SMARTPAY HOLDINGS LIMITED

2018 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 (the Group) as at 31 March 2018 and the results of their operations and cash flows for the year ended 31 March 2018.

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 Reporting 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 are pleased to present the financial statements of the Group for the year ended 31 March 2018.

These financial statements dated 30th May 2018 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

Chairman

Managing Director

Statement of Comprehensive Income
For the year ended 31 March 2018

	Note	Group 2018 $'000	Group 2017 $'000
Continuing operations			
Revenue	5	20,347	20,892
Other income	6	16	864
Operating expenditure	7	(10,806)	(12,131)
Earnings before interest, tax, depreciation, share options expense, amortisation, impairments and unrealised foreign exchange		9,557	9,625
Depreciation and amortisation	7	(5,878)	(5,937)
Unrealised foreign exchange adjustments		-	87
Share option amortisation	22	(15)	(21)
Net finance (costs)	7	(1,307)	(1,429)
Impairment	7	(179)	(380)
		(7,379)	(7,680)
Profit before tax		2,178	1,945
Tax benefit	8	346	258
Profit for the year from continuing operations of owners		2,524	2,203
Other comprehensive income			
Foreign currency translation differences for foreign operations which may be reclassified subsequently to profit and loss (no tax effect)	23	(133)	(99)
Share based payments reversal which will not subsequently be reclassified to profit / (loss) (no tax effect)	22	559	461
Total comprehensive income of owners		2,950	2,565
Earnings / (losses) per share from continuing operations attributable to the equity holders of the company during the year	9		
Basic earnings per share		1.47 cents	1.29 cents
Diluted earnings per share		1.47 cents	1.29 cents

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 6 to 28 form part of the financial statements.

Statement of Changes in Equity
For the year ended 31 March 2018

	Group			
	Share Capital	Foreign Currency Translation Reserve	Retained Deficits	Total
Balance at 31 March 2016	54,438	375	(43,329)	11,484
Profit for the year from continuing operations of owners	-	-	2,203	2,203
Other comprehensive income	-	(99)	461	362
Total comprehensive income	-	(99)	2,664	2,565
Share options recognised at fair value net of options lapsed (note 22)	(440)	-	-	(440)
Total changes in equity	(440)	(99)	2,664	2,125
Balance at 31 March 2017	53,998	276	(40,665)	13,609
Profit for the year from continuing operations of owners	-	-	2,524	2,524
Other comprehensive income	-	(133)	559	426
Total comprehensive income	-	(133)	3,083	2,950
Share options recognised at fair value net of options lapsed (note 22)	(544)	-	-	(544)
Total changes in equity	(544)	(133)	3,083	2,406
Balance at 31 March 2018	53,454	143	(37,582)	16,015

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 6 to 28 form part of the financial statements.

Statement of Financial Position
As at 31 March 2018

	Note	Group 2018 $'000	Group 2017 $'000
Current assets			
Cash and bank balances	10	2,396	2,896
Trade and other receivables	11	5,201	2,996
Finance receivable	13	100	98
Income tax receivable	20	13	173
Total current assets		7,710	6,163
Non-current assets			
Finance receivable	13	122	212
Property, plant and equipment	15	13,670	15,417
Intangible assets	16	10,250	7,913
Goodwill	17	14,772	14,772
Total non-current assets		38,814	38,314
Total assets		46,524	44,477
Current liabilities			
Trade payables and accruals	19	5,867	3,354
Derivative financial instruments	12	164	90
Borrowings	21	2,998	2,984
Total current liabilities		9,029	6,428
Non-current liabilities			
Borrowings	21	21,224	23,934
Derivative financial instruments	12	44	175
Deferred tax liabilities	18	212	331
Total non-current liabilities		21,480	24,440
Total liabilities		30,509	30,868
Net assets		16,015	13,609
Equity			
Share capital	22	53,454	53,998
Foreign currency translation reserve	23	143	276
Retained deficits		(37,582)	(40,665)
Total equity		16,015	13,609

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 6 to 28 form part of the financial statements.

Statement of Cash Flows
For the year ended 31 March 2018

	Note	Group 2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		20,506	20,512
Interest received		92	62
Payments to suppliers & employees		(10,870)	(12,673)
Interest paid		(1,426)	(1,521)
Tax refund from R&D grants		364	-
Net cash inflow from operating activities	24	8,666	6,380
Cash flows from investing activities			
Proceeds from disposal of assets		1	454
Purchase of terminal assets and other property, plant and equipment		(3,361)	(4,823)
Spend on intangible assets		(4,299)	(2,094)
Net cash outflow from investing activities		(7,659)	(6,463)
Cash flows from financing activities			
Proceeds from borrowings		290	2,580
Repayments of borrowings		(3,000)	(3,015)
Secured deposit		(239)	-
Net cash outflow from financing activities		(2,949)	(435)
Net decrease in cash equivalents		(1,942)	(518)
Add opening cash equivalents		2,896	3,414
Closing cash equivalents		954	2,896
Reconciliation of closing cash equivalents to the balance sheet:			
Cash and cash equivalents		954	2,896
Other bank balances		1,442	-
Closing cash and bank balances	10	2,396	2,896

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 6 to 28 form part of the financial statements.

Notes

1. General Information

Smartpay Holdings Limited (the "Parent") is a New Zealand company registered under the Companies Act 1993 and listed on both the New Zealand Stock Exchange ("NZX") and the Australian Securities Exchange ("ASX"). The Parent is an issuer (FMC entity) in terms of the Financial Reporting 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 Reporting 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 2018.

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 for 2019 / 2020. The cashflow forecasts indicate that there is adequate cover for the current net liability position and to support its ongoing operations.

The prior year comparative figures have been reclassified to agree to the current year classification where appropriate.

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 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.

e. Adoption of New and Revised Standards and Interpretations

i) Standards and Interpretations Effective in the Current Period

The following standards have been implemented in the current period. These standards had no impact on the calculation of reported financial information of the Group.

