Laybuy Group Holdings Limited
Consolidated financial statements
for the year ended 31 March 2022

Contents to consolidated financial statements

Consolidated statement of comprehensive income

for the year ended 31 March 2022

	Notes	2022 $000	2021 $000
Income	7	47,103	32,567
Total income		**47,103**	**32,567**
Other income		-	107
Less expenses			
Merchant and marketing expenses		(17,853)	(12,200)
Employment expenses		(14,813)	(10,372)
Transaction expenses		(11,004)	(6,612)
Consumer receivables impairment expenses	8.a	(30,769)	(15,132)
Platform development and hosting expenses		(1,930)	(1,085)
Depreciation and amortisation expenses	8.b	(1,513)	(991)
Other operating expenses	8.c	(15,407)	(14,296)
Other gains/(losses)	8.e	655	(3,986)
Total expenses		**(92,634)**	**(64,674)**
Operating loss		**(45,531)**	**(32,000)**
Finance expenses	8.d	(5,968)	(9,495)
Loss before tax		**(51,499)**	**(41,495)**
Income tax (expense)/credit	10	(84)	213
Loss for the year		**(51,583)**	**(41,282)**
Other comprehensive (loss)/income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign controlled entities		(757)	737
Total other comprehensive (loss)/income		**(757)**	**737**
Total comprehensive loss for the year		**(52,340)**	**(40,545)**
Loss is attributable to:			
Equity holders of the parent		**(51,583)**	**(41,282)**
Total comprehensive loss is attributable to:			
Equity holders of the parent		**(52,340)**	**(40,545)**
Earnings per share (in cents)	11		
Basic loss for the year attributable to ordinary equity holders of the parent		(0.22)	(0.27)
Diluted loss for the year attributable to ordinary equity holders of the parent		(0.22)	(0.27)

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 2022

	Notes	2022 $000	2021 $000
Assets			
Cash and cash equivalents	12	12,094	15,487
Consumer receivables	14	33,336	27,346
Other current assets	15	9,520	9,351
Current tax receivables		-	206
Prepayments	16	4,887	5,170
Property, plant and equipment		232	197
Intangible assets	17	1,287	2,139
Right-of-use assets		17	165
Total assets		**61,373**	**60,061**
Equity and liabilities			
Equity			
Share capital	23	137,780	96,588
Accumulated losses		(113,648)	(62,065)
Foreign currency translation reserve		(506)	251
Share-based payments reserve	24	2,407	1,951
Total equity		**26,033**	**36,725**
Liabilities			
Trade and other payables	18	9,905	9,149
Borrowings	19	22,554	11,370
Income tax payables		109	-
Other liabilities	20	416	1,342
Provisions	21	2,338	1,316
Lease liabilities		18	159
Total liabilities		**35,340**	**23,336**
Total equity and liabilities		**61,373**	**60,061**

For and on behalf of the Board, who authorised the issue of these consolidated financial statements on 30 June 2022.

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 2022

	Attributable to the equity holders of the parent				
	Share capital	Share-based payments reserve	Accumulated losses	Foreign currency translation reserve	Total equity
	$000	$000	$000	$000	$000
As at 1 April 2021	**96,588**	**1,951**	**(62,065)**	**251**	**36,725**
Loss for the year	-	-	(51,583)	-	(51,583)
Other comprehensive loss	-	-	-	(757)	(757)
Total comprehensive loss for the year	**-**	**-**	**(51,583)**	**(757)**	**(52,340)**
Transactions with owners in their capacity as owners					
Issue of share capital, net of transaction costs (note 23)	40,999	-	-	-	40,999
Exercise of employee share options (note 23)	193	(193)	-	-	-
Share-based payments (note 24)	-	649	-	-	649
As at 31 March 2022	**137,780**	**2,407**	**(113,648)**	**(506)**	**26,033**
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 23)	76,245	-	-	-	76,245
Share-based payments (note 24)	-	1,775	-	-	1,775
As at 31 March 2021	**96,588**	**1,951**	**(62,065)**	**251**	**36,725**

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 2022

	Notes	2022 $000	2021 $000
Operating activities			
Receipts from consumers		695,949	450,374
Payments to merchants and suppliers		(732,657)	(485,516)
Payments to employees		(12,949)	(9,143)
Interest paid		(1,290)	(813)
Income tax refund received/(paid)		231	(264)
Interest paid on lease liabilities		(2)	(7)
Payment for debt issue costs		(1,249)	(2,013)
Convertible note transaction costs paid		-	(564)
Receipts from government grants		-	107
Net cash flows used in operating activities	13	**(51,967)**	**(47,839)**
Investing activities			
Purchase of property, plant and equipment		(183)	(118)
Amounts received from/(advanced to) related parties		-	157
Payments for development of intangible assets	17	(397)	(2,032)
Net cash flows used in investing activities		**(580)**	**(1,993)**
Financing activities			
Proceeds from issue of shares	23	43,064	43,436
Principal payments for lease liabilities		(140)	(217)
Proceeds from borrowings		50,188	24,882
Repayment of borrowings		(41,051)	(15,525)
Proceeds from issue of convertible notes	22	-	11,343
Payment of share issue costs	23	(2,065)	(7,252)
Net cash flows from financing activities		**49,996**	**56,667**
Net (decrease)/increase in cash and cash equivalents		(2,551)	6,835
Net foreign exchange difference		(842)	(1,204)
Cash and cash equivalents as at 1 April		15,487	9,856
Cash and cash equivalents as at 31 March	12	**12,094**	**15,487**

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

Laybuy Group Holdings Limited (the Company) is 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 address of its registered office is 74 Taharoto Road, Takapuna, Auckland, New Zealand. The Group is registered in Australia as a foreign company under the Corporations Act 2001.

These consolidated financial statements (financial statements) of the Company and its subsidiaries (collectively, the Group or Laybuy) for the year ended 31 March 2022 were authorised for issue by the Board of Directors on 30 June 2022.

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

2. Significant changes in the current reporting period

Successful execution of the Group's business model involves growing Gross Merchant Value (GMV) written and customer receivables, funded by equity and debt facilities. The terms and quantum of the equity and debt facilities will continue to be amended to match the Group's evolving needs. The significant developments since 31 March 2021 were:

Capital raise

The Group raised AUD40,000,000 (before transaction costs), consisting of an AUD35,000,000 two-tranche placement completed on 25 May 2021 and 15 June 2021, and a further AUD5,000,000 via a Share Purchase Plan completed on 25 June 2021. For more information, refer to note 23.

Borrowings

On 19 August 2021, the Group and Victory Park Capital Advisors, LLC (Victory Park) mutually agreed to an early termination of the Victory Park credit facility, resulting in the facility being repaid in full. For more information, refer to note 19.

On 21 October 2021, the Group:

- Secured a new revolving debt facility with Partners for Growth VI, L.P. (PFG) to support the United Kingdom (UK) receivables book, with a total facility limit of GBP30,000,000. The facility has a Loan to Value Ratio (LVR) advance rate of 75% of eligible receivables.
- Secured an increase in the Kiwibank Limited (Kiwibank) revolving facility limit and an increase in the LVR advance rate from 75% to 80%.

