



# A Matter of Perspective

FY21 Annual Report



# Thinking Outside the Cart

No matter how you look at it, 2020 was a year nobody saw coming, and we had challenges like everybody else.

But being the innovative bunch that we are, we maintained a fresh perspective on challenges and focused on what we know – keeping our customers' interests at heart.

And that focus has paid off – we're stronger than ever and achieving our goals. And 2022 will see us launching our new app, making our customers' shopping experience that bit easier.



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# Our Numbers Up Close

FY21 highlights compared to FY20.<sup>1</sup>

## \$589m

Gross Merchandise Value (GMV)

↗ Up 159%

## 756,000

Active Customers<sup>2</sup>

↗ Up 352,000

## 1.8%

of GMV

Net Transaction Margin (NTM)

↗ Up from 0.0%

## \$32.6m

Total Group Income

↗ Up 137%

## 9,126

Active Merchants<sup>3</sup>

↗ Up 3,922

## 2.4%

Defaults

Down from 4.1%

## A\$80m

ASX listing (NZ\$86.9m)

Raised to support growth

<sup>1</sup> All numbers are in New Zealand dollars unless otherwise stated.

<sup>2</sup> An active customer is a customer that has made a purchase through the Laybuy platform within the last 12 months.

<sup>3</sup> An active merchant is a merchant that has received payment for a purchase through the Laybuy platform in the last 12 months.



# Giving Interest the Boot

**Founded around a kitchen table by the Rohloff family in 2017, today Laybuy is a leading Buy Now, Pay Later (BNPL) provider in NZ and the UK.**

With more than half a billion dollars spent through Laybuy's fully integrated payment platform in the past year, Laybuy is continuing to grow strongly. It is New Zealand's leading BNPL provider, is recognised as a top three provider in the United Kingdom and is building brand awareness 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 while 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 to revolutionise the way we spend. Best of all, Laybuy is simple to use.

Consumers can shop now, receive their purchases immediately and pay for them with six weekly payments. The first payment is made at the point of sale. And, unlike credit cards, Laybuy customers never pay interest, ever!

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.



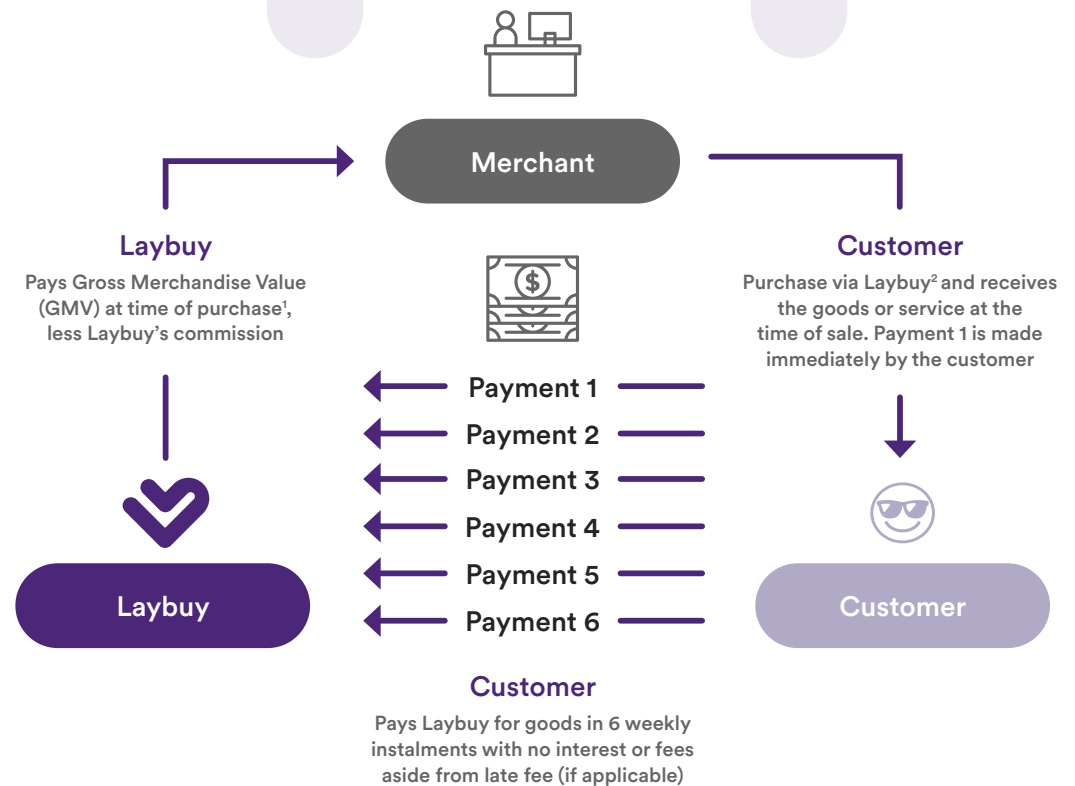


# How Laybuy Works

Through its simple-to-use and innovative payment platform, Laybuy allows consumers to buy the goods they want and love, and split the cost across six, weekly, interest-free instalments – the first payment being at the point of sale.

For merchants, Laybuy provides a low-risk credit option and a network of customers. Laybuy actively promotes merchants to its customer base through various channels, helping merchants to uplift sales, increase their average order values and acquire new customers.

Laybuy primarily generates income by charging merchants a percentage of the value of each transaction made using Laybuy.



<sup>1</sup> Or where the reseller model applies, purchases the product at the customer's request.

<sup>2</sup> Or where the reseller model applies, requests Laybuy to purchase.



# The Journey So Far





# Our Strategic Plan – Accelerating Growth



## Increase market share in already established markets

Laybuy will continue to improve its penetration in existing industries and sectors through co-branded marketing campaigns. It will also look to continue expanding in the health, beauty, digital, travel and ticketing verticals and grow merchant partners through its Global Partner programme.



## Accelerate growth in the United Kingdom

Laybuy will continue to target large, influential merchants in the UK to drive scale, network effects and brand recognition. Laybuy will then use its customer base and exclusive relationships to target SMEs through its partnership programme to diversify its retailer base and increase average commissions.



## New Laybuy platform enhancements to drive network effects

Laybuy will continue platform enhancements to improve operational efficiencies, as well as merchant and customer experience, supported by a strong focus on increasing user engagement and repeat purchases through improvements to the Laybuy app.





# Customers Love Laybuy

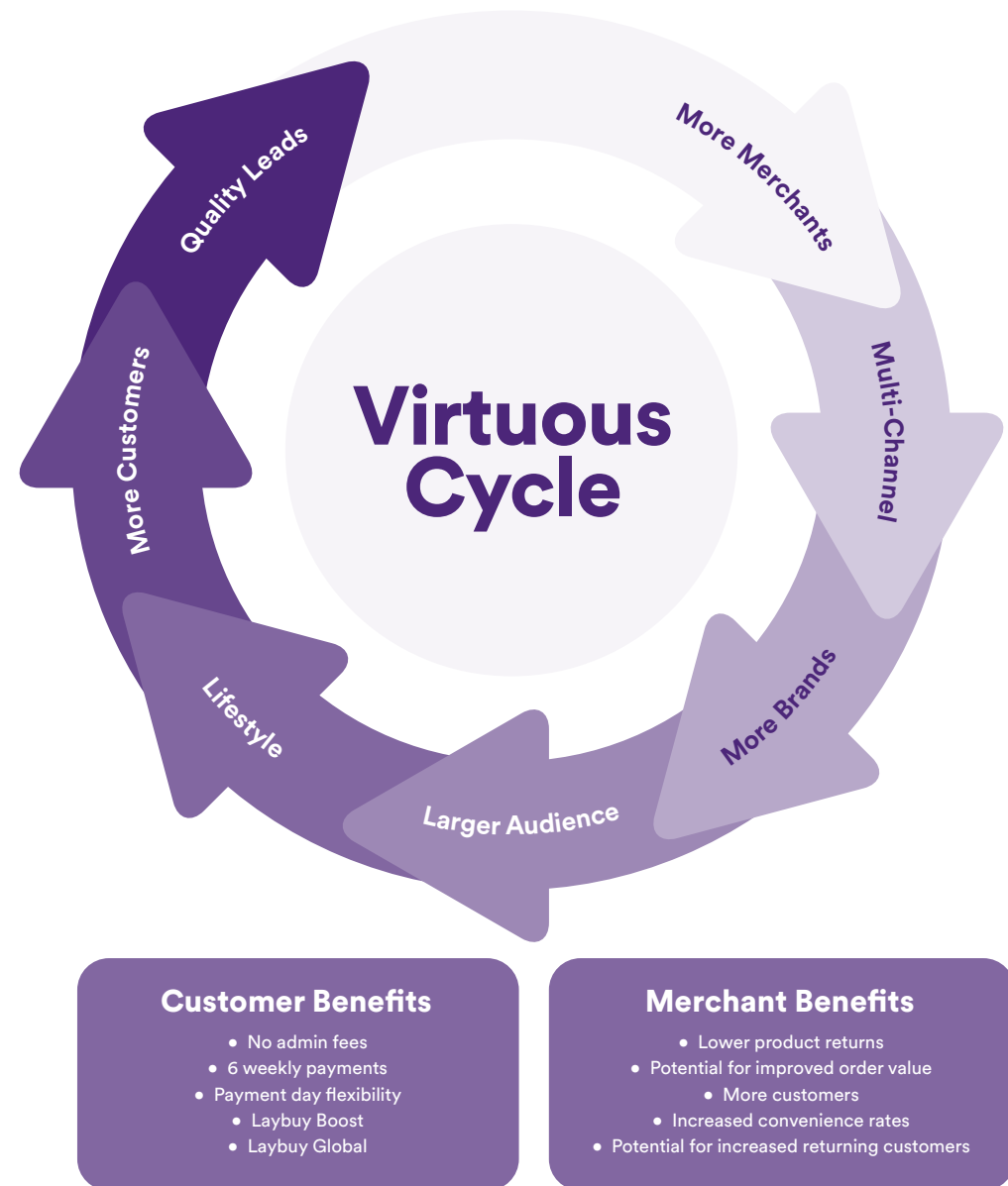
Laybuy makes life easier for merchants and customers because we:

- Offer six weekly payments. We aim to be the leading weekly BNPL provider.
- Never charge interest, ever!
- Were first to market with Laybuy Boost, allowing customers to increase the value of their purchase by providing a larger first payment in one seamless transaction.
- Are currency agnostic through Laybuy Global, enabling international purchases with seamless currency conversion.
- Are available in-store and online.
- Credit-check every new customer through third parties and utilise fraud mitigation technologies.

By offering Laybuy as a payment option, merchants can reach more customers and increase average order value. We actively market our merchants to our customer base through various channels and, by allowing consumers to spread the costs, merchants can uplift their sales, increase average order values and reduce product returns.

For the customer, Laybuy helps them to buy the goods they love, but not otherwise be able to afford, by spreading the cost and not charging interest, ever!

Combined, this supports continued growth by helping to create an ongoing cycle of increasing merchants and increasing customers seeking to take advantage of the benefits provided by Laybuy.





# Our Merchant Partners

## Key merchants and partners signing up in the UK

Momentum is accelerating in the UK with further large brands coming on board in FY22, which will support step changes in GMV.





**Steven Fisher**  
Independent Chair

# Year in the Spotlight

**On behalf of the Board, I am proud to present Laybuy's first Annual Report as a listed company for the year ended 31 March 2021.**

Born around a kitchen table by the Rohloff family in 2017, Laybuy has come a long way in four short years. Listing on the ASX in September 2020, A\$40 million was injected into the business and provided the necessary capital to drive continued growth in New Zealand, Australia and, in particular, the United Kingdom (UK).



