



**smartpay**

*payment solutions made easy*

HALF YEAR REPORT 2019



HAR MEE

24

PETA HOK FUN

23

KHAM LAGA

SOPAN

PANGKAT DUDUKAN RICE

NYA LEMAK

POTI LAMPA

*Jimmy's*  
noodle bar

*Jimmy's*  
noodle bar

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# Report from the Board & Management



# Chairman and Chief Executive's Review

The Board of Smartpay is pleased to present its half year results to 30 September 2019.

## Six Month Financial Highlights

- Revenue \$13.4m, a 32% increase on the prior period \$10.2m
- Australia acquiring income:
  - \$3.8m, a 530% increase on the prior period \$0.6m
  - Current annualised run rate (as of late November) over \$12m compared to \$2.4m for entire 2019 financial year.

## Operating Results

The strong revenue increase is a direct result of the continued growth in our Australian terminal and acquiring business over the period.

Although EBITDA\* at \$3.6m is marginally below \$3.7m for the corresponding period last year, this is due to the investment in additional capacity to support the growth in our Australian business. This saw an increase in the cost base from the second half of last year which is apparent in this period but not the corresponding first half last year. A better comparison is the 32% increase in EBITDA\* of \$3.6m this half compared to \$2.7m for the prior 6 month period (to 31 March 19).

## Business Update

Our Australian acquiring terminal fleet now stands at 4,000 self acquired terminals, up from ~1,500 at the same time last year and ~2,200 at March 19.

We are now processing over \$1Bn of EFTPOS transactions on an annualised basis.

Monthly acquiring revenue has now exceeded \$1m, or over \$12.0m on an annualised basis, which when compared to the \$2.4m of total acquiring income for the full 2019 financial year provides a clear indication of the growth being achieved and underpins a higher starting position for the second half.

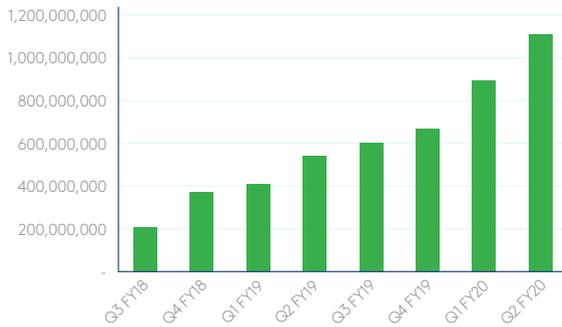
This is pleasing validation of our Australian strategy to seek growth from this large market.

The graphs below show the growth in terminal numbers, acquiring transaction value and revenue growth in the Australian acquiring business.

*\*EBITDA = Earnings Before Interest, Tax, Depreciation, Amortisation (including share option amortisation), impairments and foreign exchange adjustments. EBITDA is a useful non-GAAP measure as it shows the contribution to earnings prior to finance costs and non cash items.*



**Quarterly Transaction Value - Annualised (\$)**



While we no longer report on gross margin contribution per unit as its increasingly commercially sensitive in the market we compete in, we are pleased to confirm that our margins per unit have increased during the period.

# Chairman and Chief Executive's Review

The Board of Smartpay is pleased to present its half year results to 30 September 2019.

## Summary and Outlook

We continue to make significant progress in the execution of our growth strategy. Australian terminal numbers and revenue are showing strong growth and at good margin. The result presented here for the half year sets a good platform for a strong full year result.



**Gregor Barclay**  
Chairman



**Bradley Gerdis**  
Chief Executive



# Directors Holding Office

The profiles of the directors who held office during or since the end of the half year are detailed below:

## Gregor John Barclay

### Chairman and Independent Director – LLB, Dip. Bus

Greg joined the board of Smartpay in 2010 and was appointed Chairman in 2016. He is an experienced company director having held various directorships and advisory roles across a number of New Zealand and off-shore entities. Currently he is also chairman of the Pacific Forest Products group (an international log export and marketing company), Franchised Businesses Limited (by number the largest franchise company in New Zealand) and Boffa Miskell Limited. He is an approved Chartered Member of the NZ Institute of Directors.