For further information, refer to note 19.

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 financial statements comply with that act.

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

The financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practices in New Zealand (GAAP). For the purpose of complying with GAAP, the consolidated Group is a for-profit entity.

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

3.a Statement of compliance *(continued)*

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

The significant accounting policies are set out in the relevant notes, with the general accounting policies set out in note 31. These policies have been consistently applied to all years presented, unless otherwise stated.

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.

3.b Basis of preparation

The financial statements are presented in New Zealand dollars ($) (the 'presentation 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 financial statements have been prepared using the historical cost convention.

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

3.c Basis of consolidation

These financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2022. 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.d Going concern

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

As at 31 March 2022, the Group had net assets of $26,033,000 (2021: net assets of $36,725,000) and incurred a loss after tax for the year ended 31 March 2022 of $51,583,000 (2021: $41,282,000).

The Group also had net cash outflows from operating activities of $51,967,000 (2021: $47,839,000). As well as having net cash outflows from operating activities, the Group continues to evaluate and invest in the business and is therefore currently trading at a loss and is likely to do so until it reaches scale.

Given the continuing growth aspirations of the Group, it will be required to secure a commitment of additional capital (either debt and/or equity) before 31 July 2022 with funding to flow before 30 September 2022. The Group’s current business model will also require further capital subsequent to this date to support the business until it reaches scale and is in a cash generating and profitable position.

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

- The Group's stated strategy to shorten the path to profitability;

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

3.d Going concern *(continued)*

- A comprehensive review of operational spend including a substantial reduction in the employee count with the objective to reduce operational spend to support a viable business model;
- The Group has seen recent, and is expecting to see further, improvement in default loss rates across the portfolio as repeat customer usage increases and credit decisioning tools are continuously improved.
- The Directors have reviewed the forecasts for the Group through to 30 June 2023 and considered the achievability of the assumptions underlying the forecasts;
- The appointment of a UK advisory firm, NOR Capital Limited (NOR Capital), to seek a strategic investor to provide capital to support the current business model and growth aspirations and the status of this process at the time of these financial statements; and
- In the event that a further capital commitment (either corporate debt and/or equity) is not able to be sourced by 31 July 2022, the Group will exit or restructure (through either a joint venture or sale) the UK business and in the event of an exit decision, this is expected to be completed by 30 September 2022;
- The ability to meet negotiated commercial obligations in the UK and repatriate the necessary proceeds to the Group as a result of an exit or restructure;

At the time of the financial statements being signed, in addition to the cash at bank, the Group's funding arrangements for its consumer receivables ledger included:

- A $30,000,000 facility with Kiwibank Limited (Kiwibank), with $11,023,000 drawn down as at 31 March 2022. This facility has an advance rate of 80% Loan to Value Ratio (LVR), minimum cash balance of the greater of $2,000,000 and 12 months operating cash outflows for Laybuy Holdings Limited and Laybuy Australia Pty Limited, and has an expiry of 30 June 2023, with one-year extensions to the facility term to apply on an evergreen basis subject to satisfactory annual review.
- A GBP30,000,000 facility with PFG, with GBP7,000,000 drawn down as at 31 March 2022. The first draw down was made in November 2021 and continues to be used to support the UK receivables ledger. This facility has an advance rate of 75% eligible receivables, has an expiry of 21 October 2024 and a minimum cash balance of GBP2,000,000 or 4.4 times the monthly cash burn, whichever is the greater.

The debt facilities with Kiwibank and PFG will assist the business to continue to grow and expand the Group's receivables ledgers globally. However, due to the LVR restrictions and sufficient cash being held against funder covenants, the Group's ability to continue to grow its receivables ledgers globally is also contingent on further capital being injected into the business.

Because we will either raise capital or exit or restructure our business in the UK, the Directors expect that the Group will be able to meet its undertakings and with the continued support of the two debt funders, will have sufficient cash to discharge its liabilities as they fall due, for a period of at least one year from the date of the financial statements. As such, these financial statements have been prepared on the going concern basis which assumes the realisation of assets and settlement of liabilities in the normal course of business.

In the event that:

- The Group does not deliver on its strategy to shorten the path to profitability; or
- Conditions of existing funding arrangements are not met; or
- Existing funding arrangements are not renewed at expiry; or

Notes to the consolidated financial statements

3. Significant accounting policies *(continued)*

3.d Going concern *(continued)*

- The Group cannot secure sufficient additional capital; or
- The Group’s consumer receivable’s growth exceeds that forecast; or
- The Group’s credit performance is below that forecast; or
- The Group is unable to successfully exit or restructure the UK business in accordance with the plan; or
- The Group’s operating results materially underperforms against forecast,

then additional capital, funding or amended funding terms with the Group's funders will be required to support the business.

As a result of these matters, there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 financial statements of the Group.

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

5. Significant accounting judgements, estimates and assumptions

Management has identified the following 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.

Further details regarding the significant judgements, estimates and assumptions can be found in the following notes:

- Note 10 deferred tax assets - unrecognised tax losses
- Note 14 expected credit losses on consumer receivables
- Note 20 other liabilities - common stock warrants
- Note 21 expected credit losses on undrawn balances
- Note 25 share-based payments

Notes to the consolidated financial statements

6. Segment information

The Group operates in one business segment, that of the buy now, pay later line of credit products to customers in various countries.

An operating segment is a component of an entity engaged in business activities from which it may earn revenue and incur expenses, whose operating results are reviewed centrally by the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance has been identified as the Chief Executive and Executive Director. Intersegment loans are eliminated on consolidation.

The consolidated entity has two geographical operating segments, Australia and New Zealand (ANZ) and United Kingdom (UK) in the financial year ended 31 March 2022. The operating segments may change in the future as the consolidated entity continues to re-assess its operating model, reporting systems, and the financial information presented to the CODM for decision making purposes. The consolidated entity has the following operating segments and the results of each segment are reported in the table that follows:

	ANZ	UK	Head Office	Total
2022	**$000**	**$000**	**$000**	**$000**
Income (external)	18,338	28,765	-	47,103
Merchant and marketing expenses	(3,198)	(11,967)	(2,688)	(17,853)
Employment expenses	(1,969)	(2,938)	(9,906)	(14,813)
Other	(12,752)	(36,145)	(11,071)	(59,968)
Finance expenses	(288)	(1,355)	(4,325)	(5,968)
Profit/(loss) before tax	**131**	**(23,640)**	**(27,990)**	**(51,499)**

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

The Group's geographical operating segments have changed from the prior year. Full comparative information for the revised segments has not been presented as the information is not available.