## Delivering on our promise of growth

**Over the past year, we have almost doubled the size of our company. This growth has been achieved through an uncompromising focus on our three key strategic initiatives:**

- 1. Maintaining and growing our market position in New Zealand and Australia.**
- 2. Growing in the UK, anchoring our Northern Hemisphere presence.**
- 3. Innovating and evolving our product to make Laybuy easier to use.**

We have maintained our position as a market leader in New Zealand and have continued to build our brand in Australia. In the UK, we have grown total customer sales or gross merchandise value by over 500% in just the past year, and are recognised as one of the UK's top three BNPL providers.

The UK is our central growth engine, with an addressable retail market of £394 billion<sup>1</sup> – more than twice the size of the Australasian market. It is also a market where BNPL is still in its infancy, but with high growth projections.

<sup>1</sup> Retail market estimates are approximate and rounded as at 2019. Predominantly food stores, non-specialised stores, textile, clothing and footwear stores, household goods stores, other stores and non-store retailing.



## Supporting growth with our technology platform

**Laybuy is committed to using innovation and technology to help make life easier for both our merchant partners and our customers.**

As it is for many New Zealand businesses, we do innovation and ingenuity seriously well. It's in our DNA, our founding values and principles, and it's in our people. And while showing off isn't a Kiwi trait, it must be noted that we were the first to market with a suite of products including Six Weekly Payments, a flexible first payment called Laybuy Boost, and a global partnership with Mastercard.

Our platform is simple to use. We can integrate with larger merchants with bespoke platforms in less than a week, while smaller merchants can integrate without any Laybuy technical support with our existing integrations. This allows Laybuy to be easily enabled as a new payment option with global scale and speed.

We are also rolling out new innovations, such as *Tap to Pay* in partnership with Mastercard globally, making it easier for customers to use Laybuy in-store, as well as improving efficiencies for merchants.



## A steadfast stewardship and commitment to responsible lending

From inception, we pledged our commitment to the principle of responsible lending – holding ourselves accountable to help our customers avoid falling into an unsustainable debt position. It is from this foundation that Laybuy has strived to make life easier – providing safe and sustainable access to credit.

While responsibility seems to be the new *de rigueur* of the industry, being responsible is not new to Laybuy. We have credit-checked our customers from day one. This helps Laybuy look out for our customers and has ensured our default rates remain low.

Laybuy's Financial Hardship and Assistance Policy ensures those customers who find themselves in genuine financial hardship are supported, and our dedicated hardship team is authorised to find effective, sustainable and appropriate solutions to help customers in difficulty.

Laybuy's processes are aimed at preventing vulnerable customers taking on debt that they cannot afford. This includes revisiting transaction limits, tightening credit criteria and providing greater repayment flexibility for those customers in financial hardship.

Although we have seen sales made through Laybuy increase because of the pandemic, we are acutely aware that the economic impact of COVID-19 has also negatively impacted many consumers. Early in the pandemic, Laybuy recognised the need to provide increased flexibility to those customers struggling to meet their financial commitments due to loss of income.



## Remuneration

**At Laybuy, we strive to be the best, which is why attracting high-quality staff is critical to our success. We also recognise that Laybuy is operating in an increasingly competitive environment, where companies are competing to attract highly skilled individuals.**

This is reflected through our remuneration framework, which has been designed to attract global talent and to reward them fairly for the contribution they make to our business, no matter where in the world they are based.

The Remuneration Report outlines our FY21 executive remuneration framework in detail, as well as the remuneration outcomes for the FY21 financial year.

Refer to page 34.



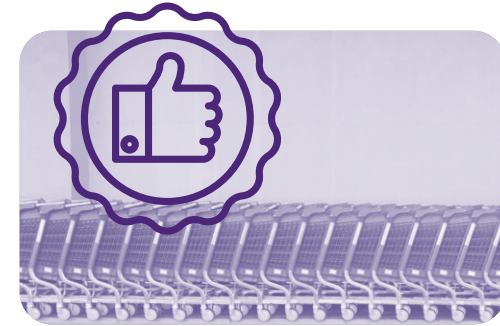
## Committed to good corporate governance

**Good corporate governance has never been more important. As Laybuy has continued to grow rapidly, so has our commitment to ensuring we have the right governance structures and policies in place to support the company through the next stage of its growth journey.**

We take our responsibility for monitoring the operational and financial performance of the company, on behalf of shareholders, seriously.

The Board has adopted a range of robust policies, which are outlined further in our Corporate Governance statement.

Refer to <https://laybuyinvestors.com/investor-centre/?page=corporate-governance>.



## A final word

The past year has been an extraordinary 12 months for Laybuy. Not only have we continued our rapid growth trajectory, but we have also successfully navigated the challenges presented by a global pandemic and undertaken an Initial Public Offering (IPO).

It is a privilege to chair the Laybuy Board and I want to thank each of my fellow Board members for the incredible support they have provided throughout the year, and for the expertise they bring to the table. On behalf of the Board, I would also like to pass on my thanks and appreciation to the management team, our partners, customers and to all the incredibly dedicated Laybuy staff for their hard work, dedication and loyalty during this past year. Laybuy is full of extraordinary talent, and the success of the past 12 months is largely down to their efforts.

Finally, and most importantly, I want to thank our Laybuy shareholders. This year we welcomed thousands of shareholders to Laybuy, and I want to thank each and every one of them for their ongoing support and belief in our company. The opportunities for growth are enormous and I strongly believe we have a robust strategy to deliver long-term shareholder value going forward.

**Steven Fisher**  
Independent Chair  
Laybuy Group Holdings Limited



**Gary Rohloff**  
Managing Director



# The Laybuy Difference

## This has been an extraordinary year for Laybuy.

In the first quarter, our focus was firmly on managing the impact of the then new threat of COVID-19; what it meant for our team, our customers, our merchant partners and our business. This was followed by our listing on the ASX in September, which raised new capital to fund the significant growth opportunities provided by the seismic shift to e-commerce delivered by COVID-19.

In the past year alone, consumers have purchased NZ\$589 million worth of goods and service through Laybuy. More than 9,000 merchant partners offer Laybuy as a payment option, an increase of 75% during the year, while active customers have increased by 87% to reach 756,000.

Our Net Transaction Margin has increased from break-even to 1.8%. This has helped drive a 137% increase in income, with total Group income reaching NZ\$32.6 million. We are on track to achieve GMV of NZ\$1 billion in FY22, with income forecast to increase by at least 90%.

Throughout the year, our incredibly dedicated team has focused on delivering our unique and quality service to customers and retailers. We know this is important because our team understands retail. In fact, most of our team, including our Board, has extensive retail experience.

It is this experience, as well as our passion for customer service, that sees Laybuy finishing the end of its first year as a publicly listed company, almost twice the size it was when it listed on the ASX.





## A market leader in New Zealand and the UK and a growing presence in Australia

### **BNPL is growing rapidly around the globe as consumers embrace alternative payment options to interest-bearing credit.**

While New Zealand and Australia (ANZ) represent some of the most mature markets when it comes to BNPL adoption, they are still continuing to deliver growth for Laybuy. In ANZ, we recorded a year-on-year increase in GMV of 65%, a 17% increase in active consumers and a 51% uplift in new merchants, reinforcing our strong foothold in our home market.

Relatively speaking, BNPL is still in its infancy in the UK, which is why our priority has been on growing our business in that country. As an early mover into the UK, launching there in February 2019, we were quick to identify the significant growth opportunity given the relative size of the retail sector. The UK has a retail market 2.2 times larger than Australia in terms of overall spending. It is also a market where a high proportion of retail spending is done online.

To maximise our growth in the UK, we focused on partnering with both global retail leaders and iconic brands, as well as entering into strategic partnerships with tier one football clubs. This, along with our relentless commitment to customer service, has helped deliver an increase in repeat customers (as a percentage of active customers) from 43.5% to 61.7% in the UK.

Laybuy has also grown its GMV in the UK by 504%, with NZ\$296 million worth of goods and services purchased through our company. Our UK active customers have increased by 200%, while our UK active merchants have increased by 433%. Laybuy is now recognised as one of the UK's leading providers of BNPL services. This growth has occurred despite large portions of the UK retail physical sector being closed for much of the year due to COVID-19 restrictions.



## *Tap to Pay* – accelerating adoption of Laybuy in-store

### ***Tap to Pay* allows Laybuy to provide consumers with a fully functional 'tap and go' BNPL in-store offering.**

In November, Laybuy launched *Tap to Pay* in Australia, followed by a launch the following month in New Zealand. *Tap to Pay* launched in the UK in June 2021 to coincide with the easing of lockdown restrictions.

Conceived through Mastercard's Fintech Express programme, *Tap to Pay* provides our customers with a globally unique and innovative digital BNPL Mastercard. This allows customers to purchase goods and services in-store using Laybuy with a simple tap of their smartphone.

Unlike some other digital cards in the market, Laybuy's card does not charge customer fees, interest or monthly account fees – helping our customers save money!

*Tap to Pay* makes it easier for customers to use Laybuy in-store because it enables them to skip a number of steps that have historically been required when making a purchase using BNPL in-store. At the same time, it reduces the time required by merchants to process BNPL transactions; this means they can focus less on administration and more on their customers.



## New partnerships support product innovation for rapid brand onboarding

**Laybuy is finalising strategic partnerships with Rakuten, AWIN and Sovrn that will see our customers having access to more than 5,000 merchants in the UK, including household brands ASOS, Nike, Amazon, eBay, easyJet and adidas.**

This will see the launch of a new product in the second quarter of FY22, allowing our customers to use the Laybuy app with these merchants without the need for any further merchant integration or a direct relationship.

Key relationships with the leading retailers associated with these affiliate networks have already been established, which will help further bolster the launch of the product and support significant increases in GMV capabilities and customer satisfaction.

Further product development will enable in-store retailers to accept *Tap to Pay* through the partnership, creating a seamless omnichannel experience for shoppers, as well as seeing thousands of physical stores accept Laybuy without necessitating merchant integration.



## Advocating for a more responsible BNPL sector

**At Laybuy, we take our credit responsibilities seriously. We aspire to be the global leader in responsible, convenient, transparent and appropriate credit limit allocation.**

Unlike some of our competitors, we credit-check every new Laybuy customer and set strict credit limits. Our average credit limit is NZ\$753. If a customer's financial situation changes, we are committed to proactively working with them to develop a tailored solution. As a result of this work, our average default rate is less than 3%.

But Laybuy is also committed to lifting the standards of the entire BNPL sector. As one of the larger BNPL providers operating in the UK, we believe we have an obligation to ensure the sector is acting fairly, openly and responsibly in lieu of formal regulation.

This saw Laybuy proactively and positively engage with the Woolard Review, which looked at the unsecured credit market in the UK. We welcomed the review's recommendation that all BNPL providers need to ensure that consumer well-being is at the forefront of everything they do.

We strongly believe BNPL is an effective and lower-risk tool that can help people manage their budgets. We therefore welcomed the UK Government's recognition that the sector must maintain its 'fundamental utility'.

Part of our industry leadership saw Laybuy launch an education and awareness campaign, "Master Your Money", with a well-known UK TV personality and influencer. This programme aimed to empower our customers through financial knowledge and awareness.

We continue to enjoy strong relationships, and engage regularly, with regulators and the UK Government as they consider their next steps following the Woolard Review. Given our strong commitment to customer care and responsible credit, we believe we are in a strong position in relation to any potential regulatory change.





## Building a strong leadership team

I would like to acknowledge and thank the Laybuy leadership team for the support they have provided throughout the year as we simultaneously progressed with our IPO while navigating the challenges presented by COVID-19.

Our leadership team is made up of extraordinary talent with expertise in retail, finance and technology. Last financial year, we welcomed two new positions to the team with Virginia Ballantyne joining as our Head of Risk and Compliance, while Tim Rennie joined as General Counsel.

We have also recently appointed Mathew Hayward as our new Chief Marketing Officer (CMO) and John Gillan joins as General Manager for the UK and Europe. These positions are new to Laybuy, reflecting our growth and ambition.