Having graduated from Canterbury University in 1985 Greg practises as a commercial lawyer. He was a founder partner of Claymore Partners in 1997 and still continues to act as a consultant to the firm at present. His practice area includes mergers/acquisitions, project commercialisation, new ventures and structured financing. Greg has also had an extensive involvement in the business of sport as an advisor to sports entities and as an owner of a national sports event and management company. He is currently the chairman of New Zealand Cricket, a member of the board of the International Cricket Council and was a board member of Cricket World Cup 2015 Limited.

In addition to being on the Board, Greg serves on the Board's Audit and Finance Committee.

Greg Resides in Auckland, New Zealand.

## Carlos Gil

### Non-Executive Director - BEc, GradDipAppFin SIA, MAppFin FSIA

Carlos Gil is the founder and current CEO of ASX listed Microequities Asset Management, Smartpay's largest shareholder. He has extensive experience in stockbroking, funds management, and investment research gained over a career spanning more than 20 years. He has held various senior management positions in Europe, including roles as Head of International Securities at BM Securities, and at Banesto Bank (Santander Group).

Carlos holds a Bachelor of Economics from Sydney University, a Graduate Diploma in Applied Finance and Investment Analysis from the Australian Securities Institute and a Master in Applied Finance and Investment Analysis from the Financial Services Institute of Australia.

In addition to being on the Board, Carlos serves on the Board's Audit and Finance Committee.

Carlos resides in Sydney, Australia.

## Bill Pulver

### Non-Executive Director - BCom Marketing

Bill Pulver was Chief Executive Officer of Australian Rugby Union (ARU) from February 2013 until January 2018. Prior to joining Australian Rugby, Bill was CEO of Appen Pty Ltd a Linguistic Technology Solutions company and is currently a non-executive director of Appen. From 2008 to 2010 he was Chairman of Repucom International, a global leader in sports marketing research.

Bill spent eight years as President and Chief Executive Officer of the New York based, NASDAQ-listed internet media research company NetRatings Inc. He spent 17 years at global marketing research company ACNielsen, in roles that included Managing Director in Australia, Group Chief Executive for Japan and Korea based in Tokyo; and President of ACNielsen eRatings.com, an internet audience measurement company based in London.

Bill holds a Bachelor of Commerce degree, with a major in marketing from the University of New South Wales in Sydney. In addition to being on the Board, Bill serves on the Board's Remuneration and Nominations Committee.

Bill resides in Sydney, Australia.

## Matthew George Turnbull

### Independent Director – BCom, CA

Matt joined the Board of Smartpay in April 2013, he is a Chartered Accountant and is a member of Chartered Accountants Australia and New Zealand. He commenced his career with PWC (then Price Waterhouse) and has over 20 years experience providing accounting and corporate advisory services. Matt has a detailed understanding of Smartpay, having assisted the company in the 2012 recapitalisation and restructure, and the acquisition of Viaduct Limited.

In addition to being on the Board, Matt serves on the Board's Remuneration and Nominations Committee and is the Chair of the Audit and Finance Committee.

Matt resides in Auckland, New Zealand.

## Bradley Gavin Gerdis

### Managing Director B.Bus (Hons), MCom

Bradley joined Smartpay in December 2011 bringing to the company expertise and experience in managing high growth payments businesses. He joined the Smartpay Board in July 2012.

Prior to joining Smartpay, Bradley was a founding executive of Customers Ltd, an ASX listed ATM and payments company which grew from start-up to become Australia's largest ATM operator during his time with the business. Bradley also played a leading role as a founding director in the development of Strategic Payments Services Pty Ltd, a payments processing business in joint venture with Customers Limited, Bendigo Bank Ltd and MasterCard International. Bradley's experience includes direct investment roles with ANZ Private Equity and Gresham Private Equity.

He has held executive and non-executive director positions in both publicly listed and private companies.

Bradley ordinarily resides in Sydney, Australia.

## Martyn Richard Pomeroy

### Executive Director

Marty joined Smartpay in January 2013 post the acquisition of Viaduct Limited. Marty joined the Smartpay Board in April 2014.

