roles across a number of New Zealand and off-shore 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.

Greg serves on the board's Audit and Finance Committee and is a Chartered Member of the New Zealand Institute of Directors.

Greg resides in Auckland, New Zealand.

Martyn Richard Pomeroy (Marty)
Managing Director and Chief Executive Officer

Marty joined the board of Smartpay in 2014 and he was appointed managing director in 2020.

Marty was the founder of Viaduct Limited, the third largest terminal business in New Zealand when purchased by Smartpay in 2013. Marty brings over 20 years of experience in the payments industry to the Board.

Marty is the leader of the management team and responsible for driving the strategy and culture of Smartpay.

Marty resides in Auckland, New Zealand.

Matthew George Turnbull (Matt)
Independent Director - BCom, CA

Matt joined the board of Smartpay in 2013.

Matt commenced his career with PWC and has over 20 years' experience providing accounting and corporate advisory services. Matt has a detailed understanding of Smartpay, having assisted the company in a corporate advisory capacity in 2012 recapitalisation and restructure, and the acquisition of Viaduct Limited.

Matt serves on the board's Remuneration and Nominations Committee and is the Chair of the Audit and Finance Committee. Matt Is a chartered accountant.

Matt resides in Auckland, New Zealand.

Carlos Gil
Non-Executive Director - B Ec, GradDipAppFin SIA, MAppFin FSIA

Carlos joined the board of Smartpay in 2018.

Carlos 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 serves on the board's Audit and Finance Committee.

Carlos resides in Sydney, Australia.

William Robert Pulver (Bill)
Non-Executive Director - BCom Marketing

Bill is stepping down from the board of Smartpay on 1 June 2022.

Bill was CEO and a non-executive director of Appen Pty Ltd. Bill spent 8 years as President and Chief Executive Officer NASDAQ-listed internet media research company NetRatings Inc. Bill spent 17 years at global marketing research company ACNielsen, in roles that included Managing Director in Australia, Group Chief Executive for Japan and Korea and President of ACNielsen eRatings.com.

Bill chaired the board's Remuneration and Nominations Committee until 1 October 2021 when he stepped down from the committee.

Bill resides in Sydney, Australia.

Governance

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

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

We have reviewed our governance framework with reference to the NZX Corporate Governance Code dated 10 December 2020 and believe that in most respects our framework complies with the Code, exceptions are identified in the narrative that follows.

This Corporate Governance Statement was approved by the Board on 30 May 2022.

Ethical behaviour

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

The Policy covers the conduct expected and deals with:

- Responsibilities of all individuals,
- Standards and definition of acceptable behaviours,
- Equal employment opportunities,
- Discrimination, harassment and bullying,
- Unauthorised removal of property,
- Responsibilities to shareholders and the financial community, and
- Whistleblowing and reporting of incidents.

These key documents can be found on our website **smartpayinvestor.com**.

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

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

Breaches are dealt with as appropriate through our disciplinary process.

Board Composition and Performance

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

Our Performance Management Policy, available on our website **smartpayinvestor.com**, is reviewed annually and applies to all employees, senior executives, individual directors and the Board as a whole and its committees. The Board has undertaken an external evaluation of its performance this year conducted by the NZ Institute of Directors, the outcome of which confirms that the Board is working effectively and maintains high standards.

The Board is Chaired by Greg Barclay who is an independent director, the board comprises three independent directors (including the Chair), one non-executive director and the Managing Director. The Board meets the recommendation of the Corporate Governance Code and a majority of the directors are independent. An outline of each director's skills and experience can be found on our website and in our Annual Report. Details of their ownership of shares in our Company are set out in the Annual Report on page 101.

The Director Nomination Procedure was established in the previous reporting period, along with the Board's performance review and skills matrix has supported the Board's identification of training, succession planning requirements and potential new directors, supporting the successful recruitment and appointment of Geoff Carrick who joins the board with effect from 1 June 2022 as an independent Director.

The induction process established for new directors ensures that any new director appointed to the board receives the information he/she needs to be able to contribute to board proceedings when they join. The process includes the requirement for written agreements to be entered into which outline the expectations and terms of appointment.

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

Independence of Directors

Factors that we consider may impact a director's independence include:

1. Being currently, or within the last three years, employed in an executive role by Smartpay, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
2. Currently, or within the last twelve months, holding a senior role in a provider of material professional services to Smartpay;
3. Having a current, or within the last three years, material business relationship (e.g. as a supplier or customer) with Smartpay;
4. Being a substantial product holder of Smartpay, or a senior manager of, or person otherwise associated with, a substantial product holder of Smartpay;
5. Having a current, or within the last three years, material contractual relationship with Smartpay, other than as a director;
6. Having close family ties with anyone in the categories listed above; or
7. Having been a director of Smartpay for a length of time that may compromise independence.

In each case, the materiality of the interest, position, association or relationship is assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgment to bear on issues before the Board, to act in the best interests of Smartpay, and to represent the interests of our financial product holders generally.

The Board reviews the independence of each Director considering interests that each director is required to disclose in relation to the factors set out above. Based on these factors, Smartpay considers that, as at 31 March 2022, Greg Barclay, Matt Turnbull and Bill Pulver were independent directors.

The full board meets at least six times a year, the record of attendance at both Board and Committee meetings by directors for FY22 is detailed below:

	Status	Board	Audit & Finance Committee	Remuneration & Nominations Committee
Meetings Held / Attended		**8**	**5**	**2**
Gregor Barclay	Independent Chairman	8	5	0*
Martyn Pomeroy	Executive / Managing Director	8	N/A	N/A
Matthew Turnbull	Independent Director	8	5	2
Carlos Gil	Non-Executive Director	7	5	N/A
William Pulver	Independent Director	8	N/A	2**

* Greg Barclay joined the Remuneration and Nominations Committee as Chair with effect from 1 October 2021, there were no meetings held in FY22 since his appointment.

** Bill Pulver stepped down from the Remuneration and Nominations Committee with effect from 1 October 2021, he attended all meetings of the Committee held during his tenure.

The Board Papers provided by management before each meeting provide comprehensive information on the business and directors have unrestricted access to any other information or records. Reporting to the Board is structured to require reporting by Management against the Board's identified strategic goals. Where directors are unable to participate in a meeting they are encouraged to forward their views to another director in advance of the meeting. Key Management are available at the Board's request to address queries and to assist in developing the Board's understanding of issues facing us and the performance of our business.

Committees

The Board uses committees to enhance its effectiveness in key areas while still retaining Board responsibility.

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

- Audit and Finance Committee
- Remuneration and Nominations Committee

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

Given the size of our business the Board has determined that the roles and functions of Remuneration and Nominations committees can be effectively dealt with by one committee.

The terms of reference for its Remuneration and Nominations Committee include the roles and functions for nomination and remuneration of directors, senior managers and policies for the company as a whole.

The Board Charter recognises that the ultimate responsibility for Board nomination and remuneration rests with the Board.

The Board appoints the committee members, membership during the FY22 reporting period was as follows:

	Audit & Finance Committee		Remuneration & Nominations Committee	
Name	**Appointed**	**Position**	**Appointed**	**Position**
Matthew Turnbull*	1 April 2013	Chair	5 June 2013	Member
Gregor Barclay*	24 May 2010	Member	1 April 2022**	Chair
Carlos Gil	11 December 2018	Member	N/A	N/A
William Pulver*	N/A	N/A	11 December 2018**	Chair

*Independent director

**With effect from 1 October 2021 William Pulver stepped down from the Remuneration and Nominations Committee and Gregor Barclay joined the committee as Chair.

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

Reporting and Disclosure

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

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

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

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

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

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

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

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

Smartpay's Disclosures and Communication Policy which can be found at: **smartpayinvestor.com/corporate-documents**, reinforces our commitment to the continuous disclosure obligations imposed by the NZX. It ensures timely and accurate information is provided equally to all shareholders and market participants and provides guidance on the process to ensure compliance. This policy, together with our procedures relating to disclosure, is designed to ensure accountability at a key management level and compliance with our disclosure obligations.

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

The Board received refresher training provided by the NZX on its disclosure obligations during the reporting period

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

We report non-financial information about the business throughout our Annual Report.

Remuneration

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

Directors Remuneration

They receive no retirement or other benefits and are not required to hold shares in Smartpay.

Executive Directors and Officers

Martyn Pomeroy is paid as an employee of Smartpay and remuneration payable to him, officers and key management is made up of three components:

1. Fixed Remuneration
2. At risk/variable remuneration to reward performance in the form of a bonus scheme which is linked to key performance indicators set and reviewed by the Remuneration and Nominations Committee annually.
3. Unlisted Share Performance Rights (SPR), which are subject to vesting conditions and performance hurdles as described in the 2021 annual shareholder meeting notice.

The remuneration of the managing director and senior executives of the company is reviewed annually by the Remuneration and Nominations Committee. There is no predetermined weighting for the balance of each remuneration element to be awarded, this is contemplated annually in the context of our strategic plans and budget process to ensure that remuneration packages remain closely aligned with our values, vision and strategy.

The detail of individual shareholdings are detailed in the Statutory Information section of the Annual Report on page 101. The subsidiary companies' directorships are detailed in the Statutory Information section on page 99, the subsidiary company directors are also directors of Smartpay Holdings Limited, they receive no additional fees for being directors of subsidiary companies.

Director	Board Fees	Audit and Finance Committee	Remuneration and Nominations Committee	Other	Total Remuneration
Gregor Barclay	$90,000	-	-	-	$90,000
Matthew Turnbull	$65,000	$5,000	-	-	$70,000
Carlos Gil*	$68,955	-	-	-	$68,955
William Pulver*	$68,955	-	-	-	$68,955
Total					**$297,910**

The total remuneration pool for Directors is $300,000.

*Directors fees are $A65,000, this has been converted into NZD

Chief Executive Officer

The remuneration for the Managing Director (being the Chief Executive Officer (CEO)) Includes a fixed remuneration component, a variable remuneration component comprising short-term Incentives (STIs) and long-term Incentives (LTIs), and other benefits. LTI's are offered to selected employees (Including the CEO) In order to Incentivise them to enhance long-term shareholder value.

	Base Salary	Other benefits including superannuation contributions***	Subtotal	At Risk STI*	At Risk LTI**	Total Remuneration
Martyn Pomeroy FY21	NZ$408,000	NZ$42,908	NZ$450,908	NZ$350,000	-	NZ$800,908
Martyn Pomeroy FY22	NZ$515,971	NZ$37,794	NZ$553,765	-	-	NZ$553,765

*STI (Short Term Incentive) is based on payments made in the period.

** LTI (Long Term Incentive) represents the cost of LTI to the company that vested to the CEO In the period.

***Other benefits include a motor vehicle, KiwiSaver contributions and home office allowance.

STI scheme

The CEO Is entitled to receive and STIs of up to 50 per cent of base salary per annum, to be paid in cash at the sole discretion of the Board. If a short term incentive is to be made with respect to a financial year it will be paid on or before the date falling 10 days after release of the audited accounts of Smartpay for the relevant financial year. The short term incentive is subject to the achievement of Key Performance Indicators which are to be agreed with the Board from time to time and set on an annual basis.

LTI scheme

Set out below Is a summary of the grants made to the CEO under the LTI scheme relating to the financial year ended 31 March 2022.