Mathew and John bring significant expertise to Laybuy. Mathew has 26 years' global brand and retail experience, most recently as CMO at R.M. Williams, one of Australia's most iconic retail brands, while John was Vice-President for Europe at Criteo and has spent nearly a decade in leadership roles at Google.

These appointments greatly strengthen our leadership team. They each bring huge experience and will help ensure Laybuy continues to increase our dominant market share in New Zealand, increase market share in Australia and accelerate growth in the UK.



## Our people – a global team with family spirit

**Our leadership team is supported by our wider team – a highly skilled and diverse group that has been key to our success.**

We have increased our staff numbers by 182% year-on-year, and have expanded our office space three times in that period. Not only have we been able to attract some of the best and brightest stars in product development, marketing and management, but we have also been able to retain our incredible talent. We have achieved this through a relentless focus on building a culture that stems from our family founding and supports high-performance, inclusivity, flexibility and meaningful connections.

Throughout the pandemic, our first priority has always been the health and welfare of our staff, their families and our partners. Our team in the UK was particularly impacted by COVID-19. To support them through their extended period of lockdown, we sent regular care packages to their homes and made use of Zoom to not just drive the business but to also have fun.



## Diversity and inclusion

**At Laybuy, we recognise our differences are something to be celebrated. In fact, we embrace our differences because we understand that a diverse and inclusive workforce is critical to our success as a business. We can't do things differently if we all think the same.**

This is reflected in our Global Diversity and Inclusion Policy, which aims to build a positive culture, where individual differences are accepted and valued and where there is zero tolerance to any inappropriate behaviour. Further information on our Diversity and Inclusion Policy is included in our Corporate Governance statement.



## FY22 outlook – foundations for growth

**We are confident that the year ahead will see ongoing and strong growth across New Zealand, Australia and the UK as we execute our growth strategy.**

Our focus remains firmly on accelerating growth in the UK market, which continues to present enormous opportunities. We are looking to maintain our momentum with the launch of *Tap to Pay* in the UK, alongside our new strategic partnerships, allowing our customers to shop easily with Laybuy at some of the UK's largest and most iconic brands.

In the year ahead, Laybuy is entering into new merchant integrations in the UK with Debenhams, Dorothy Perkins, Burton, Wallis, Fanatics and Ticketmaster Sport as we work towards our goal of having Laybuy offered at all the UK's top retailers.

Laybuy also completed a successful capital raise of A\$40 million in May and June 2021, providing funding to invest further in technology, marketing and people to continue our strong momentum and accelerate growth further.

Laybuy has secured an extension on the NZ\$20 million debt facility with Kiwibank to fund its New Zealand and Australian operations and entered into a £80 million debt facility with United States funding provider 'Victory Park Capital Advisors, LLC' (Victory Park) to fund growth in the UK during the course of the year. Laybuy's business model of six weekly

payments means we turn over our capital between 20 and 24 times per year. This makes Laybuy the most capital-efficient BNPL provider in the market.

While we are confident about our future growth, we do share the disappointment with all our shareholders that the share price is not performing as we would want or expect it to. Despite this, we remain firmly focused on delivery.

Our simple-to-use platform, alongside features like Laybuy Boost, Laybuy Global and *Tap to Pay*, differentiate us from our competitors and position Laybuy well to secure strong market share in the UK.

We believe our strategy is laying the foundations for solid and sustained growth, and this will ultimately deliver shareholder value in the longer term.

We look forward to updating you on the journey as we reach key milestones.

**Gary Rohloff**  
Managing Director  
Laybuy Group Holdings Limited



# Responsible Lending

Laybuy exists to make life easier – easier for consumers by helping them manage their budgets and easier for merchants by providing them with a cost-effective and risk-free credit option to offer their customers.

We are committed to being the world's most responsible BNPL provider, offering convenient, transparent and appropriate payment and credit options, helping consumers manage their money.

For many consumers, BNPL is an effective alternative to credit cards. It provides consumers with a fixed repayment structure and allows them to fit purchases into their budgets without paying high interest costs.

At Laybuy, we take our credit responsibilities extremely seriously. That is why, unlike some other BNPL providers, we credit-check every new customer via our integration with credit bureau Experian in the UK and Australia, and Centrix in New Zealand.

This helps determine a customer's ability to meet future repayments and ensures we are not providing credit to those who cannot afford it.

These credit checks see approximately one in four applicants declined a Laybuy account.

Laybuy also sets strict credit limits of between NZ\$120 and no more than NZ\$1,500. A customer's credit limit is determined by their credit score. The average credit limit for Laybuy customers is NZ\$753.

We understand that everyone's financial circumstances are different and can change. This is why we encourage our customers to talk early and honestly with us if they find themselves in unexpected financial difficulty. We have a team of customer support staff based in New Zealand and the UK, allowing 24 hour customer support.

Our Financial Hardship and Assistance Policy sees Laybuy committed to supporting those customers in genuine financial hardship to help them get back on track. Our 24/7 customer support desk specialises in working with customers to find solutions that are effective and sustainable.

If we believe a customer is in financial difficulty, we will communicate with them proactively and place their Laybuy account on hold, preventing them from making additional purchases and putting themselves in further debt.

As a result of our commitment to responsible lending, we are proud to have a default rate of less than 3%. And because we never charge interest, and cap late fees, our customers are never exposed to compounding interest that can be experienced with other credit providers.

## Our commitment to responsible lending

- Independent credit-checking of every new Laybuy customer.
- Strict credit limits.
- Capped late fees to prevent debt spirals.
- No charging of interest, ever.
- A robust Financial Hardship and Assistance Policy that supports customers in difficulty.



# Our Board of Directors

Laybuy has an experienced board with broad retail, commercial, corporate governance and financial skill sets.



## STEVEN FISHER

*Chair and Independent Non-Executive Director*

Steven has more than 30 years' experience in general management positions in the wholesale consumer goods industry and was previously Chief Executive of the Voyager Group. He is currently the non-executive Chair of ASX-listed Breville Group Limited and The Reject Shop Limited. Steven was a practising chartered accountant, having qualified in South Africa with a Bachelor of Accounting from the University of Witwatersrand, Johannesburg.



## GARY ROHLOFF

*Managing Director*

Gary co-founded Laybuy in 2016 and has served as Managing Director of the company since that time. He is responsible for the overall management and strategic direction of Laybuy. Gary is currently based in New Zealand. He has held a number of CEO roles in the retail industry, including some of the country's largest retailers – Number One Shoes, Warehouse Stationery, and EziBuy. Prior to his retail experience, Gary worked in treasury roles and in banking. He has a Master of Business Administration (MBA) from Massey University, where he graduated with Distinction in 1994.



## MARK HABERLIN

*Independent, Non-Executive Director*

Mark has significant experience in senior finance and management roles, including having been a partner at PwC in Australia for 24 years and serving two of those years as Chair. Mark is currently lead Independent Non-Executive Director and Chair of the Audit and Risk Committee of ASX-listed Abacus Property Group, and Independent Non-Executive Director and Chair of the Audit and Risk Committee of ASX-listed Australian Clinical Laboratories, as well as director of two private companies. Mark has a Bachelor of Science (Civil Engineering) (Honours) from Imperial College London.



## CRAIG STYRIS

*Non-Executive Director*

Craig is an Executive Director of Pioneer Capital, a private and growth equity firm focused on investments in New Zealand businesses. He has sourced and managed a number of investments for Pioneer Capital across a range of growth sectors. Prior to Pioneer Capital, Craig was an Associate Director at Craigs Investment Partners and an Associate at Houlihan Lokey in Los Angeles. He is currently a director of Magic Memories Group Holdings Limited, Rockit Global, and Tom & Luke. Craig has a Bachelor of Management Studies (Accounting and Economics) and a Graduate Diploma in Finance from the University of Waikato.



# Our Leadership Team

A team with retail, financial and technology expertise to take the business global.



## **ROBYN ROHLOFF**

*Chief Brand Officer*

Robyn co-founded Laybuy in 2016 with her husband, Gary, and is responsible for all the brand, creative and PR aspects of the business. She has led the development of Laybuy's brand and creative initiatives from day one.



## **KATRINA KIRKCALDIE**

*Chief Financial Officer*

Katrina is responsible for overseeing Laybuy's global financial function. She has served as the Group's CFO since October 2019 and has over 15 years of accounting and finance experience. Prior to joining Laybuy, Katrina held a number of roles within finance, software and retail organisations, including WhereScape, The Warehouse, EY and KPMG.



## **MATHEW HAYWARD**

*Chief Marketing Officer*

Mathew is responsible for overseeing Laybuy's global marketing. Mathew brings 26 years global experience to the team and he was previously CMO at R.M. Williams – one of Australia's most iconic brands. Prior roles include Head of Marketing at Deckers Brands and as Vice-President Marketing and Global Creative Director at DC Shoes (Quicksilver) in the United States.



## **MEL QUIRK**

*Chief People Officer*

Mel is responsible for the creation and execution of Laybuy's people experience strategy and has over 15 years of HR experience. Prior to joining Laybuy, she held roles at Overland Footwear Group, Converga Pty Ltd (a subsidiary of NZ Post) and Mercury NZ Limited (formerly Mighty River Power).





# Our Leadership Team (continued)



**JAMES ABBOTT**

*Chief Product Officer*

James is responsible for the global product strategy and delivery for Laybuy. Prior to starting at Laybuy in 2018, he held roles in business development and key account management at Westpac New Zealand. James has over 16 years' experience in banking, payments and financial services.



**JUSTIN SOONG**

*Chief Technology Officer*

Justin is responsible for software development and architecture at Laybuy. Prior to joining the business, he held senior IT roles at Dovetail, a designer and builder of software, and Harmoney Ltd, a leading lending platform in Australia and New Zealand.



**TIM RENNIE**

*General Counsel*

Tim is responsible for overseeing the Group's global legal function. He has over 15 years' legal experience, including with Xero, ePay Worldwide, and PayPoint.



**VIRGINIA BALLANTYNE**

*Head of Risk and Compliance*

Virginia joined Laybuy in May 2020 and is responsible for the Group's risk and compliance function. Prior to commencing at the company, Virginia was a Compliance Manager for Westpac Banking Corporation in New Zealand.



# Directors' Report

The Directors submit their report on the consolidated entity consisting of Laybuy Group Holdings Limited (Company) and its subsidiaries (Group) for the year ended 31 March 2021.

Name	Position
Steven Fisher	Independent Non-Executive Chair
Gary Rohloff	Managing Director
Craig Styris	Non-Executive Director Chair of the Nomination and Remuneration Committee
Mark Haberlin	Independent Non-Executive Director Chair of the Audit and Risk Committee

The Directors listed above have each held office as a Director of Laybuy Group Holdings Limited, Steven Fisher and Mark Haberlin joined as Directors in July 2020. Whilst Craig Styris and Gary Rohloff were Directors throughout the period and until the date of this report.

## Principal activities

The principal activity of the Group is to provide a Buy-Now-Pay-Later (BNPL) payment solution for customers and merchants through its platforms.

## Financial result

The Group reported a Statutory Loss After Tax of NZ\$41.3 million for the year ended 31 March 2021 (2020: Statutory Loss After Tax of NZ\$16.1 million)



# Operating and Financial Performance

For the year ended 31 March 2021, the Group delivered strong growth across all key operating metrics in the UK, New Zealand and Australia regions.