Notes to the consolidated financial statements

6. Segment information *(continued)*

Non-current assets by domicile of entity

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

	ANZ	UK	Total
2022	**$000**	**$000**	**$000**
Non-current assets	1,502	663	2,165

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

7. Income

	2022	2021
	$000	**$000**
Merchant fees	26,810	17,811
Late fees	20,293	14,756
Total income	**47,103**	**32,567**

Significant accounting policies

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* (NZ IFRS 9), 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 36 days (2021: 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* (NZ IFRS 15), 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

8. Expenses

8.a Consumer receivables impairment expenses

	2022 $000	2021 $000
Consumer receivables written off	28,397	12,590
Consumer receivables recovered	(1,021)	(772)
Increase in allowance for expected credit losses on consumer receivables	2,371	2,582
Increase in allowance for expected credit losses on undrawn balances	1,022	732
Total consumer receivables impairment expenses	**30,769**	**15,132**

8.b Depreciation and amortisation expenses

	2022 $000	2021 $000
Depreciation on right of use asset	148	211
Depreciation on property, plant and equipment	136	108
Amortisation expenses on intangible assets	1,229	672
Total depreciation and amortisation expenses	**1,513**	**991**

8.c Other operating expenses

	2022 $000	2021 $000
Bank charges	842	335
General and administrative expenses	6,045	3,714
Directors' fees	353	255
Professional services fees	2,595	2,668
Communication and technology expenses	1,532	881
Short term lease expenses	924	412
Consumer acquisition expenses	3,116	3,948
IPO related expenses	-	2,083
Total other operating expenses	**15,407**	**14,296**

8.d Finance expenses

	2022 $000	2021 $000
Lease liabilities interest expense	2	7
Amortisation of capitalised borrowing costs	976	750
Other interest expenses	1,277	856
Convertible notes interest expense	-	6,751
Release of capitalised convertible notes costs	-	1,131
Release of capitalised borrowings costs	3,713	-
	5,968	**9,495**

Notes to the consolidated financial statements

8. Expense *(continued)*

8.e Other gains/(losses)

	Note	2022 $000	2021 $000
Fair value adjustment on embedded derivative - convertible notes	22	-	(3,848)
Fair value adjustment on derivatives - common stock warrants	20	1,746	1,477
Foreign exchange (losses)		(1,091)	(1,615)
Total other losses gains/(losses)		**655**	**(3,986)**

9. Auditors' remuneration

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

	2022 $000	2021 $000
Fees paid for the audit and review of the Group financial statements or subsidiaries that require an audit:		
Fees to PwC New Zealand - current year audit	304	164
Fees to PwC New Zealand - prior year audits	60	105
Fees to PwC Australia - prior year audits	-	33
Total audit fees	**364**	**302**
Fees paid for other assurance services		
Investigating accountant assurance services provided by PwC Australia in respect of the ASX IPO*	-	324
Total other assurance services fees	**-**	**324**
Fees paid for other services		
Tax related services paid to PwC New Zealand in respect of the ASX IPO*	-	167
Tax due diligence services paid to PwC Australia in respect of the ASX IPO*	-	166
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	16	8
Total other services fees	**16**	**369**
	380	**995**

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

Notes to the consolidated financial statements

10. Income tax

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

	2022	2021
	$000	**$000**
Consolidated statement of comprehensive income		
Current income tax expense	104	54
Adjustments in respect of previous years	(20)	(7)
Recognition and utilisation of carry back tax losses	-	(260)
	84	**(213)**
Deferred income tax		
Origination and reversal of temporary differences	-	-
	-	**-**
Income tax expense/(credit) reported in the consolidated statement of comprehensive income	**84**	**(213)**

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

	2022	2021
	$000	**$000**
Loss before tax	(51,499)	(41,495)
Accounting loss before income tax	**(51,499)**	**(41,495)**
At New Zealand statutory income tax rate of 28% (2021: 28%)	(14,419)	(11,619)
Non-deductible expenses for tax purposes:		
Effect of foreign income tax rates	(56)	52
Deferred tax not recognised on temporary differences	43	1,325
Tax losses not recognised	13,956	9,504
Other non-deductible expenses	751	792
Tax credits and utilised losses in respect of previous years	(191)	(267)
Income tax expense/(credit)	**84**	**(213)**

There were $0 imputation credits as at 31 March 2022 (2021: $0).

Deferred income tax

Deferred income tax relates to the following:

Recognised deferred income tax

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

	Accruals	Provisions	Tax losses	Other	Total
	$000	**$000**	**$000**	**$000**	**$000**
As at 1 April 2021	**-**	**69**	**-**	**(69)**	**-**
Recognised in the consolidated statement of comprehensive income	-	(69)	-	69	-
As at 31 March 2022	**-**	**-**	**-**	**-**	**-**

Notes to the consolidated financial statements

10. Income tax *(continued)*

Significant accounting judgements, estimates and assumptions

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. 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 $5,366,000 (2021: $8,127,000).

The Group also has total tax losses of $97,070,000 (2021: $47,842,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, subject to maintaining business continuity.

Significant accounting policies

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.

Notes to the consolidated financial statements

10. Income tax *(continued)*

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.

11. 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 2022 and 31 March 2021 no anti-dilutive shares have been included in the EPS calculation in the consolidated statement of comprehensive income.

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

	2022	2021
	$000	**$000**
Loss attributable to ordinary equity holders of the parent	(51,583)	(41,282)

	2022	2021
	Number	**Number**
Weighted average number of ordinary shares for basic and diluted EPS	239,039,499	151,226,800

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 23, 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 2021 and 2022.

Share swap

As detailed in notes 23 and 27, 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 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.

Notes to the consolidated financial statements

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

Options

Options granted to non-executive Directors and the executive team, as detailed in notes 23 and 25, 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 23 and 25, are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 31 March 2022. 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.

12. Cash and cash equivalents

Current

	2022	2021
	$000	**$000**
Cash at banks	12,094	15,487
	12,094	**15,487**

Cash by currency

	2022	2021
Cash and cash equivalents by currency	**$000**	**$000**
NZD	2,417	3,596
GBP	9,116	11,182
AUD	317	540
USD	244	169
	12,094	**15,487**

All foreign amounts are expressed in NZD.

The cash and cash equivalents balance includes $5,768,000 (2021: $5,935,000) in restricted cash at balance date. The restricted cash is held by the Group and is a requirement of the credit facility agreements. Refer to note 3.d for more details.

Significant accounting policies

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.