During the year 2,239,380 Share Performance Rights were Issued at a cost of $1,634,747 to Smartpay. No Share Performance Rights vested to the CEO In that period.

Other remuneration entitlements

The CEO Is not contractually entitled to any other remuneration other than as noted.

Review of CEO remuneration

The review and approval of the Chief Executive's remuneration is the responsibility of the Remuneration and Nominations Committee. External benchmarking and advice is sought by the Remuneration and Nominations Committee as required.

Employees

Our Remuneration Policy applies to all employees. As part of our salary review process we benchmark our salaries against the appropriate regional market, this is an exercise we undertake for the business as a whole and when employees join the business or change roles.

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

Remuneration Range	Number of Employees	Remuneration Range	Number of Employees
100,000 to 110,000	5	180,001 to 190,000	1
110,001 to 120,000	8	190,001 to 200,000	1
120,001 to 130,000	7	200,001 to 210,000	1
130,001 to 140,000	3	220,001 to 230,000	2
140,001 to 150,000	1	240,001 to 250,000	1
150,001 to 160,000	3	290,001 to 300,000	1
160,001 to 170,000	1	300,001 to 310,000	1
170,001 to 180,000	4	340,001 to 350,000	1

Risk Management

As a high-growth company, we recognise that risk management is critical to the execution of our business strategy. We view our risk management framework as a discipline that reduces uncertainty and strengthens and complements other corporate governance initiatives.

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

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

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

Smartpay's Risk Register was established based on The Committee of Sponsoring Organisations (COSO) Enterprise Risk Management (ERM) framework. Enterprise risks are regularly reviewed by management and evaluated in terms of potential impact and likelihood of occurrence. Smartpay maintains a dynamic and active approach to ensuring relevant mitigating factors are implemented by our management team.

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

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

We do not have sufficient scale to have a dedicated internal audit function however, we recognise the value an internal audit process adds. We place emphasis on the systems and policies in place, including the Delegation of Authorities Manual. These ensure the separation of duties in relation to the authorisation of, and commitment to, expenses and obligations and that such decisions are made at the appropriate level. Key to enhancing our internal controls, risk management and in response to the risk identified in our current systems, has been the implementation of a new ERP system. This has been a key project for the management team over the past financial year and has now been implemented with effect from 4 April 2022. This implementation streamlines internal controls and provides efficiencies across the business.

Auditors

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

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

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

Both these documents can be found on our website.

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

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

The auditors are invited to all meetings of shareholders.

Smartpay engages other external advisors to assist with such matters as taxation to support the business in its tax dealings to ensure a true separation of duties.

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

The fee paid to the auditors is detailed on page 66.

Shareholder Rights and Relations

The Board respects the rights of shareholders and strives to build and maintain constructive relationships and encourage investor engagement.

We maintain websites specific for our customers and investors. When a shareholder first invests in our company they are sent a welcome letter which provides information on where to find our website and an invitation to elect to receive communications from us electronically. The impact of COVID-19 on postal services highlights the benefits of receiving communications electronically.

Our Stakeholder Communications policy sets out our expectations of how we will communicate with our shareholders, whenever we hold shareholder meetings a minimum of 20 working days notice has been given.

In 2021, due to the COVID-19 restrictions on travel and gatherings, we held our Annual Meeting of Shareholders virtually. With the lifting of travel restrictions we are planning to hold this year's Annual Meeting as a hybrid meeting, with shareholders able to attend in person or virtually, formal details including date, time and location to follow in due course.

There have been no special meetings of shareholders during the reporting period and no issue of shares.

At the Annual meeting of shareholders held on 29 September 2021, shareholders approve the issue of 2,239,380 unlisted share performance rights to Martyn Pomeroy as Chief Executive Officer and Managing Director. The Board subsequently authorized the issue of a further 1,708,368 unlisted share performance rights to key management (see also Statutory information on page 101 and Security Holder information on page 104).

Smartpay Holdings Limited

2022 Financial Statements

Directors' Responsibility Statement

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Smartpay Holdings Limited and its subsidiaries (Group) as at 31 March 2022 and the results of their operations and cash flows for the year ended 31 March 2022.

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

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

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

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

The Directors are pleased to present the financial statements of the Group for the year ended 31 March 2022.

These financial statements dated 30 May 2022 are signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors

Greg Barclay
Chairman

Martyn Pomeroy
Managing Director and Chief Executive Officer

Statement of Comprehensive Income

For the year ended 31 March 2022

		Group	
		2022	**2021**
	Note	**$'000**	**$'000**
Continuing operations			
Revenue	5 & 6	48,080	33,845
Other income	7	4	16
Operating expenditure	8	(36,988)	(26,279)
Earnings before interest, tax, depreciation, amortisation, impairments and unrealised foreign exchange		11,096	7,582
Depreciation and amortisation	8	(7,972)	(7,803)
Foreign exchange adjustments		(87)	74
Employee share performance rights amortisation	28	(539)	-
Net finance (costs)	8	(538)	(1,612)
Change in fair value of convertible notes	8 & 24	909	(12,731)
Impairment	8	(164)	(468)
		(8,391)	(22,540)
Profit / (Loss) before tax		2,705	(14,958)
Tax benefit / (expense)	9	399	(242)
Profit / (Loss) for the year from continuing operations		3,104	(15,200)
Other comprehensive income			
Foreign currency translation differences for foreign operations which may be reclassified subsequently to profit or loss (no tax effect)	26	(83)	291
Total comprehensive income / (loss)		3,021	(14,909)
Earnings / (losses) per share from continuing operations attributable to the equity holders of the company during the year	10		
Basic earnings per share		1.31 cents	(7.24) cents
Diluted earnings per share		1.31 cents	(7.24) cents

The accompanying Statement of Accounting Policies and Notes on pages 46 to 93 form part of the financial statements.

Statement of Changes in Equity

For the year ended 31 March 2022

		Group				
		Share Capital	Share Performance Rights	Foreign Currency Translation Reserve	Retained Deficits	Total
	Note	$'000	$'000	$'000	$'000	$'000
Balance at 31 March 2020		54,433	-	70	(44,290)	10,213
Loss for the year from continuing operations		-	-	-	(15,200)	(15,200)
Other comprehensive income		-	-	291	-	291
Total comprehensive loss		-	-	291	(15,200)	(14,909)
Convertible notes converted to ordinary shares (net of fees)	25	16,691	-	-	-	16,691
Share issues for cash (net of fees)	25	15,539	-	-	-	15,539
Total changes in equity		32,230	-	291	(15,200)	17,321
Balance at 31 March 2021		86,663	-	361	(59,490)	27,534
Profit for the year from continuing operations		-	-	-	3,104	3,104
Other comprehensive loss		-	-	(83)	-	(83)
Total comprehensive income		-	-	(83)	3,104	3,021
Convertible notes converted to ordinary shares (net of fees)	25	4,978	-	-	-	4,978
Share performance rights	28	-	539	-	-	539
Total changes in equity		4,978	539	(83)	3,104	8,538
Balance at 31 March 2022		91,641	539	278	(56,386)	36,072

The accompanying Statement of Accounting Policies and Notes on pages 46 to 93 form part of the financial statements.

Statement of Financial Position

As at 31 March 2022

		Group	
		2022	2021
	Note	$'000	$'000
Current assets			
Cash and bank balances	11	14,882	9,021
Trade and other receivables	12	8,555	9,011
Derivative financial instruments	13	-	3
Income tax receivable	21	294	15
Total current assets		23,731	18,050
Non-current assets			
Property, plant and equipment	15	9,458	9,045
Right-of-use assets	16	5,464	438
Contract costs	17	1,089	891
Intangible assets	17	16,064	14,660
Goodwill	18	14,772	14,772
Total non-current assets		46,847	39,806
Total assets		70,578	57,856
Current liabilities			
Trade payables and accruals	20	17,359	11,464
Derivative financial instruments	13	16	-
Borrowings	22	1,279	1,235
Lease liabilities	23	1,103	538
Convertible notes	24	-	5,857
Deferred tax liability	19	99	-
Total current liabilities		19,856	19,094
Non-current liabilities			
Borrowings	22	10,000	11,000
Lease liabilities	23	4,650	11
Deferred tax liability	19	-	217
Total non-current liabilities		14,650	11,228
Total liabilities		34,506	30,322
Net assets		36,072	27,534
Equity			
Share capital	25	91,641	86,663
Share performance rights	28	539	-
Foreign currency translation reserve	26	278	361
Retained deficits		(56,386)	(59,490)
Total equity		36,072	27,534

The accompanying Statement of Accounting Policies and Notes on pages 46 to 93 form part of the financial statements.

Statement of Cash Flows

For the year ended 31 March 2022

		Group	
		2022	**2021**
	Note	**$'000**	**$'000**
Cash flows from operating activities			
Receipts from customers		47,751	33,834
Interest received		72	-
Payments to suppliers and employees		(34,617)	(24,490)
Interest paid		(506)	(729)
Net cash inflow from operating activities	27	12,700	8,615
Cash flows from investing activities			
Purchase of terminal assets and other property, plant and equipment		(4,121)	(2,913)
Spend on contract costs		(946)	(710)
Spend on intangible assets		(4,384)	(2,988)
Net cash outflow from investing activities		(9,451)	(6,611)
Cash flows from financing activities			
Proceeds from shares (net of fees)	25	(24)	15,508
Repayments of borrowings		(1,000)	(8,505)
Repayments of short term borrowings		(795)	(691)
Secured loan to related party		1,594	(1,594)
Payments of lease liabilities	23	(664)	(531)
Net cash outflow from financing activities		(889)	4,187
Net increase in cash equivalents		2,360	6,191
Add opening cash equivalents		7,292	1,101
Closing cash equivalents		9,652	7,292
Reconciliation of closing cash equivalents to the Statement of Financial Position:			
Cash and cash equivalents		9,652	7,292
Other bank balances (restricted use)		5,230	1,729
Closing cash and bank balances	11	14,882	9,021

The accompanying Statement of Accounting Policies and Notes on pages 46 to 93 form part of the financial statements.

Statement of Accounting Policies and Notes

1. General Information

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

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

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

2. Summary of Significant Accounting Policies

a. Statement of Compliance

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

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

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

The financial statements were authorised for issue by the Directors on 30 May 2022.

b. Basis of Preparation

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

The going concern assumption is applied, it is supported by current cash flow and cash flow forecasts.

c. Functional and Presentation Currency

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

d. Accounting Judgements and Major Sources of Estimation Uncertainty

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

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

COVID-19 Pandemic

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

Our previous experience from COVID-19, has allowed us to determine there is minimal impact upon our revenue and expenses as a consequence of a COVID-19 lockdown. However, we have reviewed the carrying value of all assets for impairment as noted below.

Below is a summary of the impact COVID-19 has had on the assets of Smartpay.

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

Trade and Other Receivables (refer to Note 12)
Smartpay has not increased their provisions over receivables at 31 March 2022 due to potential COVID-19 impact. The outstanding receivables at that date have largely been received at the time of signing this set of financial statements.

Property, plant and equipment (refer to Note 15)
Smartpay has not impaired additional EFTPOS terminals as a result of COVID-19. COVID-19 restrictions had a temporary impact but once lockdowns were lifted the customers continued to use the EFTPOS terminals.