## Summary of key metrics (including Non-GAAP<sup>1</sup> measures):

NZ\$	FY21	FY20	FY21 vs FY20	FY21 vs FY20 %
UK GMV	\$296m	\$49m	\$247m	504%
ANZ GMV	\$293m	\$178m	\$115m	65%
Gross Merchandise Value (GMV)	\$589m	\$227m	\$362m	159%
Income	\$32.6m	\$13.7m	\$18.9m	137%
Net Transaction Margin (NTM)	\$10.7m	(\$0.02m)	\$10.7m	
NTM % of GMV	1.8%	0.0%	+1.8%	
Defaults % of GMV	2.4%	4.1%	(1.7%)	
Normalised EBITDA <sup>2</sup>	(\$21.7m)	(\$16.2m)	(\$5.5m)	34%
Loss after tax <sup>3</sup>	(\$41.3m)	(\$16.1m)	(\$25.2m)	157%
Active customers <sup>4</sup>	756,000	404,000	352,000	87%
Repeat customers <sup>5</sup>	66%	58%	+8%	
Active merchants <sup>6</sup>	9,126	5,204	3,922	75%

<sup>1</sup> Non-GAAP measures have been included as we believe they provide useful information for users of the financial statements that assist in understanding Laybuy's financial performance. The non-GAAP financial information does not have a standardised meaning prescribed by IFRS and therefore may not be comparable to similar financial information presented by other entities. The non-GAAP financial information has not been subject to audit or review.

<sup>2</sup> Normalised EBITDA excludes one-off items such as the cost associated with the IPO, fair value movements on convertible notes and share-based payments.

<sup>3</sup> Statutory Loss After Tax in line with IFRS.

<sup>4</sup> An Active Customer is a customer that has made a purchase through the Laybuy platform within the 12 months prior to the relevant period.

<sup>5</sup> A customer who has made more than one purchase through the Laybuy platform within the 12 months prior to the end of the relevant period.

<sup>6</sup> An Active Merchant is a merchant that has received payment for a purchase through the Laybuy platform within the 12 months prior to the relevant period.

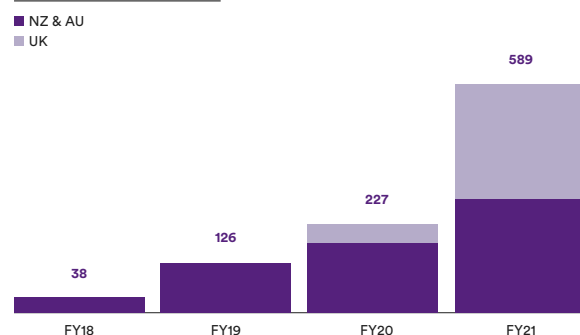




## Gross Merchandise Value (GMV)

The Group's GMV for FY21 increased significantly across all regions, and in particular the UK. Growth in the UK increased by 504% to NZ\$296 million, while the New Zealand and Australia (ANZ) region increased by 65% to NZ\$293 million. This resulted in a total GMV of NZ\$589 million, up 159% on the year prior. This growth was supported by growing numbers of large and small merchants, supported by increasing customer adoption, as well as increasing frequency of purchasing by existing customers.

Total GMV by region (NZ\$m)



## Active customers

Laybuy's active customers increased to 756,000 in FY21, an uplift of 352,000 on the prior year, and a 106% CAGR<sup>7</sup> since Laybuy launched. Impressive growth was seen across both the UK (increasing 203% to 463,000) and ANZ (increasing 17% to 293,000) year on year.

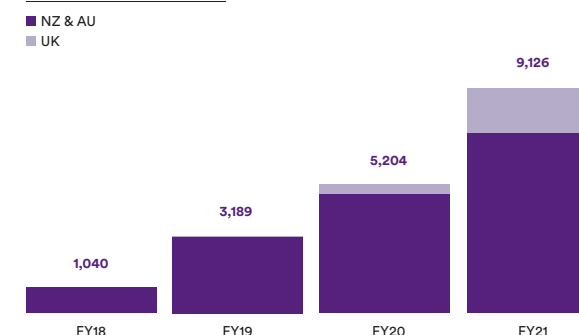
Active customers by region ('000)



## Active merchants

Laybuy's active merchants increased to 9,126 in FY21, an uplift of 75% on the prior year. The UK saw significant growth of 433% to 1,785 in FY21. Laybuy continues to increase its brand awareness through major sporting partnerships including Manchester United, Manchester City and Arsenal football clubs, which drive both customer adoption and brand awareness. A number of key retailers were also added as merchants during the year.

Active merchants by region



<sup>7</sup> Compound annual growth rate over four years from FY18 to FY21.



# Financial Performance

Laybuy has continued to grow and expand its operations during FY21, with total income up 137% to NZ\$32.6 million from the prior year.

NTM has significantly improved to 1.8%, up from break-even at the end of FY20. This is due to reduced credit losses and improved margins for processing costs.

Laybuy continues to invest for future growth. For the year ended 31 March 2021, Laybuy heavily invested in its people, marketing, product development, partnerships, capital and availed itself of sufficient debt facilities to support receivables book growth.

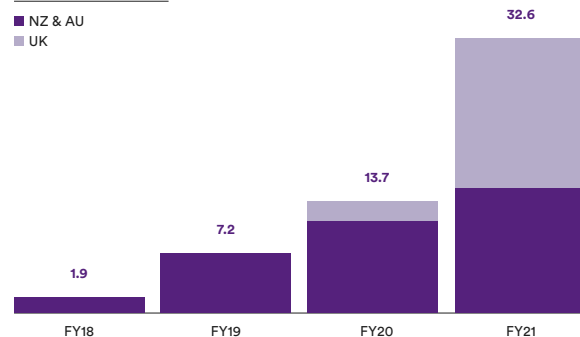
NZ\$000s	FY21	FY20	Change \$	Change %
Total income	32,567	13,747	18,820	137%
Merchant and marketing expenses	(12,200)	(4,070)	(8,130)	200%
Employment expenses	(10,372)	(4,612)	(5,760)	125%
Transaction expenses	(6,612)	(4,226)	(2,386)	56%
Consumer receivables impairment expenses	(15,132)	(9,623)	(5,509)	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	-	107	Large
Finance expenses	(9,495)	(479)	(9,016)	1882%
Finance income	-	8	(8)	-100%
Loss before tax	(41,495)	(16,135)	(25,360)	157%
Net transaction margin	10,741	(22)	10,719	Large
Normalised EBITDA	(21,745)	(16,153)	(5,592)	35%
EBITDA	(27,943)	(16,153)	(11,790)	73%



## Total income

Total income for the year ending 31 March 2021 increased to NZ\$32.6 million, an increase of 137% on the prior year.

Group annual income



## Merchant fee income

Laybuy saw a significant increase in merchant fee growth of 150% on Prior Comparative Period 'PcP'), due to accelerating growth in underlying GMV in the UK and continued growth in ANZ. The average merchant fee for new retailers added to the platform in the second half of the year were on average higher than 5%, significantly higher than the average merchant fee of approximately 4% historically derived being Laybuy. This is due to a large number of small merchants being onboarded through the company's inbound merchant strategy.

## Late fee income

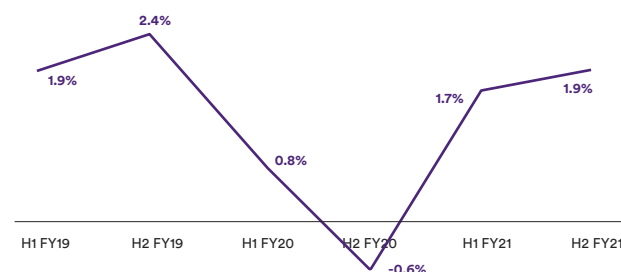
Late fees increased by 123% for the year ended 31 March 2021, due to the increased GMV in all regions. As a percentage of total income, the late fees have reduced from 48% to 45% YoY as a result of an increase in repeat customer use.

New Zealand has significantly lower levels of late fees as a percentage of income compared to the UK, reflecting the relative stages of maturity in these markets. As the UK market becomes more established, management believes that the late fees will reduce to similar levels experienced in New Zealand.

## Net Transaction Margin

Transaction margin (% of GMV)

— Half yearly NTM as % of GMV



NTM as a percentage of GMV increased to 1.8% for the year ended 31 March 2021, up from break-even in PcP, increasing NTM to NZ\$10.7 million from a loss of NZ\$0.02 million in PcP. The increase in NTM was primarily driven by reduced credit losses and lower transaction costs. Credit losses have reduced from 4.1% to 2.4% of GMV in FY21 compared to PcP due to increased purchasing frequency and better fraud management technology. Transaction costs have reduced from 1.9% to 1.1% of GMV as a result of the UK market attracting lower gateway fees and merchant processing fees. The NTM for the latest quarter ended 31 March 2021 was 2.5%.



## Operating costs

Laybuy continues to invest for future growth, including heavily invested in marketing, people, product development, partnerships, and capital and debt right-sizing. Several one-off costs were incurred and these have been factored into the normalisations; refer to page 29.

Merchant and marketing expenditure is up 200% on PcP. Of this increase, NZ\$0.8 million relates to the share based payment expense to merchants. In addition, the increase in marketing expenditure has been largely driven from B2B activity and engagement with larger UK retail merchants, which includes co-funding marketing campaigns, system integrations as well as sponsorship payments to the Manchester United and Manchester City football clubs.

Investment in people has increased PcP from NZ\$4.6 million to NZ\$10.4 million. For the year ended March 2021, NZ\$389,000 of share-based payment expenditure had been incurred in respect of the share gift to all staff on the IPO, the closeout of the original employee share option scheme, and the new long-term incentive scheme for the Independent Non-Executive Directors and the executive staff members of Laybuy. These amounts have been included in the normalisations on page 29 of this report.

Full time employee numbers have increased from 46 to 84 for the PcP, with investment in marketing, finance, software development, legal and risk, human resources, sales, merchant onboarding and customer support functions. This is largely to support scaling the Laybuy operations in the UK, as well as providing adequate resources to enable the business to scale further in the future.

Transaction expenses are the variable transactional costs,

merchant service and gateway fees incurred. These have increased PcP because of greater GMV, although they have scaled at a lower rate due to lower processing fees incurred in the UK.

Customer receivables impairment expense has continued to decline throughout the year and therefore, NTM has significantly improved. Laybuy aggressively entered the UK market in June 2019 and experienced a high degree of both customer credit default and fraudulent transactions through its platform.

Credit performance across all three regions continues to improve. The impairment expense as a percentage of GMV decreased from 4.1% in FY20 to 2.4% in FY21 due to an increase in repeat customers using Laybuy and reductions in the levels of fraud and customer default. The significant improvement in credit losses has resulted in strong growth in NTM, as illustrated by NTM returning to pre-UK market entry expansion levels.

Platform development expenditure includes hosting charges, contract developer time as well as fraud detection tools. This has increased by 206% PcP due to increased data volumes and activity of the development team as well as transactional volumes through the platform.

Other operating expenditure is up 118% PcP. Of the NZ\$7.7 million increase, NZ\$4.1 million relates to one-off costs and has been included in the normalisations below as it relates to costs incurred for the IPO which were unable to be netted against the raise, together with legal/consulting and recruitment costs. Other operational costs have scaled as a result of increased GMV, growth of the global operations, and increased compliance and ASX listing costs.



## Normalisations

Total normalisations of NZ\$6.2 million have been made in FY21. These are depicted below in the bridge chart.

