Laybuy Holdings Limited

Annual report for the year ended

31 March 2019

Contents to annual report

Directors' report

The Directors are required to prepare consolidated financial statements for each financial year that present fairly the financial position of the Group and its operations and cash flows for the year.

The consolidated financial statements and notes of Laybuy Holdings Limited for the financial year ended 31 March 2019 comply with the Companies Act 1993 (New Zealand).

During the year ended 31 March 2019 the principal activities of the Group is the business of consumer financing through a buy now pay later model. Other than disclosed in this Annual Report, there were no changes in the state of affairs or activities of the Group during the year.

The Directors consider these consolidated financial statements have been prepared using accounting policies suitable to the Group's circumstances, these have been consistently applied and are supported by reasonable judgements and estimates, and that all relevant financial reporting accounting standards have been followed.

There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The attached consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS.

The attached consolidated financial statements and notes also comply with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in the consolidated financial statements.

The Board authorised these consolidated financial statements for issue on 23 July 2020.

Gary Rohloff
23 July 2020

Craig Styris
23 July 2020

Consolidated statement of comprehensive income

for the year ended 31 March 2019

	Notes	2019 $	2018 $
Income	5	7,155,856	1,929,747
Other income		-	1,097
Total income		**7,155,856**	**1,930,844**
Less expenses			
Merchant and marketing expenses		(1,266,961)	(367,978)
Employment expenses		(1,764,576)	(217,076)
Transaction expenses		(2,420,051)	(584,527)
Consumer receivables impairment expenses	6.a	(1,740,248)	(878,496)
Platform development and hosting expenses		(394,443)	(143,922)
Depreciation and amortisation expenses	6.b	(180,084)	(48,174)
Other operating expenses	6.c	(2,259,662)	(546,541)
Other gains/(losses)	6.e	(25,198)	-
Total expenses		**(10,051,223)**	**(2,786,714)**
Operating loss		**(2,895,367)**	**(855,870)**
Finance expenses	6.d	(399,571)	(184,027)
Finance income		4	6,810
Loss before tax		**(3,294,934)**	**(1,033,087)**
Income tax (expense)/benefit	8	(286,148)	26,064
Loss for the year		**(3,581,082)**	**(1,007,023)**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign controlled entities		6,166	(1,063)
Total other comprehensive income/(loss)		**6,166**	**(1,063)**
Total comprehensive loss for the year		**(3,574,916)**	**(1,008,086)**
Loss is attributable to:			
Equity holders of the parent		(3,581,082)	(1,007,023)
Total comprehensive loss is attributable to:			
Equity holders of the parent		(3,574,916)	(1,008,086)
Earnings per share (in cents)	19		
Basic, loss for the year attributable to ordinary equity holders of the parent		($0.25)	($0.09)
Diluted, loss for the year attributable to ordinary equity holders of the parent		($0.25)	($0.09)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

as at 31 March 2019

	Notes	2019 $	2018 $
Assets			
Cash and cash equivalents	11	1,851,385	523,999
Consumer receivables	13	6,355,079	3,254,771
Related party receivables	24	101,414	-
Other current assets	14	312,657	5,062
Property, plant and equipment	9	156,966	17,118
Intangible assets	10	353,119	125,152
Deferred tax assets	8	-	26,064
Total assets		**9,130,620**	**3,952,166**
Equity and liabilities			
Equity			
Contributed equity	22	7,343,074	1,000
Accumulated losses		(4,647,615)	(1,066,533)
Foreign currency translation reserve		5,103	(1,063)
Total equity		**2,700,562**	**(1,066,596)**
Liabilities			
Trade and other payables	15	2,557,789	1,053,874
Borrowings	20	3,434,476	653,207
Income tax payables		260,084	-
Provisions	16	177,709	104,600
Related party borrowings	24	-	3,207,081
Total liabilities		**6,430,058**	**5,018,762**
Total equity and liabilities		**9,130,620**	**3,952,166**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

For and on behalf of the Board of Directors, dated 23 July 2020:

Gary Rohloff
Director

Craig Styris
Director

Consolidated statement of changes in equity

For the year ended 31 March 2019

	Attributable to the equity holders of the parent			
	Contributed equity	Accumulated losses	Foreign currency translation reserve	Total
	$	$	$	$
As at 1 April 2018	**1,000**	**(1,066,533)**	**(1,063)**	**(1,066,596)**
Loss for the year	-	(3,581,082)	-	(3,581,082)
Other comprehensive income	-	-	6,166	6,166
Total comprehensive (loss)/income for the year	-	(3,581,082)	6,166	(3,574,916)
Transactions with owners in their capacity as owners				
Issue of share capital, net of transaction costs (Note 22)	7,342,074	-	-	7,342,074
At 31 March 2019	**7,343,074**	**(4,647,615)**	**5,103**	**2,700,562**
As at 1 April 2017	**1,000**	**(59,510)**	**-**	**(58,510)**
Loss for the year	-	(1,007,023)	-	(1,007,023)
Other comprehensive loss	-	-	(1,063)	(1,063)
Total comprehensive loss for the year	-	(1,007,023)	(1,063)	(1,008,086)
At 31 March 2018	**1,000**	**(1,066,533)**	**(1,063)**	**(1,066,596)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 March 2019

	Notes	2019 $	2018 $
Operating activities			
Receipts from consumers		104,022,314	28,612,874
Payments to merchants and suppliers		(106,981,149)	(31,355,523)
Payments to employees		(1,581,161)	(193,950)
Interest received		4	6,810
Interest paid		(329,571)	(82,517)
Capitalised debt issue costs		-	(140,000)
Net cash flows used in operating activities	**12**	**(4,869,563)**	**(3,152,306)**
Investing activities			
Purchase of property, plant and equipment	9	(199,677)	(21,037)
Payments for development of intangible assets	10	(348,222)	(129,630)
Amounts advanced to related parties	24	(101,286)	-
Net cash flows used in investing activities		**(649,185)**	**(150,667)**
Financing activities			
Proceeds from issue of equity	22	4,550,000	-
Other equity contribution	22	450,000	-
Capitalised equity transaction costs	22	(865,135)	-
Proceeds from borrowings	20	4,729,269	769,874
Repayment of borrowings	20	(2,018,000)	-
Related party financing received	24	-	7,261,600
Related party borrowings repaid	24	-	(4,206,175)
Net cash flows from financing activities		**6,846,134**	**3,825,299**
Net increase in cash and cash equivalents		1,327,386	522,326
Cash and cash equivalents at 1 April	11	523,999	1,673
Cash and cash equivalents at 31 March	11	**1,851,385**	**523,999**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1. Corporate information

The consolidated financial statements of Laybuy Holdings Limited (the Company) and its subsidiaries (collectively, the Group) for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Directors on 23 July 2020.

Laybuy Holdings Limited is a company incorporated and registered in New Zealand under the New Zealand Companies Act 1993. The registered office of the Group is 74 Taharoto Road, Takapuna, Auckland, New Zealand.

The nature of the operations and principal activity of the Group is the business of consumer financing through a buy now pay later model. There has been no change in the principal activity of the Group during the year.

2. Significant accounting policies

2.a Statement of compliance

The Group is a reporting entity for the purpose of the Financial Reporting Act 2013 and its consolidated financial statements comply with that act.

The consolidated financial statements of the Group comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS.

The financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practices in New Zealand (GAAP).

The attached financial statements and notes also comply with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in the Financial Statements.

For the purpose of preparing the consolidated financial statements, the consolidated Group is a for-profit entity.

The significant accounting policies are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.b Basis of preparation

The consolidated financial statements are presented in New Zealand dollars ($) (the 'presentation currency'). Items included in the financial statement of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

Other than where described below, or in the notes, the consolidated financial statements have been prepared using the historical cost convention.

The consolidated financial statements provide comparative information in respect of the previous year.

2.c Going concern

The consolidated financial statements have been prepared on the assumption the Group will continue as a going concern.

At 31 March 2019, the Group had net assets of $2,700,562 (2018: net liabilities of $1,066,596) and a loss for the year ended 31 March 2019 of $3,581,082 (2018: $1,007,023). However at 31 March 2020 the Group is in a net liability position, whilst this net liability position may cause some uncertainty in relation to the going concern assumption this position was mainly due to $14,807,661 of convertible notes which are assumed to convert to equity in the future on its planned listing on the ASX which, on conversion of these convertible notes, will reduce the Group's liabilities by this amount.

Notes to the consolidated financial statements

2. Significant accounting policies *(continued)*

In addition to the losses noted above, the Group had net cash outflows from operating activities of $4,869,563 (2018: $3,152,306). Subsequent to year end, the Group recorded a loss for the year ended 31 March 2020 of $16,136,520, and cash outflows from operating activities of $21,824,262. The Group continues to reinvest in growth opportunities and therefore is currently trading in a loss position and is likely to do so for the next 12 months after the date of signing the consolidated financial statements whilst it continues to expand and grow its market share.