Prior to joining Smartpay Marty was one of the two founding Directors of Viaduct Limited. Marty was instrumental in the development and success of the Viaduct business from a startup in 2001, through a period of growth to it becoming the third largest provider of EFTPOS terminals in New Zealand with an annual turnover of \$7 million and employing 36 staff. Prior to Viaduct Marty held managerial roles in sales and service with EFTPOS New Zealand. He brings over 13 years of experience in the NZ Payments industry to the Board.

Marty has a detailed understanding of the operational, sales and commercial elements of the Smartpay business and is also involved in the strategy and build of the opportunity in Australia.

Marty resides in Auckland, New Zealand.

# Financial Statements





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# Condensed Statement of Comprehensive Income

For the Six Months Ended 30 September 2019

	Note	Group		
		30 Sept 2019	30 Sept 2018	31 Mar 2019
		Unaudited \$'000	Unaudited and Restated \$'000	\$'000
<b>Continuing operations</b>				
Revenue	3	13,423	10,192	21,097
Other income	4	13	7	15
Operating expenditure	5	(9,838)	(6,516)	(14,695)
<b>Earnings before interest, tax, depreciation, share options expense, amortisation, impairments, and unrealised foreign exchange</b>		<b>3,598</b>	<b>3,683</b>	<b>6,417</b>
Depreciation and amortisation	5	(3,579)	(3,036)	(6,535)
Unrealised foreign currency exchange differences		(255)	13	167
Net finance costs	5	(901)	(759)	(1,814)
Impairments	5	(53)	(18)	(490)
		(4,788)	(3,800)	(8,672)
<b>Profit/(loss) before tax</b>		<b>(1,190)</b>	<b>(117)</b>	<b>(2,255)</b>
Tax benefit	6	451	367	427
<b>Profit/(loss) for the period from continuing operations of owners</b>		<b>(739)</b>	<b>250</b>	<b>(1,828)</b>
<b>Other comprehensive income</b>				
Foreign currency translation differences for foreign operations which may be reclassified subsequently to profit and loss (no tax effect)		163	125	(21)
<b>Total comprehensive income of owners</b>		<b>(576)</b>	<b>375</b>	<b>(1,849)</b>
<b>Earnings per share from continuing operations attributable to the equity holders of the company during the period.</b>				
Basic and diluted earnings per share - cents	7	(0.43) cents	0.15 cents	(1.06) cents

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

# Condensed Statement of Changes in Equity

For the Six Months Ended 30 September 2019

	Group			
	Share Capital (note 12)	Foreign Currency Translation Reserve	Retained Deficits	Total Equity
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 31 March 2018</b>	<b>53,454</b>	<b>136</b>	<b>(38,094)</b>	<b>15,496</b>
Profit/(loss) for the six months from continuing operations of owners	-	-	250	250
Other comprehensive income		125	-	125
Total comprehensive income	-	125	250	375
<b>Total changes in equity</b>	-	125	250	375
<b>Balance at 30 September 2018 (unaudited)</b>	<b>53,454</b>	<b>261</b>	<b>(37,844)</b>	<b>15,871</b>
Profit/(loss) for the six months from continuing operations of owners	-	-	(2,078)	(2,078)
Other comprehensive income	-	(146)		(146)
Total comprehensive income	-	(146)	(2,078)	(2,224)
<b>Total changes in equity</b>	-	(146)	(2,078)	(2,224)
<b>Balance at 31 March 2019</b>	<b>53,454</b>	<b>115</b>	<b>(39,922)</b>	<b>13,647</b>
Profit/(loss) for the six months from continuing operations of owners	-	-	(739)	(739)
Other comprehensive income	-	163	-	163
Total comprehensive income	-	163	(739)	(576)
<b>Total changes in equity</b>	-	163	(739)	(576)
<b>Balance at 30 September 2019 (unaudited)</b>	<b>53,454</b>	<b>278</b>	<b>(40,661)</b>	<b>13,071</b>

