Future focused

LAYBUY

Laybuy FY22 Annual Report

We empower our customers to look at money differently.

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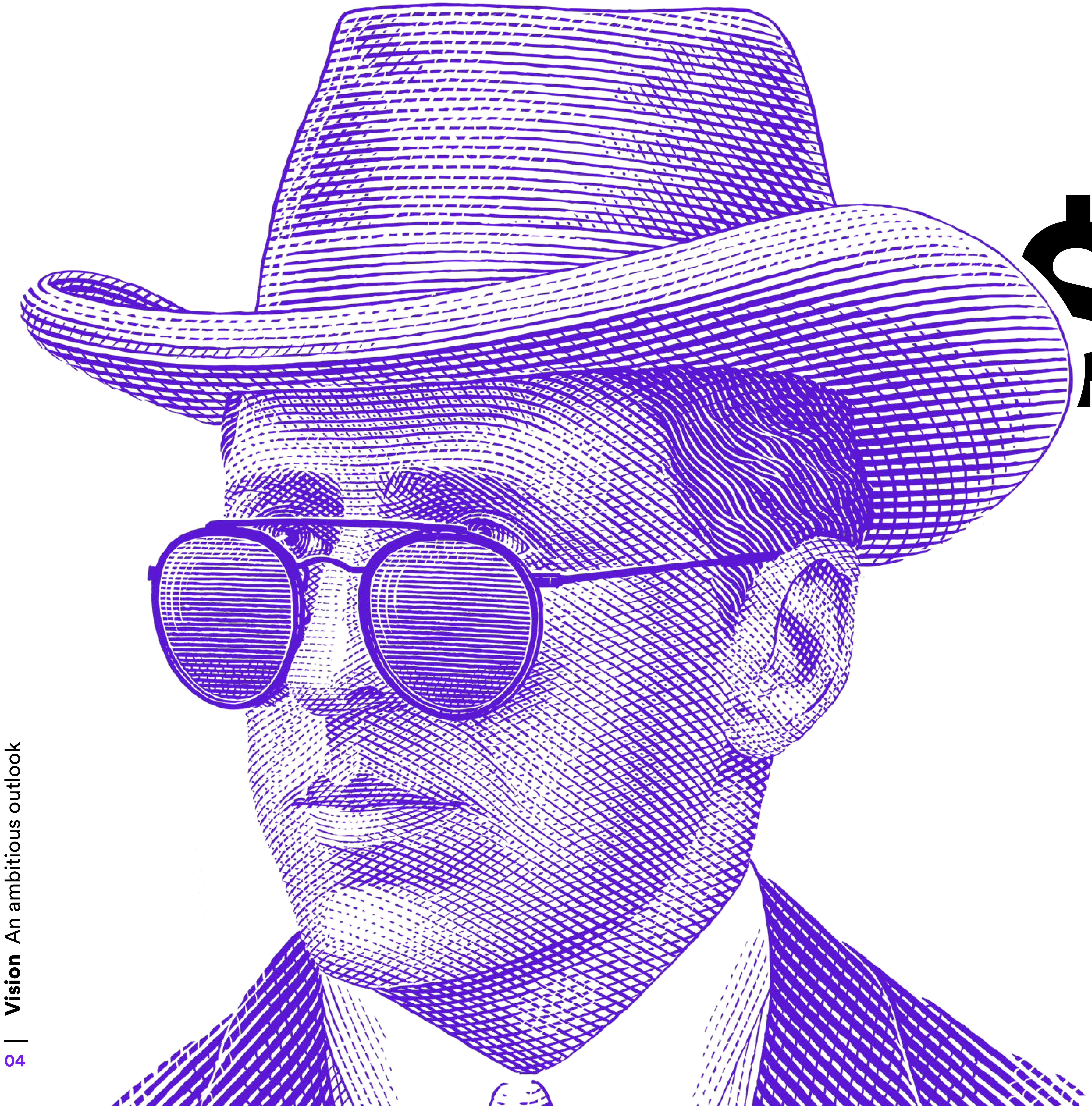
Vision

An ambitious outlook



$868m

Gross Merchandise Value (GMV)
↗ Up 47%

931,000
Active Customers
↗ Up 175,000

13,700
Active Merchants
↗ Up 4,500

0.6% of GMV
Net Transaction Margin (NTM)
↙ Down from 1.8%

$47.1m
Total Group Income
↗ Up 45%

*When compared to FY21.

