APPENDIX 4E

2021 FULL YEAR REPORT

Under ASX listing rule 4.3A

Company details

Name of entity	Laybuy Group Holdings Limited
ARBN	642 138 476
Reporting period	31 March 2021
Previous period	31 March 2020

Results for announcement to the market

	Change from previous period		
	▲▼	%	NZ $000
Income from ordinary activities	▲	137%	18,820
Loss after tax from ordinary activities	▲	156%	(25,147)
Loss for the period attributable to ordinary equity holders	▲	156%	(25,147)

	2021	2020
Net tangible assets per ordinary share	NZ$0.20	-NZ$0.05

Dividends

No dividends are proposed, and no dividends were declared or paid for the year ended 31 March 2021.

Entities over which control has been gained or lost

During the year ended 31 March 2021, Laybuy Group Holdings Limited gained control, or incorporated the following entities:

Name	Date control gained or incorporated
Laybuy Group Holdings Limited	16 June 2020
Laybuy Australia Pty Limited	20 April 2020
Laybuy (UK) Limited	1 July 2020
Laybuy Holdings (USA) Inc.	6 July 2020

During the year ended 31 March 2021, Laybuy Group Holdings Limited lost control of the following entity:

Name	Date control lost
Laybuy Holdings (Australia) Pty Limited	24 July 2020

Details of associates and joint venture entities

Not applicable.

LAYBUY

Accounting Standards

The attached FY21 audited consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practices in New Zealand. They 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 entitles that apply NZ IFRS.

Audit

The attached consolidated financial statements for FY21 have been audited by PwC (New Zealand). A copy of the independent audit report accompanies the financial statements.

Commentary on results and other required information

The remainder of the information requiring disclosure and any other significant information for the Appendix 4E is contained within the commentary that follows and the attached FY21 audited consolidated financial statements. This document should be read in conjunction with the FY21 audited consolidated financial statements.

This announcement was approved for release by the Board of Directors of Laybuy Group Holdings Limited.

FY21 Results and Operating Performance

Laybuy Group Holdings Limited ("Laybuy" or "the Group") is a leading Buy Now, Pay Later ("BNPL") provider, with more than half a billion dollars spent through Laybuy's fully integrated payment platform in the past year and continuing to grow strongly. It is New Zealand's leading BNPL provider, is recognised as a leading provider in the United Kingdom and is building its brand in Australia.

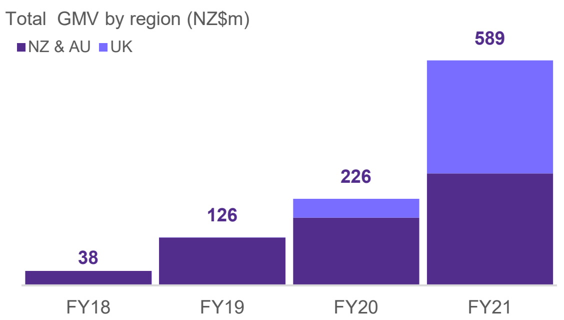
Inspired by the traditional lay-by model, Laybuy aims to make life easier by helping consumers avoid the traps of high interest credit and providing merchants with a low-risk and cost-effective credit option.

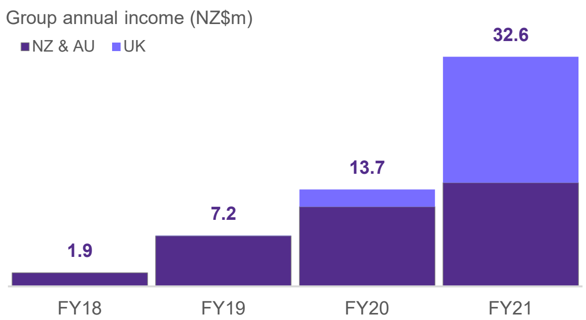
Laybuy distinguishes itself from its competitors with features like Laybuy Boost, Laybuy Global, and Tap to Pay, which are helping revolutionise the way people spend.

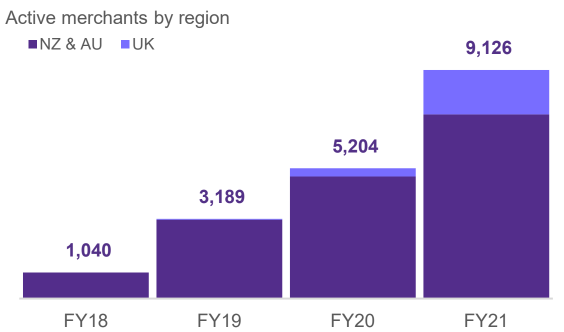
But most importantly, Laybuy is committed to being a leader in responsible credit. Every new Laybuy customer is credit checked and strict credit limits are put in place to ensure they are not taking on debt they cannot afford. And if an individual's financial circumstances change, Laybuy is committed to working proactively with them to tailor individual solutions to help them get back on track.

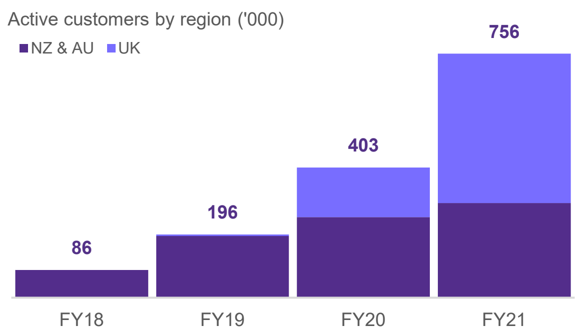
Laybuy saw significant growth in FY21, with gross merchandise value (GMV) up 159% on prior year and income increasing by 138% to NZ$32.6 million.

- **GMV[1] increased to NZ$589m** (up 159% or NZ$362m on PcP)
- **Income for the year was a record NZ$32.6m** (up 138% or NZ$18.9m on PcP)
- **Active Customers[2] reached 756,000** and increased by 351,000 or 87% on PcP
- **Active Merchants[3] reached over 9,000** and increased by 3,922 or 75% on PcP









1 GBP and AUD denominated GMV have been converted to NZD at the average historical exchange rates for FY212 An 'Active Customer' is a customer who has made a purchase through the Laybuy platform within the 12 months prior to the relevant period
2 An 'Active Customer' is a customer who has made a purchase through the Laybuy platform within the 12 months prior to the relevant period
3 An 'Active Merchant' is a merchant who has received payment for a purchase through the Laybuy platform within the 12 months prior to the relevant period

For the year ending 31 March 2021, Laybuy heavily invested in its people, marketing, product development, partnerships, and capital and debt right-sizing.

NZ$'000	FY21	FY20	Change $'m	Change %
Total income	**32,567**	**13,747**	**18,820**	**137%**
Merchant and marketing expenses	(12,200)	(4,070)	(8,130)	200%
Employment expenses	(10,372)	(4,612)	(5,760)	125%
Transaction expenses	(6,612)	(4,226)	(2,386)	56%
Consumer receivables impairment expenses	(15,132)	(9,623)	(5,509)	57%
Platform development expenses	(1,085)	(354)	(731)	206%
Depreciation and amortisation	(991)	(538)	(453)	84%
Other operating expenses	(14,296)	(6,551)	(7,745)	118%
Other (losses)/gains	(3,986)	563	(4,549)	808%
Total expenses	**(64,674)**	**(29,411)**	**(35,263)**	**120%**
Segment operating loss	**(32,107)**	**(15,664)**	**(16,443)**	**105%**
Other income	107	0	107	Large
Finance expenses	(9,495)	(479)	(9,016)	1882%
Finance income	0	8	(8)	100%
Loss before tax	**(41,495)**	**(16,135)**	**(25,360)**	**157%**
Net transaction margin	**10,741**	**(19)**	**10,760**	**Large**
Normalised EBITDA[4]	**(21,745)**	**(16,206)**	**(5,539)**	**34%**
EBITDA[5]	**(27,943)**	**(16,206)**	**(11,737)**	**72%**

Financial position

The Group's net asset position has increased to NZ$36.7m as at 31 March 2021, up from a net liability position of NZ$0.75m as at 31 March 2020. This is due to the capital raise via the IPO in September offset by the losses for the period. The customer loan book continues to grow in line with GMV growth.

Total liabilities as at 31 March 2021 were NZ$23.3m, this is a reduction compared to 31 March 2020, largely due to the convertible notes being converted into equity at the time of the IPO.

4 Normalised EBITDA excludes one-off items such as cost associated with the IPO and convertible notes, fair value movements on convertible notes and share based payments.
5 EBITDA includes one-off items and excludes depreciation and amortisation, other (losses)/gains and finance expenses related to interest on convertible notes.

Capital management

The Group raised NZ$98.2 million during the year ended 31 March 2021 from the pre-IPO convertible note offer as well as the IPO. The net contributed capital was NZ$76.7 million. The Group has two debt facilities with Kiwibank and Victory Park Capital, the combined facility limits are NZ$174 million. As at 31 March 2021 approximately NZ$3.4m was available to draw based on the receivable book balance and advance rates.

The Group is currently in the process of raising approximately A$40 million through an Institutional Placement and Share Purchase Plan to accelerate UK growth and further enhance Laybuy's technology and product offering. This is expected to be completed by end of June 2021.

Strong momentum continues into FY22

Laybuy continued its momentum into FY22 and is on track to exceed GMV of NZ$1 billion during FY22 and expected revenue to grow between 90% and 100% on FY21 while NTM is expected to continue to improve on FY21 (12 month rolling average).

GMV for April and May (based on MTD run rate) was NZ$60.2m and NZ$61.7m, up 52% and 53% respectively over prior comparative month – the highest sales months after November and December. Laybuy also added over 53,000 new customers and 400 new merchants to the platform during the two months (to date).

Laybuy Mania was held in April, which produced record sales compared to previous Mania events. Website traffic was up 207% compared to an average Thursday (the day Mania was held) and click throughs to merchants via the Laybuy shop directory were up 135% when compared to an average Thursday.

In May, Laybuy announced strategic partnerships with Rakuten, AWIN and Sovern which will see Laybuy customers having access to over 5,000 merchants in the UK, including household brands ASOS, Nike, Marks & Spencer, Amazon, Boots, easyJet, Booking.com and eBay. These partnerships will enable customers to use Laybuy's innovative "Tap to Pay" digital card with these merchants, allowing them to pay with Laybuy without further merchant integration or direct relationship's being required. The access to these leading retailers is expected to support increased GMV and repeat customer usage.

Laybuy Group Holdings Limited
Consolidated financial statements
for the year ended 31 March 2021

Contents to consolidated financial statements

Directors' statement

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 Group Holdings Limited for the financial year ended 31 March 2021 comply with the Companies Act 1993 (New Zealand).

During the year ended 31 March 2021 the principal activity of the Group is the business of consumer financing through a buy now, pay later model. Other than disclosed in these consolidated financial statements, 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 27 May 2021.