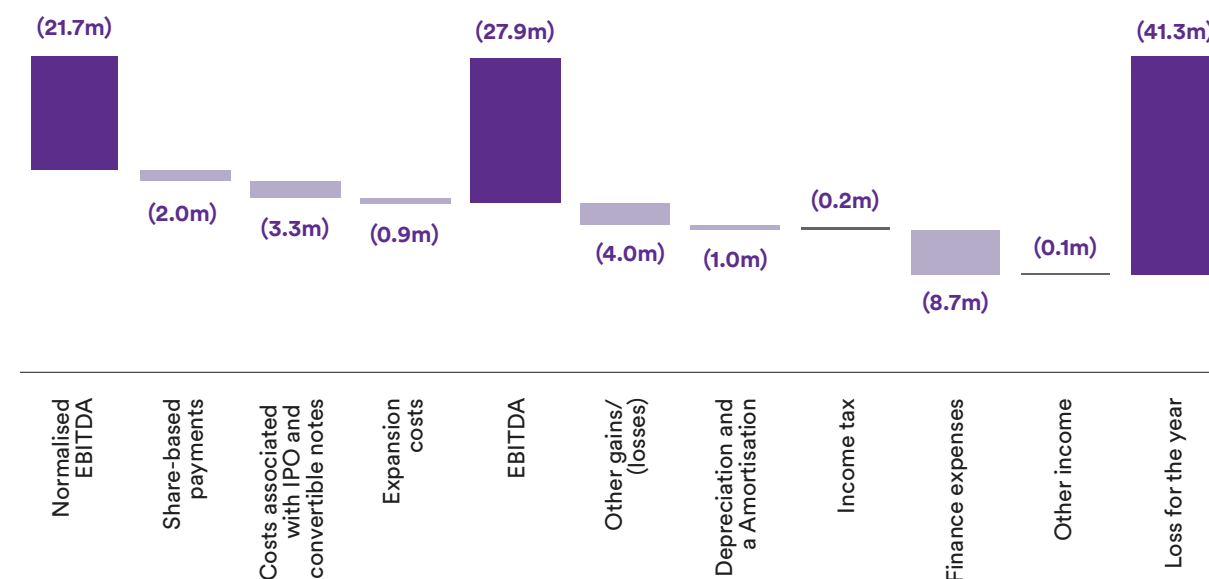
Included in share-based payments are NZ\$0.4 million of expenditure incurred in respect of the share gift to all staff on the IPO, the close-out of the original employee share option scheme, and the new long-term incentive scheme for the Independent Non-Executive Directors as well as the executive members of Laybuy. A further NZ\$1.6 million of share-based payments relates to share options held by external unrelated parties and the share-based expenses booked in respect of these arrangements.

Fair value adjustments on derivative financial instruments of NZ\$4.0 million have been taken as a normalisation. This relates to a NZ\$3.8 million fair value adjustment on the conversion of the convertible notes to equity on the IPO, as well as a further NZ\$1.4 million (gain) in respect of the share warrants held by Victory Park netted against foreign exchange gains and losses of NZ\$1.6 million (loss).

Expansion costs of NZ\$0.9 million relating to recruitment costs were incurred to scale the business and have been regarded as one-off expenditure items.

Non-capitalised IPO and convertible note costs of NZ\$3.3 million have been incurred and are captured within operational expenditure.

### Operating Costs (NZ\$m)





# Financial Position

## Net assets

The Group's net asset position has increased to NZ\$36.7 million, up from NZ\$0.7 million net liabilities, as at 31 March 2021. This is due to the capital raising and funding activities, and growth in the GMV, offset by the losses for the period. The customer loan book continues to grow in line with the GMV growth.

Total liabilities as at 31 March 2021 were NZ\$23.3 million, which is a decrease on the balance at 31 March 2020.

This is as a result of the repayment of the Kiwibank debt facility with the cash raised as part of the IPO, as well as the conversion of convertible notes to equity at the time of the IPO.

## Capital management

The Group raised NZ\$54.8 million (after sell-down payment of NZ\$43.4 million) during the year from the pre-IPO convertible note offer and the IPO. The net contributed capital was NZ\$76.7 million. A further A\$40 million of capital was raised in May and June 2021.

The Group has an aggregate of NZ\$161.8 million of debt facilities available from both Kiwibank and Victory Park. As at 31 March 2021 the available undrawn capacity from these facilities was NZ\$3.4 million, based on the size of the receivables ledger at the time.

Facility	Facility Limit	Drawn as at 31 Mar 2021	Capacity	Maturity
Kiwibank	NZ\$20.0m	NZ\$9.2m	NZ\$10.8m	Jun-22
Victory Park	NZ\$154.0m	NZ\$3.0m	NZ\$151.0m	Aug-25
Total			NZ\$161.8m	



# Key Risks and Business Challenges

This section outlines the principal risks and business challenges that have been identified by the Laybuy Board and are a constant priority for senior management. The list includes a mix of existing and emerging risks which could, if they materialised, impact our ability to serve our customers and merchants or deliver our strategy.

## Regulatory compliance

Laybuy is subject to a range of laws, regulations and industry compliance requirements in New Zealand, Australia and the UK. The BNPL sector is currently subject to the increased focus of regulators, who are taking an increasingly active role in monitoring BNPL participants. Failure to comply with laws, regulations and industry compliance requirements in these jurisdictions (or in other jurisdictions in which Laybuy might operate in the future), or appropriately respond to any changes, could adversely impact Laybuy's reputation and financial performance.

## Cybersecurity and data protection

Laybuy collects and holds a wide variety of personal and commercial information about its customers and merchant partners. The regulatory landscape is increasingly focused on the privacy, integrity and appropriate management of data throughout its life cycle.

Laybuy's systems, or those of its third-party service providers, might fail, or be subject to disruption as a result of external threats or system errors.

Cyber-attacks have the potential to compromise or breach the safeguards implemented by Laybuy to maintain confidentiality of such information as well. Unauthorised access to, or breach or failure of, Laybuy's digital infrastructure due to cyber-attacks, negligence, human error or other third-party actions could disrupt Laybuy's operations and result in the loss or misuse of data or sensitive information.

Loss of control of such data might expose Laybuy to litigation, claims, fines and penalties as well as reputational damage. This could lead to additional costs and negatively impact Laybuy's financial performance.



## Capital and funding

Laybuy's business model is reliant on the ability to fund merchants by enabling customers to use Laybuy services to acquire products. Laybuy has debt funding facilities with Kiwibank and Victory Park to facilitate these transactions.

There is a risk that, if Laybuy does not have sufficient liquid funds to satisfy its contractual obligations, this could adversely affect Laybuy's operations and performance. As the company continues to grow and expand its market share, Laybuy might require additional capital funding to deliver its strategy.

## Technology investment

Laybuy operates in a competitive environment in which systems are subject to continual development and improvement. New technological advances in the BNPL sector are driving the digitalisation and automation of processes.

There is a risk that new BNPL entrants or existing competitors might deliver a superior solution and customer experience offering to that currently offered by Laybuy. A failure to invest in the development and maintenance of systems which support innovation and growth might result in a decrease in Laybuy's market share.

## Fraud

Laybuy is exposed to the risk that customers, merchants, employees and other third parties might seek to commit fraud in connection with the products that Laybuy provides. Laybuy is reliant on its internal systems and processes, as well as on its external providers, to identify fraud and minimise its impact should it occur. A failure to establish and embed processes and tools to prevent fraudulent transactions could result in damage to Laybuy's reputation, and adversely affect its financial performance.

## Business maturity and key personnel

Laybuy is a growing business operating in a fast-paced competitive market and is therefore required to continuously improve its product offering to ensure it remains innovative and relevant to the market.

The company's ability to ensure its products are continually improved relies on the expertise of its skilled workforce. Failing to attract and retain culturally aligned employees who can deliver innovative, sustainable and customer-focused payment products and solutions could adversely affect Laybuy's business and its future ability to pursue its growth strategies.

## Macroeconomic – COVID-19

Laybuy's business performance is closely linked to the performance of the economies in which it operates in, which in turn, are impacted by events in the global economy. The COVID-19 pandemic has had an immediate impact on the retail sector with closures of stores across New Zealand, Australia and the UK.

Uncertainty exists regarding the duration and severity of COVID-19 impacts and the associated disruption to the local and global economy. This will have a detrimental effect on consumer confidence, discretionary spending, merchant focus and interest in Laybuy's product, which might subsequently impact Laybuy's ability to generate revenue and execute on strategy.





# Meetings of Directors

## Record of attendance at Board and Board Committee meetings FY21

	Board		Audit and Risk Committee		Nominations and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Steve Fisher	13	13	3	3	1	1
Gary Rohloff	13	13	-	-	-	-
Mark Haberlin	13	13	3	3	1	1
Craig Styris	13	13	3	3	1	1

## Significant changes in state of affairs

No significant changes in the state of affairs.

## Significant events subsequent to year-end

A further capital raise was completed in May and June 2021. Laybuy raised approximately A\$40 million via a two-tranche institutional placement and Share Purchase Plan. The second tranche of the placement was approved by shareholders at a special shareholder meeting in June 2021.



# Remuneration Report (unaudited)

## Remuneration

At Laybuy, we recognise that our people are our greatest asset. Our success depends on attracting and retaining highly skilled and diverse individuals who can help achieve our long-term strategic objectives and support our continued growth.

Laybuy is operating in a competitive environment, where companies are competing with each other globally to attract talent. This demand for international talent is reflected in our remuneration framework, which has been designed to attract highly skilled individuals and reward them appropriately for the contribution they make to the success of the business, no matter where in the world they are based.

## Remuneration framework

We recognise that, in order to achieve our short and long-term business objectives, we need to attract, motivate and retain high-performing individuals who will collectively deliver Laybuy's vision, strategy and plans.

In the increasingly competitive environment, our remuneration philosophy sets out to:

1. Attract and retain talented people to the business
2. Promote and reward the right behaviours which result in a high-performing culture
3. Be competitive, fair, equitable and reflective of the current external labour market.

## Remuneration practices

The Managing Director and other senior management have market-based<sup>1</sup> remuneration packages linked to their individual and Laybuy's performance. These are made up of fixed and variable remuneration.

Employees' fixed remuneration is based on an individual's technical skill set, experience, individual performance and current remuneration relative to the market. Fixed remuneration is reviewed annually by Laybuy's People Experience team and includes independent external market data. Changes to fixed remuneration will be made with consideration given to individual performance and external market conditions.

The remuneration packages of the Managing Director and other senior management are reviewed by the Nominations and Remuneration Committee (NRC) at least annually. Remuneration packages are determined by role, taking into account specific requirements and responsibilities within the role.

All remuneration decisions affecting related parties are signed off by the Chair of the Board. The NRC reviews all annual remuneration changes as part of the annual budgeting review and sign-off process.

Selected senior management and managers also have variable remuneration in the form of a short-term incentive (STI) as part of their remuneration package. Some executives also have long-term incentives (LTI) as part of their remuneration package.

The STI allows for employees to receive payments in excess of their fixed remuneration. These are discretionary and directly related to individual and/or Laybuy's performance.

Those employees not participating in the STI or LTI plans may be offered a fixed bonus or a variable bonus based on a percentage of their fixed remuneration, subject to individual performance and/or Laybuy achieving our financial objectives for the year.

The NRC reviews and approves all changes to fixed remuneration.

## Managing executive performance

The performance of the Managing Director and Chief Financial Officer (and the performance of the executives) is evaluated by the NRC, and for the executives in consultation with the Managing Director.

A process is in place for evaluating the performance of executives with a review of performance against targets carried out by the Managing Director and the NRC at the end of the financial year.

<sup>1</sup>Korn Ferry was engaged to assess the senior managers' remuneration against market data.



## Directors and CFO's remuneration

Non-Executive Director remuneration is paid in the form of director fees. The fees paid to Directors are structured to reflect the respective responsibilities and workloads of their board and committee positions.

The annual aggregate Non-Executive Directors' remuneration pool is capped at A\$600,000.