- Other Clarifications

There have been minor amendments to standards which have not had a material impact on the Group in the current reporting period.

ii) Standards on Issue Not Yet Adopted	Effective Date*
NZ IFRS 9 Financial Instruments	1 January 2018
NZ IFRS 15 Revenue from Contracts with Customers	1 January 2018
NZ IFRS 16 Leases	1 January 2019

* The effective date for the Group is the commencement date of the next accounting period after the Effective Date

Directors expect to adopt the above Standards and Interpretations in the period in which they become mandatory. Management have given consideration to the changes and do not expect any of the changes to have an adverse material impact on the measurement or recognition policies of the Group.

NZ IFRS 9 Financial Instruments - The standard is replacing the existing guidance in NZ IAS 39 Financial Instruments. The Group does not currently undertake hedge accounting and therefore consider the impact of the change will not be material.

NZ IFRS 15 Revenue from Contracts with Customers - The standard is replacing NZ IAS 18 Revenue. The component of revenue relating to the provision of software within the rental agreements is recognised as the services are provided over the term of the agreement. This is consistent to how the Group currently reports this revenue and therefore consider there will not be a material impact from this change.

NZ IFRS 16 Leases - Lessor accounting will not change materially under NZ IFRS 16 and management do not consider that there will be a material impact to the revenue recognition on EFTPOS rental agreements. As a lessee the Group will recognise a liability in relation to building leases along with a corresponding asset for the premises. The Group does not consider that there will be a material adverse impact.

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.

Investments in subsidiaries are recorded at cost less any impairment provision in the Parent company's financial statements.

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 2.u 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 days 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 New Zealand dollars is converted to New Zealand dollars 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 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 New Zealand dollars 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. There have been only minor presentation or classification changes in the current period.

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 twelve 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 twelve 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 twelve months after the reporting date or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date

All other liabilities are classified as non current.

j. Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

i) Operating Lease Income

Rental agreements for terminals recognised as operating leases result in revenue being recognised on a straight line basis over the term of the lease.

ii) Finance Lease Income

Rental agreements for terminals where substantially all the risks and rewards are considered to have transferred to the customer are recognised as a sale of the terminal hardware and as a finance lease transaction. The income from the sale of the terminal is recognised according to 2.j.(v) below and the finance lease transaction is recognised based on the net present value of the future cash flows over the term of the agreement using the effective interest method.

iii) Transactional Revenue

Rental agreements for terminals may include the processing of merchant transactions and the transaction revenue is earned as the transactions are processed.

iv) Service and Software Revenue

The component of revenue relating to the servicing of terminal assets subject to rental agreements, including provision for software upgrades for terminals is recognised as the services are provided over the term of the agreement.

v) Terminals and ancillary devices sold

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

vi) Finance Income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the finance income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

vii) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

k. Share-based Payment Transactions

Equity Settled Transaction

The Group has provided benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). Similarly share based benefits have been provided to other parties such as consultants and financiers, in settlement of services rendered. No benefits in the form of share based payments were provided in this financial year.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Smartpay Holdings Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of:

- The grant date fair value of the award;

- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

- The expired portion of the vesting period. The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

l. Finance Costs

Interest expense is accrued on a time basis using the effective interest method and are recognised as an expense when incurred.

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 balance 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, and is accounted for using the balance sheet liability method.

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 balance 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 balance sheet 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 balance 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. Any dividends paid are classified as part of financing activities.

o. Financial Assets

Financial assets are classified by NZ IAS 39 Financial Instruments: Recognition and Measurement into the following categories:

- financial assets at fair value through profit and loss
- held-to maturity investments
- available-for-sale financial assets
- loans and receivables

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 and loss, directly attributable transaction costs.

The Group has the following classifications:

i) Financial Assets at Fair value through Profit & Loss

This category has two sub categories

- financial assets held for trading
- those designated at fair value through profit and loss on initial recognition

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

ii) Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as loans and receivables.

Trade receivables are amounts due from customers for services performed and goods provided in the ordinary course of business. Trade receivables, which generally have 30-60 day terms, are recognised at fair value less an allowance for any uncollectible amounts. Some trade receivables relating to Telephony have one week payment terms.

Finance lease receivables are amounts due from customers who have taken out rental agreements at the time of taking possession of their EFTPOS terminals and or Retail Radio equipment. See note 2.j. (ii).

Impairment of Financial Assets

Collectability of trade receivables and finance lease receivables are reviewed on an on-going basis. Trade receivables that are known to be uncollectible are written off when identified. Finance lease receivables that are known to be uncollectible will have the terminal repossessed and the debt written off.

Financial assets, other than those financial assets at fair value through profit and loss are assessed for indicators of impairment at the end of each reporting period including trade and finance 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 and 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 and 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. Merchant Terminals and Property, Plant and Equipment

Merchant terminals and 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.

Terminals on hand are held in capital works in progress and are valued at cost after due consideration for excess and obsolete items and depreciation on used equipment. Costs are assigned on the basis of standard costs which are reassessed periodically as the costs change.

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 - 6 years
- Motor vehicles - 5 years
- Computer equipment – between 3 and 6 years
- Furniture, fixtures and office equipment - between 2 and 12 years

The assets’ residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

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 de-recognised.

r. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

i) Group as Lessor

Refer to notes 2.j.(i) & (ii) and 2.o.(ii).

ii) Group as Lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction in the lease obligation. The finance lease costs are charged directly to the Statement of Comprehensive Income.

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

s. Intangibles

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 major computer 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 computer software maintenance are expensed to the Statement of Comprehensive Income as they are incurred. Computer software is amortised on a straight line basis over the period of time during which benefits are expected to arise, being three to six years. Amortisation commences once the computer software is available for use.

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 so 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 scientific or 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 2-5 years
- customer contracts 3-10 years
- software 3-6 years

t. Impairment of Non-financial Assets Other Than Goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets 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.

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

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 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 using the effective interest method, with any interest expense recognised on an effective interest basis.

Borrowings 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance 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

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 methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

> Certain Short Term Financial Assets

For cash and short term funds, balances with other financial institutions with maturities for less than 3 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.

> Finance Receivables

The fair value is the net present value of the future cash flows over the term of the agreement using the effective interest method.

> 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.