Notes to the consolidated financial statements

13. Cash flow information

		2022 $000	2021 $000
Cash flow reconciliation			
Reconciliation of loss for the year to net cash flows used in operating activities:			
		(51,583)	(41,282)
Non-cash adjustments to reconcile loss after tax to net cash flows:			
Depreciation and amortisation	8.b	1,513	991
Consumer receivables impairment expenses	8.a	31,790	15,904
Amortisation of capitalised borrowing costs	8.d	976	750
Release of capitalised borrowing costs	8.d	3,713	-
Income tax expense	10	84	-
Foreign exchange gain on convertible notes		-	880
Convertible notes interest expense		-	6,751
Fair value adjustment on derivatives		(1,746)	2,371
Share-based payments expense		649	2,839
Other foreign exchange movements		(340)	1,391
Employee share option settlement		(193)	-
Prepaid convertible notes transaction costs		-	567
		36,446	**32,444**
Items capitalised:			
Convertible note transaction costs		-	(564)
Payment for debt issue costs		(1,249)	(2,013)
Working capital adjustments:			
Increase in consumer receivables		(36,766)	(29,455)
Increase in trade and other payables		756	1,612
Increase in other current assets		(169)	(5,335)
Decrease/(increase) in prepayments		283	(3,071)
Decrease/(increase) in income tax receivable		315	(470)
Decrease in related party receivables		-	295
Net cash flows used in operating activities		**(51,967)**	**(47,839)**

Notes to the consolidated financial statements

13. Cash flow information *(continued)*

Reconciliation of liabilities arising from financing activities

	Convertible notes	Lease liabilities	Borrowings	Total
	$000	$000	$000	$000
Net debt as at 1 April 2020	**(14,808)**	**(392)**	**(6,018)**	**(21,218)**
Operating cash flows	564	7	2,013	2,584
Financing cash flows	(11,343)	217	(9,357)	(20,483)
Non-cash adjustments	25,587	9	1,992	27,588
Net debt as at 31 March 2021	**-**	**(159)**	**(11,370)**	**(11,529)**
Net debt as at 1 April 2021	**-**	**(159)**	**(11,370)**	**(11,529)**
Operating cash flows	-	2	1,249	1,251
Financing cash flows	-	140	(9,137)	(8,997)
Amortisation of capitalised borrowing costs	-	-	(4,689)	(4,689)
Non-cash adjustments	-	(1)	1,393	1,392
Net debt as at 31 March 2022	**-**	**(18)**	**(22,554)**	**(22,572)**

14. Consumer receivables

Current

	2022	2021
	$000	$000
Consumer receivables		
Consumer receivables - face value	42,540	34,173
Unearned future income*	(1,263)	(1,257)
Total consumer receivables	**41,277**	**32,916**
Less provision for expected credit losses on drawn balances:		
Opening balance	(5,570)	(2,988)
Provided in the year	(2,371)	(2,582)
Closing provision for expected credit losses on drawn balances	**(7,941)**	**(5,570)**
Net consumer receivables balance	**33,336**	**27,346**

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

	Not yet due	Aged 1 - 60 days	Aged more than 60 days	Total
	$000	$000	$000	$000
As at 31 March 2022				
Consumer receivables	34,974	4,606	2,960	42,540
Provision for expected credit losses	(2,355)	(2,838)	(2,748)	(7,941)
Net consumer receivables (including unearned income)	**32,619**	**1,768**	**212**	**34,599**
As at 31 March 2021				
Consumer receivables	28,936	3,487	1,750	34,173
Provision for expected credit losses	(1,784)	(2,164)	(1,622)	(5,570)
Net consumer receivables (including unearned income)	**27,152**	**1,323**	**128**	**28,603**

Notes to the consolidated financial statements

14. Consumer receivables *(continued)*

Overall, the net increase in the total provision for the year ended 31 March 2022 was $2,371,000 (2021: $2,582,000). This is driven by the fact that the overall consumer receivables balance increased by $8,367,000 (2021: $19,446,000). All consumer receivables balances held at 31 March 2022 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 provision for Expected Credit Losses (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 $571,000 (2021: $1,185,000) due to the fact that $34,974,000 (2021: $28,936,000) 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 $674,000 (2021: $522,000). This is due to growth in the consumer receivables.

Collective ECL provision for credit impaired receivables increased by $1,126,000 (2021: $875,000). 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.

Significant accounting judgements, estimates and assumptions

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.

Significant accounting policies

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.

Notes to the consolidated financial statements

14. Consumer receivables *(continued)*

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, including future recoveries from debt collections.

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.

Notes to the consolidated financial statements

14. Consumer receivables *(continued)*

Write-off

Consumer receivables are written off in the consolidated statement of comprehensive income when the Group has no reasonable expectation of recovery, this is generally considered to be where the consumer receivables are outstanding for 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.

15. Other current assets

Current

	2022	2021
	$000	**$000**
GST receivable	2,445	3,179
Deferred costs	111	46
Other receivables	6,964	6,126
	9,520	**9,351**

16. Prepayments

	2022	2021
	$000	**$000**
Merchant prepayments	3,517	2,229
Other prepayments	1,370	2,941
	4,887	**5,170**

	2022	2021
	$000	**$000**
Current	4,241	4,702
Non-current	646	468
	4,887	**5,170**

Significant accounting policies

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.

17. Intangible assets

Non-current

	Work in progress	Customer book	Core technology	Total
As at 31 March 2020	**$000**	**$000**	**$000**	**$000**
Cost	244	-	953	1,197
Accumulated amortisation	-	-	(418)	(418)
Net carrying amount	**244**	**-**	**535**	**779**
Year ended 31 March 2021				
Opening net carrying amount	**244**	**-**	**535**	**779**
Additions	20	142	1,870	2,032
Transfers	(244)	-	244	-
Amortisation	-	(63)	(609)	(672)
Closing net carrying amount	**20**	**79**	**2,040**	**2,139**
As at 31 March 2021				
Cost	20	142	3,067	3,229
Accumulated amortisation	-	(63)	(1,027)	(1,090)
Net carrying amount	**20**	**79**	**2,040**	**2,139**
Year ended 31 March 2022				
Opening net carrying amount	**20**	**79**	**2,040**	**2,139**
Additions	-	-	397	397
Disposals	(20)	-	-	(20)
Amortisation	-	(79)	(1,150)	(1,229)
Closing net carrying amount	**-**	**-**	**1,287**	**1,287**
As at 31 March 2022				
Cost	-	142	3,463	3,605
Accumulated amortisation	-	(142)	(2,176)	(2,318)
Net carrying amount	**-**	**-**	**1,287**	**1,287**

Significant accounting policies

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.

17. Intangible assets (continued)

Non-current

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

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

18. Trade and other payables

Current

	2022	2021
	$000	**$000**
Merchant payables	3,658	4,396
Trade payables	3,067	2,745
Accruals	2,245	849
Employee entitlements	848	860
Payroll tax and other statutory liabilities	52	261
Other payables	35	38
	9,905	**9,149**

Significant accounting policies

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.

Employee entitlements

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.

19. Borrowings

	2022	2021
	$000	**$000**
Credit facilities	24,211	15,633
Capitalised facility fees	(950)	(1,772)
Unamortised credit facilities establishment costs	(707)	(2,491)
Closing balance	**22,554**	**11,370**

	2022	2021
	$000	**$000**
Current	22,554	8,647
Non-current	-	2,723
	22,554	**11,370**

Notes to the consolidated financial statements

19. Borrowings *(continued)*

As at 31 March 2022, the Group had a committed revolving facility with Kiwibank of $30,000,000 (2021: $20,000,000), with an advance rate of 80% (2021: 75%) Loan to Value Ratio (LVR). The banking covenants require that the amount outstanding under the facility to be no greater than 80% of the eligible receivables at all times, and for the bad debt ratio to not exceed set percentages for each trading company in ANZ. The committed revolving facility has an expiry date of 30 June 2023, with one-year extensions to the facility term to apply on an evergreen basis subject to satisfactory annual review, and is subject to certain financial covenants. As at 31 March 2022, the Kiwibank facility was $11,023,000 advanced (2021: $9,239,000) leaving $18,977,000 undrawn (2021: $10,761,000) subject to the terms of the facility agreement.