Name	Position
<b>NON-EXECUTIVE AND EXECUTIVE DIRECTORS</b>	
Steven Fisher	Independent Non-Executive Chairperson
Gary Rohloff	Managing Director
Mark Haberlin	Independent Non-Executive Director Chair of the Audit and Risk Committee
Craig Styris	Non-Executive Director Chair of the Nomination and Remuneration Committee
<b>OTHER</b>	
Katrina Kirkcaldie	Chief Financial Officer

## Remuneration outcomes at a glance

Fees for board and committee roles are set out below:

	Position	Fees (per annum)
Board of Directors	Chair	A\$130,000
	Member	A\$80,000
Audit and Risk Committee (ARC)	Chair	A\$15,000
	Member	A\$5,000
Nomination and Remuneration Committee (NRC)	Chair	A\$8,000
	Member	A\$5,000

Remuneration paid to Non-Executive Directors of the Group for the year ended 31 March 2021 was as follows:

NZ\$	Board fees	ARC fees	NRC fees	Total Remuneration
Steven Fisher (Chair)	\$100,000	\$3,846	\$3,846	\$107,692
Mark Haberlin	\$61,538	\$11,538	\$3,846	\$76,923
Craig Styris	\$60,831	\$6,154	\$3,846	\$70,831
<b>TOTAL</b>	<b>\$222,370</b>	<b>\$21,538</b>	<b>\$11,538</b>	<b>\$255,446</b>

## Share-based compensation

Laybuy has established the Laybuy Omnibus Incentive Plan (OIP) to assist in the motivation, reward and retention of its Directors and senior management.

During the financial year, Gary Rohloff was issued 709,220 zero exercise price options (ZEPOs) and Katrina Kirkcaldie was issued 460,993 ZEPOs. The vesting conditions of these ZEPOs are subject to service-based and performance-based vesting conditions.

During FY21, Laybuy made a one-off grant of market-priced options to each of the Independent Non-Executive Directors (Steven Fisher and Mark Haberlin) under the OIP.



## Remuneration structure

The NRC is responsible for making recommendations to the Board on the remuneration arrangements for each of the Non-Executive Directors, Managing Director, and senior management.

Component	Description	Link to strategy and performance
Fixed remuneration	<ul style="list-style-type: none"> <li>- Base salary</li> <li>- KiwiSaver</li> </ul>	Reviewed annually based on individual skills, experience, accountabilities, performance, leadership and behaviours
Short-term incentive (STI)	<ul style="list-style-type: none"> <li>- Percentage of base salary</li> <li>- Based on achievement against a range of Laybuy-wide performance measures and individual objectives</li> <li>- Measured against a 12-month financial year and paid 100% cash if entitled</li> </ul>	Rewards delivery of key strategic and financial objectives
Long-term incentive (LTI)	<ul style="list-style-type: none"> <li>- ZEPOs based on achievement of certain performance conditions</li> </ul>	Rewards delivery of key strategic and financial objectives

<sup>2</sup> Post IPO.

<sup>3</sup> Includes FBT related to motor vehicle, as well as access to car parking.

<sup>4</sup> Includes accrued leave paid out and KiwiSaver contribution.

<sup>5</sup> Katrina Kirkcaldie's annual bonus was realigned from her anniversary to an annual bonus payable at year-end during the period. A pro-rated amount was paid at year-end.

<sup>6</sup> Other<sup>6</sup> includes a NZ\$100,000 IPO transaction bonus and NZ\$329,375 of shares upon IPO (cashless exercised). This was issued as shares and not cash.

## Remuneration of Managing Director

Details of the remuneration arrangements are set out below:

### Term

There is no fixed term; employment is ongoing until terminated by either party.

### Total fixed remuneration

NZ\$375,000 per annum (subject to annual review).<sup>2</sup>

### STI

Eligible to receive a discretionary STI award of up to NZ\$75,000 (representing 20% of his fixed annual salary), based on the performance of the Group and achievement of specified key performance indicators. Performance is measured against a 12-month financial year (pro-rated for FY21 from the date of the IPO), and if Gary Rohloff becomes entitled to receive an STI award, 100% will be delivered in cash.

### LTI

Gary Rohloff is also entitled to receive an LTI, subject to the satisfaction of performance conditions.

The remuneration paid to the Managing Director in FY21 was as follows:

	FY21
Fixed remuneration	NZ\$360,000
STI paid	-
Other <sup>3</sup>	NZ\$31,000
<b>Total remuneration received</b>	<b>NZ\$391,000</b>

## Remuneration of Chief Financial Officer

### Term

There is no fixed term; employment is ongoing until terminated by either party.

### Total fixed remuneration

NZ\$250,000 per annum and 3% contribution to KiwiSaver based on gross remuneration (subject to annual review).

### STI

Eligible to receive a discretionary STI award of up to NZ\$50,000 (representing 20% of her fixed annual salary), based on the performance of the Group and achievement of specified key performance indicators. Performance is measured against a 12-month financial year, and if Katrina Kirkcaldie becomes entitled to receive an STI award, 100% will be delivered in cash.

The remuneration paid to the Chief Financial Officer in FY21 was as follows:

	FY21
Fixed remuneration <sup>4</sup>	NZ\$268,000
STI paid <sup>5</sup>	NZ\$66,000
Other <sup>6</sup>	NZ\$429,000
<b>Total remuneration received</b>	<b>NZ\$763,000</b>



# Shareholdings

The number of shares in Laybuy held during the financial year by each Director of Laybuy Group Holdings Limited is set out below:

Name	Balance at 1 April 2020	Received during the year in exercise options	Other changes during the year	Balance at 31 March 2021	Options granted during the year not yet vested	Holding % (fully diluted) at 31 March 2021
Steven Fisher <sup>1</sup>	-	-	75,000	75,000	240,000	0.1%
Gary Rohloff <sup>2</sup>	60,000,000	-	(8,468,580)	51,531,420	1,170,213	26.8%
Mark Haberlin <sup>3</sup>	-	-	35,461	35,461	160,000	0.1%
Craig Styris <sup>4</sup>	60,000,000	-	(15,537,782)	44,495,718	-	22.6%

<sup>1</sup> The registered holders of the shares are Danlar Nominees Pty Ltd, which is controlled by Mr Fisher (50,000 shares) and Louise Michelle Fisher, Mr Fisher's wife (25,000 shares).

<sup>2</sup> 25,744,681 shares held directly by Gary Rohloff and 25,786,739 shares held by Robyn Rohloff. 709,220 options held directly by Gary Rohloff, 460,993 options held by Robyn Rohloff.

<sup>3</sup> The registered holder of the shares is Osgood Isgood Pty Ltd, which is controlled by Mr Haberlin.

<sup>4</sup> The registered holder of the shares, Pioneer Capital III Nominees Limited (Pioneer), is owned (via a chain of wholly-owned subsidiaries) by a New Zealand limited partnership called Pioneer Capital Partners III LP, which is managed by Pioneer Capital, a New Zealand-based growth equity firm through a company named Pioneer Capital Management Limited. Mr Styris, as trustee of the C Styris Trust, holds an indirect 30% interest in Pioneer Capital Management Limited. Mr Styris also has a relevant interest in a further 45,043 fully paid ordinary shares in the company held by Custodial Services Limited as nominee for Styris Investments Limited. Pioneer does not have a relevant interest in these shares. Mr Styris therefore continues to have an aggregate relevant interest in 44,495,718 fully paid ordinary shares in the company, as disclosed in the Appendix 3X lodged for Mr Styris on 9 September 2020, representing voting power of 22.18%.



# Consolidated Financial Statements

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## Directors' statement

for the year ended 31 March 2021

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

\$'000'	Notes	2021	2020
Income	6	32,567	13,747
<b>Total income</b>		<b>32,567</b>	<b>13,747</b>
Other income		107	-
<b>Less expenses</b>			
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
<b>Total expenses</b>		<b>(64,674)</b>	<b>(29,411)</b>
<b>Operating loss</b>		<b>(32,000)</b>	<b>(15,664)</b>
Finance expenses	7.d	(9,495)	(479)
Finance income		-	8
<b>Loss before tax</b>		<b>(41,495)</b>	<b>(16,135)</b>
Income tax credit	9	213	-
<b>Loss for the year</b>		<b>(41,282)</b>	<b>(16,135)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign controlled entities		737	(491)
<b>Total other comprehensive income/(loss)</b>		<b>737</b>	<b>(491)</b>
<b>Total comprehensive loss for the year</b>		<b>(40,545)</b>	<b>(16,626)</b>
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

\$'000'	Notes	2021	2020
<b>Assets</b>			
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
<b>Total assets</b>		<b>60,061</b>	<b>28,853</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
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
<b>Total equity</b>		<b>36,725</b>	<b>(750)</b>
<b>Liabilities</b>			
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
<b>Total liabilities</b>		<b>23,336</b>	<b>29,603</b>
<b>Total equity and liabilities</b>		<b>60,061</b>	<b>28,853</b>

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

\$000'	Attributable to the equity holders of the parent				Total equity
	Share capital	Share based payments reserve	Accumulated losses	Foreign currency translation reserve	
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.



# Consolidated statement of cash flows

for the year ended 31 March 2021

\$'000'	Notes	2021	2020
<b>Operating activities</b>			
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	-
<b>Net cash flows used in operating activities</b>	13	<b>(47,839)</b>	<b>(21,824)</b>
<b>Investing activities</b>			
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)
<b>Net cash flows used in investing activities</b>		<b>(1,993)</b>	<b>(993)</b>
<b>Financing activities</b>			
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)	-
<b>Net cash flows from financing activities</b>		<b>56,667</b>	<b>30,822</b>
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
<b>Cash and cash equivalents as at 31 March</b>	12	<b>15,487</b>	<b>9,856</b>

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.

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 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.



## Notes to the consolidated financial statements

### 3. Significant accounting policies (continued)

#### 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.

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 that the Group operates, it is expected that transactions will continue to flow through the Group's platform for 'essential' consumer products. Further, the Group has shown during 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 its 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.

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.



# Notes to the consolidated financial statements

## 3. Significant accounting policies (continued)

### 3.e SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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.

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.





## Notes to the consolidated financial statements

### 3. Significant accounting policies (continued)

#### 3.e SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (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.

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.





# Notes to the consolidated financial statements

## 3. Significant accounting policies (continued)

### 3.e SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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.

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.

##### 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.



## Notes to the consolidated financial statements

### 3. Significant accounting policies (continued)

#### 3.e SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 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.

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.

##### *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.



## Notes to the consolidated financial statements

### 3. Significant accounting policies (continued)

#### 3.e SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *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.

##### **(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.

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 payment 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.



## Notes to the consolidated financial statements

### 3. Significant accounting policies (continued)

#### 3.e SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (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.

#### 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.





## Notes to the consolidated financial statements

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

#### 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

\$000'	2021	2020
Merchant fees	17,811	7,123
Late fees	14,756	6,624
<b>Total income</b>	<b>32,567</b>	<b>13,747</b>

### 7. Expenses

#### 7.a CONSUMER RECEIVABLES IMPAIRMENT EXPENSES

\$000'	2021	2020
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
<b>Total consumer receivables impairment expenses</b>	<b>15,132</b>	<b>9,623</b>

#### 7.b DEPRECIATION AND AMORTISATION EXPENSES

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



## Notes to the consolidated financial statements

### 7. Expenses (continued)

#### 7.c OTHER OPERATING EXPENSES

\$000'	2021	2020
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	-
<b>Total other operating expenses</b>	<b>14,296</b>	<b>6,551</b>

#### 7.d FINANCE EXPENSES

\$000'	2021	2020
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	-
	<b>9,495</b>	<b>479</b>

#### 7.e OTHER (LOSSES)/GAINS

\$000'	Notes	2021	2020
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
<b>Total other (losses)/gains</b>		<b>(3,986)</b>	<b>563</b>





## Notes to the consolidated financial statements

### 8. Auditors' remuneration

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

\$000'	2021	2020
<b>Fees paid for the audit and review of the Group financial statements or subsidiaries that require an audit:</b>		
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	-
<b>Total audit fees</b>	<b>302</b>	<b>90</b>
<b>Fees paid for other assurance services</b>		
Investigating Accountant assurance services provided by PwC Australia in respect of the ASX IPO*	324	145
<b>Total other assurance services fees</b>	<b>324</b>	<b>145</b>
<b>Fees paid for other services</b>		
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	-
<b>Total other services fees</b>	<b>369</b>	<b>120</b>
	<b>995</b>	<b>355</b>

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



## Notes to the consolidated financial statements

### 9. Income tax

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

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

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

\$000'	2021	2020
Loss before tax	(41,495)	(16,135)
<b>Accounting loss before income tax</b>	<b>(41,495)</b>	<b>(16,135)</b>
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)	-
<b>Income tax (credit)</b>	<b>(213)</b>	<b>-</b>

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



## Notes to the consolidated financial statements

### 9. Income tax (continued)

#### DEFERRED INCOME TAX

Deferred income tax relates to the following:

##### Recognised deferred income tax

\$000'	Accruals	Provisions	Tax losses	Other	Total
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)	-

\$000'	Accruals	Provisions	Tax losses	Other	Total
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.