> Borrowings

The fair value of borrowings is the amount payable on demand as at balance 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 fair value.

z. Government Grants

Government grants that compensate the Group for expenses incurred are recognised as profit and loss in the same periods in which the expenses are recognised.

aa. Insurance Contracts

Where the group enters into financial guarantee contracts to guarantee the performance or indebtedness of companies within the group, the company considers these to be insurance arrangements and accounts for them as such. In this respect the company treats the guarantee as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

ab. Changes in Accounting Policies

There have been no changes in accounting policies during the year.

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

i) 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.

ii)Recognition of Software Development

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.

iii) Lease Classification

In making their judgement, the Directors considered the detailed criteria for recognising income on terminal lease agreements with customers, see note 2.j (i) and 2.j (ii).

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise loans, interest rate swaps 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, accounts receivable, finance lease 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 assets 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 has entered into an interest rate swap in respect of 75% of the interest obligations which mirrors the amortisation profile of the ASB facility see note 21. The interest rate swap was restructured effective 30 December 2016 to mirror debt extension to July 2019 and an additonal swap has been entered into to hedge 75% of the capex facility.

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 accounts receivable, finance lease 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 with the review of payment history of trade and lease receivable and finance lease receivables. A review of all types of accounts takes place daily with active measures taken to collect outstanding amounts and prevent them becoming non performing accounts. On the lease receivables the terminals remain the property of the Group and in New Zealand a financing statement is registered under the Personal Property Securities Act 1999 in respect of each terminal and repossession can be undertaken in the event of default of the debt. In Australia financing statements are registered where possible under the Personal Property Securities Act 2009 which came into force in October 2011.

See note 29.c 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. See note 22 for more information on the Group's Capital Management processes.

The Group manages its liquidity by forecasting and monitoring the total cash flows on a daily, monthly and annual basis (see note 29.e).

d. Fair Values

The carrying value of all debt and finance leases is the fair value of these liabilities.

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

2018	**New Zealand**	**Australia**	**Elimination**	**Total**
Revenue	**$'000**	**$'000**	**$'000**	**$'000**
Operating lease, software and support revenue	15,403	2,165	-	17,568
Transactional income	907	477	-	1,384
Other service revenue	394	68	-	462
Sale of goods	1,246	618	(986)	878
Finance revenue	1	13	-	14
Other revenue	38	3	-	41
Total segment revenue	17,989	3,344	(986)	20,347
Additions to non current assets	6,957	407		7,364
Non current assets	35,329	4,436	(951)	38,814

2017	**New Zealand**	**Australia**	**Elimination**	**Total**
Revenue	**$'000**	**$'000**	**$'000**	**$'000**
Operating lease, software and support revenue	15,989	1,936	-	17,925
Transactional income	1,019	62	-	1,081
Other service revenue	429	184	-	613
Sale of goods	2,662	711	(2,157)	1,216
Finance revenue	-	11	-	11
Other revenue	14	32	-	46
Total segment revenue	20,113	2,936	(2,157)	20,892
Additions to non current assets	6,339	1,602	-	7,941
Non current assets	34,649	4,635	(970)	38,314

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

6. Other Income

The following items are included in other income:

	Group	
	2018	**2017**
	$'000	**$'000**
Sale of Intangible asset	-	429
Fair value adjustment on terminals residual value	-	406
Bad debts recovered	16	29
	16	864

7. Expenditure

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

Operating Expenditure	Note	Group	
		2018	**2017**
		$'000	**$'000**
Direct costs of sales		860	441
Terminal Communication & servicing costs		445	924
Compliance, IT and Marketing costs		1,325	1,654
Employee costs		6,350	7,074
Occupancy costs		591	939
Other costs		862	809
Travel and accommodation		373	290
		10,806	12,131

Depreciation and Amortisation		Group	
		2018	**2017**
		$'000	**$'000**
Depreciation of property, plant and equipment	15		
Merchant terminals		3,629	3,520
Computer equipment		252	262
Motor vehicles		15	26
Furniture, fixtures and office equipment		85	100
Amortisation of intangible assets	16		
Software		1,474	1,605
Customer contracts		423	424
		5,878	5,937

Auditors Fees included in operating expenditure		Group	
		2018	**2017**
		$'000	**$'000**
Audit fees to the principal auditor (note 1)		122	118
Taxation services - consultancy - to the principal auditor (note 2)		-	10
Non audit fees to principal auditor (note 3)		-	2
		122	130

Fees paid to the principal auditor were for:

1. Annual audit of the consolidated financial statements
2. Tax compliance advice
3. IT system consulting fee

Operating expenditure includes the following costs		Group	
		2018	**2017**
		$'000	**$'000**
Bad debts written off		90	291
Net impairment / (reversal) of provision of receivables		-	(108)
Net loss / (gain) on disposal of assets		(1)	(22)
Directors fees and directors consulting fees		150	119
Net foreign exchange losses / (gains)		5	(48)
Operating lease payments		512	623

Net finance costs		Group	
		2018	**2017**
		$'000	**$'000**
Other interest received		(50)	(32)
Interest on bank overdrafts and borrowings		1,419	1,585
Change in fair value - interest rate swap (note 12)		(92)	(136)
Change in fair value - foreign exchange contract (realised and unrealised)		16	(5)
Finance transaction fees amortisation		14	17
		1,307	1,429

Impairments		Group	
		2018	**2017**
		$'000	**$'000**
Merchant terminals		179	380

8. Taxation Expense / (Credit)

	Group	
	2018	**2017**
	$'000	**$'000**
Income tax expense comprises:		
Current income tax benefit	227	140
Deferred tax benefit	119	118
Income tax benefit	346	258
Reconciliation between charge for year and accounting profit		
Profit/(loss) before tax	2,178	1,945
Income tax at 28%	(610)	(545)
Add/(deduct) the tax effect of:		
Non-deductible expenses	(488)	(367)
Non-assessable income	241	553
Temporary differences not recognised	956	443
Tax benefit recognised	227	140
Australian tax rate differences	20	34
Income tax benefit	346	258

The tax rate used in the above reconciliation is the corporate tax rate applicable at 31 March 2018 payable on taxable profits under New Zealand (28%) and Australian tax law (30%). The current income tax benefit recognised relates to the R&D grant received from Inland Revenue.