Values

Our unique point of view

Why we exist

To make shopping easier, safer and more affordable.

We want to continually challenge the status quo, empowering consumers and merchants to look at money differently with our innovative and easy-to-use payment platform.

By disrupting the traditional payments landscape, we want to give consumers more freedom, helping them manage their budgets and escape the traps of high-interest credit.

Our story

Founded in 2017, Laybuy is one of New Zealand's leading BNPL providers, and has a strong presence in Australia and the United Kingdom.

Inspired by the traditional lay-by model, Laybuy aims to make life easier for shoppers – freeing them from the traps of high-interest consumer credit. At the same time, we provide merchants with a cost-effective and low-risk credit option that they can offer to their customers.

Proudly New Zealand and headquartered in Auckland, with offices in London and Sydney, Laybuy's easy-to-use and innovative payment platform allows shoppers to shop now, receive their purchase immediately and pay it off in six weekly payments. And unlike credit cards, Laybuy customers never pay interest, ever!

On-going journey

2017

May
The Rohloff family launches Laybuy in New Zealand.

2018

January
Laybuy reaches 100,000 customer accounts in just 8 months.

May
Launches in Australia.

October
Launches Laybuy Global, allowing customers to make offshore purchases with Laybuy.

November
Pioneer Capital, a New Zealand investment company, invests in Laybuy.

2019

February
Launches in the United Kingdom.

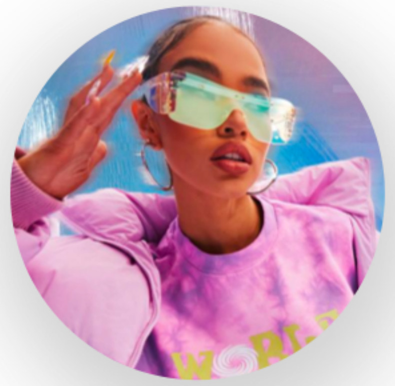
October
The Laybuy app is launched.

2020

September
Lists on the ASX, raising A$40 million (net) to fund continued growth.

November
Launches *Laybuy Card*, a digital BNPL Mastercard, in Australia making it easier for shoppers to pay by Laybuy in-store. New Zealand follows a month later.

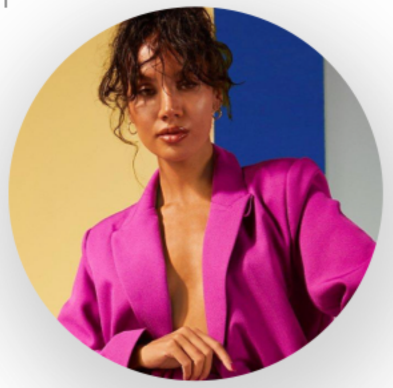
2021



April
Active customers hit 750,000 and active merchants increase to reach more than 9,000.

June
Launch of *Laybuy Card* in the UK.

September
Launch of Laybuy *App Exclusives* in the UK, allowing customers to pay with Laybuy at hundreds of the world's leading brands through the Laybuy app.



December
Laybuy hits NZ$1 billion annualised GMV for the first time.

Better than yesterday, every day.

Purpose

Money through a new lens

How it works

Our payment platform allows consumers to buy the goods they want and love and split the cost across six weekly interest-free instalments – the first being at the point of sale.