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

In accordance with the Facility Agreement (the Facility), the Permitted Financial Accommodation clause (d)(ii) of the Facility requires Laybuy Holdings Limited to meet certain covenants including a minimum cash balance of the greater of $2,000,000 or 12 months operating cash outflows in total across the bank accounts of Laybuy Group Holdings Limited, Laybuy Australia Pty Limited and Laybuy Holdings Limited. At 28 February 2022, the bank accounts, fell below and accordingly breached the covenant level required by definition (d)(ii) as outlined in the terms of the Facility.

Notwithstanding the breach, a waiver was granted by Kiwibank on 17 May 2022 from the one off failure to comply with the obligations under definition (d)(ii) of the Facility and no amendment fee was paid. As the covenant waiver was obtained post year end, the Group is deemed not to have had an unconditional right to defer payment under the Facility as at the balance sheet date. As a consequence of the accounting standards relevant to the presentation of liabilities, amounts owing under the Facility have been presented as if those amounts could have become payable as a result of the failure to meet the definition (d)(ii), and have been classified as repayable on demand, even though the definition (d)(ii) breach was subsequently waived.

During the year, the Group and Victory Park mutually agreed to an early termination of the Victory Park credit facility which had an expiry of 28 August 2025. As a result, the Group paid a termination fee of GBP100,000 to Victory Park and the facility was repaid in full on 19 August 2021. Upon termination the remaining unamortised facility establishment costs were released to the consolidated statement of comprehensive income.

On 21 October 2021, the Group entered into a GBP30,000,000 term loan facility through a Senior Facility Agreement (the Agreement) with PFG to fund the UK receivables loan book. The facility has a LVR advance rate of 75% of eligible receivables and requires a restricted cash balance of the greater of GBP2,000,000 or 4.4 times the monthly cash burn. The facility maturity date is 36 months from commencement date, being 21 October 2024, with a fixed interest rate of 11% per annum for the first GBP15,000,000 tranche and 10% on the second GBP15,000,000 tranche. As at 31 March 2022, the PFG facility was GBP7,000,000 (equivalent $13,000,000) (2021: N/A) advanced leaving GBP23,000,000 undrawn (2021: N/A) subject to the terms of the Agreement. PFG has security over the assets of Laybuy (UK) Limited, Laybuy Holdings (UK) Limited and Laybuy SPV (NZ) Limited, and over Laybuy Group Holdings Limited’s shares in Laybuy Holdings (UK) Limited and Laybuy SPV (NZ) Limited.

In accordance with the Agreement, clause 16 requires Laybuy (UK) Limited to meet certain covenants including the 30 Days Arrears Ratio (the 16.2(b) Covenant). At 28 February 2022, Laybuy (UK) Limited fell below and accordingly breached the covenant level required by the 16.2(b) Covenant as outlined in the terms of the Agreement.

Notwithstanding the breach, a verbal waiver was granted by PFG at the time and a fully executed agreement was signed on 4 April 2022 that waived Laybuy from the obligations under the 16.2(b) Covenant. No amendment fee was paid. Because the covenant waiver was obtained post year end, the Group is deemed not to have had an unconditional right to defer payment under the Agreement as at the balance sheet date. As a consequence of the accounting standards relevant to the presentation of liabilities, amounts owing under the Agreement have been presented as if those amounts could have become payable as a result of the failure to meet the 16.2(b) Covenant, and have been classified as repayable on demand, even though the 16.2(b) Covenant breach was subsequently waived.

Notes to the consolidated financial statements

19. Borrowings *(continued)*

Costs associated with establishing the credit facilities (including the common stock warrants with Victory Park and PFG, refer to note 20 for further details) have been capitalised and are being amortised over the period of the facilities.

Significant accounting policies

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.

20. Other liabilities

	2022	2021
	\$000	**\$000**
Common stock warrants	416	1,342
	416	**1,342**

As part of the PFG credit facility agreement, common stock warrants have been issued to PFG which entitles PFG to subscribe for 2% ownership of the Group's ordinary equity at the commencement date, being 2 December 2021 and 5,679,360 ordinary shares. The warrants have an exercise price of the lower of (i) AUD0.56, (ii) the Volume Weighted Average Price (VWAP) of a share on ASX over the 10 trading days ended on the trading day before the commencement date, and (iii) the VWAP of a Share on ASX over the 10 trading days ended on the trading day before the first anniversary of the commencement date. However, (iii) will only be taken into consideration if the warrants have not been exercised by the Anniversary Reference Date and the highest closing sale price of a Share on ASX over the 90 days before the Anniversary Reference Date is less than both (i) and (ii). If the market value of a Share (being the highest closing sale price of a Share on ASX over the 90 days ended on the day before the delivery of the exercise notice) exceeds the exercise price, the holder may elect a cashless (net settled) exercise of the warrants. The warrants are exercisable at any time for a term of 7 years from the closing date, being 2 December 2028.

Common stock warrants were also issued to Victory Park as part of their credit facility agreement, 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. Victory Park has retained these common stock warrants even though the credit facility has been terminated.

The common stock warrants have been recognised as derivative liabilities measured at fair value through profit or loss. At initial recognition, corresponding assets equal to the fair value of the stock warrants (\$2,819,000 for Victory Park and \$820,000 for PFG) was also recognised and offset against the debt liabilities to form part of the effective interest recognised over the term of the facilities. 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.

Significant accounting judgements, estimates and assumptions

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 26. The Group engages the services of a third party to assist with the valuation of the common stock warrants.

Notes to the consolidated financial statements

21. Provisions

Current

	2022	2021
	$000	**$000**
Provision for expected credit losses on undrawn balances		
Opening balance	**1,316**	**584**
Provided in the year	1,022	732
Closing provision for expected credit losses on undrawn balances	**2,338**	**1,316**

Significant accounting policies

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.

22. Convertible notes

In February and March 2020, convertible notes were issued at a price of $1.02 (AUD1) 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 (AUD1) 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 AUD0.99 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 (AUD1.128), a total of 9,440,930 shares were issued on conversion.

Notes to the consolidated financial statements

22. Convertible notes *(continued)*

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

	2022	2021
	$000	$000
Opening balance	**-**	**11,659**
Proceeds of issue of convertible notes	-	11,343
Transaction costs on issue of convertible notes	-	(564)
Fair value of embedded derivative liability at date of issue	-	(2,812)
Foreign exchange movement	-	880
Capitalised costs recognised under the effective interest method	-	1,131
Convertible note interest expense	-	656
Effective interest adjustment on conversion of convertible notes	-	6,095
Conversion of convertible notes to equity	-	(28,388)
Closing balance	**-**	**-**

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

	2022	2021
	$000	$000
Opening balance	**-**	**3,149**
Fair value of embedded derivative liability at date of issue	-	2,812
Fair value movement	-	3,848
Conversion of convertible notes to equity	-	(9,809)
Closing balance	**-**	**-**

Notes to the consolidated financial statements

22. Convertible notes *(continued)*

Significant accounting policies

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.