9. Earnings per Share

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

	Group	
	2018	**2017**
Basic earnings per share - cents	**$'000**	**$'000**
Profit for the period	2,524	2,203
Weighted average number of shares ('000)	171,752	171,752
Basic earnings per share - cents	1.47	1.29

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

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares whether issued or able to be issued during the year. For 2018 the share options were not dilutive so the calculation excludes the impact of 1,000,000 shares (2017:7,000,000 shares) potentially issuable, consequently the diluted earnings per share is equivalent to the basic earnings per share.

10. 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	
	2018	**2017**
Cash and cash equivalents	**$'000**	**$'000**
Cash at bank and in hand	954	2,896
Total cash and cash equivalents	954	
Other Bank Balances		
Merchant settlement account	1,203	-
Secured Deposit	239	
Total cash and bank balances	2,396	2,896

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.

11. Trade and Other Receivables

	Group	
	2018	**2017**
	$'000	**$'000**
Accounts receivable	1,244	1,307
Less impairment provision on receivables	(9)	(9)
Less provision for kit recovery	(244)	(153)
Merchant receivables	2,457	-
Accrued revenue	1,466	1,633
Prepayments	287	191
GST	-	27
Total trade and other receivables	5,201	2,996

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 see note 4 b. The Merchant receivables are amounts due from the card schemes for transactions processed on behalf of customers.

12. Derivative Financial Instruments

The Group's subsidiary Smartpay New Zealand Limited has entered into two interest rate swap transactions with ASB Bank Limited. The original interest rate swap was renewed on 30 November 2016, effective 30 December 2016 for a notional amount of $13,500,000 decreasing by $562,500 per quarter and terminates on 28 June 2019 whereby the Group pays fixed 3.55% and receives floating rate (90 day bill rate BKBM). The fair value is included in current and non current liabilities . On 30 November 2016 effective 30 December 2016 a second swap was entered into to hedge the capex facility for a notional principal of $7.5 million whereby the Group pays fixed 2.56% and receives floating (90 day bank bill rate BKBM).

Fair Value

	Group	
	2018	**2017**
	$'000	**$'000**
Swap A	(166)	(274)
Swap B	(39)	(23)
Foreign exchange contracts	(3)	32
Total	(208)	(265)
Current	(164)	(90)
Non Current	(44)	(175)
Total	(208)	(265)

13. Non Current Finance Receivables

	Group	
	2018	**2017**
	$'000	**$'000**
Total finance lease receivables	222	310
less current portion of finance lease receivables	(100)	(98)
Non current finance lease receivables	122	212

Finance Lease Receivable

2018	**Current**	**1-5 Years**	**Total**
Finance leases - gross receivable	111	126	237
less unearned finance income	(11)	(4)	(15)
Total finance lease receivables	100	122	222

2017	**Current**	**1-5 Years**	**Total**
Finance leases - gross receivable	114	226	340
less unearned finance income	(16)	(14)	(30)
Total finance lease receivables	98	212	310

The leases have no residual value and the lessee is required to provide insurance on the terminals and the lease payments are made monthly during the term of the lease. Any change in the residual value is recognised in the year the change arises.

The Group manages its receivables in line with its credit control procedures.

An allowance for impairment loss is recognised when there is objective evidence that a receivable is impaired. Finance lease receivables are generally recoverable evenly over the relevant lease period . They are initially recorded at their discounted value using a market discount rate for similar activities.

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**
	2018	**2017**		
Subsidiaries				
Smartpay Limited	100%	100%	NZ	Product and services
Smartpay New Zealand Limited	100%	100%	NZ	Product and services
Smartpay Software Limited	100%	100%	NZ	Software ownership
Viaduct Limited	100%	100%	NZ	Non-trading
Smartpay Rental Services Limited	100%	100%	NZ	Rental of equipment
Smartpay Australia Pty Limited	100%	100%	Aust	Product and services
Smartpay Rentals Pty Limited	100%	100%	Aust	Rental of equipment
Cadmus Payment Solutions Pty Limited	100%	100%	Aust	Product and services
Pax Technology Pty Limited	100%	100%	Aust	Non-trading
Smartpay Taxis Pty Limited	100%	100%	Aust	Rental of equipment
Smartpay Epayments Pty Limited	100%	100%	Aust	Non-trading
Smartpay Ethos Limited	100%	100%	NZ	Software ownership
Product Rentals Pty Limited	100%	100%	Aust	Rental of equipment

All subsidiary companies have the same balance date as the their parent company of 31 March and all subsidiaries were owned for the full financial year.

15. Property, Plant and Equipment

	Merchant terminals at cost		Furniture, fixtures and office equipment at cost		Computer equipment at cost	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Opening carrying value	12,681	9,863	206	84	280	452
Additions	584	1,096	10	226	165	90
Transfers	2,664	5,561	-	-		-
Depreciation	(3,629)	(3,520)	(85)	(100)	(252)	(262)
Disposals	-	(14)	-	(3)	-	-
Cost of sales	(25)	-	-	-	-	-
Impairment	(164)	(320)	-	-	-	-
FX adjustments	(94)	15	-	(1)	-	-
Closing carrying value	12,017	12,681	131	206	193	280
Capital work in progress						
Opening carrying value	2,235	4,222	-	-	-	-
Additions	2,354	4,444	-	-	-	-
Transfers	(2,664)	(5,561)	-	-	-	-
Cost of sales	(563)	(791)	-	-	-	-
Impairment	(15)	(61)	-	-	-	-
FX adjustments	(18)	(18)	-	-	-	-
Closing carrying value	1,329	2,235	-	-	-	-
Total	13,346	14,916	131	206	193	280
Reconciled to:						
Cost	21,327	22,609	398	405	611	4,090
Less accumulated depreciation and impairment	(9,310)	(9,928)	(267)	(199)	(418)	(3,810)
Closing carrying value	12,017	12,681	131	206	193	280
Capital work in progress	1,329	2,235	-	-	-	-
Total	13,346	14,916	131	206	193	280