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

# Condensed Statement of Financial Position

As at 30 September 2019

	Note	Group		
		30 Sept 2019	30 Sept 2018	31 Mar 2019
		Unaudited \$'000	Unaudited and Restated \$'000	\$'000
<b>Current assets</b>				
Cash and bank balances		4,187	8,797	3,357
Trade and other receivables	8	4,136	7,070	9,308
Derivative financial instruments		15	-	-
Income tax receivable		417	325	24
<b>Total current assets</b>		<b>8,755</b>	<b>16,192</b>	<b>12,689</b>
<b>Non-current assets</b>				
Property, plant and equipment	9	10,969	12,725	12,121
Right of use assets		1,098	1,546	1,324
Contract assets		1,025	857	867
Intangible assets	10	14,674	11,563	13,336
Goodwill		14,772	14,772	14,772
<b>Total non-current assets</b>		<b>42,538</b>	<b>41,463</b>	<b>42,420</b>
<b>Total assets</b>		<b>51,293</b>	<b>57,655</b>	<b>55,109</b>
<b>Current liabilities</b>				
Trade payables and accruals	11	8,462	8,453	10,834
Derivative financial instruments		-	129	47
Borrowings	12	3,000	3,568	3,000
Lease liabilities		468	418	495
<b>Total current liabilities</b>		<b>11,930</b>	<b>12,568</b>	<b>14,376</b>
<b>Non-current liabilities</b>				
Borrowings	12	17,474	19,724	18,224
Convertible notes	12	7,947	7,991	7,723
Lease liabilities		836	1,348	1,045
Deferred tax liabilities		35	153	94
<b>Total non-current liabilities</b>		<b>26,292</b>	<b>29,216</b>	<b>27,086</b>
<b>Total liabilities</b>		<b>38,222</b>	<b>41,784</b>	<b>41,462</b>
<b>Net assets</b>		<b>13,071</b>	<b>15,871</b>	<b>13,647</b>
<b>Equity</b>				
Share capital	12	53,454	53,454	53,454
Foreign currency translation reserve		278	261	115
Retained deficits		(40,661)	(37,844)	(39,922)
<b>Total equity</b>		<b>13,071</b>	<b>15,871</b>	<b>13,647</b>
Net tangible asset backing cents per share		(10.77)	(7.49)	(9.70)

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





# Condensed Statement of Cash Flows

For the Six Months Ended 30 September 2019

	Note	Group		
		30 Sept 2019	30 Sept 2018	31 Mar 2019
		Unaudited \$'000	Unaudited and Restated \$'000	\$'000
<b>Cash flows from operating activities</b>				
Receipts from customers		14,200	9,602	20,833
Interest received		10	30	61
Receipts from R&D tax credit		-	-	308
Payments to suppliers & employees		(9,924)	(5,699)	(13,929)
Interest paid		(955)	(742)	(1,809)
<b>Net cash inflow from operating activities</b>	13	<b>3,331</b>	<b>3,191</b>	<b>5,464</b>
<b>Cash flows from investing activities</b>				
Purchase of terminal assets and other property, plant and equipment		(671)	(1,250)	(2,816)
Spend on contract costs		(358)	(265)	(646)
Spend on intangible assets		(2,520)	(2,122)	(4,902)
<b>Net cash outflow from investing activities</b>		<b>(3,549)</b>	<b>(3,637)</b>	<b>(8,364)</b>
<b>Cash flows from financing activities</b>				
Proceeds from convertible notes		-	7,761	7,815
Repayment of borrowings		(750)	(750)	(3,000)
Payments of lease liabilities		(218)	(212)	(462)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(968)</b>	<b>6,799</b>	<b>4,353</b>
<b>Net increase/(decrease) in cash equivalents</b>		<b>(1,186)</b>	<b>6,353</b>	<b>1,453</b>
<b>Add opening cash equivalents</b>		<b>2,407</b>	<b>954</b>	<b>954</b>
<b>Closing cash equivalents</b>		<b>1,221</b>	<b>7,307</b>	<b>2,407</b>
<i>Reconciliation of closing cash equivalents to the statement of financial position:</i>				
Cash and bank balances		1,221	7,307	2,407
Other bank balances*		2,966	1,490	950
<b>Closing cash equivalents</b>		<b>4,187</b>	<b>8,797</b>	<b>3,357</b>

\*Merchant settlement account and secured deposit

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

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2019

## 1. General Information

Smartpay Holdings Limited (the “Parent”) is a New Zealand company registered under the Companies Act 1993 and listed on both the New Zealand Stock Exchange (“NZX”) and the Australian Securities Exchange (“ASX”). The addresses of its registered office and principal place of business are disclosed in the directory to the interim report.