Steven Fisher
Chair,
Independent Non-Executive Director

Mark Haberlin
Chair Audit and Risk Committee,
Independent Non-Executive Director

Consolidated statement of comprehensive income

for the year ended 31 March 2021

	Notes	2021 $000	2020 $000
Income	6	32,567	13,747
Total income		**32,567**	**13,747**
Other income		107	-
Less expenses			
Merchant and marketing expenses		(12,200)	(4,070)
Employment expenses		(10,372)	(4,612)
Transaction expenses		(6,612)	(4,226)
Consumer receivables impairment expenses	7.a	(15,132)	(9,623)
Platform development and hosting expenses		(1,085)	(354)
Depreciation and amortisation expenses	7.b	(991)	(538)
Other operating expenses	7.c	(14,296)	(6,551)
Other (losses)/gains	7.e	(3,986)	563
Total expenses		**(64,674)**	**(29,411)**
Operating loss		**(32,000)**	**(15,664)**
Finance expenses	7.d	(9,495)	(479)
Finance income		-	8
Loss before tax		**(41,495)**	**(16,135)**
Income tax credit	9	213	-
Loss for the year		**(41,282)**	**(16,135)**
Other comprehensive income/(loss)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign controlled entities		737	(491)
Total other comprehensive income/(loss)		**737**	**(491)**
Total comprehensive loss for the year		**(40,545)**	**(16,626)**
Loss is attributable to:			
Equity holders of the parent		**(41,282)**	**(16,135)**
Total comprehensive loss is attributable to:			
Equity holders of the parent		**(40,545)**	**(16,626)**
Earnings per share (in cents)	21		
Basic loss for the year attributable to ordinary equity holders of the parent		(0.27)	(0.14)
Diluted loss for the year attributable to ordinary equity holders of the parent		(0.27)	(0.14)

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 2021

	Notes	2021 $000	2020 $000
Assets			
Cash and cash equivalents	12	15,487	9,856
Consumer receivables	14	27,346	11,227
Related party receivables	29	-	295
Other current assets	16	9,351	4,016
Current tax receivables		206	-
Prepayments	17	5,170	2,099
Property, plant and equipment	10	197	187
Intangible assets	11	2,139	779
Right-of-use assets	22	165	394
Total assets		**60,061**	**28,853**
Equity and liabilities			
Equity			
Share capital	27	96,588	20,343
Accumulated losses		(62,065)	(20,783)
Foreign currency translation reserve		251	(486)
Share-based payments reserve	31	1,951	176
Total equity		**36,725**	**(750)**
Liabilities			
Trade and other payables	18	9,149	7,537
Borrowings	23	11,370	6,018
Income tax payables		-	264
Other liabilities	24	1,342	-
Provisions	15	1,316	584
Convertible notes	26	-	14,808
Lease liabilities	22	159	392
Total liabilities		**23,336**	**29,603**
Total equity and liabilities		**60,061**	**28,853**

For and on behalf of the Board, who authorised the issue of these consolidated financial statements on 27 May 2021.

Steven Fisher
Chair,
Independent Non-Executive Director

Mark Haberlin
Chair Audit and Risk Committee,
Independent Non-Executive Director

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

Consolidated statement of changes in equity

For the year ended 31 March 2021

	Attributable to the equity holders of the parent				
	Share capital	Share based payments reserve	Accumulated losses	Foreign currency translation reserve	Total equity
	$000	$000	$000	$000	$000
As at 1 April 2020	**20,343**	**176**	**(20,783)**	**(486)**	**(750)**
Loss for the year	-	-	(41,282)	-	(41,282)
Other comprehensive income	-	-	-	737	737
Total comprehensive (loss)/income for the year	**-**	**-**	**(41,282)**	**737**	**(40,545)**
Transactions with owners in their capacity as owners					
Issue of share capital, net of transaction costs (Note 27)	76,245	-	-	-	76,245
Share-based payments (Note 31)	-	1,775	-	-	1,775
As at 31 March 2021	**96,588**	**1,951**	**(62,065)**	**251**	**36,725**
As at 1 April 2019	**7,343**	**-**	**(4,648)**	**5**	**2,700**
Loss for the year	-	-	(16,135)	-	(16,135)
Other comprehensive loss	-	-	-	(491)	(491)
Total comprehensive loss for the year	-	-	(16,135)	(491)	(16,626)
Transactions with owners in their capacity as owners					
Issue of share capital, net of transaction costs (Note 27)	13,000	-	-	-	13,000
Share-based payments (Note 31)	-	176	-	-	176
As at 31 March 2020	**20,343**	**176**	**(20,783)**	**(486)**	**(750)**

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

pwc

Consolidated statement of cash flows

For the year ended 31 March 2021

	Notes	2021 $000	2020 $000
Operating activities			
Receipts from consumers		450,374	177,038
Payments to merchants and suppliers		(485,516)	(194,134)
Payments to employees		(9,143)	(3,680)
Interest received		-	8
Interest paid		(813)	(317)
Income tax paid		(264)	(2)
Interest paid on lease liabilities		(7)	(10)
Prepaid borrowing costs		-	(160)
Convertible note transaction costs paid		(564)	(567)
Payment for debt issue costs		(2,013)	-
Receipts from government grants		107	-
Net cash flows used in operating activities	**13**	**(47,839)**	**(21,824)**
Investing activities			
Purchase of property, plant and equipment	10	(118)	(118)
Amounts received from/(advanced to) related parties		157	(195)
Payments for development of intangible assets	11	(2,032)	(680)
Net cash flows used in investing activities		**(1,993)**	**(993)**
Financing activities			
Proceeds from issue of shares	27	43,436	13,000
Principal payments for lease liabilities		(217)	(197)
Proceeds from borrowings	23	24,882	3,507
Repayment of borrowings	23	(15,525)	(970)
Proceeds from issue of convertible notes	26	11,343	15,482
Payment of share issue costs	27	(7,252)	-
Net cash flows from financing activities		**56,667**	**30,822**
Net increase in cash and cash equivalents		6,835	8,005
Net foreign exchange difference		(1,204)	-
Cash and cash equivalents as at 1 April	12	9,856	1,851
Cash and cash equivalents as at 31 March	12	**15,487**	**9,856**

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 Group Holdings Limited (the Company) and its subsidiaries (collectively, the Group or Laybuy) for the year ended 31 March 2021 were authorised for issue in accordance with a resolution of the Directors on 27 May 2021.

Laybuy Group Holdings Limited was incorporated on 16 June 2020.

Laybuy Group Holdings Limited is a company incorporated and registered in New Zealand under the *New Zealand Companies Act 1993*, whose shares are publicly traded on the Australian Securities Exchange (ASX) and is required to be treated as an FMC Reporting Entity under the *Financial Market Conducts Act 2013* and the *Financial Reporting Act 2013*. The registered office of the Group is 74 Taharoto Road, Takapuna, Auckland, New Zealand. The Group is registered in Australia as a foreign company under the Corporations Act 2001.

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 changes in the current reporting period

Corporate reorganisation

On 3 September 2020, the Company and Laybuy Holdings Limited (and its controlled entities) undertook a corporate restructure process to facilitate an Initial Public Offering (IPO). Under this corporate restructure the shareholders of Laybuy Holdings Limited exchanged their shares in Laybuy Holdings Limited for shares in Laybuy Group Holdings Limited in a “top hat restructure” (Restructure).

Prior to the Restructure, Laybuy Holdings Limited was the parent of the Group (Pre-IPO Laybuy Group). Post the Restructure, Laybuy Group Holdings Limited became the new legal parent of Laybuy Holdings Limited and its controlled entities. For more information refer to note 28.

This Restructure does not represent a business combination in accordance with *NZ IFRS 3 Business Combinations*, and the appropriate accounting treatment for recognising the new group structure is on the basis that the transaction is a capital reorganisation. Accordingly, the consolidated financial statements have been presented as a continuation of the existing financial performance and financial position of the Pre-IPO Laybuy Group. As such, the consolidated financial statements of the Group include the historical financial information of the Pre-IPO Laybuy Group for the period before the Restructure. These consolidated financial statements include the financial results for the Group from the Restructure to 31 March 2021 and the Pre-IPO Laybuy Group for the period 1 April 2020 to the date of the Restructure.

The comparative information presented in the consolidated financial statements therefore represents the financial position of the Pre-IPO Laybuy Group as at 31 March 2020, and the financial performance and movements in equity and cash flows of the Pre-IPO Laybuy Group for the year ended 31 March 2020.

ASX listing and Initial Public Offering

On 7 September 2020, the Company completed an IPO and became listed on the ASX. For more information, refer to note 27.

3. Significant accounting policies

3.a Statement of compliance

The Group is a reporting entity for the purposes of the *Financial Markets Conduct 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.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

3.a Statement of compliance *(continued)*

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

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.

For the purpose of complying with GAAP, 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.

3.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'). Amounts have been rounded to the nearest thousand New Zealand dollar ($000) unless otherwise indicated.

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.

3.c Going concern

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

As at 31 March 2021, the Group had net assets of $36,725,000 (2020: net liabilities of $750,000) and a loss after tax for the year ended 31 March 2021 of $41,282,000 (2020: $16,135,000).

The Group had net cash outflows from operating activities of $47,839,000 (2020: $21,824,000). The Group continues to invest in growth opportunities and therefore is currently trading at a loss, as well as having net cash outflows from operating activities, 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 its merchant and customer base and grow its market share. The Group's business model also requires it to source additional capital and/or funding in subsequent periods as it continues to grow and expand 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 United Kingdom (UK) governments continues to cause 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 the impact of COVID-19 has positively impacted the business operations of the Group with online ecommerce dominating during periods of lockdown which led to new customer acquisition. These new customers are now aware of the benefits of Laybuy and therefore are now more likely to use Laybuy both online and instore. Any negative impact of COVID-19 on the Group's business will depend on future developments, including the duration and any future spread of COVID-19 within our key markets, 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.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

3.c Going concern *(continued)*

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 time the consolidated financial statements are being signed, the impact of COVID-19 in Australia and New Zealand (ANZ) continues to be managed with the respective governments taking actions as and when required. The establishment of a trans-Tasman travel bubble is indicative of a step towards growing the trade between these two economies.

- The UK has aggressively rolled out immunisations across the country and are making positive steps towards their economy trading in normal rhythms. The furlough scheme in the UK has been extended to 30 September 2021. As yet Laybuy has not experienced any significant credit losses as a result of the economic conditions in the UK as a result of COVID-19.

- If any future COVID-19 related measures and trade restrictions were to be imposed in the markets in which 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 periods of lockdown 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 funding arrangements for its receivables ledger include:

- A $20 million facility with Kiwibank Limited (Kiwibank), with $9,239,000 drawn down as at 31 March 2021. On 26 May 2021 the facility was extended to 30 June 2022. This loan has an advance rate of 75% Loan to Value Ratio (LVR).

