30 May 2019

Company Announcements Office
ASX Limited
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Sydney
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AUSTRALIA

Smartpay Holdings Limited (NZX: SPY, ASX: SMP)
Results for announcement to the market

Attached are the following documents in relation to Smartpay's results announcement for the year ended 31 March 2019:

- Unaudited Financial Statements
- Appendix 1 (NZX)

Bradley Gerdis
Managing Director
Smartpay Holdings Limited

Statement of Comprehensive Income
For the year ended 31 March 2019

		Unaudited	
		Group	
		2019	2018
			Restated
			Note 3
	Notes	$'000	$'000
Continuing operations			
Revenue	1	21,097	20,518
Other income		15	16
Direct costs of sales		(2,168)	(860)
Terminal Communication & servicing costs		(800)	(445)
Compliance, IT and Marketing costs		(2,179)	(1,325)
Employee costs net of capitalised amounts		(8,195)	(6,350)
Occupancy costs		(249)	(294)
Other costs		(718)	(862)
Travel and accommodation		(386)	(373)
Operating expenditure		(14,695)	(10,509)
Earnings before interest, tax, depreciation, share options expense, amortisation, impairments and unrealised foreign exchange		6,417	10,025
Depreciation and amortisation		(6,535)	(6,211)
Unrealised foreign exchange adjustments		167	-
Share option amortisation		-	(15)
Net finance (costs)		(1,814)	(1,396)
Impairment		(490)	(179)
		(8,672)	(7,801)
(Loss) / Profit before tax		(2,255)	2,224
Tax benefit		427	346
(Loss) / Profit for the year from continuing operations of owners		(1,828)	2,570
Other comprehensive income			
Foreign currency translation differences for foreign operations which may be reclassified subsequently to profit and loss (no tax effect)		(21)	(140)
Share based payments reversal which will not subsequently be reclassified to profit / (loss) (no tax effect)		-	559
Total comprehensive (loss) / income of owners		(1,849)	2,989
Earnings / (losses) per share from continuing operations attributable to the equity holders of the company during the year			
Basic earnings per share		(1.06) cents	1.50 cents
Diluted earnings per share		(1.06) cents	1.50 cents

Statement of Changes in Equity
For the year ended 31 March 2019

	Unaudited Group			
	Share Capital	**Foreign Currency**	**Retained Deficits**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 31 March 2017 (restated)	53,998	276	(41,223)	13,051
Profit for the year from continuing operations of owners	-	-	2,570	2,570
Other comprehensive income	-	(140)	559	419
Total comprehensive income	-	(140)	3,129	2,989
Share options recognised at fair value net of options lapsed	(544)	-	-	(544)
Total changes in equity	(544)	(140)	3,129	2,445
Balance at 31 March 2018 (restated)	53,454	136	(38,094)	15,496
Loss for the year from continuing operations of owners	-	-	(1,828)	(1,828)
Other comprehensive income loss	-	(21)	-	(21)
Total comprehensive loss	-	(21)	(1,828)	(1,849)
	-	-	-	-
Total changes in equity	-	(21)	(1,828)	(1,849)
Balance at 31 March 2019	53,454	115	(39,922)	13,647