For merchants

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

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

01. Customer

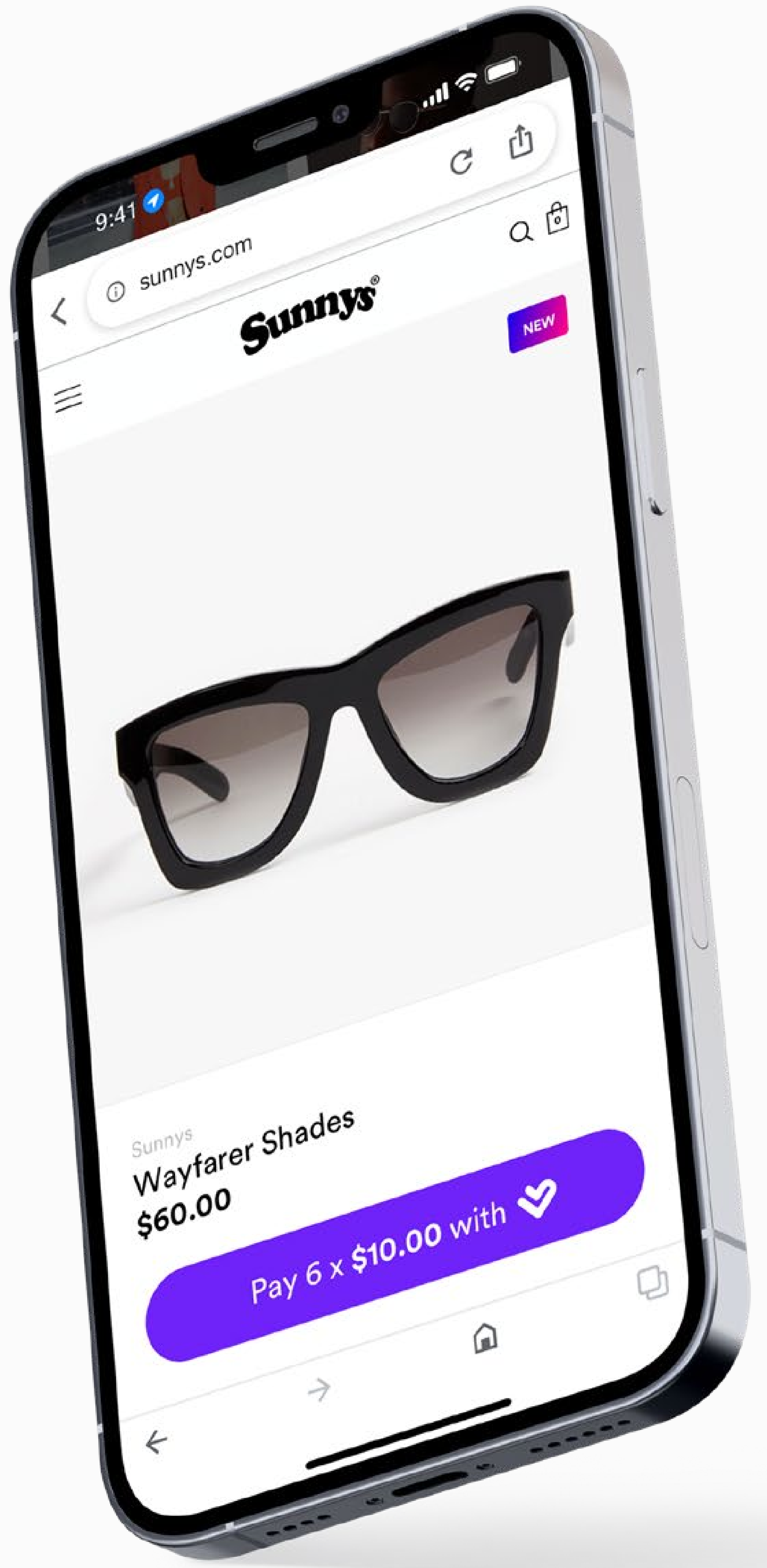
pays 1/6 upfront with Laybuy. Goods or services are received immediately

02. Merchant

receives Gross Merchandise Value (GMV) at time of purchase, less Laybuy's commission

03. Laybuy

gets paid back over 5 remaining weekly instalments with no interest or fees (aside from late fees in the case of a missed payment) from the customer



Our strategy to achieving profitability

1. Saving to invest

We will work across the business to identify areas where we can improve efficiencies, reduce costs and reprioritise spending so that we are investing in those areas that support our pathway to profitability.

2. Increasing our quality customers and merchants

We will focus on increasing and retaining quality customers and partnering with the right merchants in the right verticals. We will focus on those merchants who are best able to support our growth and who are the least likely to attract fraudulent activity.