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

2. Summary of Significant Accounting Policies *(continued)*

Intangible Assets (refer to Note 17)
No impairment has been considered necessary as a result of COVID-19. Smartpay has internally developed software required to operate the terminal fleet in New Zealand and the acquiring fleet in Australia. The internally developed software for the Australian acquiring business was considered separately for impairment. An impairment review was performed and no impairment factors were found.

Goodwill (refer to Note 18)
Goodwill has been tested for impairment. The goodwill balance is associated to the New Zealand cash-generating unit. As a result of not seeing a material reduction in revenue as a result of COVID-19, an impairment is not required.

e. Adoption of New and Revised Standards and Interpretations

i) Standards and Interpretations Effective in the Current Period
No new standards have been implemented in the current period.

ii) Standards on Issue Not Yet Adopted
There are no new standards awaiting implementation that will have a material impact on Smartpay.

f. Consolidation

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

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

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

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

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

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

g. Foreign Currencies

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

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

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

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

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

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

h. Comparatives
When the presentation or classification of items is changed, comparative amounts are reclassified unless the reclassification is impractical. The comparitives in Note 19a have had the tax loss disclosure amended.

i. Current versus Non Current Classification
The Group presents assets and liabilities in the statement of Financial Position based on current / non current classifications.

An asset is current when it is:
- Expected to be realised or intended to be sold or consumed within 12 months after the Reporting Date; or
- is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the Reporting Date.

All other assets are classified as non current.

A liability is current when it is:
- Expected to be settled within 12 months after the Reporting Date; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the Reporting Date.

All other liabilities are classified as non current.

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

k. Share-based Payment Transactions
Equity Settled Transaction
A long term incentive plan (LTI plan) was implemented in this financial year for key management including the Chief Executive Officer (CEO) whereby the employees render services in exchange for share performance rights (SPRs), refer to Note 28. The cost of these share based payments is recognised by expensing the fair value of SPRs granted, over the period which the employees become unconditionally entitled to these benefits.

The LTI plan is settled by issuing equity, the corresponding entry is an increase in the share based payment reserve.

2. Summary of Significant Accounting Policies *(continued)*

The impact of any service and non-market vesting conditions is excluded from the fair value. Instead this is included in assumptions about the number of rights that are expected to vest. These assumptions are revised at the end of each reporting period. The impact of any revision to original estimates is recognised in the Statement of Comprehensive Income, with a corresponding adjustment to equity.

l. Finance Costs

Interest expense is accrued on a time basis using the effective interest method and is recognised as an expense when incurred. The Group has elected to classify cashflows in respect of interest paid as operating activities.

m. Taxation

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

i) Current Tax

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

ii) Deferred Tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

iii) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:

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

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

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

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

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

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

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

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

o. Financial Assets
Financial assets are classified into the following categories:

- at fair value through profit or loss;

- at amortised cost; or

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

2. Summary of Significant Accounting Policies *(continued)*

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

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

The Group has the following classifications:
i) Financial Assets at Fair value through Profit or Loss
This category includes in-the-money derivatives. They are carried at fair value through profit or loss with changes to fair value included in the Statement of Comprehensive Income within net finance costs.

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

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

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

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

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

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

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

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

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

q. Property, Plant and Equipment

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

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

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

- Merchant terminals - between three and six years
- Motor vehicles - five years
- Computer equipment – between three and four years
- Furniture, fixtures and office equipment - between three and five years

For some merchant terminals, due to payment compliance regulation, the life may be less than three years at the time of acquisition. Accordingly, they will be depreciated over this reduced life.

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

Disposal

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

r. Leases

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

Group as Lessee

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

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

s. Contract Costs and Intangibles

Intangible Assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

i) Software and Development Costs

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

2. Summary of Significant Accounting Policies *(continued)*

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

ii) Intangible Assets Acquired in a Business Combination
Intangible assets other than goodwill acquired in a business combination are identified and recognised separately where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition (including any adjustment to previous provisionally assessed fair values), intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses where they have finite useful lives.

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

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

· capitalised development costs	between three -ten years
· customer contracts	between three -ten years
· software	between three -ten years

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

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

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

u. Goodwill

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

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

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

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

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

v. Financial Liabilities and Equity Instruments

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

i) Equity Instruments

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

ii) Financial Liabilities

Financial liabilities, including borrowings, convertible notes and trade payables and accruals, are initially measured at fair value, plus directly attributable transaction costs. Other financial liabilities are subsequently measured at amortised cost, with any interest expense recognised on an effective interest basis. The convertible notes components are recognised separately (refer to Note 24 and Note 32). The debt instrument is recognised as a financial liability and is recognised at amortised cost. The option granted to the holder is recognised as a derivative liability and is measured at fair value.

Lease liabilities are explained in Note 2r.
Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

w. Provisions and Employee Leave Benefits

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

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

2. Summary of Significant Accounting Policies *(continued)*

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

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

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

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

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

y. Fair value of financial assets and liabilities

Fair Value Methodologies
The Group measures financial instruments such as derivatives, at fair value at each Statement of Financial Position date.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Trade Receivables
Trade receivables are recognised at fair value.

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

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

2. Summary of Significant Accounting Policies *(continued)*

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

Lease Liabilities
Refer to Note 2r.

Compound Financial Instruments
Compound financial instruments are measured on the basis of the components of the instrument. The debt component is measured at amortised cost. The residual component is assessed to determine if an equity component exists. If the instrument has a variable conversion feature the component is recognised as a derivative at fair value through profit or loss.

z. Government Grants
Government grants that compensate the Group for expenses incurred are recognised as profit or loss in the same periods in which the underlying expenses are recognised.

3. Significant Accounting Judgments, Estimates and Assumptions

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

Significant Accounting Estimates and Assumptions

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

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

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

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

c. Recognition of Software Development

The Group develops software to use internally, on EFTPOS terminals or to be sold.

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

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

Note 17 provides information on the software developed in the period.

d. Impairment of the EFTPOS terminals

The Group assesses on an annual basis if any impairment of terminals or ancillary equipment is required due to obsolescence.

e. Convertible Notes

i) Fair value assessment at Balance Date

The Group is required to revalue the option component of the convertible notes at the end of the period. To assess fair value it is necessary to apply a valuation model and the Black Scholes option valuation model is used for this purpose. A number of variables are required including a measure of the volatility of the share price. This is assessed by an independent advisor with expertise in this area. The other variables are obtained from market prices (refer to Note 24).

ii) Conversion of the notes by the holder

At the time the holder exercises the options, the convertible notes are converted to shares in Smartpay Holdings Limited. The holder can elect to exercise the option at any time up to maturity. Once the option is exercised by the holder the shares are issued to the holder at the ratio of four shares for each one A$ value of the convertible notes held. At the time of issue of the shares the current market value of shares is used to determine any gain or loss.

4. Financial Risk Management Objectives and Policies

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

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

a. Market Risk

(i) Foreign Currency Risk

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

(ii) Cash Flow and Fair Value Interest Rate Risk

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

The Group's interest rate risk arises from its borrowings. The Group will enter into interest rate hedges as deemed necessary, in line with the treasury policy. The Group did not enter into any interest rate hedges during the year.

b. Credit Risk

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

Management have a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit checks are performed as necessary and active measures are taken to collect outstanding amounts and prevent them from becoming non-performing accounts.

Refer to Note 32c for more explanation on determining objective evidence that an impairment has occurred and an analysis of accounts overdue and concentrations of credit risk.

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

c. Liquidity Risk

Liquidity risk arises from the financial liabilities of the Group and the ability to meet their obligations to repay their financial liabilities as and when they fall due. The objective is to maintain a balance between continuity of funding and committed available credit lines.

The Group manages its liquidity by forecasting cash flows on a monthly and annual basis and monitoring the total cash flows on a regular basis (refer to Note 32e).

d. Fair Values

The carrying value of all debt and leases is the fair value of these liabilities. This includes the option component within the convertible notes which are recognised as a derivative liability and revalued at the Reporting Date to reflect fair value.

5. Segment Information

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

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

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

Geographical Segments

2022	New Zealand	Australia	Elimination	Total
Revenue	**$'000**	**$'000**	**$'000**	**$'000**
Revenue from Contracts with Customers				
Service revenue	14,133	1,931	-	16,064
Transactional income	318	31,211	-	31,529
Other service revenue	119	-	-	119
Short term rentals	104	-	-	104
Sale of goods	2,653	105	(2,494)	264
Total revenue from contracts with customers	**17,327**	**33,247**	**(2,494)**	**48,080**
Additions to non-current assets	9,145	6,010	-	15,155
Non-current assets	37,434	10,911	(1,498)	46,847

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

The elimination of $2,494,000 (2021: $971,000) relates to the revenue on the sales of EFTPOS terminals from New Zealand to Australia within the Group.

		Group		
2021	**New Zealand**	**Australia**	**Elimination**	**Total**
Revenue	**$'000**	**$'000**	**$'000**	**$'000**
Revenue from Contracts with Customers				
Service revenue	14,316	1,489	-	15,805
Transactional income	342	17,114	-	17,456
Other service revenue	104	77	-	181
Short term rentals	136	-	-	136
Sale of goods	1,139	99	(971)	267
Total revenue from contracts with customers	**16,037**	**18,779**	**(971)**	**33,845**
Additions to non-current assets	6,356	744	-	7,100
Non-current assets	36,114	4,684	(992)	39,806

6. Revenue

a. Revenue streams

The Group generates revenue primarily from service contracts with customers for the provision of EFTPOS terminals and transaction processing on the EFTPOS terminals together in some cases with software development and the sale of EFTPOS terminals. Other minor sources of revenue include service income from short term contracts and ancillary services. Refer to Note 5 for the composition of revenue from contracts with customers.

b. Disaggregation of revenue from contracts with customers

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

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

	Group	
Major products and service lines	**2022**	**2021**
	$'000	**$'000**
EFTPOS terminal service	16,168	15,941
Transaction processing	31,529	17,456
Direct sales	264	267
Other	119	181
Total revenue from contracts with customers	**48,080**	**33,845**

	Group	
Timing of revenue recognition	**2022**	**2021**
	$'000	**$'000**
Services transferred at point in time	31,752	17,773
Services transferred over time	16,064	15,805
Products transferred at point in time	264	267
Total revenue from contracts with customers	**48,080**	**33,845**

	Group	
Contract costs	**2022**	**2021**
	$'000	**$'000**
Closing carrying value of contract costs	1,089	891

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

c. Contract balances

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

	Group	
	2022	2021
	$'000	$'000
Contract Assets (refer to Note 12)	801	824
Contract Liabilities (refer to Note 20)	(75)	(97)
	726	727
Contract Assets		
Opening balance	824	1,153
Additions	86	49
Transfers out	(98)	(401)
Foreign exchange adjustment	(11)	23
Closing balance	**801**	**824**

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

The contract liabilities primarily relate to the advance consideration received from customers for EFTPOS service contracts, for which revenue is recognised over time (refer to Note 20).

The revenue recognised in the period ended 31 March 2022 includes revenue from performance obligations satisfied (or partially satisfied) in previous periods is nil.

d. Performance obligations and revenue recognition policies

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

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

i) EFTPOS terminal services

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

The EFTPOS terminal service provided to the customer is a bundled service made up of the following services:

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

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

6. Revenue *(continued)*

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

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

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

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

ii) Transactional processing services
Nature and timing of satisfaction of performance obligations, including significant payment terms

The transactional processing service is a bundled service made up of the following components:

- Provision of transaction processing
- Provision of support services

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

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

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

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

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

Some contracts may permit the customer to return an item. Returned goods are exchanged only for new goods.