Further uncertainty has arisen in the global economy when the World Health Organisation declared the novel coronavirus (COVID-19) to be a global pandemic on 11 March 2020. The outbreak and subsequent quarantine measures and trade restrictions imposed by the New Zealand, Australian and UK governments as well as others globally in early 2020 has caused disruption of business and economic activity.

The Group's business depends on consumer spending and the ultimate recovery of the resulting consumer receivables. To date this has not been significantly impacted by the outbreak of COVID-19. Whilst the outbreak of COVID-19 had an immediate adverse impact on in-store purchases using the Group's platform (due to the closure of retail stores across New Zealand, Australia and the United Kingdom, and strict social-distancing measures limiting customer numbers in those retail stores which remained open), online purchasing utilising the Group's buy now pay later product have continued to rapidly grow. The extent of any ongoing impact of COVID-19 on the Group's business will depend on future developments, including the duration and future spread of the outbreak within New Zealand, Australia and the United Kingdom, and the related impact on general economic conditions, consumer confidence and discretionary spending, all of which are highly uncertain. A significant or prolonged decrease in consumer spending could adversely affect the demand for the Group's product.

The Directors considered the following factors in assessing that the going concern principle is appropriate in light of the factors described above:

- The Group is able to continue operating in a reduced capacity through any quarantine measures and trade restrictions where consumer products (sold by merchants) are deemed 'essential'. At the timing of the consolidated financial statements being signed, the impact of COVID-19 in Australia continues to be fluid with the government taking a regional state approach to lock down, while New Zealand and the United Kingdom have moved to a 'new normal' in trading operations and consumer goods are able to be sold both online and in store across each jurisdiction that the Group operates in. If any future quarantine measures and trade restrictions were to be imposed in the markets that the Group operates it is expected that transactions will continue to flow through the Group's platform for 'essential' consumer products. Further, the Group has shown during the recent lockdown period that it is able to continue with minimal impact on operations.

- Further, at the time of the consolidated financial statements being signed:

    - The Group's financing arrangements include a $20 million loan agreed with Kiwibank on 28 May 2020, which has an expiry date of 7 December 2021. This loan has an advance rate of 75% Loan to Value Ratio (LVR) which therefore restricts the utilisation of the Kiwibank facility to the extent of the Group's consumer receivables.

    - In addition, the Group was in final negotiation stages with Victory Park Capital for a USD100 million (later changed to £80 million) debt facility and fully expects this to be agreed and formalised shortly. A signed term sheet was executed on 25 May 2020 between Victory Park Capital and the Directors. At the time of signing these financial statements, the Directors are not aware of any information which suggests the debt facility with Victory Park Capital will not be entered into.

- The debt facilities entered into with Kiwibank and Victory Park Capital will enable the business to continue to grow and expand its operations globally. Due to the LVR restrictions in place with these facilities, the Group's ability to continue to grow its operations is also contingent on further equity being injected into the business.The additional equity is expected to occur through the planned IPO of the Group on the ASX in the near term. The Group has commenced this process and is well progressed with the planned IPO. At the time of signing these financial statements, the Directors are not aware of any matters which would indicate that the planned IPO in the near term will not occur, which is supported by the recently completed second pre-IPO convertible note issue detailed in the following paragraph.

Notes to the consolidated financial statements

2. Significant accounting policies *(continued)*

- On 14 July 2020, Laybuy Holdings Limited received binding commitments for a further A$10.5 million via a second pre-IPO convertible note issue with participation from a number of Australian and New Zealand based institutions and high net worth investors. Refer note 26 for further details on the second pre-IPO convertible note issue and key terms. Each investor for this issue has committed to a firm allocation in second pre-IPO and the investment round and for funds to be received by the Group between 15 July 2020 and 24 July 2020. Both this and the initial convertible notes of $14.9 million will therefore convert to equity upon the successful conclusion of the IPO. In addition, the pre-IPO cornerstone investors have also provided binding commitments to a further A$30 million into the upcoming IPO of Laybuy Group Holdings Limited mentioned above. The Directors consider the planned IPO is highly likely to be successful given all the factors above.

The Directors have also reviewed cash flow forecasts for the consolidated entity through to 31 July 2021. The cash flow forecast indicates that the Group will have sufficient funding to operate as a going concern during the forecast period and for the foreseeable future.

If in the event the planned IPO was postponed or the Victory Park Capital debt facility was not entered into, the Directors note that the Group would continue to operate as a going concern and have sufficient cash resources to pay its debts as and when they fall due as well as have sufficient funding and tenor to finance the consumer receivables portfolio, however the Group's aspirations to grow and expand would be scaled back unless an alternative source of funding is obtained. Accordingly, the Group would likely remain in a net liability position until either the convertible notes are repaid on maturity through a further equity raising or a conversion event occurs. The Directors consider there to be various options for the Group to achieve this given the time available. The Group, however, will be in a position to pay its debts for the foreseeable future following the second pre-IPO convertible notes fundraising.

To further support the continued going concern of the Group, the Group has also received a commitment from its major shareholder, Pioneer Capital Ferdinand Limited, hereby Pioneer Capital Ferdinand Limited will provide financial support as required to enable the Group to meet its liabilities and obligations as and when they fall due for the twelve months from the date of signing of these consolidated financial statements.

On the basis of the above assessment, the Directors have concluded that it is appropriate to prepare the consolidated financial statements on the going concern basis. The Directors conclude that the Group will be able to pay its debts as and when they become due and payable from operating cash flows and available funding facilities and accordingly, no material uncertainty exists in regards to the going concern assumption.

2.d Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2019. Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the consolidated financial statements

2. Significant accounting policies *(continued)*

2.e Summary of significant accounting policies

(i) Income

Income
Income is derived from the difference between the consumer's underlying order value processed by the Laybuy platform and the amount paid to the merchant by the Group. The Group pays merchants upfront the net amount of the previous day's orders less the merchant transaction fee, which consists of fixed and variable rates set per individual merchant agreements.

The Group then assumes all non-repayment risk from the consumer. There are no interest or fees charged by the Group to consumers, other than late fees which are incurred as described below.

Income is recognised in the consolidated statement of comprehensive income using the Effective Interest Rate (EIR) method in accordance with NZ IFRS 9 *Financial Instruments*, accreting the income over the average period from initial payment to the merchant by the Group to the final instalment paid by the consumer to the Group. The Group defers income over the average time it takes for the collection of the receivable to occur, with the current average weighted duration to recoup end-consumer payments being approximately 34 days or less.

Late fees
Late fee charges are currently used as an incentive to encourage end consumer to pay their outstanding balances as and when they fall due. Late fees are applied after the consumer misses a scheduled instalment. Late fees are recognised when the late fees become payable (at a point in time) and it is probable the fee will be recovered.

(ii) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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

- When the deferred tax liability arises from the initial recognition of goodwill or 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
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Significant accounting policies *(continued)*

2.e Summary of significant accounting policies *(continued)*

Deferred tax assets are recognised for deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits 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 in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST and Value Added tax (GST references cover both), except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the income or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables 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 consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Notes to the consolidated financial statements

2. Significant accounting policies *(continued)*

2.e Summary of significant accounting policies *(continued)*

(iii) Foreign currencies

The Group's consolidated financial statements are presented in New Zealand dollars, which is also the Company's functional currency. For each entity, the Group determines the functional currency using the currency of the primary economic environment in which it operates and items included in the financial statements of each entity are measured using that functional currency.

The functional currency is determined for each entity based on factors such as the principal trading currency. The assets and liabilities of these entities are translated at exchange rates existing at balance date. Revenue and expenses are translated at rates approximating the exchange rates ruling at the dates of the transactions. The exchange gains or losses arising on translation are recorded in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of foreign operations are translated to the presentational currency at period-end exchange rates and items of profit or loss are translated at the average exchange rates for the period. Exchange differences arising on translation for consolidation are recognised in OCI and accumulated in a separate foreign currency translation reserve within equity. On disposal of a foreign operation, the component of OCI relating to the foreign operation is reclassified to comprehensive income or loss.

(iv) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost is the value of consideration given to acquire the assets and the value of the other directly attributable costs incurred in bringing the assets to the location and condition necessary for their intended service.

Depreciation on property, plant and equipment is calculated on a diminishing value basis to write-off net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period. The following depreciation rates are used in the calculation of depreciation:

Computer equipment	30%-67%
Furniture and fittings	10%-20%
Motor vehicles	30%

Notes to the consolidated financial statements

2. Significant accounting policies *(continued)*

2.e Summary of significant accounting policies *(continued)*

Disposal

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

(v) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Borrowings are classified as non-current liabilities when the Group has an unconditional right to defer settlement for at least 12 months from the reporting date.

(vi) Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the consolidated statement of comprehensive income in the period in which the expenditure is incurred. Costs that are directly associated with the development of software are recognised as an intangible asset when the Group can demonstrate: the technical feasibility of completion, the intention, and availability of resources, to complete and use or sell; how the asset will generate future economic benefits; and the ability to measure reliably the expenditure during development.

The useful lives of the Group's intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each balance date. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income.