	Motor vehicles at cost		Group Total	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Opening carrying value	15	74	13,182	10,473
Additions	-	-	759	1,412
Transfers	-	-	2,664	5,561
Depreciation	(15)	(26)	(3,981)	(3,908)
Disposals	-	(33)	-	(50)
Cost of sales	-	-	(25)	-
Impairment	-	-	(164)	(320)
FX adjustments	-	-	(94)	14
Closing carrying value	-	15	12,341	13,182
Capital work in progress				
Opening carrying value	-	-	2,235	4,222
Additions	-	-	2,354	4,444
Transfers	-	-	(2,664)	(5,561)
Cost of sales	-	-	(563)	(791)
Impairment	-	-	(15)	(61)
FX adjustments	-	-	(18)	(18)
Closing carrying value	-	-	1,329	2,235
Total	-	15	13,670	15,417
Reconciled to:				
Cost	81	81	22,417	27,185
Less accumulated depreciation and impairment	(81)	(66)	(10,076)	(14,003)
Closing carrying value	-	15	12,341	13,182
Capital work in progress	-	-	1,329	2,235
Total	-	15	13,670	15,417

Merchant terminals represents the equipment leased by customers, primarily EFTPOS terminals.
ASB Bank Ltd has a general security over the assets of the Parent and certain subsidiaries.

16. Intangible Assets

Software and development costs are intangible assets.

	Software and development costs at cost		Customer contracts at cost		Group Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Opening carrying value	5,443	4,984	2,470	2,894	7,913	7,878
Additions	4,251	2,085	-	-	4,251	2,085
Amortisation	(1,474)	(1,605)	(423)	(424)	(1,897)	(2,029)
Disposals	(10)	(18)	-	-	(10)	(18)
FX adjustments	(7)	(3)	-	-	(7)	(3)
Closing carrying value*	8,203	5,443	2,047	2,470	10,250	7,913
Reconciled to:						
Cost	12,819	21,188	4,235	4,235	17,054	25,423
Less accumulated amortisation	(4,616)	(14,326)	(2,188)	(1,765)	(6,804)	(16,091)
Less accumulated impairment	-	(1,419)	-	-	-	(1,419)
Closing carrying value	8,203	5,443	2,047	2,470	10,250	7,913

* This balance includes development in progress totalling $3,838,000 (2017 $497,000)

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

Significant Software and Development

(i) Internally Developed Software

Internally developed software to operate and manage the EFTPOS terminals has a carrying value of $8,203,000 (2017: $5,443,000) including capital work in progress of $3,838,000 (2017: $497,000).

The Group undertook a significant amount of development in New Zealand during this financial year 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 $877,000 (2017 $2,082,000) and an increase in the carrying value of work in progress software amounting to $3,341,000 (2017: a reduction of $255,000). The work in progress software mainly relates to the development of the transaction processing and merchant management system to support the merchant acquiring function. Although this platform went to pilot in this financial year for a small number of merchants it is still under development and it will become fully operational during the 2019 financial year.

Customer Contracts

Customer contracts relate to the lease 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.

17. Goodwill

	Group	
	2018 $'000	2017 $'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

a. Impairment

At 31 March 2018 and 2017 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 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.

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 5 years and beyond using gross margin growth rate assumptions for years 1 to 5 of 1.9% on average. For cash flows beyond 5 years no terminal growth rate is assumed. The cash flows are discounted using a nominal rate of 11.5% after tax.

18. Deferred Tax Asset / (Liability)

Movements in deferred tax:	Group 2018 $'000	Group 2017 $'000
Opening balance	(331)	(449)
Charge to profit and loss	119	118
Balance at end of the year	(212)	(331)
Deferred tax balance reconciliation:		
Employee entitlements	92	111
Receivables impairment provision	3	3
Non deductible accruals	99	101
License fee	-	78
Revenue recognition differences	2,938	3,960
Computer software and development and customer contracts	(573)	(614)
Deferred tax asset not recognised for accounting	(2,771)	(3,970)
Total deferred tax balance	(212)	(331)
Deferred tax liability - New Zealand	(212)	(331)

a. Tax losses

The Group has aggregate estimated New Zealand net tax losses of $27,214,000 as at 31 March 2018 (31 March 2017 actual $22,222,000) and in Australia estimated net tax losses at the same date of A$5,510,000 (31 March 2017 actual A$4,476,000). No tax losses have been recognised in the balance sheet as deferred tax in either reporting period. See note 3.a.(iii) for discussion on the criteria for recognising losses. Subject to IRD confirmation and maintaining the required shareholder continuity, these losses are available to carry forward in aggregate from the individual New Zealand companies within the Group. 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.

In prior years deferred tax assets were recognised for deductible temporary differences as the Directors considered that it was probable that future reversal of deferred tax liabilities would off-set the temporary differences. However the Directors reversed the deferred tax asset in 2013 as it was no longer probable that the losses could be utilised over the next 2 to 3 years. On completion of the 2017 tax returns the continuity has remained constant and no further tax losses have been forfeited, however $1,300,000 of tax losses have been utilised in relation to the R&D grant. Utilisation of tax losses requires that the shareholder continuity remains above 49%. 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 2018. The deferred tax liability recognised relates to the customer contracts acquired from Viaduct.

19. Trade Payables and Accruals

	Group 2018 $'000	Group 2017 $'000
Trade payables	1,096	2,043
Merchant payables	3,658	-
Other payables	77	75
GST	179	99
Accruals	292	404
Employee entitlements	565	733
Total trade payables and accruals	5,867	3,354

Trade payables are typically non-interest bearing and are normally settled in 7–60 day terms.
Within trade payables are accrued costs of $0 (2017:$612,000) for capex purchases.
Merchant payables represents amounts that are due to acquiring customers in respect of transactions that have been processed.

20. Income Tax Payable/(Receivable)

Current Tax	Group 2018 $'000	Group 2017 $'000
Opening balance	(173)	(55)
Tax refund on R&D grant	140	(140)
RWT credits received	20	22
Balance at end of the year - receivable	(13)	(173)

The tax refund relates to the R&D grant for the 2016 year now received.

Imputation credit account balances
Neither the Parent company or any of the subsidiary companies have any material imputation credit account balances.

21. 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 Groups exposure to interest rate, foreign currency and liquidity risk see note 29.