Statement of Financial Position
As at 31 March 2019

	Unaudited Group 2019	2018 Restated see Note 3	2017 Restated see Note 3
	$'000	$'000	$'000
Current assets			
Cash and bank balances	3,357	2,396	2,896
Trade and other receivables	9,308	4,990	2,704
Income tax receivable	24	13	173
Total current assets	12,689	7,399	5,773
Non-current assets			
Property, plant and equipment	12,121	12,948	14,848
Right of Use assets	1,324	1,762	1,232
Intangible assets	14,203	11,102	8,638
Goodwill	14,772	14,772	14,772
Total non-current assets	42,420	40,584	39,490
Total assets	55,109	47,983	45,263
Current liabilities			
Trade payables and accruals	10,834	5,867	3,354
Derivative financial instruments	47	164	90
Borrowings	3,000	2,998	2,984
Lease liabilities	495	460	202
Total current liabilities	14,376	9,489	6,630
Non-current liabilities			
Borrowings	18,224	21,224	23,934
Derivative financial instruments	-	44	175
Lease liabilities	1,045	1,518	1,142
Convertible notes	7,723	-	-
Deferred tax liabilities	94	212	331
Total non-current liabilities	27,086	22,998	25,582
Total liabilities	41,462	32,487	32,212
Net assets	13,647	15,496	13,051
Equity			
Share capital	53,454	53,454	53,998
Foreign currency translation reserve	115	136	276
Retained deficits	(39,922)	(38,094)	(41,223)
Total equity	13,647	15,496	13,051
Tangible net assets per share (cents per share)	(8.87) cents	(6.04) cents	

Statement of Cash Flows
For the year ended 31 March 2019

	Unaudited Group 2019 $'000	2018 Restated $'000
Cash flows from operating activities		
Receipts from customers	20,729	20,506
Interest received	61	92
Payments to suppliers & employees	(13,825)	(10,549)
Interest paid	(1,809)	(1,515)
Tax refund from R&D grants	308	364
Net cash inflow from operating activities	5,464	8,898
Cash flows from investing activities		
Proceeds from disposal of assets	-	1
Purchase of terminal assets and other property, plant and equipment	(3,462)	(3,361)
Spend on intangible assets	(4,902)	(4,299)
Net cash outflow from investing activities	(8,364)	(7,659)
Cash flows from financing activities		
Proceeds from borrowings	-	290
Proceeds from convertible notes	7,815	-
Repayments of borrowings	(3,000)	(3,000)
Payments of lease liabilities	(462)	(232)
Secured deposit	-	(239)
Net cash outflow from financing activities	4,353	(3,181)
Net increase / (decrease) in cash equivalents	1,453	(1,942)
Add opening cash equivalents	954	2,896
Closing cash equivalents	2,407	954
Reconciliation of closing cash equivalents to the balance sheet:		
Cash and cash equivalents	2,407	954
Other bank balances	950	1,442
Closing cash and bank balances	3,357	2,396

Notes to Financial Statements (Unaudited)

1. Segment Information

Geographical Segments
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.

2019	**New Zealand**	**Australia**	**Elimination**	**Total**
Revenue	**$'000**	**$'000**	**$'000**	**$'000**
Revenue from Contracts with Customers				
Service revenue	15,102	1,924	-	17,026
Transactional income	837	2,540	-	3,377
Other service revenue	120	31	-	151
Short term rentals	278	9	-	287
Sale of goods	2,206	40	(1,992)	254
Total revenue from contracts with customers	18,543	4,544	(1,992)	21,095
Other Revenue				-
Other revenue	-	2	-	2
Total segment revenue	18,543	4,546	(1,992)	21,097
Additions to non current assets	8,131	806	-	8,937
Non current assets	37,859	5,862	(1,271)	42,450

In New Zealand and Australia no single customer represents more than 10% of total revenues as such there is no concentration of customers.
The elimination of $1,992,000 (2018: $986,000) relates to the revenue on the sales of eftpos terminals from New Zealand to Australia within the Group.

2018 Restated	**New Zealand**	**Australia**	**Elimination**	**Total**
Revenue	**$'000**	**$'000**	**$'000**	**$'000**
Revenue from Contracts with Customers				
Service revenue	15,511	2,242	-	17,753
Transactional income	907	477	-	1,384
Other service revenue	124	39	-	163
Short term rentals	270	29		299
Sale of goods	1,246	618	(986)	878
Total revenue from contracts with customers	18,058	3,405	(986)	20,477
Other Revenue				
Other revenue	38	3	-	41
Total segment revenue	18,096	3,408	(986)	20,518
Additions to non current assets	6,957	407	-	7,364
Non current assets	36,085	5,043	(951)	40,177