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

7. Other Income

The following items are included in other income:

	Group	
	2022	2021
	$'000	$'000
Bad debts recovered	4	16
	4	16

8. Expenditure

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

		Group	
Operating Expenditure	**Note**	**2022**	**2021**
		$'000	**$'000**
Direct costs of sales		16,469	10,842
Terminal communication and servicing costs		589	623
Compliance and information technology costs		2,362	1,918
Employee costs net of capitalised amounts		12,294	10,094
Marketing costs		3,989	1,810
Occupancy costs		290	182
Other costs		853	716
Travel and accommodation		142	94
		36,988	26,279

		Group	
Depreciation and Amortisation		**2022**	**2021**
		$'000	**$'000**
Depreciation of property, plant and equipment			
Merchant terminals	15	3,108	2,893
Furniture, fixtures, office and computer equipment and motor vehicles	15	214	189
Right-of-use assets	16	827	484
Amortisation of contract costs and intangible assets			
Contract costs	17	754	778
Software	17	2,645	3,036
Customer contracts	17	424	423
		7,972	7,803

	Group	
Auditors Fees included in operating expenditure	**2022**	**2021**
	$'000	**$'000**
Audit fees to the principal Auditor	275	222
Audit fee overruns to the principal Auditor for prior year	30	-
Fees for legal and tax services to the principal Auditor	4	47
Fees for legal and tax services to the principal Auditor for prior year	36	-
	345	269

Operating expenditure includes the following costs	Group 2022 $'000	Group 2021 $'000
Bad debts written off (not written off through the provision)	50	88
Impairment (release) / provision for receivables	(61)	174
Net loss on disposal of assets	-	10
Directors fees	298	215
Net foreign exchange losses	8	11

Net finance costs	Group 2022 $'000	Group 2021 $'000
Interest received	(37)	(36)
Interest on bank overdrafts and borrowings	399	492
Interest on lease liabilities	109	55
Convertible note interest paid	34	165
Convertible note amortisation	54	860
Foreign exchange contract realised (gains) / losses	(21)	76
	538	1,612

Change in Fair Value of Convertible Notes	Group 2022 $'000	Group 2021 $'000
Debt modification gain	-	(491)
Option fair value movement	(909)	13,222
	(909)	12,731

Impairment	Group 2022 $'000	Group 2021 $'000
Merchant terminal impairment write off	77	569
Merchant terminal impairment provision / (release)	87	(101)
	164	468

9. Taxation Benefit / (Expense)

	Group	
	2022	2021
	$'000	$'000
Income tax expense comprises:		
Current income tax benefit	281	-
Deferred tax benefit / (expense)	118	(242)
Income tax benefit / (expense)	399	(242)
Reconciliation between charge for year and accounting profit		
Profit / (loss) before tax	**2,705**	**(14,958)**
Income tax at 28%	(757)	4,188
Add / (deduct) the tax effect of:		
Non-deductible expenses	(76)	(4,083)
Non-assessable income	67	312
Temporary differences not recognised	985	(1,013)
Tax benefit recognised	281	370
Australian tax rate differences	(101)	(16)
Income tax benefit / (expense)	**399**	**(242)**

The tax rate used in the above reconciliation is the corporate tax rate applicable at 31 March 2022 payable on taxable profits under New Zealand (28%) and Australian (30%) tax law.

10. Earnings per Share

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

	Group	
	2022	2021
Basic earnings per share - cents		
Profit / (loss) for the year from continuing operations ($'000)	3,104	(15,200)
Weighted average number of shares ('000)	236,253	209,875
Basic earnings per share - cents	1.31	(7.24)

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

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares whether issued or able to be issued during the year. The convertible notes do not form part of the weighted average number of ordinary shares until converted. The share performance rights also do not form part of the weighted average number of ordinary shares, as they are not yet issued.

11. Cash and Bank Balances

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding overdrafts.

	Group	
	2022	2021
Cash and cash equivalents	**$'000**	**$'000**
Cash at bank and in hand	9,652	7,292
Total cash and cash equivalents	**9,652**	**7,292**
Other bank balances		
Merchant settlement account (restricted use)	5,230	1,729
Total cash and bank balances	**14,882**	**9,021**

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

12. Trade and Other Receivables

	Group	
	2022 $'000	2021 $'000
Accounts receivable	1,930	1,694
Less expected credit losses on receivables	(197)	(259)
Less provision for kit recovery	(256)	(248)
Merchant receivables	5,316	4,560
Accrued revenue (contract assets refer to Note 6c)	801	824
Prepayments	719	562
Acquiring facility security deposit	242	245
Secured loan to related party (refer to Note 31)	-	1,633
Total trade and other receivables	**8,555**	**9,011**

Trade and other receivables are held at a value equivalent to their fair value. The merchant receivables are amounts due from the card schemes for transactions processed on behalf of customers. Smartpay has a security deposit with Cuscal Limited as a condition of the establishment of the acquiring facility.

	Group	
Movements in Provisions	2022 $'000	2021 $'000
Expected credit losses on receivables		
Opening balance	(259)	(82)
Net remeasurement of loss allowance	(108)	(228)
Amounts written off	169	54
Foreign exchange adjustment	1	(3)
Closing balance	**(197)**	**(259)**
Provision for Kit Recovery		
Opening balance	(248)	(187)
Additions to the provision for exposure to recovery recognised in the Statement of Comprehensive Income	(462)	(442)
Recovered from customer	89	41
Provision utilised or terminal recovered	364	346
Foreign exchange adjustment	1	(6)
Closing balance	**(256)**	**(248)**

An allowance for impairment loss is recognised when there is objective evidence that a receivable is impaired. The Group manages its receivables in line with its approved credit control procedures refer to Note 4b.

13. Derivative Financial Instruments

The Group has 3 (2021: 1) foreign currency contracts in place at 31 March 2022 for hedging foreign currency exposures with a foreign currency face value of US$450,000 (2021: US$100,000) and a NZ dollar maturity value of NZ$664,000 (2021: NZ$141,000). Contracts are for maturity in one to three months. The fair value of the contract at 31 March 2022 is a liability of $16,000 (2021: asset $3,000).

	Group	
Fair Value	**2022 $'000**	**2021 $'000**
Foreign exchange contracts	(16)	3
Total	**(16)**	**3**
Current (Liability) / Asset	(16)	3

14. Subsidiary Companies

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

	Equity Interest		Place of Incorporation	Activities
	2022	**2021**		
Subsidiaries				
Smartpay Limited	100%	100%	New Zealand	Product and services
Smartpay New Zealand Limited	100%	100%	New Zealand	Non-trading
Smartpay Software Limited	-	100%	New Zealand	Amalgamated
Viaduct Limited	-	100%	New Zealand	Amalgamated
Smartpay Rental Services Limited	-	100%	New Zealand	Amalgamated
Smartpay Ethos Limited	-	100%	New Zealand	Amalgamated
Smartpay Australia Pty Limited	100%	100%	Australia	Product and services
Smartpay Rentals Pty Limited	100%	100%	Australia	Non-trading
Cadmus Payment Solutions Pty Limited	100%	100%	Australia	Non-trading
Pax Technology Pty Limited	100%	100%	Australia	Non-trading
Smartpay Taxis Pty Limited	100%	100%	Australia	Non-trading
Smartpay Epayments Pty Limited	100%	100%	Australia	Non-trading
Product Rentals Pty Limited	100%	100%	Australia	Non-trading

All subsidiary companies have the same Reporting Date as their parent company of 31 March and all subsidiaries were owned for the full financial year. The subsidiaries amalgamated were amalgamated into Smartpay Limited on 1 April 2021.

15. Property, Plant and Equipment

	Merchant terminals		Furniture, fixtures, office and computer equipment and motor vehicles		Group Total	
	2022	2021	2022	2021	2022	2021
	$'000	$'000	$'000	$'000	$'000	$'000
Opening carrying value	6,354	7,217	311	418	6,665	7,635
Additions	-	-	249	74	249	74
Transfers from capital work in progress	4,632	1,993	-	-	4,632	1,993
Depreciation	(3,108)	(2,893)	(214)	(189)	(3,322)	(3,082)
Cost of sales	(4)	(11)	-	-	(4)	(11)
Impairment	(164)	(113)	-	-	(164)	(113)
Foreign exchange adjustments	(5)	161	(2)	8	(7)	169
Closing carrying value	**7,705**	**6,354**	**344**	**311**	**8,049**	**6,665**
Capital work in progress						
Opening carrying value	2,380	1,437	-	-	2,380	1,437
Additions	3,681	3,249	-	-	3,681	3,249
Transfers to fixed asset	(4,632)	(1,993)	-	-	(4,632)	(1,993)
Impairment	-	(355)	-	-	-	(355)
Foreign exchange adjustments	(20)	42	-	-	(20)	42
Closing carrying value	**1,409**	**2,380**	**-**	**-**	**1,409**	**2,380**
Total	**9,114**	**8,734**	**344**	**311**	**9,458**	**9,045**
Reconciled to:						
Cost	23,639	20,296	1,662	1,591	25,301	21,887
Less accumulated depreciation and impairment	(15,652)	(13,732)	(1,318)	(1,280)	(16,970)	(15,012)
Less impairment provision	(282)	(210)	-	-	(282)	(210)
Closing carrying value	**7,705**	**6,354**	**344**	**311**	**8,049**	**6,665**
Capital work in progress	1,409	2,380	-	-	1,409	2,380
Total	**9,114**	**8,734**	**344**	**311**	**9,458**	**9,045**

Merchant terminals represents the equipment contracted by customers, primarily EFTPOS terminals.

16. Right-of-Use Assets

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

	Right-of-Use Property		Other Right-of-Use Assets		Group Total	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Opening carrying value	419	825	19	24	438	849
Additions	5,781	46	14	10	5,795	56
Amortisation	(810)	(469)	(17)	(15)	(827)	(484)
Foreign exchange adjustments	58	17	-	-	58	17
Closing carrying value	5,448	419	16	19	5,464	438
Reconciled to:						
Cost	7,267	2,368	63	48	7,330	2,416
Less accumulated amortisation	(1,819)	(1,949)	(47)	(29)	(1,866)	(1,978)
Closing carrying value	5,448	419	16	19	5,464	438

17. Intangible Assets and Contract Costs

i) Intangible Assets

Software and development costs are intangible assets.

	Software and development		Customer contracts		Group Total	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Opening carrying value	13,883	13,900	777	1,200	14,660	15,100
Additions	4,473	3,013	-	-	4,473	3,013
Amortisation	(2,645)	(3,036)	(424)	(423)	(3,069)	(3,459)
Disposals	-	-	-	-	-	-
Foreign exchange adjustments	-	6	-	-	-	6
Closing carrying value	15,711	13,883	353	777	16,064	14,660
Reconciled to:						
Cost	23,918	19,445	4,235	4,235	28,153	23,680
Less accumulated amortisation	(8,207)	(5,562)	(3,882)	(3,458)	(12,089)	(9,020)
Closing carrying value	15,711	13,883	353	777	16,064	14,660

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

17. Intangible Assets and Contract Costs *(continued)*

Significant Software and Development

(i) Internally developed software

The Group undertakes development in New Zealand in relation to projects on its EFTPOS terminal fleet for both New Zealand and Australia. The combination of the development undertaken in this financial year and previous financial years resulted in the completion of internally developed software amounting to $4,102,000 (2021: $1,591,000). The work in progress software amounting to $7,144,000 (2021: $6,773,000) relates to ongoing EFTPOS terminal development, the development of the internal Enterprise Resource Planning system, the development of the transaction processing and merchant management system to support the Merchant Acquiring business.