For capitalised development costs, amortisation of the asset begins when the development is complete and the asset is available for use. During the period of development, the asset is assessed annually for indicators of impairment.

The following policies are applied to the Group's intangible assets.

Laybuy platform	40%, straight line

(vii) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Notes to the consolidated financial statements

2. Significant accounting policies *(continued)*

2.e Summary of significant accounting policies *(continued)*

All financial instruments are initially recognised at the fair value of the consideration received/transferred less, in the case of financial assets and liabilities not recorded at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 4

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss as well as on undrawn commitments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Refer to note 2.e (ix) for further details.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Notes to the consolidated financial statements

2. Significant accounting policies *(continued)*

2.e Summary of significant accounting policies *(continued)*

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Liabilities measured at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income.

This category generally applies to borrowings. For more information refer to Note 21.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

A financial liability is also derecognised when the obligation is converted to equity in exchange for shares in the Company. Where the exchange is with an existing shareholder, the difference in the respective carrying amounts is treated as a deemed distribution in equity. Otherwise, the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash in transit, deposits held on call at financial institutions, and other short-term highly liquid investments with original maturities of three months or less which are subject to an insignificant risk of changes in value.

(viii) Contributed equity

Ordinary shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds raised via the issue of new shares.

Where cash has been receipted in advance of the issuance of ordinary shares in the Company, this is classified as equity and the assessment of basic earnings per share is performed on the total shares on issue as well as shares for which payment has been receipted.

(ix) Consumer receivables

The Group's consumer receivables balance represents amounts due from consumers for outstanding instalment payments on orders that were processed via the Laybuy platform.

The Group's business model is to hold the receivable balances with the objective to collect the future contractual cash flows. The contracts are determined to be solely payments of principal and interest. As such, a consumer receivables are measured at amortised cost using the EIR method.

Consumer receivables generally have a due date within 7 to 35 days.

Notes to the consolidated financial statements

2. Significant accounting policies *(continued)*

2.e Summary of significant accounting policies *(continued)*

Classification and measurement

Under NZ IFRS 9, consumer receivables are initially recognised at fair value upon recognition.

Subsequently, they are classified and measured at amortised cost as:
• The Group provides lines of credit to consumers, and the business model is to hold such accounts and collect contractual cash flows until the account is closed; and
• The contractual terms of the accounts give rise on specified dates to cash flows that are solely payments of principal and “effective interest” and permit consumers to vary the dates and frequency of payments.

Impairment

NZ IFRS 9 requires recognition of ECLs based on unbiased forward-looking information and is applicable to all financial assets at amortised cost. The Group applies the general approach permitted under NZ IFRS 9 to account for ECLs on consumer receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the Laybuy terms and all the cash flows that the Group expects to receive.

NZ IFRS 9 requires the Group to classify consumer receivables into three stages, which measure the ECL based on credit migration between the stages. The Group has defined these stages as follows:

Receivables not yet due
While the consumer receivables are not yet due (i.e. current), an ECL has been determined based on the probability of a default event occurring over the next 12 months. The "effective interest income" is calculated on the gross carrying value.

Receivables are overdue by 1 to 60 days
Although there is usually no objective evidence of impairment, when a consumer has not paid by the due date, it is an indication that credit risk has increased. As a result an ECL has been determined based on the probability of a default event occurring over the life of the consumer receivables. The "effective interest income" is still calculated on the gross carrying amount of the asset.

Receivables are overdue by more than 60 days
These are consumer receivables where there is objective evidence of impairment at reporting date. Ageing greater than 60 days indicates objective evidence of impairment. For these assets, lifetime ECL are recognised and “effective interest income” is calculated on the net carrying amount.

Provisioning Model

For each classification of receivable, the Group has applied historic loss rates (the percentage of receivables that reach 91 days overdue), averaged over a 6 months period given the short term duration of customer terms which are a maximum of 35 days (5 instalments at 7 days per instalment). The Group's policy is to write-off balances that are outstanding for over 91 days in accordance with historical experience.

In calculating a provision for expected credit loss an economic overlay is considered to take account of forward-looking macro-economic and regulatory factors (including GDP, unemployment rate, inflation rate, etc.) and modelling risks.

Significant increase in credit risk

The provisioning model utilises consumer receivables 1 day past due as the absolute criteria to identify significant increases in credit risk since initial recognition.

Definition of default

A consumer receivable is classified as in default where there is objective evidence of impairment. A consumer receivable is considered to be in default at 61 days past.

Notes to the consolidated financial statements

2. Significant accounting policies *(continued)*

2.e Summary of significant accounting policies *(continued)*

Write off

Consumer receivables are written off in the consolidated statement of comprehensive income when the Group has no reasonable expectation of recovery, this is generally considered to be where the consumer receivables are outstanding for over 91 days. Any subsequent recoveries following write off are credited to consumer receivables impairment expense within the consolidated statement of comprehensive income in the periods in which they were recovered.

Undrawn balance provision

As part of the Groups ECL modelling, consideration is given to the available credit extended to customers. The Group carries a provision in relation to this undrawn exposure reflecting expected future credit losses. In accordance with the Group's credit management policy, consumers must still meet minimum terms and conditions before this balance can be utilised on the Laybuy platform. The provision for expected credit losses on undrawn balances takes account of the expected use of the available credit extended to customers and is calculated using the same methodology as the provision for expected credit losses on consumer receivables.

(x) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. Merchant payables are included in trade and other payables and relate to the amount owed to the Merchant from orders from the previous day.

(xi) Employee benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of balance date are recognised in respect of employees' services at balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

(xii) Expenses

Expenses are those costs incurred by the Group in directly selling or marketing its services along with those incurred by the Group in running its business operations. Such costs include transaction costs, platform development and hosting expenses and, marketing and transaction costs as well as employee costs.

(xiii) Offsetting policy

Assets and liabilities, are offset and the net amount presented in the consolidated statement of financial position, when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group currently does not apply any offsetting in the consolidated financial statements.

3. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Notes to the consolidated financial statements

3. Standards issued but not yet effective *(continued)*

NZ IFRS 16 Leases
NZ IFRS 16 replaces NZ IAS 17 *Leases*, NZ IFRIC 4 *Determining whether an Arrangement contains a Lease*, NZ SIC-15 *Operating Leases-Incentives* and NZ SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. NZ IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under NZ IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

NZ IFRS 16 also requires lessees to make more extensive disclosures than under NZ IAS 17.

NZ IFRS 16 is effective to the Group for the annual period beginning on 1 April 2019.

Transition to NZ IFRS 16 Leases
The Group leases office spaces and plans to adopt NZ IFRS 16 on the modified retrospective approach, without restating prior reporting periods.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Group has performed a detailed impact assessment of the adoption of NZ IFRS 16. In summary, the impact of the adoption of NZ IFRS 16 is that the Group will recognise lease liability of approximately $510,000 as at 1 April 2019, which is the present value of the remaining lease payments and ROU assets which have been measured at an amount equal to lease liabilities at the time of transition (with no adjustments required in relation to accrued or prepaid rent).

4. Significant accounting judgements, estimates and assumptions

Management has identified a number of accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Expected credit losses for consumer receivables and undrawn balances

Judgement is applied in measuring ECL and whether the risk of default has increased significantly since initial recognition of the Consumer receivable. Teh Group considers both quantitative and qualitative information, including historical loss experience, internal expert risk assessment and data examination and forward-looking information and analysis. The Group also considers forward-looking adjustments, including macro-economic seasonality trends that are not captured within the base ECL calculations. The inclusion of forward-looking information increases the degree of judgement required to assess effects on the Group's ECLs. Historical balances as well as the proportion of those balances that have defaulted over time are used as a basis to determine the probability of default. The assumptions and methodologies applied are reviewed regularly. Refer to note 13.

Notes to the consolidated financial statements

4. Significant accounting judgements, estimates and assumptions *(continued)*

Deferred tax

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has $2,056,786 (2018: $114,421) of tax losses carried forward. These losses relate to the Company and its subsidiaries that have a history of losses, and may not be used to offset taxable income elsewhere in the Group. The Company and its subsidiaries currently neither have any taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward at 31 March 2019, refer note 8.

5. Income

	2019	2018
	$	$
Income	4,366,074	1,270,572
Late fees	2,789,782	659,175
	7,155,856	**1,929,747**

6. Expenses

6.a Consumer receivables impairment expenses

	2019	2018
	$	$
Consumer receivables written off	1,500,024	516,596
Consumer receivables recovered	(79,174)	-
Increase in allowance for expected credit losses on consumer receivables	246,289	257,300
Increase in allowance for expected credit losses on undrawn balances	73,109	104,600
	1,740,248	**878,496**

6.b Depreciation and amortisation expenses

	2019	2018
	$	$
Depreciation expenses	59,829	4,857
Amortisation expenses	120,255	43,317
Total depreciation and amortisation expenses	**180,084**	**48,174**

Notes to the consolidated financial statements

6. Expense *(continued)*

6.c Other operating expenses

	2019	2018
	$	$
Bank charges	104,627	55,656
General and administrative expenses	1,005,963	140,989
Directors' fees	13,696	-
Consulting expenses	686,015	168,627
Communication and technology expenses	12,979	869
Operating lease expenses	183,852	14,600
Consumer acquisition expenses	252,530	165,800
Total operating expenses	**2,259,662**	**546,541**

6.d Finance expenses

	2019	2018
	$	$
Borrowings interest expenses	329,571	160,694
Amortisation of capitalised borrowing costs	70,000	23,333
	399,571	**184,027**

6.e Other gains/(losses)

	2019	2018
	$	$
Foreign exchange losses	(25,198)	-
	(25,198)	**-**

7. Auditors' remuneration

The auditor of Laybuy Holdings Limited is PwC New Zealand.