- A £80 million facility with Victory Park Capital Advisors, LLC (Victory Park), with £3,250,000 drawn down as at 31 March 2021. The first draw down was made in August 2020 and continues to be used to support the UK receivables ledger. This loan has an advance rate restriction based on a calculation of eligible receivables, less calculated reserves for future refunds and chargebacks. This eligible collateral is advanced at a rate of 1 less 3 times the average of the maximum default rate from the previous 10, 12, 14 and 16 week buckets.

The debt facilities entered into with Kiwibank and Victory Park will enable the business to continue to grow and expand its receivables ledgers globally. Due to the lending restrictions in place with these facilities, the Group's ability to continue to grow its receivables ledgers globally is also contingent on further funding being injected into the business.

Post year-end, on 19 May 2021 the Group announced it was undertaking a capital raise of up to AUD$40,000,000 before transaction costs, comprising a Two Tranche Institutional Placement (Placement) of AUD$35,000,000 and a separate Share Purchase Plan available to eligible shareholders to raise up to AUD$5,000,000. The first tranche of the Placement has been successfully completed with proceeds of AUD$13,084,667 received on 25 May 2021, prior to transaction costs. Irrevocable commitments for a further AUD$21,915,333 prior to transaction costs have been received under the second tranche of the Placement which is conditional on obtaining formal shareholder approval in a vote scheduled to be held on 10 June 2021, with the proceeds expected to be received on 16 June 2021. The Share Purchase Plan, through which a further AUD$5,000,000 could be raised, will be finalised on 25 June 2021.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

3.c Going concern *(continued)*

At the time of the Directors approving these consolidated financial statements, the Directors are not aware of any matters which would indicate that the second tranche of the Placement and Share Purchase Plan will not be approved by the shareholders. The Directors consider the likelihood of the shareholder voting thresholds not being satisfied to be very low, given the assurances provided to the Directors by the major shareholders, Pioneer Capital III Nominees Limited and Gary and Robyn Rohloff that they will vote in favour of the resolutions at the special meeting of shareholders scheduled for 10 June 2021.

The Directors have also reviewed the forecasts for the Group through to 30 June 2022. The forecasts include the funding expected to be raised via the Placement and indicate that the Group will have sufficient funding to support the projected revenue growth assumptions for the UK, Australia and New Zealand markets and to meet its forecasted operating costs throughout this period. The Group expects to see further improvement in default loss rates across the portfolio as repeat customer usage increases. The Group is also forecasting to continue to invest in people, technology, sales and marketing globally to grow the Group's brand awareness and grow the business through new customer and merchant acquisitions. In the event that the resolutions at the special meeting on 10 June 2021 are not approved by the shareholders, it is uncertain whether the Group's available funding, including proceeds received from the first tranche of the Placement, will be sufficient for its operations through to 30 June 2022 without securing alternative funding and/or reducing business growth and operating costs. The Group has the ability to slow down growth in both new customers and merchant acquisitions should it need to, as well as altering the credit limit matrix and its appetite towards credit risk.

Although the Board has identified the above uncertainties, based on the irrevocable commitments received under the second tranche of the Placement, the assurances provided by the major shareholders Pioneer Capital III Nominees Limited and Gary and Robyn Rohloff to vote in favour of the shareholders resolutions, and the Group's ability to manage funding needs through reducing growth, if needed, the Directors expect that the Group will be able to meet its undertakings and covenants in relation to their financial arrangements and will have sufficient cash to discharge it's liabilities as they fall due, for a period of at least one year from the date the consolidated financial statements are approved. As such, they have prepared these consolidated financial statements on the going concern basis and concluded that there is no material uncertainty that would cast significant doubt on the Group's ability to continue as a going concern.

3.d Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021. 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.

3.e Summary of significant accounting policies

(a) Income

Merchant fees

Merchant fees are 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.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

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

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.

Merchant fees are 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 merchant fees 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 merchant fees 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.

Late fees
Late fee charges are currently used as an incentive to encourage the consumer to pay their outstanding balances as and when they fall due. Late fees are applied after the consumer misses a scheduled instalment. In accordance with the principals of NZ IFRS 15 *Revenue from Contracts with Customers,* late fees are recognised when they become payable (at a point in time) and it is probable the fee will be recovered.

(b) 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 recognised using the balance sheet 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.

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.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

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

(b) Taxes *(continued)*

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.

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 revenue 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.

(c) 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.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

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

Differences arising on settlement or translation of monetary items are recognised in other 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 the 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.

(d) 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 estimated depreciation rates are used in the calculation of depreciation:

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

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.

(e) Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and impairment losses. Only costs that are directly associated with the development of an internally generated intangible asset (core technology) are capitalised 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. Other costs that are not directly attributable to the development of an intangible asset are recognised in the consolidated statement of comprehensive income in the period in which the expenditure is incurred.

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

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

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

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 which are considered work in progress, 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:

Core technology	40%, straight line
Customer book	67%, straight line

(f) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Leases are recognised as a right-of-use asset and a corresponding lease liability. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

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

(iii) **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(g) 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.

(h) 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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

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

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

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 3.e(j) 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.

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by NZ IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss within the consolidated statement of comprehensive income.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in NZ IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Liabilities measured at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans, the debt portion of convertible notes 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 further information refer to note 25.

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 include 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.

(i) Share capital

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 costs have been incurred in relation to the expected issue of new shares, these costs have been recognised on the consolidated statement of financial position as deferred costs. Upon the successful issue of new shares, the costs will be transferred to equity and shown as a deduction, net of tax, against the proceeds raised from 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.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

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

(j) 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. For accounting purposes, the contracts are determined to be solely payments of principal and interest. As such consumer receivables are measured at amortised cost using the EIR method.

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

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. Due to the short term nature of the Group's consumer receivables, the ECLs are based on the probability of a default event occurring over the life of the consumer receivable. 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 life of the consumer receivables. 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.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

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

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 month 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.

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 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 Group's 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.

(k) Prepayments

Prepayments represent amounts that have been paid to third parties and merchants, but the related benefit or service has not been received at balance date. These are then recognised over the period to which the benefit or service is received, either at a point in time or on a straight line basis, dependant on the type of benefit or service and the obligation of the third party or merchant for this.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

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

(l) Convertible notes

Convertible notes are comprised of two elements: a debt note liability component and an embedded derivative component. At inception, the fair value of the host liability portion of convertible notes is determined as being the difference between the proceeds and the fair value of any identifiable derivative liabilities contained within the note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes.

The fair value of the embedded derivative component is calculated through a valuation model using a variety of assumptions, with the residual value assigned to the debt host components. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. No gain or loss on fair value changes is recognised on inception. Valuation of the embedded derivative is calculated at each year end, with any gain or loss recognised in the consolidated statement of comprehensive income.

The debt liability component is subsequently carried at amortised cost. Refer to note 3.e(h) for further details.

Embedded derivatives

Derivatives are initially recognised at fair value and are subsequently remeasured to their fair value at each reporting date.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host (e.g. convertible notes). Derivatives embedded in hybrid contracts that are financial liabilities are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to the host contract and the host contract is not measured at fair value through profit or loss.

(m) 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.

(n) 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.

(o) Share based payments

Share based payments compensation benefits is provided to certain employees and select external parties that provide services to the Group. For share based payment transactions with external parties, as the fair value of the services received is not considered to be able to be reliably estimated, the fair value has been based on fair value of the instruments granted.

Fair values at grant date are independently determined using a Black-Scholes-Merton model that takes into account the exercise price, the term of the option, the market price and volatility.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

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

The fair value of the options granted to the employees and the external parties is recognised as an expense, over the vesting period of the options, with a corresponding entry to the 'share based payments reserve'. The amount recognised as an expense is adjusted at each reporting date to reflect the extent to which the vesting period has expired and management's best estimate of the number of share options that will ultimately vest. If the revision of the original estimates results in a change, this is recognised in profit or loss with a corresponding adjustment to the share-based payments reserve.

(p) 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 expenses as well as employee costs.

(q) 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.f Non-GAAP measure

The consolidated statement of comprehensive income includes one non-GAAP measure; Operating loss. This non-GAAP measure has been presented to assist investors in understanding the different aspects of the Group's financial performance.

4 New accounting standards and interpretations

The Group has not early adopted any new standards, interpretations or amendments in the current year. There are no new standards, interpretations or amendments published but not yet effective that are expected to have a material impact on the consolidated financial statements of the Group.

Accounting policies set out in these consolidated financial statements are consistent for all periods presented in these consolidated financial statements.

5. 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. Laybuy 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 ECL. 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 14.

Notes to the consolidated financial statements

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

Deferred taxes

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 $47,842,000 (2020: $16,966,000) 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 currently recognise deferred tax assets on the tax losses carried forward. For further details refer to note 9.

Share-based payments

Equity-settled share-based payments to non-executive Directors, the executive team and other external parties are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves. Refer to note 30 for further information.

Accounting for and fair value of common stock warrants issued

Accounting for the common stock warrants issued is a key accounting estimate due to the judgements made in applying the appropriate accounting standard. Management has determined that as no separate service was being provided in addition to the funding facility, there was no share-based payment arrangement in place. In addition, judgement is applied in determining the key inputs which are used in the valuation model, which in this case is the Black-Scholes-Merton. Further information on these inputs can be found in note 20. The Group engages the services of a third party to assist with the valuation of the Victory Park common stock warrants.

6. Income

	2021	2020
	$000	**$000**
Merchant fees	17,811	7,123
Late fees	14,756	6,624
Total income	**32,567**	**13,747**

Notes to the consolidated financial statements

7. Expenses

7.a Consumer receivables impairment expenses

	2021	2020
	$000	$000
Consumer receivables written off	12,590	6,928
Consumer receivables recovered	(772)	(195)
Increase in allowance for expected credit losses on consumer receivables	2,582	2,484
Increase in allowance for expected credit losses on undrawn balances	732	406
Total consumer receivables impairment expenses	**15,132**	**9,623**

7.b Depreciation and amortisation expenses

	2021	2020
	$000	$000
Depreciation of right-of-use assets	211	195
Depreciation of property, plant and equipment	108	89
Amortisation expenses	672	254
Total depreciation and amortisation expenses	**991**	**538**

7.c Other operating expenses

	2021	2020
	$000	$000
Bank charges	335	86
General and administrative expenses	3,714	2,256
Directors' fees	255	66
Consulting expenses	2,668	1,980
Communication and technology expenses	881	318
Short term lease expenses	412	548
Consumer acquisition expenses	3,948	1,297
IPO related expenses	2,083	-
Total other operating expenses	**14,296**	**6,551**

7.d Finance expenses

	2021	2020
	$000	$000
Lease liabilities interest expense	7	10
Amortisation of capitalised borrowing costs	750	47
Other interest expenses	856	324
Convertible notes interest expense	6,751	98
Release of capitalised costs on convertible notes	1,131	-
	9,495	**479**

Notes to the consolidated financial statements

7. Expense *(continued)*

7.e Other (losses)/gains

		2021 $000	2020 $000
Fair value adjustment on embedded derivative on convertible notes	26	(3,848)	(19)
Fair value adjustment on derivatives - common stock warrants	24	1,477	-
Foreign exchange (losses)/gains		(1,615)	582
Total other (losses)/gains		**(3,986)**	**563**

8. Auditors' remuneration

The auditor of Laybuy Group Holdings Limited is PwC New Zealand.