	Group	
	2018	2017
Borrowings	**$'000**	**$'000**
Secured - at amortised cost		
Current	2,998	2,984
Non-current	21,224	23,934
Total Borrowings	24,222	26,918
The following arrangement fees have been deducted from the debt above.		
Arrangement fees	724	724
Amortisation of arrangement fees	(722)	(708)
	2	16

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. In November 2016 the term loan facility and CAF was extended until 11 July 2019. Quarterly amortisations of the term loan facility amount to $750,000. A total of $3,000,000 was repaid in this financial year. The accumlative drawdowns on the CAF facility amounted to $9,974,000.

The interest rate is the BKBM (90 day bill rate) plus a margin set at 1.50%. In addition a line fee is payable quarterly and is currently set at 1.00% based on the facility limit. In conjunction with the extension of the term loan facility the interest rate swap was restructured and another interest rate swap was entered into on 30 November 2016 in respect of 75% of the interest obligations which mirrors the amortisation profile of the term loan facility. The swap requires Smartpay to pay a fixed rate of interest of 3.55% and receive floating rate of interest based on the 90 day bill rate (BKBM). A second interest rate swap was entered into on 30 November 2016 to hedge the interest rate risk on the capex facility. The swap has a notional principal of NZD7.5 million and requires Smartpay to pay a fixed interest rate of 2.56% and receive floating based on the 90 day bank bill rate (BKBM).

The CAF remains in place until 11 July 2019, each drawdown on the facility is provided on 90 day terms and rolled over .

ASB Bank Limited 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).

The specific covenants relating to financial ratios the group was required to meet in 2018 are:

i) Interest cover ratio

ii) Net leverage ratio

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

22. Share Capital

Share Capital	Group 2018 $'000	Group 2017 $'000
Opening balance	53,998	54,438
Share based payments:		
- Value of share options issued to directors that were amortised during the year.	15	21
- Value of share options issued to directors which were not exercised and which lapsed during the year	(559)	(461)
Total shares issued during the year	(544)	(440)
Balance at end of the year	53,454	53,998

a) Ordinary Shares

As at 31 March 2018 there were 171,752,278 (2017:171,752,278) ordinary shares on issue. No new shares were issued during 2016/17 or in 2017/18. 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 2018 000's	Group 2017 000's
Opening balance	171,752	171,752
No movements	-	-
Balance at end of the year	171,752	171,752

b) Share Options

The only movements in share options during the 2018 financial year related to options lapsing at 31 March 2018.

Movements in the Management Share Options on issue

	Group 2018 000's	Group 2017 000's
Opening balance - weighted average exercise price per share: 2018 57.1c (2017 50.0c)	14,000	28,000
Options lapsed - weighted average exercise price per share 2018: 57.0c (2017: 42.9c)	(12,000)	(14,000)
Closing balance - weighted average exercise price per share: 2018 60.0c (2017 57.1c)	2,000	14,000
Weighted average remaining contractual life of outstanding options (years)	1.750	1.125

In 2018 12,000,000 Management options for 6,000,000 shares at weighted average price of 57.0c per share had lapsed. At 31 March 2017 14,000,000 options for 7,000,000 shares at 42.9c per share lapsed.

Other than options lapsing there were no other movements in these options in either 2018 or 2017.

Option Pricing Assumptions

The options have been valued using the Black Scholes option pricing model to obtain their fair value which has been expensed on a pro rata basis according to the time expired. Volatility was considered on an historical basis but following the acquisition of the Viaduct assets in 2013 this has been amended to reflect the significantly different scale of the Group. The assumptions used were:

	2018
	Management 2013 Tranche 1
Number of options issued (000) as performance incentive to management	
Number of options fair valued (000)	2,000
Number of shares	1,000
Risk-free interest rate	3.3%
Exercise price (per share)	60.0c
Share price at measurement date post 1:2 share consolidation	33 cents
Volatility	50%
Life of options	82 months
Exercise on or before	31/12/19
Dividend yield	-
Fair value	1.08 cents

		2017	
	Management 2012 Tranche 3	Management 2013 Tranche 1	Management 2013 Tranche 1
Number of options issued (000) as performance incentive to management			
Number of options fair valued (000)	10,000	2,000	2,000
Number of shares	5,000	1,000	1,000
Risk-free interest rate	3.3%	3.3%	3.3%
Exercise price (per share)	60.0c	40.0c	60.0c
Share price at measurement date	21 cents	33 cents	33 cents
Volatility	50%	50%	50%
Life of options	73 months	58 months	82 months
Exercise on or before	31/3/18	31/12/17	31/12/19
Dividend yield	-	-	-
Fair value	3 cents	1.08 cents	1.08 cents

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.

Gearing Ratios

	Group	
	2018	**2017**
	$'000	**$'000**
Total borrowings (see note 21)	24,222	26,918
less Cash and cash equivalents (see note 10)	(954)	(2,896)
Net debt	23,268	24,022
Total Equity	16,015	13,609
Total Capital	39,283	37,631
Ratio of Net debt to Total Capital	59.2%	63.8%

23. 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 (see Note 2 g (ii)).

Movements are shown in the Statement of Changes in Equity.

24. Operating Cash Flows Reconciliation

	Group	
	2018	2017
	$'000	$'000
Profit for the period	2,524	2,203
Add/(deduct) non-cash items:		
Depreciation & amortisation	5,878	5,937
Loss / (gain) on disposal of fixed assets	-	(22)
Other Income	-	(835)
Share based payments	15	21
Financing costs and bad debts	103	202
Unrealised foreign exchange	-	(87)
Tax benefit	(119)	(118)
Impairment charges	179	380
Add/(deduct) changes in working capital items:		
Trade and other receivables	144	(311)
Derivative financial instruments	(57)	(227)
Payables and accruals	(161)	(644)
Provision for current tax	160	(119)
Net cash inflow/(outflow) from operating activities	8,666	6,380

25. Operating Leases

Leases as Lessee

Non cancellable operating lease rentals are payable as follows:

Operating Lease Commitments	Group	
	2018	2017
	$'000	$'000
Within one year	606	550
After one year but not more than five years	1,554	1,295
After five years but not more than ten years	-	-
Total operating lease commitments	2,160	1,845

The Groups leases its office and warehouse premises situated at 205 Wairau Road. The lease period of the new premises is 6 years from December 2015. The Group also leases small office premises in Sydney and Wellington.