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.

23. Share capital

	Number	$000
As at 1 April 2021	**174,462,228**	**96,588**
Issue of share capital on 25 May 2021, net of transaction costs	26,169,334	12,941
Issue of share capital on 15 June 2021, net of transaction costs	43,830,666	22,683
Issue of share capital to settle Share Purchase Plan on 25 June 2021, net of transaction costs	9,999,973	5,375
Issue of shares to settle Omnibus incentive plan - executives September 2021	357,000	193
As at 31 March 2022	**254,819,201**	**137,780**

	Number	$000
As at 1 April 2021	**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**

Notes to the consolidated financial statements

23. Share capital *(continued)*

Capital raise

On 25 May 2021 the Group completed the first tranche of a Two Tranche Institutional Placement, with AUD13,085,000 being raised before taking into account transaction costs. The second tranche was completed on 15 June 2021 with a further AUD21,915,000 being raised before taking into account transaction costs. A Share Purchase Plan was completed on 25 June 2021 with AUD5,000,000 being raised before taking into account transaction costs.

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 swap

On 27 November 2018, Gary and Robyn Rohloff (Rohloff's) 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 Rohloff's and Laybuy Holdings Limited whereby Laybuy Holdings Limited will, in the future, issue 450,000 shares to the Rohloff's in exchange for the 1.8% of shares in the UK entity. The $450,000 paid by the Rohloff's 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 Rohloff's 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.

Shares issued

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 AUD1.41 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 22 for further details.

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.

Notes to the consolidated financial statements

23. Share capital *(continued)*

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. On 30 December 2021, 357,000 shares were issued as a result of vested share options being exercised. Refer to note 25 for further details.

Common stock equity

As part of the Victory Park credit facility, common stock warrants were issued to them. Refer to note 20 for further details.

ASX listing and Initial Public Offering

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

Significant accounting policies

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.

24. Share-based payments reserve

	2022	2021
	$000	$000
Opening balance	**1,951**	**176**
Credit to equity arising on equity settled benefits	649	1,918
Settled during the year	(193)	(143)
Closing balance	**2,407**	**1,951**

There were no cancellations or modifications to the awards in the year ended 31 March 2022 (2021: nil), other than as mentioned in note 25.a.

25. Share-based payments

a. Employee share-based payments

General employee share option plan

The Group had a previous share option plan for select employees of the Group. The option plan was settled early on 30 July 2020 in advance of the IPO. All options that had not vested at this time immediately vested on settlement. The options were net settled on a cashless basis based on the market price of AUD1.41 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 23).

The Group recognised expenses of $172,000 within employee expenses in respect of the general employee share option plan for the year ended 31 March 2021 (2022: N/A).

25. Share-based payments *(continued)*

Omnibus incentive plan – executives

The Company entered into a new share option plan in September 2020 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 period to September 2023 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 2022 are as follows:

	Number of share options		Weighted average exercise price	
	2022	2021	2022	2021
			$	$
Outstanding at the start of the year	**6,180,953**	**600,000**	**-**	**NZD2.00**
Adjusted for share split*	-	2,400,000	-	NZD0.50
Granted during the year	3,660,436	6,641,946	AUD0.00	AUD0.00
Forfeited during the year	(2,268,694)	(460,993)	-	-
Exercised during the year (net-settled)	-	(2,400,000)	-	NZD0.50
Expired during the year	-	-	-	-
Outstanding at the end of the year	**7,572,695**	**6,180,953**	**AUD0.00**	**AUD0.00**
Exercisable at the end of the year	-	-	-	-

The options outstanding as at 31 March 2022 had a weighted average remaining contractual life of 14.24 years (2021: 14.44 years). In the year ended 31 March 2022, options were granted in September 2021 and March 2022 (2021: September 2020, February 2021 and March 2021). The weighted average fair value of the options granted during the year was AUD0.08 (equivalent NZD0.09) (2021: AUD0.91 (equivalent NZD0.95)).

* Refer to note 23 for further details for share split.

Notes to the consolidated financial statements

25. Share-based payments *(continued)*

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

	2022	2021
Weighted average exercise price	AUD0.00	AUD0.00
Grant date weighted average share price	AUD0.09-0.50	AUD1.14-1.41
Expected volatility	74.60%	73.40%-74.90%
Expected life	3 years	3 years
Risk free rate	0.18%-0.99%	0.26%-0.80%
Expected dividend yields	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 expenses of $568,000 (2021: $369,000) within employee expenses in respect of the omnibus incentive plan - executives, and released $576,000 (2021: expense $576,000) relating to the performance (revenue growth) based target, resulting in a net gain of $8,000 for the year ended 31 March 2022 (2021: expense $945,000).

Omnibus incentive plan – executives September 2021

Share options were granted in September 2021 in an additional scheme under the Omnibus inventive plan with a service period requirement only. Each share option converts into one ordinary share of the Company on exercise. No amounts were paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised any date 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 six month to one year service period. 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 2022 are as follows:

	Number of share options	Weighted average exercise price $
Outstanding at the start of the year	-	-
Granted during the year	714,000	AUD0.00
Forfeited during the year	(357,000)	-
Exercised during the year	(357,000)	-
Expired during the year	-	-
Outstanding at the end of the year	**-**	**AUD0.00**
Exercisable at the end of the year	-	-

No options were outstanding as at 31 March 2022. In the year ended 31 March 2022, options were granted in the month of September 2021. The weighted average fair value of the options granted during the year was AUD0.51 (equivalent NZD0.53).

The Group recognised an expense of $193,000 within employee expenses in respect of the omnibus incentive plan - executives September 2021 for the year ended 31 March 2022.

Notes to the consolidated financial statements

25. Share-based payments *(continued)*

Omnibus incentive plan – executives November 2021

Share options were granted in November 2021 in an additional scheme under the Omnibus inventive plan with a service period requirement only. Each share option converts into one ordinary share of the Company on exercise. No amounts were paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised any date 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 13 month service period. 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 2022 are as follows:

	Number of share options	Weighted average exercise price
		$
Outstanding at the start of the year	**-**	**-**
Granted during the year	200,000	AUD0.00
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	**200,000**	**AUD0.00**
Exercisable at the end of the year	-	-

The options outstanding as at 31 March 2022 had a weighted average remaining contractual life of 0.75 years (2021: N/A). In the year ended 31 March 2022, options were granted in November 2021 (2021: N/A). The weighted average fair value of the options granted during the year was AUD0.45 (equivalent NZD0.47) (2021: N/A).

The Group recognised an expense of $31,000 within employee expenses in respect of the omnibus incentive plan - executives November 2021 for the year ended 31 March 2022.

Omnibus incentive plan – non-executive Directors

The Group has entered into a 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.