	2021 $000	2020 $000
Fees paid for the audit and review of the Group financial statements or subsidiaries that require an audit:		
Fees to PwC New Zealand - current year audit	164	90
Fees to PwC New Zealand - prior year audits	105	-
Fees to PwC Australia - prior year audits	33	-
Total audit fees	**302**	**90**
Fees paid for other assurance services		
Investigating Accountant assurance services provided by PwC Australia in respect of the ASX IPO*	324	145
Total other assurance services fees	**324**	**145**
Fees paid for other services		
Tax related services paid to PwC New Zealand in respect of the ASX IPO*	167	69
Tax due diligence services paid to PwC Australia in respect of the ASX IPO*	166	51
Tax related services paid to PwC Australia in respect of other tax services	28	-
Tax related services paid to PwC New Zealand in respect of other tax services	8	-
Total other services fees	**369**	**120**
	995	**355**

* These fees are included within equity transaction costs incurred in relation to the ASX IPO.

9. Income tax

The major components of income tax credit for the years ended 31 March are:

	2021 $000	2020 $000
Consolidated statement of comprehensive income		
Current income tax expense	54	-
Adjustments in respect of previous years	(7)	-
Recognition and utilisation of carry back tax losses	(260)	
	(213)	**-**
Deferred income tax		
Origination and reversal of temporary differences	-	-
	-	**-**
Income tax (credit) reported in the consolidated statement of comprehensive income	**(213)**	**-**

Notes to the consolidated financial statements

9. Income tax *(continued)*

Reconciliation of income tax credit and the accounting loss multiplied by New Zealand's company tax rate for the years ended 31 March:

	2021 $000	2020 $000
Loss before tax	(41,495)	(16,135)
Accounting loss before income tax	**(41,495)**	**(16,135)**
At New Zealand statutory income tax rate of 28% (2020: 28%)	(11,619)	(4,518)
Non-deductible expenses for tax purposes:		
Effect of foreign income tax rates	52	866
Deferred tax not recognised on temporary differences	1,325	104
Tax losses not recognised	9,504	3,522
Other non-deductible expenses	792	26
Tax credits and utilised losses in respect of previous years	(267)	-
Income tax (credit)	**(213)**	**-**

There were $0 imputation credits as at 31 March 2021 (2020: $0).

Deferred income tax

Deferred income tax relates to the following:

Recognised deferred income tax

	Accruals $000	Provisions $000	Tax losses $000	Other $000	Total $000
As at 1 April 2019	**(13)**	**13**	**-**	**-**	**-**
Recognised in the consolidated statement of comprehensive income	13	32	-	(45)	-
As at 31 March 2020	**-**	**45**	**-**	**(45)**	**-**

	Accruals $000	Provisions $000	Tax losses $000	Other $000	Total $000
As at 1 April 2020	**-**	**45**	**-**	**(45)**	**-**
Recognised in the consolidated statement of comprehensive income	-	24	-	(24)	-
As at 31 March 2021	**-**	**69**	**-**	**(69)**	**-**

Unrecognised deferred tax asset

Deferred tax assets have not been recognised in respect of 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 $8,127,000 (2020: $4,009,000).

The Group also has total tax losses of $47,842,000 (2020: $16,996,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, subject to maintaining business continuity.

Deferred tax assets have not been recognised in respect of these losses 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.

Notes to the consolidated financial statements

10. Property, plant and equipment

The net book value of property, plant and equipment of $197,000 (2020: $187,000) primarily includes computer equipment, furniture and fittings, and motor vehicles. During the year, the Group purchased property, plant and equipment of $118,000 (2020: $118,000), disposed $0 (2020: $0) and recognised depreciation of $108,000 (2020: $89,000) in the consolidated statement of comprehensive income.

11. Intangible assets

Non-current

	Work in progress	Customer book	Core technology	Total
As at 31 March 2019	**$000**	**$000**	**$000**	**$000**
Cost	-	-	517	517
Accumulated amortisation	-	-	(164)	(164)
Net carrying amount	**-**	**-**	**353**	**353**
Year ended 31 March 2020				
Opening net carrying amount	**-**	**-**	**353**	**353**
Additions	244	-	436	680
Amortisation	-	-	(254)	(254)
Closing net carrying amount	**244**	**-**	**535**	**779**
As at 31 March 2020				
Cost	244	-	953	1,197
Accumulated amortisation	-	-	(418)	(418)
Net carrying amount	**244**	**-**	**535**	**779**
Year ended 31 March 2021				
Opening net carrying amount	**244**	**-**	**535**	**779**
Additions	20	142	1,870	2,032
Transfers	(244)	-	244	-
Amortisation	-	(63)	(609)	(672)
Closing net carrying amount	**20**	**79**	**2,040**	**2,139**
As at 31 March 2021				
Cost	20	142	3,067	3,229
Accumulated amortisation	-	(63)	(1,027)	(1,090)
Net carrying amount	**20**	**79**	**2,040**	**2,139**

Notes to the consolidated financial statements

12. Cash and cash equivalents

Current

	2021	2020
	$000	**$000**
Cash at banks	15,487	9,856
	15,487	**9,856**

Cash by currency

	2021	2020
Cash and cash equivalents by currency	**$000**	**$000**
NZD	3,596	3,306
GBP	11,182	1,886
AUD	540	4,664
USD	169	-
	15,487	**9,856**

All foreign amounts are expressed in NZD.

13. Cash flow information

		2021	2020
		$000	**$000**
Cash flow reconciliation			
Reconciliation of loss for the year to net cash flows used in operating activities:			
		(41,282)	(16,135)
Non-cash adjustments to reconcile loss after tax to net cash flows:			
Depreciation and amortisation	7.b	991	538
Consumer receivables impairment expenses	7.a	15,904	9,818
Amortisation of capitalised borrowing costs	7.d	750	47
Foreign exchange gain/(loss) on convertible notes		880	(225)
Convertible notes interest expense		6,751	98
Fair value adjustment on derivatives		2,371	19
Share-based payments expense		2,839	176
Other foreign exchange movements		1,391	(490)
Prepaid convertible notes transaction costs		567	-
		32,444	**9,981**
Items capitalised:			
Convertible note transaction costs		(564)	(567)
Payment for debt issue costs		(2,013)	-
Working capital adjustments:			
Increase in consumer receivables		(29,455)	(14,284)
Increase in trade and other payables		1,612	4,980
Increase in other current assets		(5,335)	(3,704)
Increase in prepayments		(3,071)	(2,099)
Decrease in income tax payable/increase in income tax receivable		(470)	4
Decrease in related party receivables		295	-
Net cash flows used in operating activities		**(47,839)**	**(21,824)**

Notes to the consolidated financial statements

13. Cash flow information *(continued)*

Reconciliation of liabilities arising from financing activities

	Convertible notes	Lease liabilities	Borrowings	Total
	$000	$000	$000	$000
Net debt as at 1 April 2019	**-**	**(504)**	**(3,434)**	**(3,938)**
Operating cash flows	567	10	-	577
Financing cash flows	(15,482)	197	(2,537)	(17,822)
Amortisation of capitalised borrowing costs	-	-	(47)	(47)
Non-cash adjustments	107	(95)	-	12
Net debt as at 31 March 2020	**(14,808)**	**(392)**	**(6,018)**	**(21,218)**
Net debt as at 1 April 2020	**(14,808)**	**(392)**	**(6,018)**	**(21,218)**
Operating cash flows	564	7	2,013	2,584
Financing cash flows	(11,343)	217	(9,357)	(20,483)
Amortisation of capitalised borrowing costs	-	-	(750)	(750)
Non-cash adjustments	25,587	9	2,742	28,338
Net debt as at 31 March 2021	**-**	**(159)**	**(11,370)**	**(11,529)**

14. Consumer receivables

Current

	2021	2020
	$000	$000
Consumer receivables		
Consumer receivables - face value	34,173	14,727
Unearned future income*	(1,257)	(512)
Total consumer receivables	**32,916**	**14,215**
Less provision for expected credit losses on drawn balances:		
Opening balance	(2,988)	(504)
Provided in the year	(2,582)	(2,484)
Closing provision for expected credit losses on drawn balances	**(5,570)**	**(2,988)**
Net consumer receivables balance	**27,346**	**11,227**

** 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
	$000	$000	$000	$000
2021				
Consumer receivables	28,936	3,487	1,750	34,173
Provision for expected credit losses	(1,784)	(2,164)	(1,622)	(5,570)
Net consumer receivables (including unearned income)	**27,152**	**1,323**	**128**	**28,603**
2020				
Consumer receivables	11,853	2,098	776	14,727
Provision for expected credit losses	(599)	(1,642)	(747)	(2,988)
Net consumer receivables (including unearned income)	**11,254**	**456**	**29**	**11,739**

Notes to the consolidated financial statements

14. Consumer receivables *(continued)*

Overall, the net increase in the total provision for the year ended 31 March 2021 was $2,582,000 (2020: $2,484,000). This is driven by the fact that the overall consumer receivables balance increased by $19,446,000 (2020: $7,564,000). All consumer receivables balances held at 31 March 2021 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 $1,185,000 (2020: $447,000) due to the fact that $28,936,000 (2020: $11,853,000) 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 $522,000 (2020: $1,429,000). This is due to growth in the consumer receivables being partially offset by a higher proportion of customers making their repayments by the relevant due dates.

Collective ECL provision for credit impaired receivables increased by $875,000 (2020: $608,000). This reflects where consumer receivables are aged more than 60 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.

15. Provisions

Current

	2021	2020
	$000	**$000**
Provision for expected credit losses on undrawn balances		
Opening balance	**584**	**178**
Provided in the year	732	406
Closing provision for expected credit losses on undrawn balances	**1,316**	**584**

16. Other current assets

Current

	2021	2020
	$000	**$000**
GST receivable	3,179	983
Deferred costs	46	841
Other receivables	6,126	2,192
	9,351	**4,016**

17. Prepayments

	2021	2020
	$000	**$000**
Merchant prepayments	2,229	1,775
Other prepayments	2,941	324
	5,170	**2,099**

	2021	2020
	$000	**$000**
Current	4,702	1,586
Non-current	468	513
	5,170	**2,099**

Notes to the consolidated financial statements

18. Trade and other payables

Current

	2021	2020
	$000	$000
Merchant payables	4,396	3,535
Trade payables	2,745	1,374
Accruals	849	1,590
Employee entitlements	860	533
Payroll tax and other statutory liabilities	261	496
Other payables	38	9
	9,149	**7,537**

19. 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 and Executive 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.