The condensed consolidated financial statements of Smartpay Holdings Limited comprise the Parent and its subsidiaries (together referred to as the “Group”). The interim report is presented for the six months ended 30 September 2019 and is unaudited.

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

## 2. Basis of Preparation

### a. Statement of Compliance

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

The unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities and the requirements of the Companies Act 1993 and the Financial Reporting Act 2013. The financial statements comply with NZ IFRS (NZ IAS 34:Interim Financial Reporting).

The interim report should be read in conjunction with the financial statements and related notes included in the Group’s annual report for the year ended 31 March 2019. The interim report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as comprehensive an understanding of the financial performance, financial position, and financing and investing activities as the full financial report.

The condensed financial statements were authorised for issue by the Directors on 28 November 2019.

### b. Judgements and Estimates

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

The estimates and underlying assumptions are reviewed on an on-going basis. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2019.

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

The condensed consolidated financial statements for the six months ended 30 September 2019 are expressed in New Zealand dollars (\$), which is the Parent's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

#### **d. Accounting Policies**

The accounting policies are the same as those adopted in the most recent annual financial report 31 March 2019. The adoption of IFRS 9,15 and 16 for 31 March 2019 has necessitated some changes to the comparative figures at 30 September 2018 for comparative purposes. The impact of these changes is detailed below. The full description of the changes made for 31 March 2019 are in the Annual Report for 31 March 2019 as referenced by note numbers used on page 17, 18 and 19.

# Changes to the Comparative Statement of Comprehensive Income, Statement of Financial Position and Statement of Cashflows at 30 September 2018

## Statement of Comprehensive Income Reconciliation

	Note	Reported 30/9/18	IFRS 15 (note 2 aa ii)	IFRS 15 (note 2 aa ii)	IFRS 16 (note 2 aa iii)	Restated 30/9/18
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>	a,b	10,098	94			10,192
Other income		7				7
Operating expenditure	c	(6,807)			291	(6,516)
Earnings before interest, tax, depreciation, share options expense, amortisation, impairments, and unrealised foreign exchange		3,298	94	-	291	3,683
Depreciation & amortisation	b,c	(2,792)	(10)		(234)	(3,036)
Unrealised FX		13				13
Share option amortisation		-				-
Net finance	c	(701)			(58)	(759)
Impairment		(18)				(18)
Pre tax profit		(200)	84	-	(1)	(117)
Tax		367				367
After tax profit		167	84	-	(1)	250
Other comprehensive income		125	3		(3)	125
<b>Total comprehensive income</b>		<b>292</b>	<b>87</b>	<b>-</b>	<b>(4)</b>	<b>375</b>

## Statement of Financial Position Reconciliation

	Note	Reported 30/9/18 \$'000	IFRS 15 (note 2 aa ii above) \$'000	IFRS 15 (note 2 aa ii above) \$'000	IFRS 16 (note 2 aa iii above) \$'000	Restated 30/9/18 \$'000
<b>Assets</b>						
Trade and other receivables		7,233	(163)			7,070
Finance receivable - Current	a	106	(106)			-
Finance receivable - Non current	a	71	(71)			-
Right of use Assets - Property	b	-			1,524	1,524
Right of use Assets - Vehicles	b	-			22	22
Property, plant and equipment	a,d	13,458	124	(857)		12,725
Contract costs	d	-		857		857
Other assets	c	35,457				35,457
<b>Total Assets</b>		<b>56,325</b>	<b>(216)</b>	<b>-</b>	<b>1,546</b>	<b>57,655</b>
<b>Liabilities</b>						
Lease liability - current	b	-			418	418
Lease liability - non current	b	-			1,348	1,348
Other liabilities		40,018				40,018
<b>Equity</b>						
Share capital		53,454				53,454
Foreign currency trans reserve		268	(4)		(3)	261
Retained earnings						
Opening balance 1/4/18		(37,582)	(296)		(216)	(38,094)
Profit (Loss)		167	84		(1)	250
<b>Closing Balance Retained Earnings</b>		<b>(37,415)</b>	<b>(212)</b>	<b>-</b>	<b>(217)</b>	<b>(37,844)</b>
<b>Total Equity</b>		<b>16,307</b>	<b>(216)</b>	<b>-</b>	<b>(220)</b>	<b>15,871</b>
<b>Total Equity &amp; Liabilities</b>		<b>56,325</b>	<b>(216)</b>	<b>-</b>	<b>1,546</b>	<b>57,655</b>