Customer Contracts

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

ii) Contract costs

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

	Group	
	2022	**2021**
	$'000	**$'000**
Opening carrying value	891	934
Additions	954	707
Amortisation	(754)	(778)
Foreign exchange adjustments	(2)	28
Closing carrying value	1,089	891
Reconciled to:		
Cost	2,001	1,864
Less accumulated amortisation	(912)	(973)
Closing carrying value	1,089	891

18. Goodwill

	Group	
	2022	2021
	$'000	$'000
Opening value net of accumulated impairment	14,772	14,772
Impairment	-	-
Closing carrying value	**14,772**	**14,772**
Reconciled to:		
Cost	14,772	14,772
Less accumulated impairment	-	-
Closing carrying value	**14,772**	**14,772**

Impairment

At 31 March 2022 the Directors tested the goodwill for impairment. The impairment testing was performed over the New Zealand business on the basis that the goodwill relates only to New Zealand.

The value in use methodology has been applied using past experience of sales, growth and margin to determine the expectations for the future. These cash flows are based on the Directors' view of the projected cash flows for the 31 March 2023 year and beyond that used an average growth rate of 2.25% (2021: 2%). For cash flows beyond five years a terminal value has been used based on the final of the five years net cash flows. The cash flows are discounted using a nominal rate of 11% (2021: 11.5%) after tax.

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

Adverse changes in actual performance or future rates of growth will reduce the calculated recoverable amount. When performing our assessment we have allocated some costs and assets to the Australian cash-generating unit (e.g. software, salary, compliance expenses). We have allocated the costs based on whether the expense is being used to generate revenue in Australia or New Zealand.

Forecast capital expenditure for the New Zealand business includes spend on software development and terminals. The assumptions have been based on past experience and include forecast fleet upgrades. The carrying value used includes net working capital and total fixed assets including software for the New Zealand business.

The assumptions are considered to be a view of the reasonable outcomes as the business is mature.

We have performed a sensitivity analysis around some of our key assumptions:

18. Goodwill *(continued)*

The tables below show the headroom/ (impairment) in NZD '000s under various revenue growth scenarios:

		2023 Revenue Growth					
		5%	3%	2%	0%	-5%	-10%
Perpetuity Rate	2%	6,627	4,195	2,980	548	(5,531)	(11,610)
	1%	3,891	1,515	327	(2,049)	(7,989)	(13,929)
	0%	1,206	(1,115)	(2,276)	(4,597)	(10,401)	(14,772)
	-1%	(1,429)	(3,697)	(4,830)	(7,098)	(12,767)	(14,772)

The assumptions here are a WACC of 11%, expense growth rate of 2.25%, and revenue growth of 1% for 2024

		2023 Cost Growth					
		5%	3%	2%	0%	-5%	-10%
Perpetuity Rate	2%	311	1,380	1,914	2,983	5,656	8,328
	1%	1,881	2,916	3,433	4,468	7,056	9,644
	0%	3,404	4,406	4,907	5,910	8,415	10,921
	-1%	4,882	5,852	6,337	7,307	9,733	12,159

The assumptions here are a WACC of 11% and revenue growth rate of 2.25%

WACC					
10.00%	10.50%	11.00%	11.50%	12.00%	13.00%
5,883	4,145	2,605	1,231	(3)	(2,129)

The assumption here is a 2.25% growth rate

19. Deferred Tax Asset / (Liability)

	Group	
Movements in deferred tax:	**2022**	**2021**
	$'000	**$'000**
Opening balance	(217)	25
Charge to profit and loss	118	(242)
Balance at end of the year	**(99)**	**(217)**
Deferred tax balance reconciliation:		
Computer software and development and customer contracts	(99)	(217)
Total deferred tax balance	**(99)**	**(217)**
Deferred tax asset / (liability) - New Zealand	**(99)**	**(217)**

a. Tax losses

The Group has aggregate estimated New Zealand net tax losses of $17,520,000 as at 31 March 2022 (31 March 2021 actual $20,901,000) and in Australia estimated net tax losses at the same date of A$8,404,000 (31 March 2021 actual A$9,802,000). In respect of the tax losses in New Zealand and Australia no deferred tax benefit has been recognised in the Statement of Financial Position in either reporting period. In New Zealand the tax losses are able to be carried forward in aggregate from the individual New Zealand companies and offset against future taxable income, subject to Inland Revenue confirmation and either maintaining the required shareholder or business continuity (subject to satisfying the requirements). In Australia a different test is required to carry forward and utilise the losses. This requires that the same business continues to be conducted to maintain the availability of the losses. There are no plans to change the type of business.

The deferred tax liability is attributable to the deferred tax recognised as part of the Viaduct acquisition. On completion of the 2021 tax returns the shareholder continuity has remained constant and no further tax losses have been forfeited. As above tax losses can be carried forward provided that the shareholder continuity remains above 49% or business continuity is satisfied. Currently based on the reset date shareholder continuity is above this threshold. Because of the uncertainty of when these losses will be utilised no losses have been recognised for 2022. No new temporary differences have been recognised.

20. Trade Payables and Accruals

	Group	
	2022	2021
	$'000	$'000
Trade payables	2,536	2,361
Merchant payables	11,867	7,188
GST	286	180
Accruals	809	529
Related party (refer to Note 31)	198	128
Deferred revenue (contract liabilities refer to Note 6c)	75	97
Employee entitlements	1,588	981
Total trade payables and accruals	**17,359**	**11,464**

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

Within trade payables are accrued costs of $69,000 (2021: $41,000) for capital expenditure purchases.

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

21. Income Tax Receivable

	Group	
	2022	2021
Current Tax	$'000	$'000
Opening balance	15	15
Research and development grants receivable	279	-
Balance at end of the year	**294**	**15**

Imputation credit account balances

Neither the Parent company nor any of the subsidiary companies have any material imputation credit account balances.

22. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk refer to Note 32.

	Group	
	2022	**2021**
Borrowings	**$'000**	**$'000**
Secured - at amortised cost		
Current	1,279	1,235
Non-current	10,000	11,000
Total Borrowings	**11,279**	**12,235**

a. Summary of borrowing arrangements

On 11 July 2012 the Group's subsidiary Smartpay New Zealand Limited entered into a term loan facility and a committed cash advance facility (CAF) with ASB Bank Limited (ASB). 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 2023. Quarterly amortisations of the CAF commenced on 30 June 2021 when an amount of $250,000 was payable and $250,000 payable each quarter thereafter until termination.

The interest rate is the BKBM (90 day bill rate) plus a margin set at 1.77%. In addition a line fee is payable quarterly and is currently set at 1.18% based on the facility limit.

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

The specific covenants relating to financial ratios the Group was required to meet in 2022 are:

- Interest cover ratio

- Net leverage ratio

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

The Group also has short term facility loans with Synergy Finance amounting to $279,000 (2021: $235,000) with interest rates of 3.78% and 3.98% and a term of 12 months.

23. Lease Liabilities

Leases as Lessee

Non cancellable lease liabilities are payable as follows:

	Group	
Lease Commitments	**2022**	**2021**
	$'000	**$'000**
Within one year	1,103	538
After one year but not more than five years	4,650	11
Total lease liability commitments	**5,753**	**549**

	Group	
	2022	**2021**
Lease Liabilities at undiscounted values due	**$'000**	**$'000**
Within one year	1,279	548
After one year but not more than five years	5,149	11
Total lease liabilities at undiscounted values	**6,428**	**559**
Amounts recognised in Statement of Comprehensive Income		
Depreciation (included in Depreciation and Amortisation)	827	484
Interest (included in Net Finance Costs)	109	55
Amounts recognised in Statement of Cash Flows		
Interest paid	100	47
Payments of lease liabilities	664	531

The Group leases office and warehouse premises situated in Auckland and Sydney. The lease period of the Auckland premise is from 1 April 2022 to 31 March 2026, and for the Sydney premise from 1 December 2021 to 28 February 2027.

24. 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 (NZ$8,226,000) and carried an interest rate of 8% per annum. The notes were to mature at 16 October 2020 and were convertible into 30,000,000 ordinary shares at A$0.25 per share at the option of the noteholder. The convertible noteholders had 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 to be 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.

The modifications to the convertible notes in the prior year were not substantial and therefore did not require Smartpay to de-recognise the convertible note liability. However, in the prior year as a result of the modification a gain amounting to NZ$835,000 in relation to the convertible note liability was recognised together with a loss in relation to the option amounting to NZ$442,000.

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

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

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

	Valuation dates				
	16/07/18	**31/03/19**	**31/03/20**	**31/03/21**	**29/07/21**
Underlying share price (A$)	0.18	0.19	0.29	0.89	0.81
Strike price (A$)	0.25	0.25	0.25	0.25	0.25
Volatility (%)	48.75	48.75	66.33	67.00	67.00
Time to expiry (years)	2.25	1.55	0.54	0.54	0
Risk free rate (%)	1.84	1.84	0.81	0.32	0.32

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

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

24. Convertible Notes *(continued)*

In the prior financial years the noteholders exercised their options and 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 and options were exercised and converted to 6,175,371 Smartpay shares in July 2021. No convertible notes remain at Reporting Date.

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

Carrying value at 31 March 2021	**$'000**
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 foreign exchange movement	344
Convertible note balance at 31 March 2021	5,857

Carrying value at 31 March 2022	**$'000**
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 foreign exchange movement)	54
Convertible note balance at 31 March 2022	-

	2022	2021
Convertible Notes ageing	**$'000**	**$'000**
Within one year	-	5,857
After one year but not more than five years	-	-
Total convertible notes net of arrangement fees	-	5,857

Movement in Unrealised Fair value of the option	**$'000**	**$'000**
Fair value at 31 March 2021 / 2020	4,276	2,159
Fair value at 21 and 29 July 2021 / 31 March 2021	-	4,276
Movement in unrealised fair value of the option	4,276	(2,117)
Option modification loss	-	(442)
Realised fair value at 21 and 29 July 2021 / 23 December 2020 at time of conversion	(3,367)	(10,663)
Total movement in fair value of the option	909	(13,222)

Conversion of Options (23 December 2020)	**$'000**	**A$ '000**
Face value of convertible note	5,887	5,500
PIK interest	172	161
Fair value at conversion (23 December 2020)	10,663	
Market value of shares issued	16,722	

	$'000
Fair value at 31 March 2020	1,697
Fair value at conversion (23 December 2020)	10,663
Fair value movement	(8,966)

Conversion of Options (21 and 29 July 2021)	**$'000**	**A$ '000**
Face value of convertible note	1,588	1,500
PIK interest	47	44
Fair value at conversion (21 and 29 July 2021)	3,367	
Market value of shares issued	5,002	

	$'000
Fair value at 31 March 2021	4,276
Fair value at conversion (21 and 29 July 2021)	3,367
Fair value movement	909

25. Share Capital

Share Capital	Group 2022 $'000	Group 2021 $'000
Opening balance	86,663	54,433
Conversion of three (2021: 11) convertible notes into 6,175,371 (2021: 22,643,030) ordinary shares	5,002	16,722
Share placement of 30,952,381 ordinary shares	-	13,928
Rights share issue of 4,761,903 ordinary shares	-	2,130
Costs of share issues	-	(519)
Costs of share issues (convertible notes)	(24)	(31)
Total shares issued during the year	4,978	32,230
Balance at end of the year	91,641	86,663

a. Ordinary Shares

As at 31 March 2022 there were 238,284,963 (2021: 232,109,592) ordinary shares on issue. No shares (2021: 35,714,284) were issued for cash in 2022. The 2021 shares were part of two cash issues on 28 May 2020 and 25 June 2020. The shares issued on 21 and 29 July 2021 of 6,175,371 were a result of the conversion of three convertible notes (2021: 22,643,030 shares on the conversion of 11 convertible notes on 23 December 2020). All ordinary shares are fully paid and rank equally with one vote attaching to each share. The ordinary shares have no par value. Ordinary shares are considered equity. .