The following tables present income and expense information for the Group's operating segments:

	Buy now, pay later 2021	Buy now, pay later 2020
	$000	$000
Income	32,567	13,747
Total segment income	**32,567**	**13,747**
Merchant and marketing expenses	(12,200)	(4,070)
Employment expenses	(10,372)	(4,612)
Transaction expenses	(6,612)	(4,226)
Consumer receivables impairment expenses	(15,132)	(9,623)
Platform development and hosting expenses	(1,085)	(354)
Depreciation and amortisation expenses	(991)	(538)
Other operating expenses	(14,296)	(6,551)
Other (losses)/gains	(3,986)	563
Total expenses	**(64,674)**	**(29,411)**
Segment operating loss	**(32,107)**	**(15,664)**
Other income	107	-
Finance expenses	(9,495)	(479)
Finance income	-	8
Loss before tax	**(41,495)**	**(16,135)**

Notes to the consolidated financial statements

19. Segment information *(continued)*

Income by domicile of entity

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

	ANZ	UK	Total
2021	**$000**	**$000**	**$000**
Income (external)	14,704	17,863	32,567

	ANZ	UK	Total
2020	**$000**	**$000**	**$000**
Income (external)	11,312	2,435	13,747

Non-current assets by domicile of entity

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

	ANZ	UK	Total
2021	**$000**	**$000**	**$000**
Non-current assets	2,486	483	2,969

	ANZ	UK	Total
2020	**$000**	**$000**	**$000**
Non-current assets	998	874	1,872

20. 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 classified 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 with 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.

The following tables provide the fair value measurement hierarchy of the Group's liabilities:

	Total	Level 1	Level 2	Level 3
As at 31 March 2020:	**$000**	**$000**	**$000**	**$000**
Convertible notes – derivative	3,149	-	-	3,149
Common stock warrants – derivative	-	-	-	-

	Total	Level 1	Level 2	Level 3
As at 31 March 2021:	**$000**	**$000**	**$000**	**$000**
Convertible notes – derivative	-	-	-	-
Common stock warrants – derivative	1,342	-	-	1,342

Notes to the consolidated financial statements

20. Fair value measurement *(continued)*

For financial assets and liabilities measured at fair value at the end of the reporting period, limited to the derivative components of convertible notes and common stock warrants, the following table gives information about how the fair values were determined:

Financial asset and liabilities	Valuation technique and key inputs	Significant unobservable inputs	Relationship and sensitivity of unobservable inputs to fair value
Convertible notes - derivative	Monte-Carlo simulation model based on market price, volatility, contract term and risk-free rate.	The significant unobservable inputs are the current share price, expected maturity of the contract and volatility rate applied.	The higher the market price the more valuable the conversion options become. The convertible notes convert based a fixed discount on the share price at conversion. An increase in the market share price of plus or minus 10% would not have a notable impact of the value of the contract due to the options converting at a fixed discount on market price.
		The market price for the share price applied was estimated to be A$2.50 at 31 March 2020.	Similar to the market price assumption an increase in the volatility of plus or minus 10% would not materially impact the valuation output based on the conversion occurring at a fixed discount to the market price on maturity.
		The average annual volatility rate applied in the model is 42.02% based on comparative listed entities.	The expected maturity is short term (within 6 months after year end). An adjustment of 10% of the maturity date would not materially impact the valuation.
		The expected maturity of the contract is deemed to be the targeted IPO date of 31 July 2020.	
Common stock warrants - derivative	Black-Scholes-Merton valuation model based on strike and market price, maturity, total number of options, volatility and risk-free rate.	The significant unobservable inputs are the volatility rate used and the expected maturity of the contract.	A change in the volatility of plus or minus 10% would not materially impact the valuation output.
		The average volatility rate applied is 73.4% and is based on comparative listed entities.	The expected maturity is long term with the options expiring 24 July 2025. An adjustment of 10% would not materially impact the valuation output.
		The expected maturity of the contract is deemed the full contract term of 60 months from the effective date of the options.	

Notes to the consolidated financial statements

20. Fair value measurement *(continued)*

The below is a reconciliation of the opening balances to the closing balance during the year:

	Common stock warrants	Convertible notes	Total
	$000	$000	$000
As at 1 April 2019	**-**	**-**	**-**
Issuances	-	3,130	3,130
Fair value loss recognised in the consolidated statement of comprehensive income	-	19	19
As at 31 March 2020	**-**	**3,149**	**3,149**

	Common stock warrants	Convertible notes	Total
	$000	$000	$000
As at 1 April 2020	**-**	**3,149**	**3,149**
Issuances	2,819	2,812	5,631
Fair value (gain)/loss recognised in the consolidated statement of comprehensive income	(1,477)	3,848	2,371
Derecognition on conversion of convertible notes	-	(9,809)	(9,809)
As at 31 March 2021	**1,342**	**-**	**1,342**

The Directors consider that the carrying amount of all other 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.

21. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the loss for the year attributable to ordinary equity holders of the parent 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.

As the consolidated Group has reported a loss for the financial years ended 31 March 2021 and 31 March 2020 no dilutive shares have been included in the EPS calculation in the consolidated statement of comprehensive income.

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

	2021	2020
	$000	$000
Loss attributable to ordinary equity holders of the parent	(41,282)	(16,135)

	2021	2020
	Number	Number
Weighted average number of ordinary shares for basic and diluted EPS	151,226,800	112,383,562

In determining the effect of dilution in the calculation of EPS, consideration has been applied to the following potential ordinary shares:

Share split

As identified in note 27, there was a share split of 1:4 shares on 3 September 2020. This has been included in both the basic and diluted earnings per share calculation for 2020 and 2021.

Notes to the consolidated financial statements

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

Share swap

As detailed in notes 27 and 28, a share swap arrangement was in place which resulted in a future share issue to Gary and Robyn Rohloff prior to the IPO. This was included in both the basic and diluted earnings per share calculation for 2020 from the date of the share swap arrangement (27 November 2018).

Convertible notes

Convertible notes issued during the 2020 and 2021 years are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. Prior to converting, the notes have not been included in the determination of basic earnings per share.

All convertible notes converted into ordinary shares on 3 September 2020.

Options

Options granted to non-executive Directors and the executive team, as detailed in notes 27 and 30, are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

The other options granted to select unrelated external parties that provide services to the Group, as detailed in notes 27 and 30, are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 31 March 2021. These options could potentially dilute basic earnings per share in the future.

Common stock warrants

Common stock warrants issued during the year are considered to be potential ordinary shares. They have not been included in the determination of diluted earnings per share from their date of issue as they are considered anti-dilutive. The common stock warrants have not been included in the determination of basic earnings per share.

22. Leases

Group as a lessee

The Group has lease contracts relating to premises and motor vehicles used in its operations.

The Group also has certain leases of workspaces with lease terms of 12 months or less and other leases of a low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Premises	Motor vehicles	Total
	$000	**$000**	**$000**
Year ended 31 March 2020			
Opening carrying amount	**504**	**-**	**504**
Additions	-	59	59
Depreciation expense	(193)	(2)	(195)
Foreign currency translation	26	-	26
Total carrying amount of right-of-use assets	**337**	**57**	**394**
Year ended 31 March 2021			
Opening carrying amount	**337**	**57**	**394**
Additions	-	-	-
Depreciation expense	(191)	(20)	(211)
Foreign currency translation	(18)	-	(18)
Total carrying amount of right-of-use assets	**128**	**37**	**165**

22. Leases *(continued)*

Group as a lessee *(continued)*

The Group leases premises and motor vehicles.

The following are the amounts recognised in the consolidated statement of comprehensive income:

	2021	2020
	$000	**$000**
Depreciation expense on right of use assets	211	195
Interest expense on lease liabilities	7	10
Expense relating to short term leases	412	548

The Group had total cash outflows for leases of $224,000 (2020: $207,000).

The Company does not face a significant liquidity risk with regards to its lease liabilities.

Set out below are the carrying amounts of lease liabilities.

	2021	2020
	$000	**$000**
Lease liabilities		
Current	(142)	(227)
Non-current	(17)	(165)
Closing balance	**(159)**	**(392)**

23. Borrowings

	2021	2020
	$000	**$000**
Credit facilities	15,633	6,018
Capitalised facility fees	(1,772)	-
Unamortised Victory Park establishment costs	(2,491)	-
Closing balance	**11,370**	**6,018**

	2021	2020
	$000	**$000**
Current	8,647	6,018
Non-current	2,723	-
	11,370	**6,018**

As at 31 March 2021, the Group had a committed revolving facility with Kiwibank of $20 million, with an advance rate of 75% Loan to Value Ratio (LVR). This facility funds the growth in the ANZ receivables ledgers. The committed revolving facility has an expiry date of 7 December 2021 and is subject to certain financial covenants. For further information regarding these covenants, refer to the capital risk management section of note 25.

The committed revolving facility is secured by a General Security Deed over all assets held by Laybuy Group Holdings Limited, Laybuy Holdings Limited, Laybuy (NZ) Limited, and Laybuy Australia Pty Limited. Guarantees are provided by Laybuy Group Holdings Limited, Laybuy Holdings Limited, Laybuy (NZ) Limited, and Laybuy Australia Pty Limited.

Subsequent to year end on 26 May 2021, the maturity of the Kiwibank facility was extended. Refer to note 33 for more information.

Notes to the consolidated financial statements

23. Borrowings *(continued)*

On 24 July 2020, the Group entered into a credit facility with Victory Park, which provides a term loan facility available up to £80 million, accessible over a 57 month period from 24 July 2020 to fund growth in the UK receivables ledger. The term loan has an advance rate restriction based on a calculation of eligible receivables, less calculated reserves for future refunds and chargebacks. This eligible collateral is advanced at a rate of 1 less 3 times the average of the maximum default rate from the previous 10, 12,14 and 16 week buckets. The term loan facility has a maturity date of 5 years from the first Utilisation date, being 27 August 2020. In connection with the transaction, the Company incorporated Laybuy UK Limited as a subsidiary to Laybuy Holdings (UK) Limited, and it holds all the UK consumer receivables, over which the facility has security.

Costs associated with establishing the credit facilities (including the common stock warrants with Victory Park, refer to note 24 for further details) have been capitalised and are being amortised over the period of the facilities.

24. Other liabilities

	2021	2020
	$000	**$000**
Common stock warrants	1,342	-
	1,342	**-**

As part of the Victory Park credit facility, common stock warrants were issued to Victory Park, which entitles them to 2% ownership of the Group's ordinary equity (as at the date immediately prior to the IPO). The warrants had a strike price based on the IPO price, have a net settlement feature and shall mature 60 months from the Closing Date of 4 September 2020.