25. Share-based payments *(continued)*

Details of the share options outstanding for the year ended 31 March 2022 are as follows:

	Number of share options		Weighted average exercise price	
	2022	2021	2022	2021
			$	$
Outstanding at the beginning of the year	**400,000**	**-**	**AUD1.41**	**-**
Granted during the year	-	400,000	-	AUD1.41
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	**400,000**	**400,000**	**AUD1.41**	**AUD1.41**
Exercisable at the end of the year	**200,000**	-	**AUD1.41**	-

The options outstanding as at 31 March 2022 had a weighted average remaining contractual life of 13.44 years (2021: 14.44 years). In the year ended 31 March 2022, there were no options granted (2021: September 2020). The weighted average fair value of the options granted during the year was N/A (2021: AUD1.01 (equivalent NZD1.05)).

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 $200,000 within employee expenses in respect of the omnibus incentive plan - non-executive Directors during the year ended 31 March 2022 (2021: $156,000).

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.

Notes to the consolidated financial statements

25. Share-based payments *(continued)*

Details of the share options outstanding for the year ended 31 March 2022 are as follows:

	Number of share options		Weighted average exercise price	
	2022	**2021**	**2022**	**2021**
			$	**$**
Outstanding at the beginning of the year	**14,000,000**	**3,000,000**	**AUD1.557**	**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	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	**14,000,000**	**14,000,000**	**AUD1.557**	**AUD1.557**
Exercisable at the end of the year	13,200,000	12,800,000	AUD1.557	AUD1.557

* The original share option agreement was with Laybuy Holdings Limited. Subsequent to the Restructure (as detailed in note 27), the option agreement was transferred to Laybuy Group Holdings Limited as the new Parent entity of the Group. In addition, as identified in note 23, 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.

The options outstanding as at 31 March 2022 had a weighted average remaining contractual life of 1.15 years (2021: 2.15 years). In the year ended 31 March 2022, no options were granted (2021: May 2020). The weighted average fair value of the options granted during the year was N/A (2021: AUD0.091 (equivalent NZD0.099)).

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 $233,000 (2021: $784,000) within merchant and marketing expenses related to other equity-settled share-based payment arrangements in the year ended 31 March 2022.

Notes to the consolidated financial statements

25. Share-based payments *(continued)*

Significant accounting judgements, estimates and assumptions

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.

Significant accounting policies

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

26. 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.

Notes to the consolidated financial statements

26. Fair value measurement *(continued)*

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

	Total	Level 1	Level 2	Level 3
As at 31 March 2022:	**$000**	**$000**	**$000**	**$000**
Common stock warrants – derivative	416	-	-	416

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

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

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

Notes to the consolidated financial statements

26. Fair value measurement *(continued)*

Financial asset and liabilities	**Valuation technique and key inputs**	**Significant unobservable inputs**	**Relationship and sensitivity of unobservable inputs to fair value**
Common stock warrants - derivative	Black-Scholes-Merton valuation model based on strike and market price, maturity, total number of options, volatility and risk-free rate.	The significant unobservable inputs are the volatility rate used and the expected maturity of the contract.	A change in the volatility of plus or minus 10% would not materially impact the valuation output for each set of warrants.
		The average volatility rate applied is 94.5% for the Victoria Park warrants and 91.6% for the PFG warrants. These are based on comparative listed entities.	The expected maturities are long term with the Victoria Park warrants expiring 24 July 2025 and PFG warrants expiring 2 December 2028. An adjustment of 10% would not materially impact the valuation output for each set of warrants.
		The expected maturity of the two contracts is deemed the full contract term of 60 months from the effective date for the Victoria Park warrants and 85 months from the effective date for the PFG warrants.	

Notes to the consolidated financial statements

26. Fair value measurement *(continued)*

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

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

	Common stock warrants	Convertible notes	Total
	$000	**$000**	**$000**
As at 1 April 2021	**1,342**	**-**	**1,342**
Issuances	820	-	820
Fair value (gain) recognised in the consolidated statement of comprehensive income	(1,746)	-	(1,746)
As at 31 March 2022	**416**	**-**	**416**

The Directors consider that the carrying amount of all other financial assets and financial liabilities recognised in the financial statements approximate their fair values, this is due to the short term nature of the financial assets and liabilities.

27. Group information about subsidiaries

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

				% equity interest	
Name	**Balance date**	**Principal activity**	**Principal place of business**	**2022**	**2021**
Laybuy Holdings (UK) Limited	31 March	Consumer financing	United Kingdom	100%	100%
Laybuy Holdings Limited	31 March	Consumer financing	New Zealand	100%	100%
Laybuy (UK) Limited	31 March	Consumer financing	United Kingdom	100%	100%
Laybuy Australia Pty Limited	31 March	Consumer financing	Australia	100%	100%
Laybuy Holdings (USA) Inc.	31 March	Consumer financing	United States	100%	100%
Laybuy SPV (NZ) Limited	31 March	Financing vehicle	New Zealand	100%	-

Notes to the consolidated financial statements

27. Group information about subsidiaries *(continued)*

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 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.

On 16 September 2021 a new subsidiary Laybuy SPV (NZ) Limited was incorporated in New Zealand as a financing vehicle. Laybuy Group Holdings Limited holds 100% of the shares of the new company.

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.

Notes to the consolidated financial statements

28. Related party transactions

Transactions with related parties

The following transactions occurred with related parties:

	2022	2021
	$000	**$000**
Directors' fees and salaries	868	642

Certain individuals who are considered to be close family members of related parties, are employed within the Group. Salaries totalling $605,000 were paid to these individuals for the year ended 31 March 2022 (2021: $529,000).

Outstanding balances with related parties

	2022	2021
	$000	**$000**
Opening balance	**-**	**295**
Amounts repaid by related parties	-	(295)
Closing balance	**-**	**-**

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

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

Key management personnel compensation

Key management personnel (KMP) are defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, and include the Directors, the Non-Executive Directors, and the Chief Financial Officer.

The following table summarises compensation to key management personnel.

	2022	2021
	$000	**$000**
Short-term employee benefits	930	3,603
Share-based employee benefits	457	1,212
Director's fees	353	255
Total compensation to key management personnel	**1,740**	**5,070**

Other

As part of the IPO process in September 2020, $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 $2,000 (2021: $4,000) to the Group. 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.

Notes to the consolidated financial statements

29. Commitments and contingencies

Contingent liabilities

The Group had no contingent liabilities as at 31 March 2022 (2021: nil).

Off-balance sheet commitments provided

	2022	2021
	$000	**$000**
Undrawn consumer commitments	677,549	445,879
	677,549	**445,879**

30. 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.

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

	2022	2021
Financial assets	**$000**	**$000**
Financial assets at amortised cost		
Cash and cash equivalents	12,094	15,487
Consumer receivables	33,336	27,346
Other current assets	6,964	6,126
Total financial assets	**52,394**	**48,959**
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	(9,006)	(8,026)
Borrowings	(22,554)	(11,370)
Lease liabilities	(18)	(159)
Financial liabilities at fair value through profit or loss		
Other liabilities - common stock warrants	(416)	(1,342)
Total financial liabilities	**(31,994)**	**(20,897)**

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.

Notes to the consolidated financial statements

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

The Group has a mix of fixed rate borrowings and variable rate borrowings. The Group 's exposure to interest rates relates to the Group's variable interest rate borrowings. The Group uses equity capital to minimise borrowing from the credit facility to reduce interest rate risk.