3. Reducing fraudulent activity

We will continue to take proactive action to improve the security of our platform, including investing in fraud prevention and intelligence software, to further drive down fraud.

Our competitive advantage

We differentiate ourselves against other BNPL providers through a number of innovative features.

Laybuy Boost

- Allows for a larger first payment
- Lifts Laybuy ROI

Currency Agnostic

- International purchases with seamless currency conversion
- Merchants can target international audience

Virtual Card Offerings

- **Laybuy Card**
  In-store digital card for seamless checkout
- **App Exclusives**
  Provides access to hundreds of well-known UK brands via the Laybuy shopping app

Credit Bureau Check

- Via third parties Experian and Centrix
- Combined with proprietary fraud and mitigation technologies

Our Merchant Partners

At Laybuy, we are proud to be partnering with more than 13,000 of the world's largest and most loved brands in New Zealand, Australia and the UK.

The year at a glance

Focussing on our pathway to profitability

Letter from the Chair and Managing Director

On behalf of the Board, we are proud to present the Laybuy Annual Report for the year ended 31 March 2022.

The past year has been a particularly challenging one for Laybuy, as it has been for all growth companies, with the global economy continuing to feel the after-effects of the pandemic.

A long period of expansionary monetary policy, supply constraints, and a tight labour market have all combined to create inflationary pressure and push the cost of living higher. In response central banks are now tightening monetary policy by increasing interest rates, which is impacting both consumer discretionary spending and capital markets.

Despite this, Laybuy has continued to achieve steady growth in the past year. GMV increased 47% to reach $868 million, active customers increased 23% to reach 931,000, and active merchants increased 50% to reach 13,700.

This growth supported an increase of revenue of 45%, with Laybuy recording full year revenue of $47.1 million.

We achieved profitability, excluding corporate overheads, in Australia and New Zealand and we are now focussed on achieving profitability across the business. We have a plan to do this, which will see us focus our efforts on attracting and retaining quality customers and merchants, reducing costs, improving efficiencies, and investing in our fraud prevention toolkit.

By doing this, we will lift our NTM and achieve ongoing profitability. This will allow us to invest back into the business and reduces the need to seek external capital. This will also allow us to deliver a long-term shareholder return.

STEVEN FISHER

GARY ROHLOFF

"GMV increased 47% to reach $868 million, active customers increased 23% to reach 931,000, and active merchants increased 50% to reach 13,700."

A sector forecast to grow

The long-term growth prospects for BNPL remain strong, with new data suggesting the value of global payments made by BNPL will nearly quadruple by 2026[1].

Consumers are attracted to BNPL because of its flexibility and convenience when compared to other payment methods. BNPL provides consumers with an alternative to credit cards, giving them interest-free credit and allowing them to spread the cost of their purchases, while also providing a structured repayment schedule.

As a result, BNPL as a global e-commerce payment method is expected to grow while other forms of payments, including credit cards, debit cards, bank transfers and prepaid cards, are all expected to fall.

In fact, Worldpay's 2022 Global Payments report projects BNPL will be the fastest growing payment method, both online and in-store, between 2021 and 2025. By 2025, it is estimated that BNPL will account for 5.3% of global transaction value, or approximately US$438 billion.

We know that as a result of this growth, the sector will be subject to increasing competition as new players enter the market. We are prepared for this and will focus on doing what we do best - leveraging our competitive advantage, strong market share and loyal customer base.

[1] https://www.globaldata.com/media/banking/buy-now-pay-later-global-transaction-value-reached-120-billion-2021-according-globaldata/