The common stock warrants have been recognised as a derivative liability measured at fair value through profit or loss. At initial recognition, a corresponding asset equal to the fair value of the stock warrants ($2,819,000) was also recognised and offset against the debt liability to form part of the effective interest recognised over the term of the facility. The common stock warrants are required to be subsequently re-measured at fair value at each reporting date with any gain or loss recognised in the consolidated statement of comprehensive income.

25. 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 consumable 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.

Notes to the consolidated financial statements

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

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

	2021	2020
Financial assets	**$000**	**$000**
Financial assets at amortised cost		
Cash and cash equivalents	15,487	9,856
Consumer receivables	27,346	11,227
Other current assets	6,126	2,192
Related party receivables	-	295
Total financial assets	**48,959**	**23,570**
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	(9,149)	(7,537)
Borrowings	(11,370)	(6,018)
Lease liabilities	(159)	(392)
Convertible notes - debt	-	(11,659)
Financial liabilities at fair value through profit or loss		
Convertible notes - derivative liability	-	(3,149)
Other liabilities - common stock warrants	(1,342)	-
Total financial liabilities	**(22,020)**	**(28,755)**

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.

As at 31 March, the Group had the following financial assets and liabilities exposed to variable interest rate risk:

	2021	2020
	$000	**$000**
Financial assets		
Cash at bank	15,487	9,856
Total	**15,487**	**9,856**
Financial liabilities		
Borrowings	(15,633)	(6,018)
Total	**(15,633)**	**(6,018)**

Borrowings comprise of a credit facility from Kiwibank which is secured and interest-bearing at Kiwibank's base rate plus a margin of -2.95% per annum, and a credit facility with Victory Park which is secured and interest-bearing at a rate of London Interbank Offered Rate plus a margin which is between 2.5% and 10.25% depending on amount drawn.

There are no other financial assets or financial liabilities subject to interest rate risk as at 31 March 2021. The Group has not hedged any interest rate risk during the year or as at 31 March 2021.

Notes to the consolidated financial statements

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

Interest rate risk 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 Higher/(lower)		Equity Higher/(lower)	
	2021	**2020**	**2021**	**2020**
Judgements of reasonable possible movements	**$000**	**$000**	**$000**	**$000**
-0.10% (2020: -0.50%)	(9)	(25)	9	25
+0.10% (2020: -0.50%)	9	25	(9)	(25)

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 as at 31 March 2021 can be affected by movements in the Australian Dollar, Great British Pound and United States Dollar.

The Group has not hedged any foreign currency risk during the financial year or as at 31 March 2021.

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

31 March 2021	**GBP**	**AUD**	**USD**
	$000	**$000**	**$000**
Financial assets			
Cash and cash equivalents	11,182	540	169
Consumer receivables	15,251	1,474	6
Financial liabilities			
Trade and other payables	(4,752)	(400)	(112)
Lease liabilities	(122)	-	-
Other liabilities - common stock warrants	-	(1,342)	-
Borrowings	(6,394)	-	-
Net exposure	**15,165**	**272**	**63**

31 March 2020	**GBP**	**AUD**	**USD**
	$000	**$000**	**$000**
Financial assets			
Cash and cash equivalents	1,886	4,664	-
Consumer receivables	5,246	649	-
Related party receivables	271	-	-
Financial liabilities			
Trade and other payables	(3,993)	(343)	-
Lease liabilities	(208)	-	-
Convertible notes	-	(14,808)	-
Net exposure	**3,202**	**(9,838)**	**-**

Notes to the consolidated financial statements

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

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in AUD, GBP and USD 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.

As at 31 March, 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)	
	2021	2020	2021	2020
Judgements of reasonably possible movements	**$000**	**$000**	**$000**	**$000**
NZD/AUD +5%	13	(468)	(13)	468
NZD/AUD -5%	(14)	518	14	(518)
NZD/GBP +5%	722	152	(722)	(152)
NZD/GBP -5%	(798)	(169)	798	169
NZD/USD +5%	3	-	(3)	-
NZD/USD -5%	(3)	-	3	-

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 as at 31 March 2021 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 both its consumer receivables and the undrawn portion.

Outstanding customer 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 as at 31 March 2021 is $445,879,000 (2020: $159,994,000).

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, HSBC and Silicon Valley Bank.

Notes to the consolidated financial statements

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

Funding and 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 2021	**<1 year**	**1-2 years**	**2-3 years**	**>3 years**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Financial assets					
Cash and cash equivalents	15,487	-	-	-	15,487
Other current assets	6,126	-	-	-	6,126
Consumer receivables	27,346	-	-	-	27,346
Related party receivable	-	-	-	-	-
Total financial assets	**48,959**	**-**	**-**	**-**	**48,959**
Financial liabilities					
Trade and other payables	(9,149)	-	-	-	(9,149)
Borrowings	(10,243)	(799)	(799)	(7,526)	(19,367)
Lease liabilities	(143)	(18)	-	-	(161)
Total financial liabilities	**(19,535)**	**(817)**	**(799)**	**(7,526)**	**(28,677)**
Net maturity	**29,424**	**(817)**	**(799)**	**(7,526)**	**20,282**
Off-balance sheet provided					
Undrawn consumer commitments	(445,879)	-	-	-	(445,879)

31 March 2020	**<1 year**	**1-2 years**	**2-3 years**	**>3 years**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Financial assets					
Cash and cash equivalents	9,856	-	-	-	9,856
Other current assets	2,192	-	-	-	2,192
Consumer receivables	11,227	-	-	-	11,227
Related party receivable	295	-	-	-	295
Total financial assets	**23,570**	**-**	**-**	**-**	**23,570**
Financial liabilities					
Trade and other payables	(7,537)	-	-	-	(7,537)
Borrowings	(6,175)	-	-	-	(6,175)
Lease liabilities	(234)	(149)	(18)	-	(401)
Convertible notes*	-	(15,992)	-	-	(15,992)
Total financial liabilities	**(13,946)**	**(16,141)**	**(18)**	**-**	**(30,105)**
Net maturity	**9,624**	**(16,141)**	**(18)**	**-**	**(6,535)**
Off-balance sheet provided					
Undrawn consumer commitments	(159,994)	-	-	-	(159,994)

* The maturity of the convertible notes was expected to be within 1 year due to the then expected IPO of Laybuy Group Holdings Limited.

Notes to the consolidated financial statements

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

The Group's principal financial liabilities comprise borrowings, convertible notes, lease liabilities 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 as at 31 March is presented below:

Net debt reconciliation	**2021**	**2020**
	$000	**$000**
Cash and cash equivalents	15,487	9,856
Borrowings	(11,370)	(6,018)
Convertible notes	-	(14,808)
Lease liabilities	(159)	(392)
Net cash / (debt) position	**3,958**	**(11,362)**

Capital risk management

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

The Group is subject to certain financial covenants. The Group was in full compliance with all financial covenants as at 31 March 2021 and 31 March 2020.

26. Convertible notes

In February and March 2020, convertible notes were issued at a price of $1.02 (AUD$1) per note. On issue, the convertible notes were convertible at a variable rate based on the market price.

An additional 10,550,029 convertible notes were issued in July 2020, these were at a price of $1.02 (AUD$1) per note. On issue, the convertible notes were also convertible at a variable rate based on the market price.

Interest of 8% per annum, compounding monthly, is accrued on the convertible notes.

The conversion option of the convertible notes represents an embedded derivative which is separated from the debt host contract on initial recognition and measured at fair value through the profit or loss. The debt component is held at amortised cost and on initial recognition is offset by the fair value of the conversion element, this is incorporated in the effective interest which is recognised over the term of the convertible note.

The IPO of the Company on 7 September 2020 triggered the mandatory conversion of all convertible notes. The convertible notes issued in February and March 2020 converted at a price of AUD$0.99 and a total of 15,598,134 shares were issued on conversion. The convertible notes issued in July 2020 converted at a 20% discount of the market price (AUD$1.128), a total of 9,440,930 shares were issued on conversion.

Notes to the consolidated financial statements

26. Convertible notes *(continued)*

The movement in the carrying value of the convertible notes liability is as follows:

	2021	2020
	$000	$000
Opening balance	**11,659**	**-**
Proceeds of issue of convertible notes	11,343	15,482
Transaction costs on issue of convertible notes	(564)	(567)
Fair value of embedded derivative liability at date of issue	(2,812)	(3,130)
Foreign exchange movement	880	(224)
Capitalised costs recognised under the effective interest method	1,131	-
Convertible note interest expense	656	98
Effective interest adjustment on conversion of convertible notes	6,095	-
Conversion of convertible notes to equity	(28,388)	-
Closing balance	**-**	**11,659**

The movement in the carrying value of the convertible notes derivative liability is as follows:

	2021	2020
	$000	$000
Opening balance	**3,149**	**-**
Fair value of embedded derivative liability at date of issue	2,812	3,130
Fair value movement	3,848	19
Conversion of convertible notes to equity	(9,809)	-
Closing balance	**-**	**3,149**

27. Share capital

	Number	$000
As at 1 April 2020	**29,550,000**	**20,343**
Issue of share capital on 3 September 2020	450,000	-
Share split on 3 September 2020	90,000,000	-
Issue of share capital on 3 September 2020, net of transaction costs	28,406,371	38,048
Issue of shares to settle general employee share option plan	1,016,793	-
Convertible notes converted to share capital on 3 September 2020	25,039,064	38,197
As at 31 March 2021	**174,462,228**	**96,588**

	Number	$000
As at 1 April 2019	**19,550,000**	**7,343**
Share issue on 5 May 2019	5,000,000	5,000
Share issue on 12 July 2019	5,000,000	8,000
As at 31 March 2020	**29,550,000**	**20,343**

Notes to the consolidated financial statements

27. Share capital *(continued)*

Share swap

On 27 November 2018, Gary and Robyn Rohloff (Rohloffs) acquired 1.8% of Laybuy Holdings (UK) Limited, with the acquisition being settled in cash. As part of the acquisition, a share swap agreement 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 when the share swap arrangement is completed.

On 3 September 2020, as part of the Restructure process and in accordance with the share swap agreement, the Rohloffs swapped their 1.8% shareholding in Laybuy Holdings (UK) Limited for 450,000 newly issued shares in Laybuy Holdings Limited.

Share split

On 3 September 2020, a 1:4 share split occurred for no consideration, increasing the total number of shares held by equity holders.

New Shares

On 3 September 2020, 29,423,164 new shares were issued by the Company. This comprised 28,406,793 shares issued as part of the IPO at AUD$1.41 per share and 1,016,793 settled in respect of the general employee share option plan. Transaction costs of $7,252,000 were incurred in respect of the IPO.

On 3 September 2020, the pre-IPO convertible notes and compounded interest converted to ordinary shares of the Company. Refer to note 26 for further details.