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

	2022	2021
	$000	**$000**
Financial assets		
Cash at bank	12,094	15,487
Total	**12,094**	**15,487**
Financial liabilities		
Borrowings	(11,023)	(15,633)
Total	**(11,023)**	**(15,633)**

Borrowings subject to interest rate risk 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.

There are no other financial assets or financial liabilities subject to interest rate risk as at 31 March 2022. The Group has not hedged any interest rate risk during the year or as at 31 March 2022.

Interest rate risk sensitivity

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

	Loss after tax Higher/(lower)		Equity Higher/(lower)	
	2022	**2021**	**2022**	**2021**
Judgements of reasonable possible movements	**$000**	**$000**	**$000**	**$000**
-0.50% (2021: -0.10%)	(39)	(9)	39	9
+0.50% (2021: 0.10%)	39	9	(39)	(9)

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 2022 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 2022.

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

31 March 2022	**GBP**	**AUD**	**USD**
	$000	**$000**	**$000**
Financial assets			
Cash and cash equivalents	9,116	317	244
Consumer receivables	20,175	1,555	58
Other current assets	5,151	233	3
Financial liabilities			
Trade and other payables	(3,806)	(521)	(974)
Lease liabilities	-	-	-
Other liabilities - common stock warrants	-	(416)	-
Borrowings	(13,188)	-	-
Net exposure	**17,448**	**1,168**	**(669)**

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

31 March 2021	GBP	AUD	USD
	$000	$000	$000
Financial assets			
Cash and cash equivalents	11,182	540	169
Consumer receivables	15,251	1,474	6
Other current assets	4,638	213	-
Financial liabilities			
Trade and other payables	(4,556)	(281)	(112)
Lease liabilities	(122)	-	-
Other liabilities - common stock warrants	-	(1,342)	-
Borrowings	(6,394)	-	-
Net exposure	**19,999**	**604**	**63**

Foreign currency sensitivity

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

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

	Loss after tax Higher/(lower)		Equity Higher/(lower)	
	2022	2021	2022	2021
Judgements of reasonably possible movements	$000	$000	$000	$000
NZD/AUD +5% (2021: +5%)	56	29	(56)	(29)
NZD/AUD -5% (2021: -5%)	(61)	(32)	61	32
NZD/GBP +5% (2021: +5%)	831	952	(831)	(952)
NZD/GBP -5% (2021: -5%)	(918)	(1,053)	918	1,053
NZD/USD +5% (2021: +5%)	(32)	3	32	(3)
NZD/USD -5% (2021: -5%)	35	(3)	(35)	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 2022 is equal to its carrying value of cash, consumer receivables, the undrawn consumer receivables available to the consumer, and other current assets.

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 2022 is $677,549,000 (2021: $445,879,000).

30. Financial risk management objectives and policies *(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 and undiscounted fixed payments and receivables for settlement, repayments, and interest resulting from recognised financial assets and liabilities.

31 March 2021	**<1 year**	**1-2 years**	**2-3 years**	**>3 years**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Financial assets					
Cash and cash equivalents	15,487	-	-	-	15,487
Other current assets	6,126	-	-	-	6,126
Consumer receivables	27,346	-	-	-	27,346
Total financial assets	**48,959**	**-**	**-**	**-**	**48,959**
Financial liabilities					
Trade and other payables	(8,026)	-	-	-	(8,026)
Borrowings	(10,243)	(799)	(799)	(7,526)	(19,367)
Lease liabilities	(143)	(18)	-	-	(161)
Total financial liabilities	**(18,412)**	**(817)**	**(799)**	**(7,526)**	**(27,554)**
Net maturity	**30,547**	**(817)**	**(799)**	**(7,526)**	**21,405**
Off-balance sheet provided					
Undrawn consumer commitments	(445,879)	-	-	-	(445,879)

31 March 2022	**<1 year**	**1-2 years**	**2-3 years**	**>3 years**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Financial assets					
Cash and cash equivalents	12,094	-	-	-	12,094
Other current assets	6,964	-	-	-	6,964
Consumer receivables	33,336	-	-	-	33,336
Total financial assets	**52,394**	**-**	**-**	**-**	**52,394**
Financial liabilities					
Trade and other payables	(9,006)	-	-	-	(9,006)
Borrowings	(26,224)	-	-	-	(26,224)
Lease liabilities	(18)	-	-	-	(18)
Total financial liabilities	**(35,248)**	**-**	**-**	**-**	**(35,248)**
Net maturity	**17,146**	**-**	**-**	**-**	**17,146**
Off-balance sheet provided					
Undrawn consumer commitments	(677,549)	-	-	-	(677,549)

Notes to the consolidated financial statements

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

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

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

Net debt reconciliation	**2022**	**2021**
	$000	**$000**
Cash and cash equivalents	12,094	15,487
Borrowings	(22,554)	(11,370)
Lease liabilities	(18)	(159)
Net (debt) / cash position	**(10,478)**	**3,958**

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. Refer to note 19 for further details.

31. General accounting policies

a. Foreign currencies

Presentation and functional currency

The Group's 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.

Notes to the consolidated financial statements

31. General accounting policies (continued)

Group companies

For the purpose of presenting 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.

b. Goods and services tax (GST)

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

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

c. 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

Notes to the consolidated financial statements

31. General accounting policies (continued)

- 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.

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.

Notes to the consolidated financial statements

31. General accounting policies (continued)

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 at fair value through profit or loss.

Liabilities measured at amortised cost

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 19.

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.

32. Events after the reporting period

There have been no 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.

Directors' statement

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

The consolidated financial statements and notes of Laybuy Group Holdings Limited for the financial year ended 31 March 2022 comply with the Companies Act 1993 (New Zealand).

During the year ended 31 March 2022 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, in consideration with note 3.d Going concern.

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 30 June 2022.

Steven Fisher
Chair,
Independent Non-Executive Director

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

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 2022, 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 2022;
- 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. 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 relationships have not impaired our independence as auditor of the Group.

Material uncertainty related to going concern

We draw attention to Note 3(d) in the consolidated financial statements, which indicates that the Group incurred a loss after tax of $51,583,000 and a net cash outflow from operating activities of $51,967,000 during the year ended 31 March 2022 and, as of that date, the Group's net assets were $26,033,000. As stated in Note 3(d), these events or conditions, along with other matters set forth in Note 3(d), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Description of the key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on consumer receivables and undrawn balances As disclosed in Notes 14 and 21, the Group has recognised a provision for expected credit losses (ECL) on consumer receivables and undrawn balances of $7,941,000 and $2,338,000, 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 2022; and • assessed the adequacy of the related disclosures made in the consolidated financial statements.

Our audit approach

Overview

Overall group materiality: $600,000, which represents approximately 1% of total assets.

We chose total assets 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 one key audit matter, being the provision for expected credit losses on consumer receivables and undrawn balances.

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

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

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

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

Other information

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

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

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

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

Responsibilities of the Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board’s website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor’s report.

Who we report to

This report is made solely to the Company’s shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants

30 June 2022

Auckland