# Changes to the Comparative Statement of Comprehensive Income, Statement of Financial Position and Statement of Cashflows at 30 September 2018

## Statement of Cash Flows Reconciliation

	Note	Reported 30/9/18	IFRS 15 (note 2 aa ii above)	IFRS 15 (note 2 aa ii above)	IFRS 16 (note 2 aa iii above)	Restated 30/9/18
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>						
Receipts from customers		9,602	-	-	-	9,602
Interest received		30	-	-	-	30
Payments to suppliers & employees		(5,969)	-	-	270	(5,699)
Interest paid		(684)	-	-	(58)	(742)
<b>Net cash inflow from operating activities</b>		2,979	-	-	212	3,191
<b>Cash flows from investing activities</b>		(3,637)	-	-	-	(3,637)
<b>Cash flows from financing activities</b>						
Proceeds from borrowings		7,761	-	-	-	7,761
Repayments of borrowings		(750)	-	-	-	(750)
Payments of lease liabilities		-	-	-	(212)	(212)
<b>Net cash outflow from financing activities</b>		7,011	-	-	(212)	6,799
<b>Net increase in cash equivalents</b>		6,353	-	-	-	6,353
<b>Closing cash and bank balances</b>		7,307	-	-	-	7,307



# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2019

## 3. Segment Information

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

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

The only data that is reviewed by management that is analysed by any segment breakdown is revenue showing the various revenue streams split geographically. Costs and funding are not analysed for decision making purposes to a segment level.

## Geographical Segments

Geographical Segments at 30 September 2019 and 30 September 2018	New Zealand		Australia	
	2019	2018	2019	2018
	Unaudited \$'000	Unaudited & Restated \$'000	Unaudited \$'000	Unaudited & Restated \$'000
<b>Sales - external</b>				
Service revenue	7,545	7,593	801	1,104
Transactional income	389	459	3,786	687
Other service revenue	36	101	30	16
Sale of goods	549	817	646	9
Short term rentals	97	98	-	9
Other revenue	-	-	-	1
Total segment sales	8,616	9,068	5,263	1,826

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 \$456,000 relates to the revenue on sales of eftpos terminals from New Zealand to Australia within the Group.

Elimination		Total	
2019 Unaudited \$'000	2018 Unaudited & Restated \$'000	2019 Unaudited \$'000	2018 Unaudited & Restated \$'000
-	-	8,346	8,697
-	-	4,175	1,146
-	-	66	117
(456)	(702)	739	124
-	-	97	107
-	-	-	1
(456)	(702)	13,423	10,192

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2019

## 4. Other Income

Other Income	Group		
	30 Sept 2019	30 Sept 2018	31 Mar 2019
	Unaudited	Unaudited & Restated	
	\$'000	\$'000	\$'000
Bad debts recovered	10	7	15
Gain on disposal of fixed assets	3	-	-
	13	7	15

## 5. Expenditure

Operating Expenditure	Group		
	30 Sept 2019	30 Sept 2018	31 Mar 2019
	Unaudited	Unaudited & Restated	
	\$'000	\$'000	\$'000
Terminal and transaction costs	3,632	496	2,168
Terminal communication & servicing costs	207	396	800
Compliance, IT and marketing costs	1,223	843	2,179
Employee costs net of capitalised amounts	4,185	4,129	8,195
Occupancy costs	105	62	249
Other costs	321	409	718
Travel and accommodation	165	181	386
	9,838	6,516	14,695

Depreciation and Amortisation	Group		
	30 Sept 2019	30 Sept 2018	31 Mar 2019
	Unaudited	Unaudited & Restated	
	\$'000	\$'000	\$'000
Depreciation of property, plant and equipment and right of use assets	1,961	1,971	4,029
Amortisation of contract costs and intangible assets	1,618	1,065	2,506
	3,579	3,036	6,535