A culture of continuous innovation

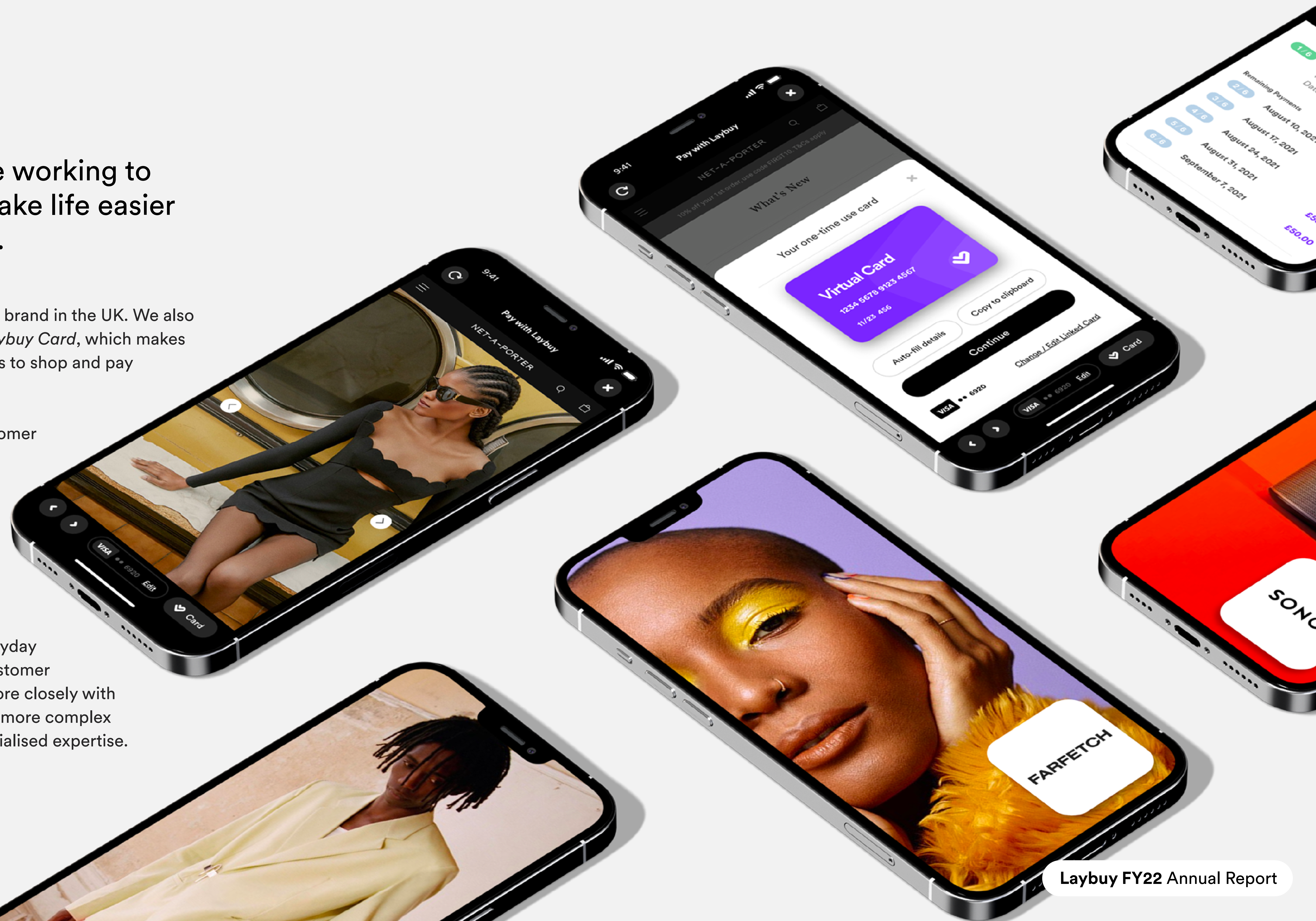
To maintain our competitive advantage, we are working to foster a culture of innovation so that we can make life easier for both our customers and merchant partners.

While we know that we are not the biggest, we are committed to being the best. We employ a team of highly experienced technology engineers and software developers who are working to continuously improve our platform so that it better meets the needs of our customers and merchant partners.

We were proud to be the first to market with a suite of products, including *Laybuy Boost* and *Laybuy Global*. With *Laybuy Boost*, our customers are able to easily make larger transactions with Laybuy by simply paying the difference between their credit limit and the purchase price in their first payment, while with *Laybuy Global* our customers can make offshore purchases and pay in their home currency.

This year we have partnered with affiliate networks in the UK, offering consumers access to the top 500 retail brand in the UK. We also launched our innovative *Laybuy Card*, which makes it even easier for consumers to shop and pay with Laybuy.