### 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.



## Notes to the consolidated financial statements

### 11. Intangible assets

#### NON-CURRENT

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



## Notes to the consolidated financial statements

### 12. Cash and cash equivalents

#### CURRENT

\$000'	2021	2020
Cash at banks	15,487	9,856
	<b>15,487</b>	<b>9,856</b>

#### Cash by currency

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

All foreign amounts are expressed in NZD.



## Notes to the consolidated financial statements

### 13. Cash flow information

\$000'	Notes	2021	2020
<b>Cash flow reconciliation</b>			
Reconciliation of loss for the year to net cash flows used in operating activities:		(41,282)	(16,135)
<i>Non-cash adjustments to reconcile loss after tax to net cash flows:</i>			
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	-
		<b>32,444</b>	<b>9,981</b>
<i>Items capitalised:</i>			
Convertible note transaction costs		(564)	(567)
Payment for debt issue costs		(2,013)	-
<i>Working capital adjustments:</i>			
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	-
<b>Net cash flows used in operating activities</b>		<b>(47,839)</b>	<b>(21,824)</b>



## Notes to the consolidated financial statements

### 13. Cash flow information (continued)

#### Reconciliation of liabilities arising from financing activities

\$000'	Convertible notes	Lease liabilities	Borrowings	Total
<b>Net debt as at 1 April 2019</b>	-	(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
<b>Net debt as at 31 March 2020</b>	<b>(14,808)</b>	<b>(392)</b>	<b>(6,018)</b>	<b>(21,218)</b>
 <b>Net debt as at 1 April 2020</b>	 <b>(14,808)</b>	 <b>(392)</b>	 <b>(6,018)</b>	 <b>(21,218)</b>
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
<b>Net debt as at 31 March 2021</b>	<b>-</b>	<b>(159)</b>	<b>(11,370)</b>	<b>(11,529)</b>



## Notes to the consolidated financial statements

### 14. Consumer receivables

#### CURRENT

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

\$000'	Not yet due	Aged 1-60 days	Aged more than 60 days	Total
<b>2021</b>				
Consumer receivables	28,936	3,487	1,750	34,173
Provision for expected credit losses	(1,784)	(2,164)	(1,622)	(5,570)
<b>Net consumer receivables (including unearned income)</b>	<b>27,152</b>	<b>1,323</b>	<b>128</b>	<b>28,603</b>
<b>2020</b>				
Consumer receivables	11,853	2,098	776	14,727
Provision for expected credit losses	(599)	(1,642)	(747)	(2,988)
<b>Net consumer receivables (including unearned income)</b>	<b>11,254</b>	<b>456</b>	<b>29</b>	<b>11,739</b>

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





## 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

\$000'	2021	2020
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

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



## Notes to the consolidated financial statements

### 17. Prepayments

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

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

### 18. Trade and other payables

#### CURRENT

\$000'	2021	2020
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	36	9
	9,149	7,537



## Notes to the consolidated financial statements

### 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:

\$'000'	Buy now, pay later 2021	Buy now, pay later 2020
Income	32,567	13,747
<b>Total segment income</b>	<b>32,567</b>	<b>13,747</b>
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
<b>Total expenses</b>	<b>(64,674)</b>	<b>(29,411)</b>
<b>Segment operating loss</b>	<b>(32,107)</b>	<b>(15,664)</b>
Other income	107	-
Finance expenses	(9,495)	(479)
Finance income	-	8
<b>Loss before tax</b>	<b>(41,495)</b>	<b>(16,135)</b>



# 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:

\$000'	ANZ	UK	Total
<b>2021</b>			
Income (external)	14,704	17,863	32,567
<b>2020</b>			
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:

\$000'	ANZ	UK	Total
<b>2021</b>			
Non-current assets	2,486	483	2,969
<b>2020</b>			
Non-current assets	998	874	1,872



## Notes to the consolidated financial statements

### 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:

\$000'	Total	Level 1	Level 2	Level 3
<b>As at 31 March 2020:</b>				
Convertible notes – derivative	3,149	-	-	3,149
Common stock warrants – derivative	-	-	-	-
<b>As at 31 March 2021:</b>				
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.	<p>The significant unobservable inputs are the current share price, expected maturity of the contract and volatility rate applied.</p> <p>The market price for the share price applied was estimated to be A\$2.50 at 31 March 2020.</p> <p>The average annual volatility rate applied in the model is 42.02% based on comparative listed entities.</p> <p>The expected maturity of the contract is deemed to be the targeted IPO date of 31 July 2020.</p>	<p>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.</p> <p>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.</p> <p>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.</p>
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.	<p>The significant unobservable inputs are the volatility rate used and the expected maturity of the contract.</p> <p>The average volatility rate applied is 73.4% and is based on comparative listed entities.</p> <p>The expected maturity of the contract is deemed the full contract term of 60 months from the effective date of the options.</p>	<p>A change in the volatility of plus or minus 10% would not materially impact the valuation output.</p> <p>The expected maturity is long term with the options expiring 24 July 2025. An adjustment of 10% would not materially impact the valuation output.</p>



## 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:

\$000'	Common stock warrants	Convertible notes	Total
<b>As at 1 April 2019</b>	-	-	-
Issuances	-	3,130	3,130
Fair value loss recognised in the consolidated statement of comprehensive income	-	19	19
<b>As at 31 March 2020</b>	-	3,149	3,149
<b>As at 1 April 2020</b>	-	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)
<b>As at 31 March 2021</b>	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.



## Notes to the consolidated financial statements

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

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

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

Number	2021	2020
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.

#### 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.





## Notes to the consolidated financial statements

### 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:

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

The Group leases premises and motor vehicles.

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

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



## Notes to the consolidated financial statements

### 22. Leases (continued)

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.

\$000'	2021	2020
<b>Lease liabilities</b>		
Current	(142)	(227)
Non-current	(17)	(165)
<b>Closing balance</b>	<b>(159)</b>	<b>(392)</b>

### 23. Borrowings

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

\$000'	2021	2020
Current	8,647	6,018
Non-current	2,723	-
	<b>11,370</b>	<b>6,018</b>

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.



## Notes to the consolidated financial statements

### 23. Borrowings (continued)

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

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

\$000'	2021	2020
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:

\$000'	2021	2020
<b>Financial assets</b>		
<b>Financial assets at amortised cost</b>		
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
<b>Total financial assets</b>	<b>48,959</b>	<b>23,570</b>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	(9,149)	(7,537)
Borrowings	(11,370)	(6,018)
Lease liabilities	(159)	(392)
Convertible notes – debt	-	(11,659)
<b>Financial liabilities at fair value through profit or loss</b>		
Convertible notes – derivative liability	-	(3,149)
Other liabilities – common stock warrants	(1,342)	-
<b>Total financial liabilities</b>	<b>(22,020)</b>	<b>(28,755)</b>

#### 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.



## Notes to the consolidated financial statements

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

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

\$000'	2021	2020
<b>Financial assets</b>		
Cash at bank	15,487	9,856
<b>Total</b>	<b>15,487</b>	<b>9,856</b>
<b>Financial liabilities</b>		
Borrowings	(15,633)	(6,018)
<b>Total</b>	<b>(15,633)</b>	<b>(6,018)</b>

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.

#### 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:

\$000'	Loss after tax Higher/(lower)		Equity Higher/(lower)	
	2021	2020	2021	2020
<b>Judgements of reasonably possible movements</b>				
-0.10% (2020: -0.50%)	(9)	(25)	9	25
+0.10% (2020: -0.50%)	9	25	(9)	(25)



## Notes to the consolidated financial statements

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

#### 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:

\$'000'	GBP	AUD	USD
<b>31 March 2021</b>			
Cash and cash equivalents	11,182	540	169
Consumer receivables	15,251	1,474	6
<b>Financial liabilities</b>			
Trade and other payables	(4,752)	(400)	(112)
Lease liabilities	(122)	-	-
Other liabilities – common stock warrants	-	(1,342)	-
Borrowings	(6,394)	-	-
<b>Net exposure</b>	<b>15,165</b>	<b>272</b>	<b>63</b>
<b>31 March 2020</b>			
Cash and cash equivalents	1,886	4,664	-
Consumer receivables	5,246	649	-
Related party receivables	271	-	-
<b>Financial liabilities</b>			
Trade and other payables	(3,993)	(343)	-
Lease liabilities	(208)	-	-
Convertible notes	-	(14,808)	-
<b>Net exposure</b>	<b>3,202</b>	<b>(9,838)</b>	<b>-</b>



## 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:

\$000'	Loss after tax Higher/(lower)		Equity Higher/(lower)	
	2021	2020	2021	2020
<b>Judgements of reasonably possible movements</b>				
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).



## Notes to the consolidated financial statements

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

#### CREDIT RISK (continued)

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.

#### 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.

\$'000'	<1 year	1-2 years	2-3 years	>3 years	Total
<b>31 March 2021</b>					
<b>Financial assets</b>					
Cash and cash equivalents	15,487	-	-	-	15,487
Other current assets	6,126	-	-	-	6,126
Consumer receivables	27,346	-	-	-	27,346
Related party receivable	-	-	-	-	-
<b>Total financial assets</b>	<b>48,959</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,959</b>
<b>Financial liabilities</b>					
Trade and other payables	(9,149)	-	-	-	(9,149)
Borrowings	(10,243)	(799)	(799)	(7,526)	(19,367)
Lease liabilities	(143)	(18)	-	-	(161)
<b>Total financial liabilities</b>	<b>(19,535)</b>	<b>(817)</b>	<b>(799)</b>	<b>(7,526)</b>	<b>(28,677)</b>
<b>Net maturity</b>	<b>29,424</b>	<b>(817)</b>	<b>(799)</b>	<b>(7,526)</b>	<b>20,282</b>
<b>Off-balance sheet provided</b>					
Undrawn consumer commitments	(445,879)	-	-	-	(445,879)





# Notes to the consolidated financial statements

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

### FUNDING AND LIQUIDITY RISK (continued)

\$000'	<1 year	1-2 years	2-3 years	>3 years	Total
<b>31 March 2020</b>					
<b>Financial assets</b>					
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
<b>Total financial assets</b>	<b>23,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,570</b>
<b>Financial liabilities</b>					
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)
<b>Total financial liabilities</b>	<b>(13,946)</b>	<b>(16,141)</b>	<b>(18)</b>	<b>-</b>	<b>(30,105)</b>
<b>Net maturity</b>	<b>9,624</b>	<b>(16,141)</b>	<b>(18)</b>	<b>-</b>	<b>(6,535)</b>
<b>Off-balance sheet provided</b>					
Undrawn consumer commitments	(159,994)	-	-	-	(159,994)

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 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)

#### FUNDING AND LIQUIDITY RISK (continued)

The Group's net debt as at 31 March is presented below:

##### Net debt reconciliation

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

#### 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.



## Notes to the consolidated financial statements

### 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.

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

\$000'	2021	2020
<b>Opening balance</b>	<b>11,659</b>	-
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)	-
<b>Closing balance</b>	<b>-</b>	<b>11,659</b>



## Notes to the consolidated financial statements

### 26. Convertible notes (continued)

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

\$000'	2021	2020
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:

Name	Balance date	Principal activity	Principal place of business	% equity interest	
				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.