## 5. Expenditure (continued)

Net Finance Costs	Group		
	30 Sept 2019	30 Sept 2018	31 Mar 2019
	Unaudited	Unaudited & Restated	
	\$'000	\$'000	\$'000
Other interest received	(10)	(23)	(54)
Interest on bank overdrafts and borrowings	613	661	1,291
Interest on lease liabilities	47	58	66
Convertible note interest	318	136	452
Convertible note amortisation	306	-	394
Change in fair value of convertible notes	(298)	-	(155)
Change in fair value - Interest rate swap	(46)	(71)	(158)
Change in fair value - Foreign exchange contract (realised and unrealised)	(33)	(42)	(24)
Finance transaction fees amortisation	4	40	2
	901	759	1,814

Impairments	Group		
	30 Sept 2019	30 Sept 2018	31 Mar 2019
	Unaudited	Unaudited & Restated	
	\$'000	\$'000	\$'000
Merchant terminal impairment write off	53	18	220
Merchant terminal impairment provision	-	-	270
	53	18	490

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

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2019

## 6. Taxation Benefit

	Group		
	30 Sept 2019	30 Sept 2018	31 Mar 2019
	Unaudited	Unaudited & Restated	
	\$'000	\$'000	\$'000
Income tax (expense) / benefit comprises:			
Current income tax benefits	392	308	309
Deferred tax benefit	59	59	118
Income tax benefit	451	367	427

There has been no material change to the tax position as reported at 31 March 2019.

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

## 7. Earnings Per Share

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

	Group		
	30 Sept 2019	30 Sept 2018	31 Mar 2019
	Unaudited	Unaudited & Restated	
	\$'000	\$'000	\$'000
<b>Basic earnings / (loss) per share - cents</b>			
Profit / (loss) for the period	(739)	250	(1,828)
Weighted average number of shares ('000)	171,752	171,752	171,752
Basic and diluted earnings / (loss) per share - cents	(0.43)	0.15	(1.06)

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

### Diluted earnings / (loss) per share - cents

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares whether issued or able to be issued during the year. For 30 September 2019 the share options and convertible notes were not dilutive so the calculation excludes the impact of shares potentially issuable. These are 1,000,000 shares (30 September 2018: 1,000,000 and 31 March 2019: 1,000,000 shares) attributable to the share options and the 30,000,000 shares that could be issued if the convertible notes issued on 16 July 2018 (30 September 2018: 30,000,000 and 31 March 2019: 30,000,000) converted. Consequently the diluted earnings per share is equivalent to the basic earnings per share.

## 8. Trade and Other Receivables

	Group		
	30 Sept 2019	30 Sept 2018	31 Mar 2019
	Unaudited	Unaudited & Restated	
	\$'000	\$'000	\$'000
Accounts receivable	1,685	1,480	1,860
Less: Impairment provision on receivables	(63)	(21)	(66)
Less: Provision for kit recovery	(261)	(270)	(328)
Merchant receivables	1,726	3,967	6,520
Accrued revenue	821	1,378	930
Prepayments	228	536	392
<b>Total trade and other receivables</b>	<b>4,136</b>	<b>7,070</b>	<b>9,308</b>

## 9. Property, Plant and Equipment

	Group		
	30 Sept 2019	30 Sept 2018	31 Mar 2019
	Unaudited	Unaudited & Restated	
	\$'000	\$'000	\$'000
Opening carrying value	10,099	11,619	11,619
Transfers from capital work in progress	671	921	1,264
Additions	6	156	1,357
Depreciation	(1,782)	(1,737)	(3,562)
Disposals	(11)	-	(2)
Cost of sales	(5)	(9)	(16)
Impairment	(26)	(18)	(488)
FX adjustments	100	88	(73)
Closing carrying value	9,052	11,020	10,099
Capital work in progress	1,917	1,705	2,022
Total property, plant and equipment	10,969	12,725	12,121

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2019

## 10. Intangible Assets

	Group		
	30 Sept 2019	30 Sept 2018	31 Mar 2019
	Unaudited	Unaudited & Restated	
	\$'000	\$'000	\$'000
Opening carrying value	13,336	10,250	10,250
Additions	2,534	2,106	4,973
Amortisation	(1,203)	(799)	(1,877)
Disposals	-	-	(6)
FX adjustments	7	6	(4)
Closing carrying value	14,674	11,563	13,336