	2019	2018
Fees paid for the audit of the Group financial statements or subsidiaries that require an audit:	$	$
Fees to PwC New Zealand	77,000	34,500
Fees to PwC Australia	22,979	-
Total audit fees	**99,979**	**34,500**

8. Income tax

The major components of income tax expense/(benefit) for the years ended 31 March 2019 and 2018 are:

	2019	2018
	$	$
Statement of comprehensive income		
Current income tax	260,084	-
Current income tax charge	-	-
	260,084	-
Deferred income tax		
Origination and reversal of temporary differences	26,064	(26,064)
Income tax expense/(benefit) reported in the statement of comprehensive income	**286,148**	**(26,064)**

Notes to the consolidated financial statements

8. Income tax *(continued)*

Reconciliation of income tax expense/(benefit) and the accounting profit multiplied by New Zealand's company tax rate for 2019 and 2018:

	2019	2018
	$	$
Loss before tax	(3,294,934)	(1,033,087)
Accounting loss before income tax	**(3,294,934)**	**(1,033,087)**
At statutory income tax rate of 28% (2018: 28%)	(922,582)	(289,264)
Non-deductible expenses for tax purposes:		
Effect of foreign income tax rates	154,127	2,646
Deferred tax not recognised on temporary differences	573,087	241,223
Tax losses not recognised	427,059	-
Other non-deductible expenses	52,056	4,095
Other items	2,401	15,236
Income tax expense/(benefit)	**286,148**	**(26,064)**

There were $0 imputation credits at 31 March 2019 (2018: $0).

Deferred income tax

Deferred income tax relates to the following:

Recognised deferred tax

	2019		2018	
	Statement of financial position	**Statement of comprehensive income**	**Statement of financial position**	**Statement of comprehensive income**
	$	$	$	$
Deferred income tax asset/(liabilities)				
Accelerated depreciation for tax purpose	-	(5,974)	(5,974)	5,974
Accruals	(13,067)	13,067	-	-
Provisions	13,067	(13,067)	-	-
Tax losses	-	32,038	32,038	(32,038)
Net deferred tax assets/(liability)	**-**	**26,064**	**26,064**	**(26,064)**

Unrecognised deferred tax asset

Deferred tax assets have not been recognised in the year in respect of the deductible temporary differences and tax losses because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. Deferred tax assets have not been recognised in respect of deductible temporary differences (Laybuy Holdings Limited NZD $2,774,848 (2018: $861,510), Laybuy Holdings (UK) Limited NZD $54,465 (2018: nil) and Laybuy Holdings (Australia) Pty Limited NZD $90,012 (2018: nil)).

The Group also has total tax losses of $2,056,786 (2018: $114,421) that are available for offsetting against future profits of the companies in which the losses arose, subject to maintaining shareholder continuity. Deferred tax assets have not been recognised in respect of these losses for the financial year ended 31 March 2019 (Laybuy Holdings (UK) Limited NZD $1,727,063 (2018: $114,421) and Laybuy Holdings (Australia) Pty Limited NZD $329,723 (2018: nil)) as they may not be used to offset taxable profits elsewhere in the Group and there are no other tax planning opportunities or other evidence of probable recovery in the near future.

In the financial year ended 31 March 2018, deferred tax assets were recognised in respect of tax losses in Laybuy Holdings Limited and these have been offset against taxable profits in the 31 March 2019 financial year.

Notes to the consolidated financial statements

9. Property, plant and equipment

Non-current

	Computer equipment	Furniture and fittings	Motor vehicles	Total
	$	$	$	$
As at 31 March 2017				
Cost	967	-	-	967
Accumulated depreciation	(29)	-	-	(29)
Net carrying amount	**938**	**-**	**-**	**938**
Year ended 31 March 2018				
Opening net carrying amount	938	-	-	938
Additions	21,037	-	-	21,037
Depreciation	(4,857)	-	-	(4,857)
Closing net carrying amount	**17,118**	**-**	**-**	**17,118**
As at 31 March 2018				
Cost	22,004	-	-	22,004
Accumulated depreciation	(4,886)	-	-	(4,886)
Net carrying amount	**17,118**	**-**	**-**	**17,118**
Year ended 31 March 2019				
Opening net carrying amount	17,118	-	-	17,118
Additions	70,597	5,384	123,696	199,677
Depreciation	(22,264)	(456)	(37,109)	(59,829)
Closing net carrying amount	**65,451**	**4,928**	**86,587**	**156,966**
As at 31 March 2019				
Cost	92,601	5,384	123,696	221,681
Accumulated depreciation	27,150	(456)	(37,109)	(64,715)
Closing net carrying amount	**65,451**	**4,928**	**86,587**	**156,966**

Notes to the consolidated financial statements

10. Intangible assets

Non-current

	Laybuy platform development costs	Total
	$	$
As at 31 March 2017		
Cost	38,839	38,839
Accumulated amortisation	-	-
Net carrying amount	**38,839**	**38,839**
Year ended 31 March 2018		
Opening net carrying amount	38,839	38,839
Additions	129,630	129,630
Amortisation	(43,317)	(43,317)
Closing net carrying amount	**125,152**	**125,152**
As at 31 March 2018		
Cost	168,469	168,469
Accumulated amortisation	(43,317)	(43,317)
Net carrying amount	**125,152**	**125,152**
Year ended 31 March 2019		
Opening net carrying amount	125,152	125,152
Additions	348,222	348,222
Amortisation	(120,255)	(120,255)
As at 31 March 2019	**353,119**	**353,119**
Cost	516,691	516,691
Accumulated amortisation	(163,572)	(163,572)
Closing net carrying amount	**353,119**	**353,119**

Laybuy platform development costs consist of internally generated software applications. Once completed these are amortised over the expected useful life of the asset. Development costs meet the definition of an internally-generated intangible asset as it is probable that future economic benefits will be derived through the use of these assets.

Notes to the consolidated financial statements

11. Cash and cash equivalents

Current

	2019	2018
	$	$
Cash at banks	1,851,385	523,999
	1,851,385	**523,999**

Cash by currency

	2019	2018
Cash and cash equivalents by currency	$	$
NZD	1,263,737	523,999
GBP	497,631	-
AUD	90,017	-
	1,851,385	**523,999**

All foreign currency amounts are expressed in NZD.

12. Cash flow information

Cash generated from operations

		2019	2018
		$	$
Cash flow reconciliation			
Reconciliation of loss for the year to net cash flows used in operating activities:			
		(3,581,082)	(1,007,023)
Non-cash adjustments to reconcile loss after tax to net cash flows:			
Depreciation and amortisation	6.b	180,084	48,174
Consumer receivable impairment expenses	6.a	1,819,422	878,496
Amortisation of capitalised borrowing costs	6.d	70,000	23,333
Related party interest capitalised	24	-	78,177
Deferred tax expenses/(benefits)	8	26,064	(26,064)
Capitalised borrowing costs		-	(140,000)
Foreign exchange movements		6,166	(1,063)
		2,101,736	**861,053**
Items capitalised to financing activities:			
Capitalised borrowing costs		-	(140,000)
Working capital adjustments:			
Increase in consumer receivables		(4,846,621)	(4,028,667)
(Increase)/decrease in other current assets		(307,595)	9,756
Increase in trade and other payables		1,503,915	1,012,575
Increase in income tax payable		260,084	-
Net cash flows used in operating activities		**(4,869,563)**	**(3,292,306)**

Notes to the consolidated financial statements

12. Cash flow information *(continued)*

Reconciliation of liabilities arising from financing activities

	Borrowings	Related party borrowings	Total
	$	$	$
Net debt as at 1 April 2018	**(653,207)**	**(3,207,081)**	**(3,860,288)**
Financing cash flows	(2,711,269)	-	(2,711,269)
Non-cash conversion of debt to equity	-	3,330,780	3,330,780
Non-cash distribution on conversion of debt to equity	-	(123,571)	(123,571)
Non-cash transfer to related party receivables	-	(128)	(128)
Amortisation of capitalised borrowing costs	(70,000)	-	(70,000)
Net debt as at 31 March 2019	**(3,434,476)**	**-**	**(3,434,476)**
Net debt as at 1 April 2017	**-**	**(73,479)**	**(73,479)**
Operating cash flows	140,000	74,462	214,462
Financing cash flows	(769,874)	(3,055,425)	(3,825,299)
Capitalisation of related party interest	-	(152,639)	(152,639)
Amortisation of capitalised borrowing costs	(23,333)	-	(23,333)
Net debt as at 31 March 2018	**(653,207)**	**(3,207,081)**	**(3,860,288)**