2. Subsequent Events
Since balance date there have been no events requiring disclosure.

3. Changes in Accounting Policies
The changes to the Accounting Policies are a result of the adoption of new accounting standards NZ IFRS 9 Financial Instruments, NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 16 Leases. NZ IFRS 16 Leases is being early adopted due to the change in definitions of Leases which affects how revenue from contracts with customers is recognised and a change to the applicable standard that applies to them. See below for an explanation of the changes arising from the standards.

i) NZ IFRS 9 Financial Instruments
NZ IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. This standard replaces NZ IAS 39 Financial Instruments: Recognition and Measurement. It brings together all aspects of accounting for financial instruments, classification and measurement, impairment and hedge accounting.

The reason for adopting prospectively is that the change did not have a material impact on the Group.

(a) Classification and measurement
Under NZ IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.
The classification and measurement requirements of NZ IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under NZ IAS 39 and measuring its financial liabilities at either fair value or amortised cost.

(b) Impairment
The adoption of NZ IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing NZ IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. NZ IFRS 9 requires the Group to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss. However upon the adoption of NZ IFRS 9, the Group did not recognised any additional impairment on the Group's Trade receivables and other financial assets.

(c) Hedge accounting
The Group has not applied hedge accounting in this financial year. All hedging financial assets and liabilities are recognised at fair value through the profit and loss.

ii) NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and related interpretations. Under NZ IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

The Group has adopted NZ IFRS 15 using the retrospective effect method (practical expedients), with the effect of initially applying this standard recognised at the date of initial application (ie 1 April 2018). Accordingly the comparative information presented for 2018 has been restated.

Refer to note 6.

iii) NZ IFRS 16 Leases

NZ IFRS 16 replaces NZ IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard identifies a lease within a contract if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In respect most of the eftpos terminal contracts with customers the change to revenue recognition has no impact as the timing of the revenue recognition under a lease contract and service contract is the same.

Impact on lessor accounting

The Group has elected to early adopt the new lease standard NZ IFRS 16 in conjunction with the new revenue standard NZ IFRS 15 which was effective from 1 April 2018. Under the existing lease standard NZ IAS 17, all the Groups customer contracts meet the definition of a lease therefore, lease accounting as a lessor was applied previously. These same contracts do not meet the definition of a lease under NZ IFRS 16. The contracts, therefore, are accounted for as service contracts under IFRS 15.

Impact on lessee accounting

In the current year, the Group has applied NZ IFRS 16 in advance of its effective date. The date of initial application of NZ IFRS 16 for the Group is 1 April 2018. The group has applied NZ IFRS 16 using the full retrospective approach, with restatement of comparative information. The Directors are of the view that early adopting the NZ IFRS 16 at the same time as NZ IFRS 15 is the most appropriate approach, given that the majority of the Groups contracts have been classified as leases under NZ IAS 17. The change in the definition to the right to direct the use and control as the hardware has a significant impact on the new NZ IFRS 15 revenue recognition and therefore the Directors decided to adopt the new revenue and lease standards concurrently.

Under NZ IFRS 16 the Group has now recognised right-of-use asset and lease liability in the consolidated statement of financial position initially measured at the present value of future lease payments. The Group has also recognised depreciation of the right-of-use asset and interest on lease liabilities in the consolidated statement of comprehensive income. Payments made are separated into a principal portion (presented within financing activities) and interest portion (presented within operating activities) in the consolidated statement of cash flows. The impact of the adjustments for each financial statement line item affected is stated above in note 2 aa.

The following tables summarise the impacts of adopting NZ IFRS 15 on the Group's Statement of Financial Position as at the 31 March 2019 and its Statement of Comprehensive Income for the year then ended for each of the line items affected together with changes to the opening balance at 1 April 2017 and the comparatives at 31 March 2018. There was no material impact on the Group's Statement of Cash Flows for the year ended 31 March 2019.