Further enhancing the customer service experience, we launched our new digital employee Hugo. An intelligent chatbot, Hugo can instantly answer a wide range of common questions, providing customers with real-time responses to everyday enquiries. This frees our customer service team up to work more closely with those customers who have more complex questions that require specialised expertise.



Responding to rising interest rates

While rising interest rates have impacted investor confidence, our business model is extremely capital efficient, meaning we are well positioned to respond to a rising interest rate environment. A 2% increase in the underlying interest rate, for example, only translates to a four basis point (0.04%) increase in our costs.

Our weekly repayment cycle means that the average duration of loans is just two-and-a-half weeks. As a result, we are able to recycle our capital more than 20 times per annum. This makes Laybuy the most capital efficient BNPL provider in the market.

We know that rising interest rates can impact consumer spending but it remains unclear what impact increasing rates will have on demand in the BNPL sector. Our customer base skews younger and is therefore less likely to hold a mortgage. In fact, it is possible demand will increase as a result of the rising cost of living, as consumers look to take advantage of interest-free credit to spread the cost of their purchases.

Rising costs and a tightening economic environment do, however, increase the risk of default. To mitigate this risk, we have taken proactive steps, including pausing increases to credit limits, and we are being more vigilant around credit and affordability testing.

A proactive approach to managing risk

Fraud is an unfortunate but universal risk for all online payment providers. Globally, there has been a marked increase in fraudulent activity on e-commerce platforms and this has impacted many BNPL providers.

Fraud is an issue we take extremely seriously and we have implemented a number of proactive steps to improve the security of our payment platform, reduce the risk of fraud occurring, and to minimise its impact when it does occur.

We have appointed a highly experienced financial fraud prevention specialist as our Chief Risk Officer. Sitting on the leadership team, this is a new position responsible for further development of our fraud prevention strategy and credit risk management initiatives.
We have also implemented leading machine-learning technology to combat attempted fraud. Machine learning analyses large amounts of data to identify potentially fraudulent activity and is able to pick up trends and links that are not easily identifiable by human analysis.

As we continue to collect more data, our machine learning solution will become even more effective at fraud prevention. This, combined with advances in A.I., means we will be able to continue to drive down and deter fraudulent activity on our platform.

This work has already seen our Net Transaction Margin (NTM) improve markedly in the closing months of this financial year. This trend has continued into the new financial year, with our NTM reaching 1.9% in June.

A focus on convenient and appropriate credit

We aspire to be the global leader in responsible, convenient, transparent and appropriate credit.

We want to make life easier for our customers and that means not extending credit to those who cannot afford it. That is why we have always undertaken a credit check of every new customer. This process sees about one-in-four applicants for a Laybuy account declined.

The credit check also helps inform the setting of a customer's credit limit, ensuring customers are being provided an appropriate level of credit that they can effectively manage. Our credit limits are between NZ$120 and NZ$1,500.

Our customers choose Laybuy because we provide them with interest-free credit and a structured and automatic repayment plan.

We provide customers with a reminder before a repayment is due and, if they miss a payment, we provide them a 24-hour grace period before charging a late fee. Late fees are only charged as a disincentive from missing a payment.

To prevent customers from falling into a debt spiral, we stop them from making additional purchases if their account falls into arrears. We also cap late fees, so our customers are never exposed to compounding debt, which can be experienced with credit cards and other forms of consumer credit.

Well positioned for future regulation

If used appropriately, BNPL can be an effective and low-risk tool to help consumers manage their personal budgets. But it is important that vulnerable consumers are protected from taking on debt that they cannot afford. For this reason, we are supportive of an enhanced, but proportionate, regulatory framework that ensures the sector is acting fairly, openly and responsibly at all times.

This year we continued to engage with HM Treasury and the UK Government, as well as the Ministry of Business, Innovation and Employment (MBIE) and the New Zealand Government, in relation to potential regulation.

We have formally submitted a response to the consultation documents released in late 2021 by both HM Treasury and MBIE, which outlined a series of options around regulation of the sector in their respective countries. We also meet regularly with officials.