13. Consumer receivables

Current

	2019	2018
	$	$
Consumer receivables		
Consumer receivables - face value	7,162,918	3,666,657
Unearned future income*	(304,250)	(154,586)
Total consumer receivables	**6,858,668**	**3,512,071**
Less provision for expected credit losses on drawn balances:		
Opening balance	(257,300)	-
Provided in the year	(246,289)	(257,300)
Closing provision for expected credit losses on drawn balances	**(503,589)**	**(257,300)**
Net consumer receivables balance	**6,355,079**	**3,254,771**

** Unearned future income represents unearned income recognised over the collection period using the EIR method.*

	Not yet due	Aged 1 - 60 days	Aged more than 60 days	Total
	$	$	$	$
2019				
Consumer receivables	6,665,878	345,070	151,970	7,162,918
Provision for expected credit losses as at 31 March	(151,799)	(212,930)	(138,860)	(503,589)
Net consumer receivables (including unearned income)	**6,514,079**	**132,140**	**13,110**	**6,659,329**
2018				
Consumer receivables	3,437,057	153,200	76,400	3,666,657
Provision for expected credit losses as at 31 March	(77,800)	(110,700)	(68,800)	(257,300)
Net consumer receivables (including unearned income)	**3,359,257**	**42,500**	**7,600**	**3,409,357**

Notes to the consolidated financial statements

13. Consumer receivables *(continued)*

Overall, the net increase in the total provision from 1 April 2018 to 31 March 2019 was $246,289. This is driven by the fact that the overall consumer receivables balance increased by $3,496,261. All consumer receivables balances held at 31 March 2019 are new in the current year as the prior period balance has been either collected or written off during the year. Therefore none of the provisions remain from the prior year. Accordingly, as the Group's consumer receivables are short term in nature (due within 35 days), the ECL is calculated on a lifetime basis from initial recognition and the staging transfer disclosures have not been provided.

Collective ECL provision for not yet due receivables has increased by $73,999 due to the fact that $6,665,878 of receivables are not yet due at year-end.

Collective ECL provision for receivables overdue for 1 to 60 days that are not credit impaired increased by $102,230. This is because a greater portion of the consumer receivables balance in the current year is overdue as a result of additional consumers not having paid by the due date.

Collective ECL provision for credit impaired receivables increased by $70,060. This reflects where consumer receivables are aged more than 61 days at year end but have not been written off. Write offs occur where consumer receivables are aged over 91 days. There is no specific provision in the lifetime ECL.

14. Other assets

Current	2019	2018
	$	$
GST receivable	15,619	-
Other receivables	297,038	5,062
	312,657	**5,062**

15. Trade and other payables

	2019	2018
Current	$	$
Merchant payables	1,365,905	622,490
Trade payables	823,707	250,714
Accruals	160,610	42,082
Employee entitlements	115,536	12,854
Payroll tax and other statutory liabilities	91,005	10,272
Other payables	1,026	3,478
GST payable	-	111,984
	2,557,789	**1,053,874**

16. Provisions

Current

	2019	2018
	$	$
Provision for expected credit losses on undrawn balances		
Opening balance	104,600	-
Provided in the year	73,109	104,600
Closing provision for expected credit losses on undrawn balances	**177,709**	**104,600**

Notes to the consolidated financial statements

17. Segment information

The Group's reportable operating segments have been identified based on the financial information currently provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer and Managing Director. The business operates under the following segment:

- Buy now, pay later

The CODM assesses the performance of the operating segment based on total performance of the overall business.

	Buy now, pay later 2019
2019	**$**
Income	7,155,856
Total segment income	**7,155,856**
Merchant and marketing expenses	(1,266,961)
Employment expenses	(1,764,576)
Transaction expenses	(2,420,051)
Consumer receivables impairment expenses	(1,740,248)
Platform development and hosting expenses	(394,443)
Depreciation and amortisation expenses	(180,084)
Other operating expenses	(2,259,662)
Other losses	(25,198)
Total expenses	**(10,051,223)**
Operating loss	**(2,895,367)**

	Buy now, pay later 2018
2018	**$**
Income	1,929,747
Other income	1,097
Total segment income	**1,930,844**
Merchant and marketing expenses	(367,978)
Employment expenses	(217,076)
Transaction expenses	(584,527)
Consumer receivables impairment expenses	(878,496)
Platform development and hosting expenses	(143,922)
Depreciation and amortisation expenses	(48,174)
Other operating expenses	(546,541)
Total expenses	**(2,786,714)**
Operating loss	**(855,870)**

Income by domicile of entity

Income by location of each reporting entity within the Group is as follows:

Notes to the consolidated financial statements

17. Segment information *(continued)*

	New Zealand	Australia	United Kingdom	Total
2019	**$**	**$**	**$**	**$**
Income (external)	7,058,785	97,071	-	7,155,856
2018				
Income (external)	1,929,747	-	-	1,929,747

Non-current assets by domicile of entity

Non-current operating assets by location of each reporting entity within the Group is as follows:

	New Zealand	Australia	United Kingdom	Total
2019	**$**	**$**	**$**	**$**
Non-current assets	479,703	9,273	21,109	510,085
2018				
Non-current assets	142,270	-	-	142,270

18. Fair value measurement

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Group carries out a fair value assessment of its financial assets and liabilities in accordance with NZ IFRS 13 *Fair Value Measurement*.

Financial instruments are classified as either amortised cost or fair value through profit or loss.

Financial instruments which are measured subsequent to initial recognition at fair value are grouped based under the three level hierarchy based on the level that the fair value is observable:

- Level 1 - based on quoted prices in active markets for identical assets or liabilities

- Level 2 - based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

- Level 3 - based on valuation techniques that include inputs which are not observable

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period. There were no transfers between levels during the year. At 31 March 2019, there were no financial instruments held at fair value (2018: nil).

The Directors consider that the carrying amount of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values, this is due to the short term nature of the financial assets and liabilities as well as the fact borrowings are at a variable interest rate.

19. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the loss attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible notes) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Notes to the consolidated financial statements

19. Earnings per share (EPS) *(continued)*

The following reflects the earnings and share data used in the basic and diluted EPS computations:

	2019	2018
	$	$
Loss attributable to ordinary equity holders of the parent:		
Equity holders of the parent	(3,581,082)	(1,007,023)
(Loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**(3,581,082)**	**(1,007,023)**

	2019	2018
	Number	Number
Weighted average number of ordinary shares for basic and diluted EPS	**14,494,658**	**11,669,220**

Share split

On 26 November 2018 a share split occurred for no consideration, increasing the current shareholding from 1,000 to 11,669,220, this has been applied retrospectively to the earnings per share calculation for both years reported.

Share swap

On 27 November 2018, as included in note 22, a share swap arrangement is in place which will lead to a future share issue to Gary and Robyn Rohloff of 450,000 shares in Laybuy Holdings Limited. This has been included in the earnings per share calculation from the date of the share swap arrangement.

Events after the reporting period

Subsequent to 31 March 2019, the following share transactions have occurred;
• In May and June 2019, an additional 10,000,000 shares were issued for a total consideration of $13,000,000.
• In the 31 March 2020 financial year an employee share option and a share option scheme with an unrelated external party that provides services to the Group, was entered into.
• In February/March 2020, 14,820,000 convertible notes were issued to 31 different note holders at an issue price of $1.02 (AUD $1.00), there were proceeds receipted of $15,482,049 from this funds raising.

These transactions have not been included in the earnings per share calculation as at 31 March 2019, however will have an impact on the future basic and diluted earnings per share results.

20. Borrowings

Current

	2019	2018
	$	$
Related party borrowings	-	3,207,081
Kiwibank overdraft facility	3,481,143	769,874
Capitalised borrowing costs	(46,667)	(116,667)
	3,434,476	**3,860,288**

Loans from related parties were unsecured and interest-bearing at 5.14-5.25% per annum. The related party loan was converted into 3,330,780 shares on 26 November 2018, refer note 23.

20. Borrowings *(continued)*

As at 31 March 2019, the Group had an overdraft facility with Kiwibank Limited. The overdraft facility consists of a Tranche B(1) of $1,000,000 and a Tranche B(2) of $5,000,000. Both tranches are interest bearing at Kiwibank's Overdraft Base Rate plus a margin of -2.95% per annum, and have a maturity date of 8 December 2019 and are subject to certain financial covenants. The banking covenants require that the amount outstanding under the facility to be less than 70% of the eligible receivables of the agreed receivables ledger at all times. In addition, Tranche B(2) is only available for utilisation after Tranche B(1) is fully utilised. Both of these tranches must comply with the 70% of the receivables ledger covenant.

The overdraft facility is secured by all assets held by Laybuy Holdings Limited, Laybuy (NZ) Limited, Laybuy Holdings (Australia) PTY Limited and Laybuy Holdings (UK) Limited. Guarantees are provided by Laybuy Holdings Limited, Laybuy (NZ) Limited, Laybuy Holdings (Australia) PTY Limited and Laybuy Holdings (UK) Limited.