The summary of the impact of transition to the new standards are:

Changes to the opening balances at 1 April 2017.

Statement of Financial Position Reconciliation	***Note***	Reported 31/3/17 $'000	IFRS 15 $'000	IFRS 15 $'000	IFRS 16 $'000	Restated 31/3/17 $'000
Assets						
Trade and other receivables	***b***	2,996	(292)			2,704
Finance receivable - current	***a***	98	(98)			-
Finance receivable - non current	***a***	212	(212)			-
Right of use Assets - Property	***c***	-			1,232	1,232
Right of use Assets - Vehicles		-				-
Property, Plant and Equipment -Terminals	***a,d***	14,916	156	(725)		14,347
Intangibles - Third Party Commissions	***d***	-		725		725
Other Assets		26,255				26,255
Total Assets		44,477	(446)	-	1,232	45,263
Liabilities						
Lease liability - current	***c***				202	202
Lease liability - non current	***c***				1,142	1,142
Other liabilities		30,868				30,868
Equity						
Capital		53,998				53,998
Foreign Currency Trans Reserve		276				276
Retained Earnings						
Opening balance at 31 March 2016		(43,329)	(172)			(43,501)
Profit (Loss)		2,664	(274)		(112)	2,278
Closing Balance Retained Earnings		(40,665)	(446)	-	(112)	(41,223)
Total Equity		13,609	(446)	-	(112)	13,051
Total Equity & Liabilities		44,477	(446)	-	1,232	45,263

Changes to the Comparative Statement of Comprehensive Income and Statement of Financial Position at 31 March 2018

Statement of Comprehensive Income	***Note***	Reported 31/3/18 $'000	IFRS 15 $'000	IFRS 15 $'000	IFRS 16 $'000	Restated 31/3/18 $'000
Revenue	***a,b***	20,347	171			20,518
Other income		16				16
Operating expenditure	***c***	(10,806)			297	(10,509)
Earnings before interest, tax, depreciation, share options expense, amortisation, impairments, and unrealised foreign exchange		9,557	171	-	297	10,025
Depreciation & Amortisation	***b,c***	(5,878)	(21)		(312)	(6,211)
Unrealised FX		-				-
Share option amortisation		(15)				(15)
Net Finance	***c***	(1,307)			(89)	(1,396)
Impairment		(179)				(179)
Pre Tax Profit		2,178	150	-	(104)	2,224
Tax		346				346
After Tax Profit		2,524	150	-	(104)	2,570
Other Comprehensive Income		426	(7)			419
Total Comprehensive Income		2,950	143	-	(104)	2,989

Statement of Financial Position Reconciliation		Reported 31/3/18 $'000	IFRS 15 $'000	IFRS 15 $'000	IFRS 16 $'000	Restated 31/3/18 $'000
Assets						
Trade and other receivables		5,201	(211)			4,990
Finance receivable - current	***a***	100	(100)			-
Finance receivable - non current	***a***	122	(122)			-
Right of use Assets - Property	***b***				1,732	1,732
Right of use Assets - Vehicles	***b***				30	30
Property, Plant and Equipment -Terminals	***a,d***	13,346	130	(852)		12,624
Intangibles - Third Party Commissions	***d***	-		852		852
Other Assets		27,755				27,755
						-
Total Assets		46,524	(303)	-	1,762	47,983
Liabilities						
Lease liability - current	***b***	-			460	460
Lease liability - non current	***b***	-			1,518	1,518
Other liabilities		30,509				30,509
Equity						
Capital		53,454				53,454
Foreign Currency Trans Reserve		143	(7)			136
Retained Earnings						
Opening balance		(40,665)	(446)		(112)	(41,223)
Profit (Loss)		3,083	150		(104)	3,129
Closing Balance Retained Earnings		(37,582)	(296)	-	(216)	(38,094)
Total Equity		16,015	(303)	-	(216)	15,496
Total Equity & Liabilities		46,524	(303)	-	1,762	47,983