Following these transactions, the final number of shares on issue as at 31 March 2021 were 174,462,228.

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

Share option scheme

The Group has share option schemes under which options to subscribe for the Company's shares have been granted to non-executive Directors and the executive team, as well as external parties who provide services to the Group. Refer to note 30 for further details.

Common stock equity

As part of the Victory Park credit facility, common stock warrants were issued to them.
Refer to note 24 for further details.

ASX listing and Initial Public Offering

On 7 September 2020, the Group completed an IPO and became listed on the ASX.

Capital raise

On 19 May 2021, the Group announced it was undertaking a capital raise of up to AUD$40,000,000 before transactions costs, comprising the Placement of AUD$35,000,000 and a separate Share Purchase Plan of AUD$5,000,000 to eligible shareholders. Refer to note 33 for further details.

Notes to the consolidated financial statements

28. Group information about subsidiaries

The ultimate parent

On 16 June 2020, a new company Laybuy Group Holdings Limited was incorporated in New Zealand. Laybuy Group Holdings Limited is the ultimate parent entity of the Group.

Subsidiaries

The consolidated financial statements include Laybuy Group Holdings Limited and the following controlled entities:

				% equity interest	
Name	**Balance date**	**Principal activity**	**Principal place of business**	**2021**	**2020**
Laybuy (NZ) Limited	31 March	Dormant	New Zealand	-	100%
Laybuy Holdings (UK) Limited	31 March	Consumer financing	United Kingdom	100%	98.2%
Laybuy Holdings (Australia) Pty Limited	31 March	Consumer financing	Australia	-	100%
Laybuy Holdings Limited	31 March	Consumer financing	New Zealand	100%	-
Laybuy (UK) Limited	31 March	Consumer financing	United Kingdom	100%	-
Laybuy Australia Pty Limited	31 March	Consumer financing	Australia	100%	-
Laybuy Holdings (USA) Inc	31 March	Consumer financing	United States	100%	-

On 3 September 2020, the shareholders of Laybuy Group Holdings Limited and, Laybuy Holdings Limited and its controlled entities undertook a Restructure process. Under this Restructure the shareholders of Laybuy Holdings Limited exchanged their shares in Laybuy Holdings Limited for shares in Laybuy Group Holdings Limited.

Prior to the Restructure, Laybuy Holdings Limited was the parent of the Group. Post the Restructure, Laybuy Group Holdings Limited became the new legal parent of Laybuy Holdings Limited and all of its controlled entities (Pre-IPO Laybuy Group).

On 3 September 2020, as part of the Restructure process and in accordance with the share swap agreement, Robyn and Gary Rohloff swapped their 1.8% shareholding in Laybuy Holdings (UK) Limited for 450,000 newly issued shares in Laybuy Holdings Limited.

On 20 April 2020, a new subsidiary, Laybuy Australia Pty Limited was incorporated in Australia with Laybuy Group 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 17 July 2020, Laybuy Australia Pty Limited purchased all of the assets and liabilities of Laybuy Holdings (Australia) Pty Limited. This is a common control transaction and has been accounted for under the predecessor value method of accounting.

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 in connection to the loan facility entered into with Victory Park and it holds all the UK consumer receivables.

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

Disposal of subsidiaries

On 24 July 2020, ACN 623 054 400 Pty Limited (formerly known as Laybuy Holdings (Australia) Pty Limited) was sold to a third party, with no gain or loss recognised in the Group.

Notes to the consolidated financial statements

28. Group information about subsidiaries *(continued)*

Amalgamation

On 31 March 2021 Laybuy (NZ) Limited was amalgamated with Laybuy Holdings Limited, with Laybuy Holdings Limited continuing as the amalgamated company. The amalgamated company by law succeeded to all the property, rights, powers and privileges, and to all of the liabilities and obligations of Laybuy (NZ) Limited. Laybuy (NZ) Limited has been removed from the New Zealand companies register.

29. Related party transactions

Transactions with related parties

The following transactions occurred with related parties:

	2021	2020
	$000	$000
Directors' fees and salaries	642	533

Certain individuals who are considered to be close family members of related parties, are employed within the Group. Salaries totalling $529,000 were paid to these individuals for the year ended 31 March 2021 (2020: $521,000).

Outstanding balances with related parties

	2021	2020
	$000	$000
Opening balance	**295**	**101**
Amounts advanced to related parties	-	194
Amounts repaid by related parties	(295)	-
Closing balance	**-**	**295**

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

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 Executive Directors, the Non-Executive Directors, and the Managing Director's direct reports.

The following table summarises compensation to key management personnel.

	2021	2020
	$000	$000
Short-term employee benefits	3,503	1,679
Share-based employee benefits	1,212	109
Director's fees	255	66
Total compensation to key management personnel	**4,970**	**1,854**

Notes to the consolidated financial statements

29. Related party transactions *(continued)*

Other

As part of the IPO process, $43,436,000 was paid out to the existing shareholders as a result of the sell down in their equity interests.

In addition, related parties and KMP transact on the Laybuy platform. Within the consumer receivable balance at year end, related parties and KMP owe $4,000 (2020: $3,000). 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.

30. Share-based payments

a. Employee share-based payments

General employee share option plan

The Group had a previous share option plan for select employees of the Group. The option plan was settled early on 30 July 2020 in advance of the IPO. All options that had not vested at this time immediately vested on settlement. The options were net settled on a cashless basis based on the market price of AUD$1.41 and the strike price of each option. A total of 1,016,793 shares were issued in settlement of the options and are included within the issue of share capital on 3 September 2020 (refer to note 27).

The Group recognised an expense of $172,000 (2020: $109,000) within the consolidated statement of comprehensive income for the year ended 31 March 2021.

Omnibus incentive plan – executives

During the year ended 31 March 2021, the Company entered into a new share option plan to be provided for the executive team and replacing the existing general employee share option plan.

Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

Options may be exercised at any time from the date of vesting to the date of their expiry.

Options are exercisable at a price set at the time the options were issued. The options vest over a three-year period based on performance (revenue growth) and market-based targets (total shareholder returns).

The option recipient may exercise the option at any time from the date the option has vested to the expiration of their employee agreement. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding for the year ended 31 March 2021 are as follows:

	Number of share options	Weighted average exercise price $
Outstanding at 1 April 2020	**600,000**	**NZD2.00**
Adjusted for share split*	2,400,000	NZD0.50
Granted during the year	6,641,946	AUD0.00
Forfeited during the year	(460,993)	-
Exercised during the year (net-settled)	(2,400,000)	NZD0.50
Expired during the year	-	-
Outstanding at 31 March 2021	**6,180,953**	**AUD0.00**
Exercisable at the end of the year	-	-

Notes to the consolidated financial statements

30. Share-based payments *(continued)*

The options outstanding as at 31 March 2021 had an exercise price of AUD$0.00, and a weighted average remaining contractual life of 14.44 years. In the year ended 31 March 2021, options were granted in the months of September 2020, February 2021 and March 2021. The aggregate of the estimated fair values of the options granted during the year is AUD$7,243,000 (NZD equivalent $7,888,000).

* Refer to note 27 for further details for share split.

The valuation inputs into the Black-Scholes-Merton valuation model is as follows:

	March 2021 issue	February 2021 issue	September 2020 issue
Weighted average exercise price	AUD0.00	AUD0.00	AUD0.00
Grant date weighted average share price	AUD1.14	AUD1.39	AUD1.41
Expected volatility	73.40%	73.40%	74.90%
Expected life	3 years	3 years	3 years
Risk free rate	0.80%	0.80%	0.26%
Expected dividend yields	0%	0%	0%

Expected volatility was determined based on market data from listed entities with similar operations. The expected life used in the model has been adjusted, based on management's best estimate.

The Group used the inputs noted above to measure the fair value of the options.

The Group recognised an expense of $945,000 (2020: $0) within the consolidated statement of comprehensive income in respect of the omnibus incentive plan - executives for the year ended 31 March 2021.

Omnibus incentive plan – non-executive Directors

During the year ended 31 March 2021, the Group entered into a new share option plan to be provided for non-executive Directors.

Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

Options may be exercised at any time from the date of vesting to the date of their expiry.

Options are exercisable at a price set at the time the options were issued. The options vest over a three year period based on continual service with the Group.

The option recipient may exercise the option at any time from the date the option has vested, or in the event that Director appointment ceases, the recipient has up to 60 days from their exit to exercise the options. Options are forfeited if the Director leaves the Group before the options vest.

Details of the share options outstanding for the year ended 31 March 2021 are as follows:

	Number of share options	Weighted average exercise price $
Outstanding at 1 April 2020	**-**	**-**
Granted during the year	400,000	AUD1.41
Forfeited during the year	-	-
Exercised during the year (net-settled)	-	-
Expired during the year	-	-
Outstanding at 31 March 2021	**400,000**	**AUD1.41**
Exercisable at the end of the year	-	-

30. Share-based payments *(continued)*

The options outstanding as at 31 March 2021 had an exercise price of AUD$1.41, and a weighted average remaining contractual life of 14.44 years. In the year ended 31 March 2021, options were granted in the month of September 2020. The aggregate of the estimated fair values of the options granted is AUD$403,000 (NZD equivalent $439,000).

The valuation inputs into the Black-Scholes-Merton valuation model is as follows:

	2021
Weighted average exercise price	AUD1.41
Grant date weighted average share price	AUD1.41
Expected volatility	74.90%
Expected life	8 years
Risk free rate	0.43%
Expected dividend yields	0%

Expected volatility was determined based on market data from listed entities with similar operations. The expected life used in the model has been adjusted based on management's best estimate.

The Group used the inputs noted above to measure the fair value of the options.

The Group recognised an expense of $156,000 within the consolidated statement of comprehensive income in respect of the omnibus incentive plan - non-executive Directors during the year ended 31 March 2021 (2020: $0).

b. Other share-based payments

The Group has a share option plan for select external unrelated parties that provide services to the Group*.

Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

Options may be exercised at any time from the date of vesting to the date of their expiry.

Options are exercisable at a price set at the time the options were issued. The options vest over certain non-market performance conditions which include merchandise volume thresholds.

Details of the share options outstanding for the year ended 31 March 2021 are as follows:

	Number of share options	**Weighted average exercise price**
		$
Outstanding at 1 April 2020	**3,000,000**	**NZD6.62**
Adjusted for share split*	12,000,000	AUD1.557
Granted during the year	2,000,000	AUD1.557
Forfeited during the year	-	-
Exercised during the year (net-settled)	-	-
Expired during the year	-	-
Outstanding at 31 March 2021	**14,000,000**	**AUD1.557**
Exercisable at the end of the year	12,800,000	AUD1.557

* The original share option agreement was with Laybuy Holdings Limited. Subsequent to the Restructure (as detailed in note 28), the option agreement was transferred to Laybuy Group Holdings Limited as the new Parent entity of the Group. In addition, as identified in note 27, there was a share split of 1:4 shares on 3 September 2020. These were deemed adjustment events under the share option agreement, and the number of options issued and the percentage holding from these events does not change the substance of the share options agreement. Subsequently, while each individual option has seen a value change, the valuation of the total options granted both proceeding and during the year ended 31 March 2021, remains unchanged.