Subsequent to the year end, the overdraft facility with Kiwibank was extended with subsequent variations signed on 10 December 2019, 31 January 2020 and 5 March 2020 with expiry on 6 September 2020.

Subsequent to year end, on 28 May 2020, new loan terms for a facility of $20 million were agreed, with an advance rate of 75% Loan to Value Ratio (LVR). The previous facility had an advance rate of 70% LVR. The new loan has an expiry date of 7 December 2021 and is subject to certain financial covenants. The banking covenants require that the amount outstanding under the facility to be less than 75% of the eligible receivables of the aged receivables ledger at all times and for the bad debt ratio to not exceed set percentages for each trading company in the Group.

21. Financial risk management objectives and policies

Financial instruments are fundamental to the Group's business of providing consumer financing through the Laybuy platform. The principal financial instruments comprise of consumer receivables, trade and merchant payables, cash, loans and borrowings.

The associated key financial risks including market risk, funding and liquidity risk, and credit risk are a significant portion of the total risks faced by the Group.

Senior management are responsible for managing the Group's exposure to key financial risks by monitoring levels of exposure to interest rate and foreign exchange risk and assessment of market forecasts for interest rate and foreign exchange, and by using equity capital to minimise borrowing from the credit facility. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Funding and liquidity risk are monitored through the development of future rolling cash flow forecasts.

The total carrying amount of the Group's financial assets and liabilities by catagory are detailed below:

	2019	2018
	$	$
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	1,851,385	523,999
Consumer receivables	6,355,079	3,254,771
Other current assets	297,038	5,062
Related party receivables	101,414	-
Total financial assets	**8,604,916**	**3,783,832**
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	(2,557,789)	(941,890)
Borrowings	(3,434,476)	(653,207)
Related party borrowings	-	(3,207,081)
Total financial liabilities	**(5,992,265)**	**(4,802,178)**

Notes to the consolidated financial statements

21. Financial risk management objectives and policies *(continued)*

Market risk

The risk of an adverse impact on the Group's earnings resulting from changes in market factors, such as interest rates and foreign currency exchange rates.

Interest rate risk

The risk that changes in interest rates negatively impact the Group's financial performance.

The Group's exposure to interest rates relates primarily to the Group's borrowings which are on variable interest rates. The Group uses equity capital to minimise borrowing from the credit facility to reduce interest rate risk.

At balance date, the Group had the following financial assets and liabilities exposed to variable interest rate risk:

	2019	2018
	$	$
Financial assets		
Cash at banks	1,851,385	523,999
Total	**1,851,385**	**523,999**
Financial liabilities		
Borrowings	(3,481,143)	(769,874)
Total	**(3,481,143)**	**(769,874)**

Borrowings comprise of an overdraft facility from Kiwibank which is secured and interest-bearing at Kiwibank's base rate plus a margin of -2.95% per annum.

Borrowings from related parties were unsecured and interest-bearing, based on bank interest rates of 5.14-5.25% per annum, and repayable on demand, however these were not based on variable rates.

There are no other financial liabilities subject to interest rate risk at 31 March 2019. The Group has not hedged any interest rate risk during the year or at 31 March 2019.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of cash and borrowings affected. With all other variables held constant, the Group's loss before tax is affected through the impact of floating interest rates, as follows:

	Loss after tax Lower/(higher)		Equity Lower/(higher)	
	2019	2018	2019	2018
Judgements of reasonable possible movements	$	$	$	$
-0.50% (50 basis points)	14,238	458	(14,238)	(458)
+0.50% (50 basis points)	(14,238)	(458)	14,238	458

Foreign currency risk

The risk that fluctuations in foreign exchange rates may impact the Group's consolidated results. The Group's consolidated statement of financial position at 31 March 2019 can be affected by movements in the Australian Dollar and Great British Pound.

The Group has not hedged any foreign currency risk during the financial year or as at 31 March 2019.

Notes to the consolidated financial statements

21. Financial risk management objectives and policies *(continued)*

At 31 March, the Group has the following exposure to foreign currency, expressed in NZD:

	GBP	AUD
31 March 2019	**$**	**$**
Financial assets		
Cash and cash equivalents	497,631	90,017
Consumer receivables	383,472	187,328
Related party receivables	77,002	-
Financial liabilities		
Trade and other payables	(756,555)	(153,006)
Net exposure	**201,550**	**124,339**

	GBP	AUD
31 March 2018	**$**	**$**
Financial assets		
Cash and cash equivalents	-	-
Consumer receivables	-	-
Related party receivables	-	-
Financial liabilities		
Trade and other payables	-	-
Net exposure	**-**	**-**

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in AUD and GBP exchange rates, with all other variables held constant. The impact on the Group's loss before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

At 31 March 2019, if exchange rates had moved, as illustrated in the table below, with all other variables held constant, loss after tax and equity would have been affected as follows:

	Loss after tax Higher/(lower)		Equity Higher/(lower)	
	2019	2018	2019	2018
Judgements of reasonably possible movements	**$**	**$**	**$**	**$**
NZD/AUD +5%	6,184	-	(6,184)	-
NZD/AUD -5%	(6,835)	-	6,835	-
NZD/GBP +5%	18,471	-	(18,471)	-
NZD/GBP -5%	(20,415)	-	20,415	-

Credit risk

Credit risk relates to the risk that the counterparty to a financial instrument may default on its obligations to the Group resulting in financial loss.

The Group's maximum credit risk at 31 March 2019 is equal to its carrying value of cash, related party receivables, consumer receivables, the undrawn consumer receivables available to the consumer, and other receivables.

The Group's main exposure to credit risk arises from consumer receivables and any undrawn balance available to consumers. Consumer credit risk is managed based on the Group's policy, procedures and controls related to consumer credit risk management. The Group has rigorous on-boarding processes using third party providers and through platform product features that reduce fraud risk but also ensure a seamless sign up process. The Group uses credit reference bureaus, identity tools, and setting credit limits prior to consumers joining the Laybuy platform, as well as utilising ongoing behaviour monitoring tools, to mitigate credit risk for its consumer receivables and the undrawn portion.

Notes to the consolidated financial statements

21. Financial risk management objectives and policies *(continued)*

Outstanding consumer collections and collections overdue are regularly monitored by the Group. The Group will write off unrecoverable amounts, but will continue to work on their recovery.

The carrying value of the respective recognised financial assets is stated in the consolidated statement of financial position. The additional gross undrawn amount available to consumers at 31 March 2019 is $78,837,941 (2018: $38,077,783).

The Group regularly reviews the adequacy of the provision for the ECL to ensure that it is sufficient to mitigate credit risk exposure in terms of financial reporting. The ECL provision represents management's best estimate of the expected credit loss in the consumer receivables and undrawn balances at the reporting date.

The credit risk on cash is managed by placing cash and deposits with high credit quality financial institutions only. Cash deposits are placed with Westpac and HSBC.

Liquidity risk

The risk that the Group cannot meet its payment obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

The Group manages liquidity risk by monitoring actual and rolling forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Management regularly reviews its banking arrangements to ensure it has access to necessary liquidity levels to service the Group's activities.

Maturity analysis of financial assets and liabilities is based on contractual terms.

The table below reflects all contractually fixed payments and receivables for settlement, repayments, and interest resulting from recognised financial assets and liabilities.

31 March 2019	**<1 year**	**1-2 Years**	**2-3 years**	**>3 years**	**Total**
	$	**$**	**$**	**$**	**$**
Financial assets					
Cash and cash equivalents	1,851,385	-	-	-	1,851,385
Consumer receivables	6,355,079	-	-	-	6,355,079
Related party receivables	101,414	-	-	-	101,414
Other current assets	297,038	-	-	-	297,038
Total financial assets	**8,604,916**	**-**	**-**	**-**	**8,604,916**
Financial liabilities					
Trade and other payables	(2,557,789)	-	-	-	(2,557,789)
Borrowings	(3,481,143)	-	-	-	(3,481,143)
Total financial liabilities	**(6,038,932)**	**-**	**-**	**-**	**(6,038,932)**
Net maturity	**2,565,984**	**-**	**-**	**-**	**2,565,984**
Off-balance sheet commitments provided					
Undrawn consumer commitments	(78,837,941)	-	-	-	(78,837,941)

Notes to the consolidated financial statements

21. Financial risk management objectives and policies *(continued)*

31 March 2018	<1 year	1-2 Years	2-3 years	>3 years	Total
	$	$	$	$	$
Financial assets					
Cash and cash equivalents	523,999	-	-	-	523,999
Consumer receivables	3,254,771	-	-	-	3,254,771
Other current assets	5,062	-	-	-	5,062
Total financial assets	**3,783,832**	**-**	**-**	**-**	**3,783,832**
Financial liabilities					
Trade and other payables	(941,890)	-	-	-	(941,890)
Borrowings	-	(769,874)	-	-	(769,874)
Related party borrowings	(3,207,081)	-	-	-	(3,207,081)
Total financial liabilities	**(4,148,971)**	**(769,874)**	**-**	**-**	**(4,918,845)**
Net maturity	**(365,139)**	**(769,874)**	**-**	**-**	**(1,135,013)**
Off-balance sheet commitments provided					
Undrawn consumer commitments	(38,077,783)	-	-	-	(38,077,783)

The Group's principal financial liabilities comprise borrowings and certain components of trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include consumer receivables and cash that derive directly from its operations.