Movements in the Number of Ordinary Shares on issue	Group 2022 '000	Group 2021 '000
Opening balance	232,110	173,753
28 May 2020 Rights issue	-	30,952
25 June 2020 Rights issue	-	4,762
Conversion of convertible notes on 21 and 29 July 2021	6,175	22,643
Balance at end of the year	238,285	232,110

b. Convertible Notes

At the 31 March 2022 all the convertible note options have been exercised and no balance remains (2021: 6,175,000 shares). Refer to Note 24.

Capital Management

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

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

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

	Group	
Gearing Ratios	**2022**	**2021**
	$'000	**$'000**
Total borrowings, lease liabilities and convertible notes (refer to Note 22 to 24)	17,032	18,641
less cash and cash equivalents (refer to Note 11)	(14,882)	(9,021)
Net debt	2,150	9,620
Total equity	36,072	27,534
Total capital	**38,222**	**37,154**
Ratio of net debt to total capital	5.6%	25.9%

26. Foreign Currency Translation Reserve

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

Movements are shown in the Statement of Changes in Equity.

27. Operating Cash Flows Reconciliation

	Group	
	2022 $'000	2021 $'000
Profit / (Loss) for the period	3,104	(15,200)
Add / (deduct) non-cash items:		
Depreciation and amortisation	7,972	7,803
Financing costs and merchant chargeback	11	(41)
Operating expenses paid through financing	795	691
Change in fair value of convertible note	(909)	12,731
Share performance rights amortisation	539	-
Convertible note option and fees	54	860
Unrealised foreign exchange	87	(74)
Tax expense / (benefit)	(118)	242
Impairment charges	164	468
Add / (deduct) changes in working capital items:		
Trade and other receivables	(256)	(11)
Derivative financial instruments	19	(22)
Payables and accruals	1,517	1,168
Provision for current tax	(279)	-
Net cash inflow/(outflow) from operating activities	**12,700**	**8,615**

28. Share Performance Rights

Share performance rights were issued to selected staff under a long term incentive plan.

	Group	
	2022 $'000	2021 $'000
Share performance rights	539	-

a. Type of share-based payments

The establishment of the Smartpay share based LTI plan for the CEO was approved by the shareholders at the 2021 annual general meeting on 29 September 2021. This was followed by the establishment of the LTI for key management in November 2021. The LTI plan is designed to provide long-term incentives for the CEO and key management to deliver long-term shareholder returns.

Under the LTI plan, the eligible employees are offered rights (for nil consideration) to ordinary shares in Smartpay Holdings Limited, to be known as Share Performance Rights. The LTI plan will operate for three financial years commencing 1 April 2021, i.e. FY22-24. SPRs conditionally vest annually based on two performance measures: EBITDA per share and revenue targets. If the performance hurdles are not met in each of the first two years, they will be added to the tranche of SPRs issued in the following year. In FY24 all SPRs that do not meet the performance targets will lapse. Each conditionally vested SPR converts to one ordinary share in Smartpay Holdings Limited (for nil consideration) if the employee remains employed by the Group as at 31 March 2024 (being the over-arching hurdle). The Board retains discretion over the final outcome of the issue of the SPRs to allow appropriate adjustments where unanticipated circumstances may impact performance over the measurement period.

In the period to 31 March 2022, 2,239,380 SPRs were issued to the CEO and 1,708,368 SPRs were issued to key management.

The SPRs issued to the CEO and key management carry no dividend or voting rights. However an adjustment would be made to the number of SPRs issued to compensate for any dividends paid during the vesting period.

The Smartpay LTI plan has been accounted for as grant of shares to employees in accordance with NZ IFRS 2. The key terms and conditions relating to the grant under the plan are disclosed in the table below.

b. LTI plan

Set out below are the summaries of the SPRs issued under the plan.

Employees entitled	SPRs issued	Grant date	Vesting period	Performance Measures
CEO	2,239,380	30 July 2021	2.7 years (from 30 July 2021 to 31 March 2024)	(a) If revenue exceeds a specified threshold* 50% of the SPRs will conditionally vest (b) If EBITDA per share exceeds a specified threshold* 50% of the SPRs will conditionally vest** * SPRs that do not meet the FY22 or FY23 performance threshold will be added to the SPRs issued in the following year. All SPRs that do not meet the FY24 performance threshold will lapse ** If the actual result is up to 5% below the threshold for FY23 and FY24, 50% of the SPRs (for the EBITDA per share performance hurdle) will conditionally vest.
Key Management	1,708,368	9 December 2021	2.3 years (from 9 December 2021 to 31 March 2024)	

c. Measurement of Fair Value

The fair value of the SPRs issued under the LTI plan during the year ended 31 March 2022 was determined with reference to the Company's share price on the NZX and ASX (converted to NZD) at grant date. In respect of the key management a discount was applied to reflect the probability of retention of service in estimating the number of SPRs expected to unconditionally vest.

d. Financial impact of share based payment transactions

The expense relating to the LTI plan recognised during the year as part of the employee benefits expense was $539,000 (2021: $0).

e. Movement in Share based payment rights

Smartpay LTI plan	2022	2021
Outstanding at 1 April	-	-
Granted during the period	3,947,748	-
Forfeited during the period	-	-
Unconditional vesting during the period	-	-
Outstanding at 31 March	3,947,748	-

29. Contingencies

Guarantees

The Group has provided bank guarantees in favour of NZX of $75,000 (2021: $75,000) and for the Sydney office of A$640,000 (2021: A$138,000).

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

30. Capital Commitments

The Group has no capital commitments at 31 March 2022 (2021: Nil).

31. Related Parties

Parent and ultimate controlling party
The parent company of the Group and the listed entity is Smartpay Holdings Limited.

Identity of related parties with whom material transactions have occurred.
Note 14 identifies all entities within the Group. All those entities are related parties of the Parent. In addition, key management, and companies with which key management are associated are also related parties. Key management personnel are those who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of the Group, this includes the Financial Controller and all Executive and Non-Executive Directors.

a. Transactions with Directors and key management or entities related to them
Gregor Barclay is a Director and principal of Ngatapa Trustees Limited, and provided consulting services in relation to Directors' fees on normal commercial terms amounting to $90,000 (2021: $58,000). He is also a potential beneficiary in respect of Ngatapa Advisory Limited. Ngatapa Trustees Limited and Ngatapa Advisory Limited hold 576,910 and 49,404 shares respectively in Smartpay (2021: 576,910 and 49,404 respectively).

Bradley Gerdis resigned from his role as CEO and Managing Director effective from 1 September 2020 and transitioned out of the business over the succeeding three months. Haymaker Investments Pty Limited is a shareholder of the Company and Bradley Gerdis has an interest in these shares by virtue of being a potential beneficiary of a discretionary trust. Haymaker Investments Pty Limited held 6,587,422 shares at 31 March 2022 (2021: 6,587,422). A secured loan amounting A$1,500,000 was provided on 6 July 2020 for 18 months at 3% per annum. This was fully repaid in January 2022.

Martyn Pomeroy is Managing Director and CEO of Smartpay and joined the Company in January 2013 and is a shareholder and Director of TEOV Limited (formerly Viaduct Limited) whose assets were acquired by Smartpay on 23 January 2013. At 31 March 2022 he holds 3,399,053 shares (2021: 3,399,053) indirectly via the Pomeroy Asset Protection Trust. Martyn Pomeroy was appointed a Director of the Company on 1 April 2014.

Matthew Turnbull was appointed a Director of the Company on 1 April 2013 and is also a Director of Black Rock Capital Limited, and received Directors' fees of $70,000 (2021: $53,167) and advisory fees of $2,400 (2021: $10,000).

William Pulver was appointed a Director of the Company on 11 December 2018. New Greenwich Pty Limited (as trustee of the New Greenwich Superannuation Fund) is a shareholder of the Company and William Pulver has an interest in 4,253,830 (2021: 2,195,373) ordinary shares by virtue of being a potential beneficiary of the Superannuation Fund. Directors fees earned amounted to $68,955 (2021: $51,830). William Pulver is also owed $192,000 at Reporting Date in Directors fees and is recorded as a related party accrual (refer to Note 20).

31. Related Parties *(continued)*

Carlos Gil was appointed a Director of the company on 5 December 2018. He is a Director of Microequities Asset Management Pty Limited and they hold directly and indirectly 34,609,979 (2021: 34,609,979) ordinary shares in the Company. He received $68,955 (2021: $51,830) Directors fees in 2022. Carlos Gil is also owed $6,000 at Reporting Date in Directors fees and is recorded as a related party accrual (refer to Note 20).

b. Key management remuneration

	2022 $'000	2021 $'000
Salaries and other short term employee benefits	3,386	2,721

32. Financial Risk Management

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

- Foreign exchange risk
- Credit risk
- Interest rate risk
- Liquidity risk

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

a. Financial Instruments by Category

	Group		
	Measured at fair value through profit or loss	Measured at amortised cost	Total
2022	**$'000**	**$'000**	**$'000**
Financial assets			
Cash and bank balances	-	14,882	14,882
Trade and other receivables	-	7,035	7,035
	-	21,917	21,917
Financial liabilities			
Trade payables and accruals	-	15,410	15,410
Derivative financial instruments	16	-	16
Borrowings	-	11,279	11,279
Lease liability	-	5,753	5,753
	16	32,442	32,458

	Group		
	Measured at fair value through profit or loss	Measured at amortised cost	Total
2021	**$'000**	**$'000**	**$'000**
Financial assets			
Cash and bank balances	-	9,021	9,021
Trade and other receivables	-	7,625	7,625
Derivative financial instruments	3	-	3
	3	16,646	16,649
Financial liabilities			
Trade payables and accruals	-	10,206	10,206
Borrowings	-	12,235	12,235
Lease liabilities	-	549	549
Convertible notes and option	4,276	1,581	5,857
	4,276	24,571	28,847

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

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

2022			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		$'000	$'000	$'000	$'000
Assets and Liabilities measured at fair value					
Derivative financial liabilities					
Forward exchange contracts	31-Mar-22	(16)	-	(16)	-

There were no material transfers between levels of the fair value hierarchy.