## Notes to the consolidated financial statements

### 28. Group information about subsidiaries (continued)

#### 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.

#### 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:

\$000'	2021	2020
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

\$000'	2021	2020
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.



## Notes to the consolidated financial statements

### 29. Related party transactions (continued)

#### 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.

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

#### 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

#### 30.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.





## Notes to the consolidated financial statements

### 30. Share-based payments (continued)

#### 30.a EMPLOYEE SHARE-BASED PAYMENTS (continued)

##### 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	-	-
<b>Outstanding at 31 March 2021</b>	<b>6,180,953</b>	<b>AUD0.00</b>
Exercisable at the end of the year	-	-

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.



## Notes to the consolidated financial statements

### 30. Share-based payments (continued)

#### 30.a EMPLOYEE SHARE-BASED PAYMENTS (continued)

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.



## Notes to the consolidated financial statements

### 30. Share-based payments (continued)

#### 30.a EMPLOYEE SHARE-BASED PAYMENTS (continued)

##### 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	-	-



## Notes to the consolidated financial statements

### 30. Share-based payments (continued)

#### 30.a EMPLOYEE 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).



## Notes to the consolidated financial statements

### 30. Share-based payments (continued)

#### 30.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	-	-
<b>Outstanding at 31 March 2021</b>	<b>14,000,000</b>	<b>AUD1.557</b>
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)

#### 30.b OTHER 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

\$'000'	2021	2020
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.



## Notes to the consolidated financial statements

### 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

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

### 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.

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## Independent auditor's report



### 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
<p><i>Capital and funding requirements</i></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>We obtained the Group's Board approved forecasts through to 30 June 2022 and performed the following procedures:</p> <ul style="list-style-type: none"> <li>• understood management's forecasting process and the basis for determining the key assumptions;</li> <li>• 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;</li> <li>• tested the mathematical accuracy of the forecasts;</li> <li>• assessed the reasonableness of the key assumptions incorporated in the forecasts; and</li> <li>• 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.</li> </ul>



## Independent auditor's report



### Description of the key audit matter

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.

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.

### How our audit addressed the key audit matter

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
- 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.



## Independent auditor's report



### Description of 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.

### How our audit addressed the key audit matter

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:

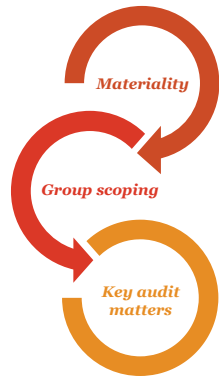
- obtained an understanding of the restructure transaction;
- reviewed the technical accounting paper prepared by management and considering the appropriateness of judgements and conclusions reached, including in respect of the presentation of comparative financial information; and
- evaluated the adequacy of the disclosures made in the consolidated financial statements.



## Independent auditor's report



### Our audit approach



#### Overview

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.

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.

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

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.



## Independent auditor's report



### 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.



## Independent 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:

Chartered Accountants

27 May 2021

Auckland



## Additional information for listed companies

### Laybuy Group Holdings Limited

(NZ Company number 8028865 / ARBN 642 138 476).

### Stock exchange listing

Laybuy's shares are listed on the Australian Securities Exchange (ASX: LBY).

### Number of holders

As at 25 June 2021, the number of holders in each class of equity securities was as follows:

Class of equity securities	Number of holders
Fully paid ordinary shares	6,904
Options to acquire shares (includes ZEPOs, market-priced options and merchant options)	15
Warrants	3

### Spread of security holders as at 25 June 2021

#### SHARES

Shareholders as at 25 June 2021			
Size of shareholding	Holders	Number of shares	%
1 to 1,000	2,346	1,368,679	0.54
1,001 to 5,000	2,502	6,747,329	2.65
5,001 to 10,000	963	7,060,290	2.78
10,001 to 100,000	1,001	27,317,556	10.74
100,001 and over	92	211,968,347	83.29
<b>Total</b>	<b>6,904</b>	<b>254,462,201</b>	<b>100.00</b>

There were 1,785 holders of less than a marketable parcel of Laybuy shares of A\$500 as at 25 June 2021, based on the closing market price of A\$0.5850 per share.



## Additional information for listed companies

### Spread of security holders as at 25 June 2021 (continued)

#### OPTIONS

As at 25 June 2021, there were 15 holders of options holding more than 100,000 options each. The total number of options were 19,866,667.

#### WARRANTS

As at 25 June 2021, there were 3 holders of warrants holding more than 100,000 warrants each, with a total of 3,074,325 warrants.

### Voting rights

Every shareholder present at a meeting in person or by proxy, or representative has one vote on a show of hands or by voice and, on a poll, one vote for each share held (with adjusted voting rights for partly paid shares) on any resolution.

### Substantial holdings and limitations on the acquisition of securities

Laybuy is a New Zealand incorporated and domiciled company listed on the ASX. From a regulatory perspective, this means that while the ASX Listing Rules apply to Laybuy, certain provisions of the Australian Corporations Act 2001 (Cth) do not. Laybuy is not subject to chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001 (Cth) dealing with the acquisition of its Shares (including substantial holdings and takeovers). The Companies Act 1993 (New Zealand) applies to Laybuy and certain provisions of the Financial Markets Conduct Act 2013 (New Zealand) also apply to Laybuy (including in relation to financial reporting, but not including the provisions relating to substantial shareholdings).

There is no requirement on Laybuy's substantial shareholders to provide substantial product holder notices to Laybuy. Laybuy has not received any such notices during FY20.

Key limitations on the acquisition of Shares in Laybuy are imposed by the following New Zealand legislation: Commerce Act 1986, Overseas Investment Act 2005, and Takeovers Act 1993, together with various regulations and codes promulgated under such legislation.





## Additional information for listed companies

### Twenty largest shareholders

Twenty largest shareholders as at 25 June 2021

Rank	Name	Shareholding	%
1	Pioneer Capital III Limited	44,450,675	17.5%
2	National Nominees Limited	38,473,121	15.1%
3	Robyn Anne Rohloff	25,786,739	10.1%
4	Gary Raymond Rohloff	25,744,681	10.1%
5	Mr & Mrs David J Wilson	12,556,348	4.9%
6	HSBC Custody Nominees (Australia) Limited	12,295,649	4.8%
7	CS Third Nominees Pty Limited	7,053,686	2.8%
8	Citicorp Nominees Pty Limited	5,718,967	2.3%
9	BNP Paribas Noms Pty Ltd	4,139,448	1.6%
10	Washington H Soul Pattinson and Company Limited	3,900,000	1.5%
11	One Funds Management Ltd	3,656,811	1.4%
12	Custodial Services Limited	2,862,050	1.1%
13	Newstead South Holdings Pty Limited	2,266,939	0.9%
14	BNP Paribas Noms (NZ) Ltd	2,079,924	0.8%
15	Bombora Investment Management Pty Ltd	1,349,632	0.5%
16	BNP Paribas Nominees Pty Ltd	1,062,452	0.4%
17	Radiata Super Pty Ltd	1,000,000	0.4%
18	Hainason Holdings Pty Ltd	822,349	0.3%
19	J P Morgan Nominees Australia Pty Limited	760,108	0.3%
20	Radiata Super Pty Ltd	753,875	0.3%
<b>Total</b>		<b>196,733,453</b>	<b>77.3%</b>
<b>Balance of register</b>		<b>57,728,748</b>	<b>22.7%</b>
<b>Grand total</b>		<b>254,462,201</b>	<b>100%</b>



## Additional information for listed companies

### Required statements

Laybuy is not undertaking an on-market buy-back of its securities and no securities were purchased on-market during the reporting period ending 31 March 2021.

From the time of Laybuy's admission to ASX until 31 March 2021, Laybuy has used the cash and assets in a form readily convertible to cash, that it had at the time of admission, in a way that is consistent with its business objectives at that time.

### Donations made during the year

There were no donations made during the year 31 March 2021 (2020: None).

### Employee remuneration

Remuneration and other benefits (excluding commissions and non cash share based payments) of NZ\$100,000 per annum or more received by employees (excluding Company Directors) in their capacity as employees during the year ended 31 March 2021 were as follows:

Remuneration	Number of employees	Remuneration	Number of employees
100,000 to 109,999	3	220,000 to 229,999	1
110,000 to 119,999	3	230,000 to 239,999	1
120,000 to 129,999	1	270,000 to 279,999	1
130,000 to 139,999	4	290,000 to 299,999	1
140,000 to 149,999	1	310,000 to 319,999	1
150,000 to 159,999	3	320,000 to 329,999	1
160,000 to 169,999	1	350,000 to 359,999	1
180,000 to 189,999	1	400,000 to 409,999	1
190,000 to 199,999	2	440,000 to 449,999	1
210,000 to 219,999	1	600,000 to 609,999	1



## Additional information for listed companies

### Entries recorded in the interests register

The Company maintains an interests register in accordance with the Companies Act 1993 (New Zealand). During FY21 and up to and including 25 June 2021, Directors disclosed the following interests or cessations of interest in the following entities:

Director	Relevant entity	Nature of relationship
Steven Fisher	Breville Group Limited (ASX:BRG)	Non-Executive Chairman
	The Reject Shop Limited (ASX:TRS)	Non-Executive Chairman
	Danlar Nominees Pty Ltd	Director. Danlar is the trustee of S & L Fisher Super Fund, which is controlled by Steven Fisher
Mark Haberlin	Abacus Property Group (ASX:ABP)	Non-Executive Director
	Australian Clinical Labs (ASX:ACL)	Non-Executive Director
	Osgood Isgood Pty Ltd	Director. Osgood Isgood is the trustee of Lampard Frankie Super Fund which is Controlled by Mark Haberlin
Gary Rohloff	N/A	
Craig Styris	Natural Pet Food Group Limited	Former director – ceased April 2021
	Tom and Luke Holdings Limited	Director
	Rockit Global Holdings Limited	Director
	Magic Memories Group Holdings Limited	Director
	Styris Investments Limited	Director. Styris Investments is indirectly owned by Craig Styris
	Pioneer Capital and Pioneer Capital Management Limited	Director of Pioneer Capital. Pioneer Capital III Nominees Limited, a shareholder of the Company, is indirectly owned by a New Zealand Limited Partnership, Pioneer Capital Partners III LP, which is managed by Pioneer Capital through Pioneer Capital Management Limited. Craig Styris has an indirect 30% interest in Pioneer Capital Management Limited



## Corporate directory

### Board Members

Steven Fisher, Chair and Non-executive Director  
Gary Rohloff, Managing Director  
Mark Haberlin, Non-executive Director  
Craig Styris, Non-executive Director

### Leadership Team

Robyn Rohloff, Chief Brand Officer  
Katrina Kirkcaldie, Chief Financial Officer  
Mathew Hayward, Chief Marketing Officer  
Mel Quirk, Chief People Officer  
James Abbott, Chief Product Officer  
Justin Soong, Chief Technology Officer  
Tim Rennie, General Counsel  
Virginia Ballantyne, Head of Risk and Compliance

### New Zealand Office and Headquarters

#### Laybuy Group Holdings Limited

Level 1, The B:HIVE  
74 Taharoto Road  
Takapuna Auckland 0622  
New Zealand  
[www.laybuy.com](http://www.laybuy.com)

### Local Agent

Laybuy Australia Pty Ltd ACN 640 349 971

### Australian Company Secretary

Jonathan Swain

### Registered Address in Australia

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Australia

### Australian Legal Advisor

#### Johnson Winter & Slattery

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### New Zealand Legal Advisor

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### Auditor

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### Share Registry

#### Link Market Services Limited

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Sydney NSW 2000  
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### ASX Code

ASX:LBV