The Group's net debt at year end is presented below:

	2019	2018
	$	$
Cash and cash equivalents	1,851,385	523,999
Related party borrowings	-	(3,207,081)
Borrowings	(3,434,476)	(653,207)
Net (debt)/cash position	**(1,583,091)**	**(3,336,289)**

Capital risk management

The Group's capital structure comprises of equity raised by the issue of ordinary shares in the Company and external and related party borrowings. The Group manages its capital to ensure that the Company and subsidiaries in the Group are able to continue operating as going concerns.

The Group is subject to certain financial covenants. The banking covenants require that the amount outstanding across the two tranches of the facility to be less than 60% of the eligible debtors of the loan ledger at all times. Tranche B(2) is only available once both Tranche B(1) as well as a separate facility to the shareholders of the Group are fully utilised and compliant with the 60% loan ledger covenant and there is no potential event or default or event of default is subsisting.

All financial banking covenants have been complied with during the year. However, subsequent to year end, the Group was in breach of a reporting undertaking banking covenant being that of providing Kiwibank with consolidated financial statements of the Group within 120 days of the financial year ended for 31 March 2019. Kiwibank provided a waiver and extended the required timeframe, initially to 180 days and later to 210 days in order to allow the consolidated financial statements to be provided as fully audited. Kiwibank required the breach to be corrected by 6 December 2019 and this new timeframe was met by the Group.

Refer to note 20 for changes subsequent to year end.

Notes to the consolidated financial statements

22. Contributed equity

	Number	$
As at 1 April 2017	**1,000**	**1,000**
	Number	**$**
At 31 March 2018	**1,000**	**1,000**
Share split of shares on 26 November 2018	11,668,220	-
Issue of shares on 26 November 2018 on conversion of debt to equity	3,330,780	3,330,780
Deemed distribution on conversion of debt to equity	-	(123,571)
Issue of shares on 27 November 2018	4,550,000	4,550,000
Capitalised equity transaction costs	-	(865,135)
Other contributed equity	-	450,000
At 31 March 2019	**19,550,000**	**7,343,074**

On 29 October 2018, Laybuy Holdings Limited and Pioneer Ferdinand Capital Limited entered into a subscription agreement. Under this subscription agreement, Laybuy Holdings Limited and Pioneer Ferdinand Capital Limited hold options to call or require additional shares to be issued in Laybuy Holdings Limited.

On 26 November 2018, a share split occurred for no consideration, increasing the number of shares held by the initial equity holders. In addition, outstanding related party borrowings of $3,330,780 was converted to equity for 3,330,780 shares issued and a deemed distribution of $123,571 recognised in equity.

On 27 November 2018, 4,550,000 new shares were issued by Laybuy Holdings Limited and sold to Pioneer Ferdinand Capital Limited for $4,550,000. Following these transactions the final number of shares on issue is 19,550,000.

On 27 November 2018, 1.8% of Laybuy Holdings (UK) Limited was acquired by Gary Rohloff and Robyn Rohloff (the 'Rohloffs', shareholders of the Company). The acquisition was settled in cash. As part of the acquisition a share swap arrangement was agreed between the Rohloffs and Laybuy Holdings Limited whereby Laybuy Holdings Limited will, in the future, issue 450,000 shares to the Rohloffs in exchange for the 1.8% of shares in the UK entity. The $450,000 paid by the Rohloffs as part of this future arrangement has been recognised in share capital and shares will be issued to the Rohloffs when the share swap arrangement is completed.

Subsequent to 31 March 2019, on 5 May 2019, as per the terms of the Laybuy Holdings Limited and Pioneer Ferdinand Capital Limited subscription agreement, 5,000,000 shares were issued to Pioneer Ferdinand Capital Limited. A further issuance of 5,000,000 shares occurred on 12 July 2019, $13,000,000 was raised in total from these share subscriptions.

All shares are a single class, have been issued, and fully paid, and have no par value. All ordinary shares have equal voting rights and rights to dividends.

Notes to the consolidated financial statements

23. Group entities

The ultimate parent

Laybuy Holdings Limited is the ultimate parent entity.

Subsidiaries

The consolidated financial statements include the financial statements of subsidiaries listed in the following table:

				% equity interest	
Name	**Balance date**	**Principal activity**	**Principal place of business**	**2019**	**2018**
Laybuy (NZ) Limited ***	31 March	Dormant	New Zealand	100%	-
Laybuy Holdings (UK) Limited*	30 June**	Consumer financing	United Kingdom	98.2%	100%
Laybuy Holdings (Australia) Pty Limited	31 March	Consumer financing	Australia	100%	100%

* As included in Note 22, on 27 November 2018, 1.8% of Laybuy Holdings (UK) Limited was acquired by Robyn and Gary Rohloff ('the Rohloffs', shareholders of the Company) alongside a share swap arrangement. As a result of the share swap arrangement the Rohloffs interest in the UK entity is not considered to represent a non-controlling interest and instead has been accounted for within equity of the Group. This is because through the share swap agreement a fixed number of shares will be exchanged in each company. Due to the share swap arrangement requiring the exchange of a fixed number of shares in each company and the highly probable nature of the future fixed for fixed call/put option being exercised, the share swap arrangement has been accounted for as if it has already occurred.

** Subsequent to the year end, the Board passed a resolution to change the balance date of Laybuy Holdings (UK) Limited to 31 March, effective for the period ended 31 March 2020.

*** Laybuy (NZ) Limited was incorporated on 18 May 2018 and is currently a dormant entity in the Group.

24. Related party transactions

Transactions with related parties

The following transactions occurred with related parties:

	2019	2018
	$	$
Director fees and salaries	556,270	41,692
Interest expenses	141,089	152,639

Outstanding balances with related parties

	2019	2018
	$	$
Opening balance	(3,207,081)	(73,479)
Related party borrowings received	-	(7,261,600)
Related party borrowings repaid	-	4,206,175
Interest expenses	(141,089)	(152,639)
Amounts advanced to related parties	101,286	-
Interest expenses repaid	141,089	74,462
Loans converted to equity	3,330,780	-
Deemed distribution on conversion of debt to equity	(123,571)	-
Closing balance	**101,414**	**(3,207,081)**

Notes to the consolidated financial statements

24. Related party transactions *(continued)*

Related party transactions above comprise of transactions with Gary and Robyn Rohloff.

As part of the restructure process, as detailed in note 20, the related party loan of $3,330,780 was converted to equity on 26 November 2018. Refer to note 22 for the relevant terms and conditions of the related party loan.

Related party receivables are unsecured, repayable on demand and non-interest bearing.

Key management personnel compensation

Key management personnel (KMP) are defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, and include the Directors, and the Managing Director's direct reports.

The following table summarises remuneration paid to key management personnel.

	2019	2018
	$	$
Short-term employee benefits	697,959	60,522
Total compensation paid to key management personnel	**697,959**	**60,522**

Other

In addition, related parties and KMP transact on the Laybuy platform. Within the consumer receivables balance at year end, related parties and KMP owe $651 (2018: $1,714). There were no write offs or amounts forgiven in respect of related parties and KMP transactions on the Laybuy platform and they have been paid in accordance with standard repayment terms.

25. Commitments and contingencies

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at 31 March are:

	2019	2018
	$	$
Within one year	637,914	79,610
After one year but not more than five years	348,799	48,292
	986,713	**127,902**

Contingent liabilities

Other than as reported in the financial statements, the Group had no other contingent liabilities as at 31 March 2019 (2018: nil).

Off-balance sheet commitments provided	2019	2018
	$	$
Undrawn consumer commitments	78,837,941	38,077,783
	78,837,941	**38,077,783**

Notes to the consolidated financial statements

26. Events after the reporting period

The following events and transactions occurred between the balance date and authorisation date of theconsolidated financial statements and are considered by the Directors to be those events of most significance to the users of the consolidated financial statements.

Subsidiary year-end

Subsequent to the year end, the Board passed a resolution to change the balance date of Laybuy Holdings (UK) Limited to 31 March, effective for the period ended 31 March 2020.

Capital and share issues

On 5 May 2019, Laybuy Holdings Limited raised $5 million by exercising its option to call Pioneer Capital Ferdinand Limited to subscribe for 5,000,000 ordinary shares.

On 12 July 2019, Laybuy Holdings Limited raised a further $8 million by exercising its option to call Pioneer Capital Ferdinand Limited to subscribe to additional 5,000,000 ordinary shares. $13,000,000 was raised from these share subscriptions in aggregate.