In June 2022 the UK Government outlined its plans to regulate the sector, an announcement that we welcomed. Under the proposals, BNPL providers will be required to carry out affordability checks to ensure loans are affordable for consumers. Financial promotion rules will be amended to ensure BNPL advertisements are fair, clear and not misleading. Providers will also need to be approved by the Financial Conduct Authority and borrowers will be able to take a complaint to the Financial Ombudsman Service.

We believe the plans announced by the UK Government are a step in the right direction and that we are well positioned for the changes announced given we already credit check, cap late fees and have a robust hardship policy.

Our people – the heart of Laybuy

We are proud to lead a team of hardworking, dedicated and talented people who come to work every day to find new ways to make the life of our customers and merchants easier. The growth we have achieved this year is largely down to their efforts.

The past year has not always been easy as the pandemic continues to disrupt the workplace. Our priority has always been the safety and wellbeing of our team, which is why we have adopted a hybrid working model ensuring that our team has the flexibility to work from any location.

At Laybuy, we are proud to foster a culture that embraces our differences, because you can't do things differently if you all think the same. For that reason, we believe an inclusive and diverse workforce is critical to our success as a business.

Our *Global Diversity and Inclusion Policy* supports the development of a positive and respectful culture, where individual differences are not only recognised but celebrated. We have adopted a zero tolerance to any inappropriate, discriminatory or bullying behaviour.

We also recognise that we are operating in a highly-competitive employment environment, with companies competing to attract highly-skilled individuals. Our remuneration policy recognises the current global skills shortage by providing appropriate pay to attract quality candidates.

A commitment to good governance

The Laybuy Board takes its corporate governance responsibilities seriously. As Laybuy continues to respond to challenging economic conditions, it is critical that it has the right governance structures and policies in place to support refinement of its strategic approach.

The Board has continued to maintain strong oversight of Laybuy on behalf of shareholders, actively monitoring the operational and financial performance. The Board has adopted a number of policies, which are outlined further in the Corporate Governance statement, that help ensure the Board is always acting in the best interests of shareholders.

FY23 outlook – slowing down to speed up

While the past year has been a challenging one, we have a plan that will see us well positioned to take advantage of the opportunities presented by continued growth in BNPL.

We are responding to changing economic conditions by adapting our strategy from one focussed on chasing growth to one focussed on achieving profitability across the business.

Our ANZ sales operations, excluding corporate overheads, are already profitable and we will make the necessary changes required to achieve profitability across the Group in the short-term. We will do this by taking steps to further cut costs, drive efficiencies and reduce fraud. This will allow us to save to invest, reducing the need to rely on capital markets to fund our long-term growth.

We want to thank all of our shareholders. We know the past year has not been an easy one for you. The Board, with the support of management, remains resolutely focussed on achieving sustainable, quality and profitable growth so that we can deliver shareholders a return.

We look forward to updating you on our journey.

Steven Fisher

INDEPENDENT CHAIR
LAYBUY GROUP HOLDINGS LIMITED

Gary Rohloff

MANAGING DIRECTOR
LAYBUY GROUP HOLDINGS LIMITED

Our commitment to responsible lending

At Laybuy, we genuinely want to make life easier for our customers, providing them an easy-to-use and interest-free tool to spread their payments and better manage their weekly budget.

For many people, BNPL offers a safer alternative to credit cards. It provides them with a fixed repayment structure, and can help them fit a larger purchase into their budget by splitting the payments while avoiding high-interest rates that are associated with other forms of consumer credit.

While BNPL offers many benefits to consumers, it is a form of credit, which is why we take our credit responsibilities seriously.

We credit-check every new customer via our integration with credit bureau Experian in the UK and Australia, and Centrix in New Zealand. This process helps us understand an applicant's ability to meet future repayments and informs the setting of an appropriate credit limit, ensuring we are not extending credit to those who cannot afford it.

We know that an individual's financial circumstance can change through no fault of their own. That is why we are committed to supporting any customer who finds themselves in genuine financial hardship through our Financial Hardship and Assistance Policy, which commits Laybuy to working proactively and constructively with them to get them back on track.