The Group also leases various items of office machinery and a motor vehicle under cancellable operating lease agreements.

Leases as Lessor

The group leases out Eftpos terminals and associated equipment (representing the hardware component) under non cancellable operating leases which are receivable as follows:

	Group	
	2018	2017
	$'000	$'000
Within one year	4,270	4,411
After one year but not more than five years	2,931	4,244
Total operating lease commitments	7,201	8,655

This excludes the software and service revenue under the rental contract.

26. Contingencies

Guarantees

The Group has provided bank guarantees in favour of NZX of $75,000 (2017: $75,000) and for the Sydney office of A$138,000 (2017: A$92,000) are issued.

ASB Bank Limited 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).

The Group has a secured bank deposit with Cuscal Limited amounting to $239,000.

27. Capital Commitments

The Group has no capital commitments at 31 March 2018 (2017: Nil).

28. 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, the directors, companies with which the directors and key management are associated and key management personnel of the Group are also related parties.

a. Transactions with directors and key management or entities related to them

Gregor Barclay is a Director and principal of Ngatapa Trust, and provided consulting services in relation to Directors' fees on normal commercial terms amounting to $60,000 (2017: $60,000).

Bradley Gerdis is the Managing Director of Smartpay Holdings Limited. He is a Director of Haymaker Investments Pty Limited (HIL) which is the Trustee of the Haymaker Trust which is a shareholder of Smartpay Holdings Limited.

Bradley Gerdis or his associated entities have received:

- Salary received A$543,000, NZ$577,000 (2017: A$569,000, NZ$622,000) which included a bonus of A$125,000 NZ$133,000 (2017: A$131,000, NZ$144,000).

HIL 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. HIL holds 6,515,422 (2016: 6,515,422) ordinary shares as well as Nil (2017: 10,000,000) share options which can be converted into Nil (2017: 5,000,000) shares. No new share options were issued in the current year and 10,000,000 share options entitling HIL to 5,000,000 shares lapsed at 31 March 2018.

Martyn Pomeroy is Chief Operating Officer at Smartpay since January 2013 and is a shareholder and director of TEOV Limited (formerly Viaduct Limited) whose assets were acquired by Smartpay on 23 January 2013. He holds 2,000,000 (2017: 4,000,000) options to purchase 1,000,000 (2017: 2,000,000) shares - the options can be exercised by 31 December 2019 at an exercise price of 60 cents per share. At 31 March 2018 he holds 3,399,053 shares (2017: 3,399,053) directly. Martyn Pomeroy was appointed a director of the Company on 1 April 2014.

Martyn Pomeroy or his associated entities have received:

- Salary received $398,000 (2017: $435,000) which included a bonus of $90,000 (2017: $127,000).

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 $55,000 (2017: $55,000).

Bruce Mansfield was appointed a Director of the Company on 1 October 2017 and received Directors' fees of $27,000 (2017: Nil).

b. Key management and director compensation

Key management personnel comprises employees who are part of the Senior Management Team (Aidan Murphy and Rowena Bowman). Bradley Gerdis and Martyn Pomeroy are excluded as this information is provided above and is included in Directors remuneration. Key management personnel compensation comprised short term benefits and share instruments for the year ended 31 March 2018 of $366,000 (2017: $358,000). Directors remuneration was $1,117,000 (2017: $1,107,000).

Key Management Compensation	**2018**	**2017**
	$'000	**$'000**
Salaries and other short term employee benefits	366	358

29. 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

	Group			
	Loans and receivables	**Measured at fair value through profit and loss**	**Measured at amortised cost**	**Total**
2018	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets				
Cash and bank balances	2,396	-	-	2,396
Trade, finance and other receivables	3,670	-	-	3,670
	6,066	-	-	6,066
Financial liabilities				
Trade payables and accruals	-	-	5,123	5,123
Derivative financial instruments	-	208	-	208
Financial liabilities at amortised cost	-	-	24,222	24,222
	-	208	29,345	29,553

2017	Group			
	Loans and receivables	**Measured at fair value through profit and lost**	**Measured at amortised cost**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Cash and bank balances	2,896	-	-	2,896
Trade, finance and other receivables	1,482	-	-	1,482
	4,378	-	-	4,378
Financial liabilities				
Trade payables and accruals	-	-	2,522	2,522
Derivative financial instruments	-	265	-	265
Financial liabilities	-	-	26,918	26,918
	-	265	29,440	29,705

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

b. Foreign currency exchange risk management

The Group has exposure to the following currencies in the next financial year, hedging policies are in place although a portion remains unhedged. The amount for which no hedging has been entered into is as follows:

- $US - Purchases of US$1.0 million
- $Aust - Sales of A$14 million.

There is also a foreign currency exposure in respect of the intercompany accounts with foreign entities which eliminate on consolidation.

c. Credit risk

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

	Group	
	2018	**2017**
Maximum exposure to credit risk at balance date is:	**$'000**	**$'000**
Cash and cash equivalents	2,396	2,896
Trade receivables (net of impairment)	3,692	1,298
Finance lease receivables (net of impairment)	222	310

In respect of the lease receivables an analysis of the credit risk is performed on a monthly basis and any contracts for which payment has not been received are identified and categorised for the purposes of determining any impairment if required. The three categories are:

> payments overdue 10-60 days (arrears)

> payments overdue 61-100 days (collections) and

> greater than 101 days overdue (salvage).

The impairment provision includes some "arrears" and "collection" and all the "salvage" category. In 2018 no impairment was made for overdue payments within the "arrears" and "collection" categories.

	2018		2017	
	%	$'000	%	$'000
Arrears	2.76	54	3.49	117
Collections	0.06	2	0.08	4
Salvage	0.07	12	0.10	19
		68		140

The basis for calculating the percentage of overdue payments in each of the categories for arrears, collections and salvage. The dollar amount of overdue payments in each category is compared with the total dollar value of the payments due for the period under each category. For example the "arrears" category includes all overdue by 10 to 60 days consequently the dollar value of total payments due equates to those over a period of 60 days for all rental receivables.In respect of the salvage category the period equates to twelve months for the purposes of determining the total value of payments due.