In February and March of 2020 14,840,000 in convertible notes were issued to 31 different note holders at a price of $1.02 (AUD$1) per note), raising funds excluding costs of $14,914,927 (NZD equivalent). On issue, the notes were convertible at a variable rate based on the market price. If a conversion event or mandatory conversion event arises, the notes will convert into ordinary shares of the Company. A conversion event is defined as approval of conversion from a minimum of 50% of the note holders, and must occur at least 20 days prior to maturity. A mandatory conversion event is defined as the allotment of shares under: 1) an initial public offer, where total consideration paid/payable is at least $20,553,880 (AUD$20,000,000), 2) a relevant capital raise that raises in aggregate gross proceeds of at least $20,553,880 (AUD$20,000,000), or 3) completion of a trade sale. If either a conversion or mandatory conversion event trigger a conversion of the notes, the conversion price will be calculated as a 20% discount to the share price of the ordinary shares at the date the convertible notes convert, to a maximum Capped Equity Value Conversion Price of $3.96, adjusted at the discretion of the Board (acting reasonably) to take into account any share split or consolidation. In the absence of a conversion event, the notes will be repayable in full after 2 years in March 2022. Interest of 8 per cent per annum, compounding monthly, is charged on the convertible notes and are convertible to shares. This included notes of 4,100,000 being issued to Pioneer Capital Ferdinand Limited.

On 14 July 2020, Laybuy Holdings Limited received binding commitments for a further A$10.5 million via a second pre-IPO convertible note issue with participation from a number of Australian and New Zealand based institutions and high net worth investors. Each investor for this issue has committed to a firm allocation in the second pre-IPO and the investment round and for funds to be received by the Group between 15 July 2020 and 24 July 2020. In addition, the pre-IPO cornerstone investors have also provided binding commitments to a further A$30 million in the upcoming IPO of Laybuy Group Holdings Limited. On issue, the notes were convertible at a variable rate based on the market price. If a conversion event or mandatory conversion event arises, the notes will convert into ordinary shares of Laybuy Group Holdings Limited. A conversion event is defined as approval of conversion from a minimum of 50% of the note holders, and must occur at least 20 days prior to maturity. A mandatory conversion event is defined as the allotment of shares in Laybuy Group Holdings Limited: 1) an initial public offer, where total consideration paid/payable is at least A$20,000,000, 2) completion of a relevant capital raise that raises in aggregate gross proceeds of at least A$20,000,000, or 3) completion of a trade sale. If a mandatory conversion event triggers a conversion of the notes, the conversion price will be calculated as a 20% discount to the share price of the ordinary shares at the date the convertible notes convert if this occurs on or before the first anniversary of 3 March 2020. If a mandatory conversion event triggers a conversion of the notes, the conversion price will be calculated as a 30% discount to the share price of the ordinary shares at the date the convertible notes convert if this occurs after the first anniversary of 3 March 2020. Interest of 8 per cent per annum, compounding monthly, is charged on the convertible notes and are convertible to shares.

Notes to the consolidated financial statements

26. Events after the reporting period *(continued)*

Common Stock Equity

In May 2020, the Group entered into discussions with Victory Park Capital to obtain a credit facility of USD$100m (later changed to £80 million), accessible over a 5-year period, to fund growth in the UK loan book. As part of the agreed structure a special purpose vehicle, Laybuy UK Limited was set up, a subsidiary of Laybuy Holdings (UK) Limited. In addition, as part of the agreement, a common stock warrant will be issued to Victory Park Capital, which will entitle them to 2% ownership of the Group's ordinary equity, as at the date prior to the IPO. The Warrants will have a strike price based on the IPO price and shall mature on the date which is 60 months from the Closing Date.

Borrowings

Subsequent to the year end, the overdraft facility with Kiwibank was extended, with subsequent variations signed on 10 December 2019, 31 January 2020 and 5 March 2020 with expiry on 6 September 2020.

Subsequently, on 28 May 2020, new loan terms for a facility of $20 million were agreed, with an advance rate of 75% LVR. The previous facility with Kiwibank had an advance rate of 70% LVR. The new loan has an expiry date of 7 December 2021 and is subject to financial covenants. The banking covenants require that the amount outstanding under the facility to be less than 75% of the eligible receivables of the aged receivables ledger at all times and for the bad debt ratio to not exceed set percentages for each trading company in the Group.

Share options

Between April 2019 and March 2020, Laybuy Holdings Limited issued share options to key management. 600,000 share options were on issue on the day of signing the consolidated financial statements. Each of the employees share options convert into one ordinary share of the Company on exercise provided the employee remains employed by the Group at the time of exercise. No amounts are paid or payable by the recipient on receipt of the option. The share options vest over five years however if a liquidity event occurs (such as an IPO), all options immediately vest to the extent they have not already done so.

In July 2020, as part of the prospectus for IPO, the Group will introduce an "Omnibus Incentive Plan". This incentive plan provides for a number of share options to be provided to non-executive directors and the executive team.

Two additional share option arrangements have also been entered into, these are with unrelated external parties that provide services to the Group. The first in March 2020 and the second in June 2020. The share options vest over three years subject to certain conditions being met. If all options vest of their respective period, a total of 3,500,000 shares will be issued in aggregate.

New subsidiaries

On 20 April 2020, a new subsidiary, Laybuy Australia Pty Limited was incorporated in Australia with Laybuy Holdings Limited holding 100% of the shares in the newly formed company. The purpose of this company is to be the new trading entity for the Australian operations.

On 16 June 2020, a new company Laybuy Group Holdings Limited was incorporated in New Zealand. The newly formed Company is anticipated to hold 100% of the shares in Laybuy Holdings Limited and will be the new holding company for the Group. This company is currently dormant.

On 1 July 2020, a new subsidiary Laybuy (UK) Limited was incorporated in the United Kingdom. Laybuy Holdings (UK) Limited holds 100% of the shares in the newly formed company. The purpose of this company is a requirement of the loan facility to be entered into with Victory Park Capital and will hold all the UK consumer receivables.

On 6 July 2020, a new subsidiary Laybuy Holdings (USA) Inc was incorporated in the United States of America. Laybuy Holdings Limited holds 100% of the shares in the newly formed company. This company is currently dormant.

Notes to the consolidated financial statements

26. Events after the reporting period *(continued)*

COVID-19

The World Health Organisation declared COVID-19 to be a global pandemic on 11 March 2020. The outbreak and subsequent quarantine measures and trade restrictions imposed by the New Zealand, Australian and UK governments as well as others globally in early 2020 has caused disruption of business and economic activity.

As this declaration was made after the reporting date, the Group considers this to be a non-adjustable post balance date event as defined in accordance with NZ IAS 10 *Events after the Reporting Period,* and accordingly the financial effects of COVID-19 have not been reflected in the consolidated financial statements at 31 March 2019.

The situation remains fluid due to the evolving changes in government policies and evolving business and customer reactions there to. However, at the date these consolidated financial statements are authorised for issue, the Directors of the Group consider the general impacts arising from COVID-19 to be minimal as the Group has not seen a decline in revenues or an adverse impact on the recoverability of consumer receivables as a result of the impacts from COVID-19. Refer also to note 2.c for the Directors' assessment for the Group's ability to continue operating as a going concern.

There have been no other significant events occurring after the balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

Independent auditor's report

To the shareholders of Laybuy Holdings Limited

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include the significant accounting policies.

Our opinion

In our opinion, the accompanying consolidated financial statements of Laybuy Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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* (PES 1) 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.

Our firm carries out other services for the Group in the areas of investigating accountant assurance services, and tax due diligence and tax related services. The provision of these other services has not impaired our independence as auditor of the Group.

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

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

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group 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 objectives are 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 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) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 the consolidated financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
23 July 2020

Auckland

Corporate information

NZBN 9429043407262

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Gary Rohloff

Robyn Rohloff

Craig Styris
Appointed 4 February 2020.

Andrew Burton
Appointed on 5 March 2019, resigned on 1 October 2019.

Shayne Shepherd
Appointed on 27 November 2018, resigned on 4 February 2020.

Registered office
74 Taharoto Road
Takapuna
Auckland 0622
New Zealand

Solicitors
Johnston Prichard Fee
Auckland
New Zealand

Bankers
Westpac
Auckland
New Zealand

Auditors
PwC New Zealand
Auckland
New Zealand

Corporate information

Directors remuneration and benefits paid

In the 31 March 2019 financial year, Directors received the following remuneration from the Group:

	2019
	$
Gary Rohloff	289,769
Robyn Rohloff	252,805
Craig Styris	-
Andrew Burton	-
Shayne Shepherd	13,696

Donations

There were no donations made during the financial year ended 31 March 2019.

Interests register

Except for disclosures made elsewhere in this annual report, there have been no entries in the Interests Register of the Company or its subsidiaries made during the year.

Employee remuneration

The following table shows the number of employees of the Group whose remuneration and benefits for the year ended 31 March 2019 were within the specified bands above $100,000.

Remuneration including share-based compensation	Number of employees
150,000 to 159,999	1
160,000 to 169,999	1
190,000 to 199,999	1