## 11. Trade Payables and Accruals

	Group		
	30 Sept 2019	30 Sept 2018	31 Mar 2019
	Unaudited	Unaudited & Restated	
	\$'000	\$'000	\$'000
Trade payables	1,725	1,822	1,790
Merchant payables	4,954	5,225	7,662
Other payables	-	-	103
GST	290	106	226
Accruals	644	669	379
Employee entitlements	849	631	674
<b>Total trade payables and accruals</b>	<b>8,462</b>	<b>8,453</b>	<b>10,834</b>

## 12. Debt and Equity Securities

There have been no new share or option issues during the period.

Share Capital	Number of Shares ('000)	\$'000
Opening balance at 1 April 2019	171,752	53,454
Share based payments	-	-
Closing Balance 30 September 2019	171,752	53,454

The total number of shares on issue at 30 September 2019 was 171,752,278 (31 March 2019: 171,752,278 shares and 30 September 2018: 171,752,278 shares). All ordinary shares are fully paid and rank equally with one vote attaching to each share. The ordinary shares have no par value.

## Debt

The existing ASB Bank facilities have been extended and now expire on 31 October 2020. The capex facility is in place until 31 October 2020 however each draw down on the facility is provided on 90 day terms and rolled over. Normal repayments have been made in accordance with the ASB Bank's requirements and there has been no breach of covenants during this period.

On 16 July 2018 15 convertible notes were issued with a face value of A\$500,000 each for an aggregate value of A\$7,500,000 and carry an interest rate of 8% per annum. The notes mature on 16 October 2020 and are convertible into 30,000,000 ordinary shares at A\$0.25 per share at the option of the note holder. The convertible note holders have the option to convert the notes to shares at any time during the course of the period of the note on the same terms.

## 13. Operating Cash Flows Reconciliation

	Group		
	30 Sept 2019	30 Sept 2018	31 Mar 2019
	Unaudited \$'000	Unaudited & Restated \$'000	\$'000
Profit/(loss) for the period	(739)	250	(1,828)
<i>Add/(deduct) non-cash items:</i>			
Depreciation & amortisation	3,579	3,036	6,535
Loss/(gain) on disposal of fixed assets	(4)	-	14
Financing costs and bad debts	(9)	60	147
Convertible note option and fees	223	-	(110)
Foreign exchange adjustments	45	(13)	165
Impairment	53	18	490
Deferred tax	(59)	(59)	(118)
<i>Add/(deduct) changes in working capital items:</i>			
Trade and other receivables	778	(611)	(264)
Derivative financial instruments	(79)	(107)	(161)
Payables and accruals	(64)	929	605
Provision for current tax	(393)	(312)	(11)
Net cash inflow from operating activities	3,331	3,191	5,464

# Condensed Notes to the Financial Statements

For the Six Months Ended 30 September 2019

## 14. Commitments and Contingencies

### a. Operating Lease Commitments

There has been no material change to the operating lease commitments disclosed in the most recent annual financial report.

### b. Guarantees

There has been no material change to the guarantees disclosed in the most recent annual financial report.

## 15. Related Parties

The notes below should be read in conjunction with note 30 Related Parties in the most recent annual financial statements for the year ended 31 March 2019. The comments in the most recent financial statements are not materially different for the period to 30 September 2019.

## 16. Subsequent Events

Following balance date the following event has occurred:

On 28th November Smartpay has reached agreement subject to conditions to sell its New Zealand business and related assets to Verifone Inc. The agreed price is \$70m NZD and is subject to the following conditions:

1. NZ Commerce Commission clearance
2. Smartpay Shareholder Approval
3. Assignment of Material Contracts

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## Board

Greg Barclay  
*Chairman and Independent Director*

Matthew Turnbull  
*Independent Director*

Carlos Gil  
*Non-Executive Director*

Bill Pulver  
*Non-Executive Director*

Bradley Gerdis  
*Managing Director*

Marty Pomeroy  
*Executive Director & Chief Operating Officer*

## Management

Aidan Murphy  
*Chief Financial Officer*

Rowena Bowman  
*Company Secretary*

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## Share registrar – Australia

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