2021			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		$'000	$'000	$'000	$'000
Assets and Liabilities measured at fair value					
Derivative financial liabilities					
Forward exchange contracts	31-Mar-21	3	-	3	-
Convertible note option (Note 24)	31-Mar-21	(4,276)	-	-	(4,276)

There were no material transfers between levels of the fair value hierarchy.

b. Foreign currency exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to movements in foreign exchange rates in the normal course of its business primarily due to the fact that it purchases inventory in USD and the profits from the Australian subsidiary are in AUD.

The objective of the approach to managing foreign exchange, is to minimise the effect of fluctuations in foreign exchange rates on Group earnings and its cash flows.

The Group manages foreign currency risk by using forward exchange contracts to offset foreign currency exposure when considered necessary in accordance with its treasury policy.

There is a translation risk as a result of the Australian subsidiaries having a functional currency of AUD and being translated to NZD for the Group financial statements.

32. Financial Risk Management *(continued)*

c. Credit risk

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

	Group	
	2022	2021
Maximum exposure to credit risk at Reporting Date is:	$'000	$'000
Cash and cash equivalents	14,882	9,021
Trade receivables (net of impairment)	7,049	5,995
Acquiring settlement facility security deposit	242	245
Secured loan to related party	-	1,633

The amount of loss allowance is based on the simplified expected credit loss approach which involves the Group estimating the lifetime expected credit loss at each Reporting Date. The lifetime expected credit loss is calculated using a provision matrix based on historical credit loss experience and adjusted for forward looking factors specific to the receivables and the economic environment. The receivables are classified into the following categories.

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

	2022			2021		
	$'000		$'000	$'000		$'000
	Gross carrying amount	Loss rate	Loss allowance	Gross carrying amount	Loss rate	Loss allowance
Merchant receivable	5,316	0.00%	-	4,560	0.00%	-
Unbilled (contract assets)	801	0.00%	-	824	0.00%	-
Current trade receivables	1,733	2.70%	47	1,457	5.56%	81
Arrears	-	2.00%	-	-	2.00%	-
Collections	-	2.00%	-	-	2.00%	-
Salvage	197	75.0%	150	237	75.0%	178
	8,047		197	7,078		259

Loss rates are based on actual credit loss experience over previous years and multiplied by a factor based on the Group's view of economic conditions over the expected lives of the receivables. The COVID-19 pandemic has had minimal impact on the collectability of our receivables.

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

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

d. Interest Rate Risk

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

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

The Group has interest rate risk on the CAF facility. At 31 March 2022 if interest rates had changed by +/- 1% from the Reporting Date rates with all other variables held constant, the Group's post tax profit for the period (annualised) would have been $125,000 lower or $125,000 higher.

The carrying amount has been determined in accordance with Level 3 above.

e. Liquidity Risk

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

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

		$'000	$'000
	Total	**Within 12 Months**	**Within 1 to 5 years**
ASB Bank Limited	11,000	1,000	10,000
Other borrowings	279	279	-
Lease liabilities	5,753	1,103	4,650
Total Group Debt	17,032	2,382	14,650

Total Aging of Financial Liabilities Commitments	**Total**	**Within 12 Months**	**Within 1 to 5 years**
Group			
2022			
Trade payables and accruals	17,284	17,284	-
Future interest payments on borrowings*	1,040	430	610
Borrowings	11,279	1,279	10,000
Lease liabilities	5,753	1,103	4,650
	35,356	20,096	15,260
2021			
Trade payables and accruals	11,367	11,367	-
Future interest payments on borrowings*	909	403	506
Borrowings	12,235	1,235	11,000
Lease liabilities	549	538	11
Convertible notes	1,581	1,581	-
	26,641	15,124	11,517

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

33. Subsequent Events

Subsequent to Reporting Date the Group entered into one interest rate swap for hedging interest rate exposure on $5,000,000 of the ASB CAF with a term of two years (2021: Nil).

KPMG

Independent Auditor's Report

To the shareholders of Smartpay Holdings Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Smartpay Holdings Limited (the 'Company') and its subsidiaries (the 'Group') on pages 42 to 93:

i. present fairly in all material respects the Group's financial position as at 31 March 2022 and its financial performance and cash flows for the year ended on that date; and

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

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 March 2022;

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

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

Basis for opinion

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

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $240,000, determined with reference to a benchmark of group revenue. We chose the benchmark because, in our view, this is a key measure of the group's performance and the growth phase of the business means that revenue is a more appropriate benchmark than profit before tax.

KPMG

Key audit matters

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

The key audit matter	How the matter was addressed in our audit
Valuation of Goodwill	
The Group has goodwill of $14.8m million as disclosed in note 18 to the financial statements, which relates solely to the NZ cash generating unit ('CGU'). Valuation of goodwill is considered to be a key audit matter due to the significance of the intangible asset and the models used in the impairment test included a range of subjective assumptions about future performance. Particular attention was paid to the forecast sales growth, allocation of overheads, capex spending, terminal growth rate and the discount rate (WACC). The wider economic enviroment remains in flux and has created increased uncertainty around future cash flow forecasts, in particular around scenarios that might apply and the appropriateness of any weighted average cost of capital used in supporting models.	Our audit procedures included, amongst others: — challenging the appropriateness of the revenue and cost forecasts by comparing these forecasts to actual growth rates achieved historically; — involving a KPMG valuation specialist to challenge management's methodology used in their impairment model; — involving a KPMG valuation specialist to challenge key judgements, which include weighted average cost of capital and terminal growth rate, used in the impairment model; — performing sensitivity analyses considering a range of likely outcomes for various scenarios; — comparing the group's market capitalisation with the net asset value, as an indicator of possible impairment; — challenging management's assumptions, in particular around the sales growth rate, allocation of overheads, capex spending, WACC; and — evaluating the completeness, accuracy and relevance of disclosures required by IAS 36, including disclosures about sensitivities and major sources of estimation uncertainty. Our testing confirmed management's assessment that goodwill was not impaired. We also noted that management's assumption of a WACC of 11% was at the optimistic end of an acceptable range, and the assessment remains very sensitive to any changes in the assumptions applied.
Carrying value of terminal assets	
The group has merchant EFTPOS terminal assets of $7.7 million, as disclosed in note 15 to the financial statements. These terminals are held by customers on service contracts. The valuation of terminal assets is a key audit matter due to the significance of the assets and possibility of impairment. Terminal assets may be impaired due to technology changes and terminal	Our audit procedures included, amongst others: — assessing management's methodology for writing down slow moving and idle terminals and challenging inputs on a sample basis; — comparing management's judgements over technological obsolescence to externally obtained complicance requirements; — performing a count of inventory held in the warehouse at year end; obtaining external confirmations for terminals held by third parties, together with testing of terminal assets with customers on a sample basis to confirm their existence; and

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The key audit matter	How the matter was addressed in our audit
model sunset dates required by the industry compliance requirements.	— vouching and reviewing capitalised costs associated with preparing terminals for use and assessed compliance with NZ IAS 16. Based on the procedures performed, we found no issues that could cause the carrying value of terminal assets to be materially misstated.
Operation of IT systems and controls	
Many financial reporting controls depend on the correct functioning of IT systems. These include interfaces between transactional processing and financial reporting systems and automated controls that prevent or detect inaccurate or incomplete transfers of financial information between systems. During previous years' audits, we identified and tested the general IT controls in one key IT system that supports the acquiring of transactional revenue. The controls testing failed, which increases the risk of error in reported financial information, including the data underlying the preparation of the statutory financial statements. This is an area of significant risk in our audit due to the complexity of the IT infrastructure.	Due to IT control deficiences noted in previous years' auditors reports, which remain unremedied, and further deficiencies noted historically, we did not perform controls testing in the affected areas of transactional revenue, terminal asset valuation, and software asset valuation. This has the impact of significantly increasing testing samples sizes throughout the audit. Where general IT controls were not operating effectively we were unable to rely on the related automated IT controls. We addressed the increased risk that financial information was affected by extending the scope of our work. To do this we: — performed additional substantive testing through extended sample sizes and tracing recorded amounts back to external evidence; — performed data analysis routines over the full population of transactions; and — obtained cash balance confirmations for the merchant settlement account. Based on the substantive procedures performed we found no material issues in the affected areas.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the Annual Report. Other information includes the Chairman's Report, Chief Executive's Review, Note from the Chief Business Officer, Board of Directors, Corporate Governance Statement, Directors' Responsibility Statement, Statutory Information, Security Holder Information and Directory (the 'other information'). Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a company and group set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

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

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

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

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

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

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

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

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

For and on behalf of

KPMG
Auckland

30 May 2022

Statutory information

Directors and Former Directors

Directors holding office

At 31 March 2022 the directors holding office were Gregor Barclay, Carlos Gil, William Pulver, Martyn Pomeroy and Matthew Turnbull.

Directors holding office during the year to 31 March 2022 and their appointment dates are detailed below:

Name	Date Appointed	Position	Independence (Yes/No)
Gregor Barclay	1 April 2010	Non-Executive Director	Yes
Carlos Gil	5 December 2018	Non-Executive Director	No
Martyn Pomeroy	1 April 2014	Executive Director	No
William Pulver	11 December 2018	Non-Executive Director	Yes
Matthew Turnbull	1 April 2013	Non-Executive Director	Yes

Independent Directors

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

Subsidiary Company Directorships

At 31 March 2022, subsidiary companies had directors as follows:

New Zealand Subsidiary Companies	Director
Smartpay Limited*	Gregor Barclay, Martyn Pomeroy
Smartpay New Zealand Limited	Gregor Barclay, Martyn Pomeroy

*On 1 April 2021 Smartpay Rental Services Ltd, Smartpay Ltd, Smartpay Ethos Ltd, Smartpay Software Ltd and Viaduct Ltd were amalgamated by way of a short form amalgamation under section 222(2) of the Companies Act 1993 with Smartpay Limited and subsequently removed from the register. Smartpay Limited is the ongoing amalgamated entity.