Notes to the consolidated financial statements

30. Share-based payments *(continued)*

The options outstanding as at 31 March 2021 had an exercise price of AUD$1.557, and a weighted average remaining contractual life of 2.4 years. In the year ended 31 March 2021, options were granted in the month of May 2020. The aggregate of the estimated fair values of the options granted is AUD$1,142,000 (NZD equivalent $1,244,000).

The valuation inputs into the Black-Scholes-Merton valuation model is as follows:

	2021
Weighted average exercise price	AUD1.557
Grant date weighted average share price	AUD1.20
Expected volatility	72%
Expected life	4 years
Risk free rate	0.20%
Expected dividend yields	0%

Expected volatility was determined based on market data from listed entities with similar operations. The expected life used in the model has been adjusted, based on management's best estimate.

The Group used the inputs noted above to measure the fair value of the options.

The Group recognised total expenses of $784,000 (2020: $67,000) within merchant and marketing expenses related to other equity-settled share-based payment arrangements in the year ended 31 March 2021.

31. Share-based payments reserve

	2021	**2020**
	$000	**$000**
Opening balance	**176**	**-**
Credit to equity arising on equity settled benefits	1,918	176
Settled during the year	(143)	-
Closing balance	**1,951**	**176**

There were no cancellations or modifications to the awards in the year ended 31 March 2021 (2020: nil), other than as mentioned in note 30.a.

32. Commitments and contingencies

Contingent liabilities

Other than reported in the financial statements, the Group had no other contingent liabilities as at 31 March 2021 (2020: nil).

Off-balance sheet commitments provided

	2021	**2020**
	$000	**$000**
Undrawn consumer commitments	445,879	159,994
	445,879	**159,994**

Notes to the consolidated financial statements

33. Events after the reporting period

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

Borrowings

On 26 May 2021, the maturity of the Kiwibank facility was extended from 7 December 2021 to 30 June 2022.

Capital raise

On 19 May 2021, the Group announced it was undertaking a capital raise of up to AUD$40,000,000 prior to transaction costs, comprising the Placement of AUD$35,000,000 and a separate Share Purchase Plan to eligible shareholders to raise up to AUD$5,000,000. At the time of the Directors approving these consolidated financial statements, the first tranche of the Placement has been successfully completed with proceeds of AUD$13,084,667 prior to transaction costs being received on 25 May 2021. An irrevocable commitment for a further AUD$21,915,333 prior to transaction costs have been received under the second tranche of the Placement, which is conditional on obtaining formal shareholder approval in a vote scheduled to be held on 10 June 2021, with proceeds expected to be received on 16 June 2021. The Share Purchase Plan, through which a further AUD$5,000,000 could be raised, will be finalised on 25 June 2021.

There have been no other significant events occurring after the end of the reporting period 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 Group Holdings Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Laybuy Group 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 2021, 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).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2021;
- 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 significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) 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.

Independence

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

Our firm carries out tax related services for the Group and also provided tax due diligence and an investigating accountant limited assurance report. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services and these relationships have not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Capital and funding requirements As disclosed in Note 3(c) of the consolidated financial statements, the Directors have prepared and reviewed the forecasts for the period through to 30 June 2022 and considered the ongoing funding and capital requirements of the Group. The Board has concluded that it is appropriate to prepare the consolidated financial statements on a going concern basis. The Group's business model and current stage of development requires external debt and equity funding to support receivables funding, operational expenditure, the continuing growth of the business and expansion of market share. During the year the Group recorded a loss of $41,282,000 together with a net cash outflow from operating activities of $47,839,000. As set out in Notes 3(c) and 33 of the consolidated financial statements, on 19 May 2021 the Group announced it was undertaking a capital raise of up to AUD$40 million before transaction costs, comprising a Two Tranche Institutional Placement (Placement) of AUD$35 million and a separate Share Purchase Plan to raise up to AUD$5 million. The first tranche of the Placement has been successfully completed with proceeds of AUD$13.1 million received on 25 May 2021. Irrevocable commitments for a further AUD$21.9 million have been received under the second tranche which is conditional on shareholder approval. The second tranche of the Placement and the Share Purchase Plan will not be approved until a special meeting to be held on 10 June 2021. In the event that the resolutions are not approved by the shareholders, it is uncertain whether the Group's available funding, including proceeds received from the first tranche of the Placement, will be sufficient to fund operations through to 30 June 2022 without securing alternative funding and/or reducing business growth and operating costs.	We held discussions with management and the Board to understand the Group's overall strategy and its capital and funding requirements relative to its strategy. We challenged them with respect to the application of the going concern assumption used in preparing the consolidated financial statements and their conclusion that no material uncertainties exist. We obtained the Group's Board approved forecasts through to 30 June 2022 and performed the following procedures: • understood management's forecasting process and the basis for determining the key assumptions; • assessed management's historical forecasting reliability by comparing the Group's actual results against the forecasts for the current financial year. Where actual results deviated from the forecasted result, we understood the underlying reasons and considered the potential impact on the reliability of the forecasts prepared in the current financial year; • tested the mathematical accuracy of the forecasts; • assessed the reasonableness of the key assumptions incorporated in the forecasts; and • overlaid the forecasts with our own sensitivity analysis to assess the level of forecasting risk and the impact of reducing forecast growth rates, as well as assessing forecast covenant compliance. As disclosed in Note 3(c), a key factor supporting the appropriateness of the Group's going concern basis of preparation for the consolidated financial statements is the successful completion of the Placement which is underway at the date of this report. In respect of the Placement, we have performed the following procedures: • Obtained evidence of investors' committed and irrevocable participation in the Placement; • we agreed the net proceeds received under the first tranche of the Placement to bank statements; and

Description of the key audit matter	How our audit addressed the key audit matter
While there are uncertainties with respect to the resolutions at the special meeting being passed, the Directors are of the view that these are not material uncertainties given the support confirmed by three of the major shareholders. This is a key audit matter because the Group's assessment of the appropriateness of the going concern basis of preparation of the consolidated financial statements requires judgement given the uncertainty with respect to forecasts and the ability of the Group to access additional capital and funding.	• for the special meeting of shareholders to be held on 10 June 2021, we have sighted the confirmation letters to the Directors from three of the major shareholders, confirming they will vote in favour of the resolutions at this meeting. We considered the uncertainties inherent in the above and whether, combined, a material uncertainty exists. From our procedures we satisfied ourselves that no material uncertainty exists. We considered the adequacy of disclosures in Note 3(c) and 33 of the consolidated financial statements including whether the uncertainties were adequately disclosed.
Provision for expected credit losses on consumer receivables and undrawn balances As disclosed in Notes 14 and 15, the Group has recognised a provision for expected credit losses (ECL) on consumer receivables and undrawn balances of $5,570,000 and $1,316,000, respectively. The Group generates consumer receivables in the ordinary course of business. Under the requirements of accounting standards, losses on consumer receivables and undrawn balances are recognised on an expected credit loss basis and incorporate forward-looking information, reflecting potential future economic events. To meet the requirements of the accounting standard, the Group has developed an ECL model. Judgement is applied in determining the appropriate construct of the model and relevant assumptions such as estimated default rates on outstanding consumer receivables and undrawn balances. Given the inherent estimation uncertainty in this area and the extent of judgement involved, we considered this to be a key audit matter.	We have performed the following procedures: • engaged our credit risk modelling experts to assess whether the methodology and assumptions applied by the Group to estimate the ECL on consumer receivables and undrawn balances are in accordance with the requirements of the accounting standard; • agreed a sample of data used as inputs to the ECL models to relevant source documentation; • tested the mathematical accuracy of the model calculations by reperforming the ECL calculations; • assessed the adequacy of the provision for expected credit losses for consumer receivables and undrawn commitments by comparing the post balance date cash receipts to the outstanding consumer receivables balance at 31 March 2021; and • assessed the adequacy of the related disclosures in the consolidated financial statements against the requirements of NZ IFRS.

Description of the key audit matter	How our audit addressed the key audit matter
Initial Public Offering and capital re-organisation As disclosed in Notes 2, 26 and 27 of the consolidated financial statements, the Group completed an Initial Public Offering (IPO) in the current financial year and became listed on the Australian Securities Exchange (ASX). The IPO triggered the mandatory conversion of convertible notes into ordinary shares based on conversion formulas contained in the convertible note agreements. In accordance with the requirements of NZ IFRS, the Group was required to fair value the embedded derivative component of the convertible notes at the time of conversion. The Group also incurred transaction costs in the course of the IPO which, in accordance with NZ IFRS, are required to be deducted against equity where they relate to the issue of new share capital. Ahead of the IPO, the Group undertook a restructure process resulting in Laybuy Group Holdings Limited becoming the new parent company. As the restructure is considered to be a capital reorganisation, the Group's consolidated financial statements have been presented as a continuation of the existing Group. We considered the Group's accounting for share capital related to the IPO and capital re-organisation to be a key audit matter given the significance of these transactions to the consolidated financial statements and the judgement involved in relation to the valuation of the convertible notes and allocation of transaction costs.	We have performed the following procedures: • agreed cash received on the issue of shares to the Group's bank statements; • agreed the convertible note conversion formula to the convertible note agreements and recalculated the number of shares issued upon conversion; • utilised our valuation experts to assess the reasonableness of the valuation of the embedded derivative component of the convertible notes at the time of conversion; • sample tested the transaction costs incurred to assess the reasonableness of the allocation between equity and the profit or loss component of the statement of comprehensive income; and • assessed the adequacy of the related disclosures in the consolidated financial statements against the requirements of NZ IFRS. In respect of the capital re-organisation, we performed the following audit procedures: • obtained an understanding of the restructure transaction; • reviewed the technical accounting paper prepared by management and considering the appropriateness of judgements and conclusions reached, including in respect of the presentation of comparative financial information; and • evaluated the adequacy of the disclosures made in the consolidated financial statements.

Our audit approach

Overview

<table>
<tr><td rowspan="3">
</td><td>Overall group materiality: $325,000, which represents approximately 1% of total income.
We chose total income as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.</td></tr>
<tr><td>We selected transactions and balances to audit based on their materiality to the Group rather than determining the scope of procedures to perform by auditing only specific subsidiaries or business units.</td></tr>
<tr><td>As reported above, we have three key audit matters, being:
● Capital and funding requirements
● Provision for expected credit losses on consumer receivables and undrawn balances
● Initial Public Offering and capital re-organisation</td></tr>
</table>

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

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/assurance-standards/auditors-responsibilities/audit-report-1/

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
27 May 2021

Auckland