Immediate action is taken in respect of "arrears" contracts and overdue payments and the majority of overdue payments are rectified within a short period of time, consequently no impairment is recognised. Contracts that fall outside the three categories have met all their payments on time and no impairment is recognised.

Concentration of credit risk

One customer is included within finance receivables and the total receivable balance is $222,000 (2017: $318,000), representing the future finance receivables.

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 level1 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 entered into interest rate swaps which fixed the interest rate in respect of 75% of the interest payable. The Group has interest rate risk on the residual unhedged portion. At 31 March 2018 if interest rates had changed by -/+ 1% from the year end rates with all other variables held constant, the Group's post tax profit for the period (annualised) and equity would have been $65,000 higher or $65,000 lower. The notional principal of the interest rate swaps is $18.187 million and the carrying value on the balance sheet is a liability of $205,000 (2017: liability of $297,000).

The carrying amount has been determined in accordance with level one 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:

	Total	Within 12 Months	Within 1 to 5 years
ASB Bank Limited	24,224	3,000	21,224
Total Group Debt	24,224	3,000	21,224

Total Aging of Financial Liabilities Commitments	Total	Within 12 Months	Within 1 to 5 years
Group			
2018			
Trade Payables and accruals	5,867	5,867	-
Future interest payments on borrowings (note 1)	1,540	1,254	286
Borrowings (note 2)	24,224	3,000	21,224
	31,631	10,121	21,510
2017			
Trade Payables and accruals	3,354	3,354	-
Future interest payments on borrowings (note 1)	2,831	1,395	1,436
Borrowings (note 2)	26,934	3,000	23,934
	33,119	7,749	25,370

1. The future interest payment on borrowings includes the net swap receipts and payments based on an estimate of the floating interest rate.
2. Includes the drawn down revolving capex facility of $9,974,000.

30. Subsequent Events

Following balance date the following events have occurred: There have been no events subsequent to balance date.

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 2 to 28:

i. Present fairly in all material respects the Group's financial position as at 31 March 2018 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 2018;

— the consolidated statement of comprehensive income, statement of changes in equity and statement of 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) (ISA's (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 Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISA (NZ) are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the company.

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 $108,900 determined with reference to a benchmark of group profit before tax. We chose the benchmark because, in our view, this is a key measure of the group's performance.

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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 period. 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 and classification of terminal assets	
The Group has terminal assets of $13.3 million as disclosed in note 15 of the financial statements, which includes merchant EFTPOS terminals. These terminals are leased to customers. The classification and valuation of terminal assets is a key audit matter due to the significance of the asset and the possibility of impairment. Terminal assets may be impaired due to technology changes and terminal model sunset dates required by the industry compliance requirements. There is considerable judgement in determining the classification of the terminal contracts as either operating or finance leases based on the assessment of the substantial transfer of risk and rewards.	Our audit procedures included, amongst others: — considering management's assessment of the useful life and residual values of terminal assets, by comparing with actual historical information on the terminal models used by the Group's customers and changes in the industry compliance requirements; — assessing management's methodology for writing down slow moving and idle terminals, by comparing to historic write off trends; — on a sample basis ensuring the methodology for writing down slow moving and idle terminals has been correctly applied; and — for a sample of new terminal leasing contracts in the financial year, examining management's assessment of whether the leasing contracts are operating or finance leases. Based on our analysis, we did not identify any material issues with the carrying value of terminal assets or their classification as finance or operating lease.
Valuation of Goodwill	
The Group has goodwill of $ 14.8 million as disclosed in note 17 of 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 asset and the models used in the impairment test included a range of subjective assumptions about future performance. Particular attention was required of the forecast cash	Our audit procedures included, amongst others: — ensuring the methodology adopted in the impairment model is consistent with accepted valuation approaches; — comparing the cash flow forecasts in the valuation models to Board approved forecasts and strategic plans; — challenging the appropriateness of the revenue and cost forecasts by comparing these forecasts to actual cash flow and growth rates achieved historically; — Involving valuation specialist to challenge management's methodology used in impairment model;

The key audit matter	How the matter was addressed in our audit
flows and the discount and terminal growth rates.	— Involving valuation specialist to challenge key judgements, which included weighted average cost of capital and terminal growth rate used in the impairment model. — Performing sensitivity analysis 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; We did not identify any material issues with the carrying value of goodwill.
Capitalisation of development asset	
The Group has development assets of $8.2 million as disclosed in note 16 of the financial statements, which relates primarily to internally developed software to operate and manage the EFTPOS terminals. The valuation of the development asset is considered to be a key audit matter due to the significance of the asset and the impact revisions to the Group's business plans have on possible impairment. In addition, management applies significant judgement in determining if it is correct to capitalise amounts to the balance sheet or to expense them.	Our audit procedures included, among others: — obtaining and interpreting recent changes in the group's terminal model strategy and the industry's compliance requirement. Assessing how this impacts whether the development asset is impaired or if the useful life requires shortening; — on a sample basis, determining the nature of expenditure by examining whether the development phase has commenced (and therefore whether the spend should be capitalised). This included considering management's assessment of the possible market and resources the group has to complete development assets and whether the product will generate future profits; and — Involving range of specialists to understand and evaluate new business processes. — Assessing the accuracy of calculation of the amount of internal costs based on hours which staff spend for developing software. We did not identify any material errors in the interpretation of whether spend in the current financial year should be capitalised or expensed. .

Other Information

The Directors, on behalf of the group, are responsible for the other information included in the entity's financial statements. Other information includes the Directors' Responsibility Statement. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Chairman's report, Chief Executive's report, and disclosures relating to corporate governance and statutory information are expected to be made available to us after the date of this audit report. Our responsibility is to read the Chairman's report, Chief Executive's report, and disclosures relating to corporate governance and statutory information when it becomes available and 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 so, we are required to report such matters to the Directors.

Use of this Independent Auditor's Report

This 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 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 report, or any of the opinions we have formed.

Responsibilities of Directors for the consolidated financial statements

The Directors, on behalf of the group, 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 consolidated a 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:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx.

This description forms part of our Independent Auditor's Report.

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

For and on behalf of

KPMG

KPMG Auckland
30 May 2018