Australian Subsidiary Companies	Director
Smartpay Rentals Pty Limited	Gregor Barclay, Carlos Gil, Martyn Pomeroy
Smartpay Australia Pty Limited	Gregor Barclay, Carlos Gil, Martyn Pomeroy
Cadmus Payment Solutions Pty Limited	Gregor Barclay, Carlos Gil, Martyn Pomeroy
Product Rentals Pty Limited	Gregor Barclay, Carlos Gil, Martyn Pomeroy
Pax Technology Pty Limited	Carlos Gil, Martyn Pomeroy
Smartpay Taxis Pty Limited	Carlos Gil, Martyn Pomeroy
Smartpay Epayments Pty Limited	Carlos Gil, Martyn Pomeroy

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

Directors' and Senior Managers' interests

Directors interests in external entities

In accordance with Section 140(2) of the Companies Act 1993, the directors named below have made a general disclosure of interest by a general notice disclosed to the Board and entered in the Company's interest register. General notices given by directors which remain current as at 31 March 2022 are as follows:

Director	Interest	Entity
Gregor Barclay	Consultant	Claymore Partners Limited
	Director	Various Claymore client trustee companies
	Director	Claymore Property Limited
	Director	Franchised Businesses Limited
	Director	Pacific Forest Products NZ Limited (and various related or subsidiary companies)
	Director	Planet Fun Limited
	Director	Rugby Hospitality New Zealand Limited (and related)
	Director & Shareholder	Kervus Property Group Limited
	Director	New Zealand Cricket Association
	Chair	International Cricket Council
	Director	ICC Development (International) Limited
	Director	ICC Business Corporation NZ LLC
	Director	Boffa Miskell Limited
	Director	Ngatapa Finance Limited
	Director	Ngatapa Legal Limited
	Director	Ngatapa Trustees Limited
	Director	Stress Crete Group, including Stress Crete Northern and Stress Crete Wellington Limited
Matthew Turnbull	Director	Black Rock Capital Limited
	Director	Verbier Limited
	Director	Mangawara Farms Limited
	Director	Browning Street Limited
	Director	Pearlfisher FM Fund I GP Limited
	Director	Pearlfisher FM Fund II Limited
	Director	Bepure Health Limited
	Director	SCA Trust Limited
	Director	Mt Cardrona Station Foundation Limited
Martyn Pomeroy	Director	TEOV Limited
	Director	iHoldings Limited
	Director	iGenerate Limited
Carlos Gil	Director	Microequities Asset Management Pty Limited
	Director	Complexia Pty Limited
William Pulver	Director	Mona Farm Pty Limited

Changes in the reporting period:

- Matthew Turnbull made a general disclosure of interest in Bepure Health Limited, SCA Trust Limited, Mt Cardrona Station Foundation Limited and Pearlfisher FM Fund II Limited.
- Carlos Gil made a general disclosure of interest in Complexia Pty Limited.
- William Pulver made a general disclosure of interest in Mona Farm Pty Limited and he is no longer a Director of Appen Pty Limited.

Information Used by Directors

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

Director and Senior Managers Interests in Shares of The Company

Directors held interests in the following Ordinary shares in the Company as at 31 March 2022:

Director	Name of shareholder	Nature of relevant interest	Balance at 31/03/2021	Movement in period	Balance at 31/3/2022
Gregor Barclay	Ngatapa Trustees Ltd	Potential beneficiary under a discretionary trust	576,910	0	576,910
	Ngatapa Advisory Ltd	Potential beneficiary under a discretionary trust	49,404	0	49,404
Martyn Pomeroy	Pomeroy Asset Protection Trust	Potential beneficiary under the trust	3,399,053	0	3,399,053
William Pulver	New Greenwich Pty Limited	Potential beneficiary of the superannuation fund	2,195,373	2,058,457	4,253,830
Carlos Gil	Microequities Asset Management Pty Limited	Power to control the acquisition or disposal of securities or exercise the right to vote	34,609,979		34,609,979

In accordance with definition provided by section 6 of the Financial Markets Conduct Act 2013 Senior Managers of the company include anyone who is not a director but occupies a position that allows that person to exercise significant influence over the management or administration of the Company. Senior Managers of the Company are required by the Financial Markets Conduct Act 2013 to disclose their interests in the Company. The Senior Managers of the Company include the Chief Executive Officer, the Chief Financial Officer and the Chief Business Officer.

As at the balance date no Senior Managers, who are not also directors, held disclosable interests in the shares of the company.

Directors and Senior Managers held interests in the following unlisted share performance rights of the Company as at 31 March 2022

Holder	Position	Balance as at 31/03/2021	Movement in Period	Balance as at 31/3/2022
Martyn Pomeroy	Chief Executive Officer	0	2,239,380	2,239,380
Aidan Murphy	Chief Business Officer and acting Chief Financial Officer	0	486,276	486,276

Directors' and Senior Managers' interests *(continued)*

Directors and Senior Managers Interests in Convertible Notes of the Company

As at the balance date no Directors and no senior managers held disclosable interests in convertible notes of the company.

Directors' Insurance

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

Directors' Indemnity

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

Directors' Remuneration

Directors' fees and other remuneration are set out in detail in Note 31 to the financial statements and the Governance Statement, page 36.

Directors' Interests in Loans

There are no directors' interests in loans as at the balance date. The secured loan amounting to AU$1,500,000 that was provided by Smartpay Holdings to Haymaker Investments Pty Limited on 6 July 2020 was repaid on 5 January 2022 in accordance with the Loan Agreement. Please refer also to Note 31 of the financial statements.

Other disclosures

Listing

The ordinary shares of Smartpay Holdings Limited are listed on the securities exchanges operated by the New Zealand Exchange Limited (NZX) and the Australian Securities Exchange (ASX). The NZX is the Company's primary listing and with its ASX Listing being a Foreign Exempt Listing. The Company confirms that it continues to comply with the New Zealand Stock Exchange Listing Rules.

Shareholders continue to be able to trade their shares on either the NZX or the ASX and the Company's main share register is maintained by Computershare in New Zealand, with an Australian sub register also managed by Computershare.

Political Donations

There were no political donations during the period from 1 April 2021 to 31 March 2022.

Summary of Waivers and Exemptions

There were no waivers or exemptions granted specifically to Smartpay Holdings Limited and the Company did not rely on any generally granted waivers during the period from 1 April 2021 to 31 March 2022.

Investors Enquiries

Shareholders should address any queries regarding the operations of the Company to Mr Martyn Pomeroy, Managing Director and Chief Executive Officer at the Company's business address.

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

New Zealand

Computershare Investor Services Limited
Private Bag 92119 Auckland 1142
Level 2, 159 Hurstmere Road, Takapuna, Auckland
Phone: +64 488 8700
Fax: +64 9 488 8787

Australia

Computershare Investor Services Pty Limited
GPO Box 3329, Melbourne VIC 3001
Phone: 1800 501 366
Fax: +61 3 9473 2500

Security holder information

Securities on Issue

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

Listed Securities
238,284,963 Ordinary fully paid shares, all shares in this class carry a 1 vote per share voting right.

Unlisted Options
None.

Unlisted Convertible Notes
None.

Unlisted Share Performance Rights
3,947,748 unlisted share performance rights.

Range of Shareholders
As at 30 April 2022.

Range	Total holders	Units	% of Issued Capital
Less than 5,000	1,438	2,145,603	0.90
5,000 - 9,999	337	2,204,187	0.93
10,000 - 49,999	486	9,673,787	4.06
50,000 - 99,999	84	5,249,303	2.20
100,000 - 499,999	74	14,438,880	6.06
500,000 - 999,999	13	8,916,445	3.74
Over 1,000,000	22	195,656,758	82.11
Total	**2,454**	**238,284,963**	**100.00**

Geographical Distribution of Shareholders

As at 30 April 2022.

Country	Number of shares held	% of Issued capital	Number of shareholders	% of total number of shareholders
Switzerland	17,500	0.01	2	0.08
France	100,000	0.04	1	0.04
United Kingdom	17,027	0.01	3	0.12
Malaysia	153,911	0.06	6	0.24
Philippines	30,000	0.01	1	0.04
U.S.A.	24,000	0.01	1	0.04
Singapore	2,500	0.01	1	0.04
Australia	179,220,914	75.21	1,369	55.80
New Zealand	58,719,111	24.64	1,070	43.60
Grand Total	**238,284,963**	**100.00**	**2,454**	**100.00**

Twenty Largest Registered Shareholders

As at 30 April 2022.

Rank	Name*	Units	% of Units
1	JP Morgan Nominees Australia Limited**	74,247,495	31.16
2	National Nominees Limited - NZCSD (NNLZ90)***	26,878,112	11.28
3	National Nominees Limited***	21,185,244	8.89
4	Anacacia Pty Ltd (Wattle Fund A/C)	11,158,109	4.68
5	HSBC Custody Nominees (Australia) Limited	8,333,796	3.50
6	Anacacia Pty Ltd (Wattle Fund A/C)	7,005,584	2.94
7	UBS Nominees Pty Limited	5,960,620	2.50
8	Haymaker Investments Pty Ltd (The Haymaker A/C)	4,572,000	1.92
9	New Greenwich Pty Ltd (New Greenwich S/F A/C)	4,253,830	1.79
10	Citicorp Nominees Pty Limited	3,811,869	1.60
11	New Zealand Depository Nominee Limited (A/C 1 Cash Account)	3,713,408	1.56
12	Martyn Pomeroy & Sara Pomeroy (Pomeroy Asset Protection A/C)	3,399,053	1.43
13	Harrogate Trustee Limited (Brandywine A/C)	3,135,502	1.32
14	Walker & Hall Fine Gifts Limited	3,071,428	1.29
15	Microequities Asset Management Pty Ltd (Microequities Nanocap 9 A/C)	3,004,106	1.26
16	Australian Philanthropic Services Foundation Pty Ltd (APS Foundation A/C)	2,058,457	0.86
17	G Chan Pension Pty Ltd (Chan Super Fund A/C)	2,058,457	0.86
18	Haymaker Investments Pty Limited (The Haymaker A/C)	2,015,422	0.85
19	BNP Paribas Nominees Pty Ltd (LB Au Noms Retail client DRP)	1,925,418	0.81
20	Accident Compensation Corporation - NZCSD(ACCI40)	1,405,292	0.59
	Total held by top 20 shareholders	193,193,202	81.08
	Total held by other holders	45,091,761	18.92
	Total Issued Capital	**238,284,963**	**100**

* The shareholders listed are those on our share register and do not, in all cases reflect the underlying beneficial holders.

** This holding contains some of the shares of Microequities Asset Management Pty Ltd along with the shares held by MA Financial Group Limited and other holders.

*** These holdings contain the shares held by Milford Asset Management Ltd and other holders.

Substantial security holders

The names and holdings of Smartpay's substantial product holders based on notices filed with Smartpay under the Financial Markets Conduct Act 2013 as at 30 April 2022 were:

Name	Total Ordinary Shares*
Microequities Asset Management Pty Limited	34,609,979
Milford Asset Management Limited	29,533,558
Anacacia Pty Limited	15,408,508**
MA Financial Group Limited (MAF)	25,164,159

* Total Ordinary shares held by the substantial product holder is the number of shares disclosed in the latest Substantial Product Holder Notice filed with Smartpay as at 30 April 2022.

** On 5 May 2022 Anacacia Pty Ltd gave notice of their increase in holding to 20,321,224 ordinary shares.

Directory

Registered Office and New Zealand Office

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

Australian Office

Level 9, 151 Castlereagh Street
Sydney
NSW 2000
Phone: +61 2 8876 2300
Website: www.smartpay.com.au

Board

Martyn Pomeroy
Chief Executive Officer & Managing Director

Gregor Barclay
Independent Director

Matthew Turnbull
Independent Director

William Pulver
Independent Director (Until 1 June 2022)

Carlos Gil
Non-Executive Director

Management Team

Cherise Barrie
Chief Financial Officer

Aidan Murphy
Chief Business Officer

Peter Thomas
Chief People & Customer Officer

Lucy Williams
General Manager New Zealand

Gustavo Herrera
Head of Engineering

Gillian De Noir
Head of Operations Australia

Sean Kaplan
Head of Business Development Australia

Gerard Yeterian
Head of Sales Australia

Toni Cookson
Financial Controller

Daniel Richardson
Head of Information Technology

Rowena Bowman
Company Secretary

Auditors

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

Share Registrar - New Zealand

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
Level 2, 159 Hurstmere Road
Takapuna, Auckland,
New Zealand
Phone: +64 9 488 8700

Sub Share Registrar - Australia

Computershare Investor Services Pty Ltd
GPO Box 3329
Melbourne Victoria 3001
Phone: 1800 501 366

Solicitors

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

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