Statement of Cash Flows Reconciliation	Reported 31/3/18	IFRS 15	IFRS 15	IFRS 16	Restated 31/3/18
	$'000	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers	20,506	-	-	-	20,506
Interest received	92	-	-	-	92
Payments to suppliers & employees	(10,870)	-	-	321	(10,549)
Interest paid	(1,426)	-	-	(89)	(1,515)
Tax refund from R&D grants	364	-	-	-	364
Net cash inflow from operating activities	8,666	-	-	232	8,898
Cash flows from investing activities	(7,659)	-	-	-	(7,659)
Cash flows from financing activities					
Proceeds from borrowings	290	-	-	-	290
Repayments of borrowings	(3,000)	-	-	-	(3,000)
Payments of lease liabilities	-	-	-	(232)	(232)
Secured deposit	(239)	-	-	-	(239)
Net cash outflow from financing activities	(2,949)	-	-	(232)	(3,181)
Net decrease in cash equivalents	(1,942)	-	-	-	(1,942)
Closing cash and bank balances	2,396	-	-	-	2,396

Notes

a) **Retail Radio Services:** All revenue from customers using the Retail Radio service was previously recognised as a finance lease in accordance with IAS 17. In accordance with the early adoption of IFRS 16, in conjunction with the adoption of IFRS 15, the revenue is now recognised as service revenue. The contracts with customers are not "leases" in accordance with IFRS 16. Consequently under the restatement the revenue was previously recognised in 2017 as finance lease revenue is now recognised over the 3 year term of the contracts.

b) **Eftpos Terminal Services**: In accordance with IFRS 15 all revenue from the eftpos terminal contracts is to be recognised when the performance obligations under the contract with the customer have been completed. This change has resulted in revenue recognition from one of the contracts with our customers to be restated. Previously the revenue from the contract was aggregated for the original and renewed contract however under NZ IFRS 15 the revenue is to be recognised separately for each contract, in line with the performance obligations.

c) **Leases of property and vehicles** : As a lessee, in accordance with IFRS 16 Leases, all property and equipment subject to a lease is required to be recognised as a "right of use" asset and a corresponding liability for the net present value of the lease payments. In addition all lease payments are reversed and a corresponding finance charge and depreciation on the right of use assets is recognised. The Group has leased property at Wairau Rd Auckland, York Street Sydney and The Terrace Wellington. The Group also leases 4 motor vehicles. These assets have been adjusted for the new accounting standard IFRS 16 Leases.

d) **Contract Assets** : IFRS 15 requires that Contract Assets that aren't covered by another standard are required to be shown separately. This has necessitated a reclassification of the capitalised commissions paid to secure a contract with customers to be taken out of the Terminal Assets and shown separately. These are now classified as an Intangible Asset.

4. Audit Status

The report is unaudited. The 31 March 2019 audit is ongoing.

APPENDIX 1 (Rule 10.3 NZX Listing Rules)
PRELIMINARY REPORT FOR THE FULL YEAR PERIOD TO 31 MARCH 2019

Results for announcement to the market

(all comparisons to the twelve month period ended 31 March 2018)

Reporting Period	12 months to 31 March 2019
Previous Reporting Period	12 months to 31 March 2018

Revenue and Profit	31 Mar 2019 NZ$'000	Movement %
Revenue from ordinary activities	21,097	3
Profit/(Loss) from ordinary activities after tax attributable to security holder	(1,828)	-171
Net profit (loss) attributable to security holders	(1,828)	-171

Dividend Information	Amount per security	Imputed amount per security
	Nil	Nil

Record Date	Not applicable
Dividend Payment Date	Not applicable

Comments	The numbers above are based on unaudited accounts. Please see attached unaudited Financial Statements, Notes to the Financial Statements and media release