We have customer support staff based in both New Zealand and the UK, allowing 24/7 support. Our team is trained to provide specialised support to any customers who find themselves in unexpected hardship, helping them find solutions that are both effective and sustainable.

If a customer misses a payment, we provide a 24-hour grace period before charging a late fee, and we place their account on hold to prevent them from falling into further debt. We never charge our customers interest and we also cap late fees at $40 (£24) for an individual purchase, preventing our customers from getting into a debt spiral.

We only ever refer a customer to a debt collector as a last resort, and only after all other attempts to collect an outstanding payment have been exhausted. When a debt is referred to a debt collector, we only ever pass on the outstanding purchase price of the product. We never pass on late fees and we pay the full cost of the debt collection.

We're commited to:

1. Independent credit-checking
2. Strict credit limits
3. Capped late fees to prevent debt spirals
4. No charging of interest, ever
5. A robust Financial Hardship and Assistance Policy

Board of Directors

STEVEN FISHER

Chair and Independent Non-Executive Director

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

GARY ROHLOFF

Managing Director

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

MARK HABERLIN

Independent, Non-Executive Director

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

CRAIG STYRIS

Non-Executive Director

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

Leadership Team

Laybuy has an experienced board with broad retail, commercial, corporate governance and financial skill sets. A team with retail, financial and technology expertise to take the business global.

ROBYN ROHLOFF
Chief Brand Officer

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

MARK CONELLY
Chief Financial Officer

Mark is responsible for overseeing Laybuy's global financial function. He is a highly experienced Chief Financial Officer, having previously held the CFO role at both The Warehouse Limited and Trade Me, which was NZX-listed until it was taken private in 2019.

TODD MANSILL
Chief Technology Officer

Todd is responsible for Laybuy's software architecture and development. Todd has significant experience in banking, credit cards and IT technology and has held senior CTO roles in both the UK and New Zealand, including CTO Enterprise Engineering at Westpac and Head of Online Platform Development at Visa Europe.

Leadership Team

ALEX ROHLOFF
Chief Product Officer

Alex co-founded Laybuy with his parents in 2016 and is now responsible for leading the product design team. Alex has played a crucial role in Laybuy's growth, including the development of Laybuy's Virtual Card as well as leading Laybuy's commercial efforts in the UK, where he on-boarded Laybuy's first enterprise company.

TIM RUSSELL
Head of Strategy

Tim is responsible for identifying partnership, growth and investment opportunities across Laybuy's core markets in Europe and Asia. Tim joined Laybuy after starting his career at Macquarie Bank and Goldman Sachs advising investors and corporates on equity opportunities in the Australian and Asian markets with a keen focus on Fintech and Internet business models.

JAMIE BYLES
Chief Risk Officer

Jamie is responsible for Laybuy's risk, fraud prevention and compliance function. Jamie has worked with some of the world's largest financial institutions, including Barclays, Visa and NatWest. Jamie joined Laybuy from HSBC, where he was Group Head of Fraud across Wealth and Personal Banking, covering 64 countries around the world.

GENEVIEVE BUYS
Chief People Officer

Genevieve is responsible for the creation and execution of Laybuy's people strategy. Genevieve has had a stellar career in both her homeland of South Africa and in New Zealand, where she spent almost five years as Human Resources Manager at NZME and was Talent Acquisition Lead at Tower Insurance.

We continue to etch our path as a leader in the world of BNPL. Our goal has always been to challenge the status quo and change the way people see money, by providing the best, most trustworthy payment platform for our global customers.

Growth

The numbers up-close

Director's Report

The Directors submit their report on the consolidated entity consisting of Laybuy Group Holdings Limited (Company) and its subsidiaries (Group) for the year ended 31 March 2022.

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

The Directors listed above have each held office as a Director of Laybuy Group Holdings Limited throughout the period and until the date of this report.

Principal activities

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

Financial result

The Group reported a Statutory Loss After Tax of $51.6 million for the year ended 31 March 2022 (2021: Statutory Loss After Tax of $41.3 million).

Operating and Financial Performance

For the year ended 31 March 2022, the Group delivered strong growth across most operating metrics in the United Kingdom, New Zealand and Australia regions.

[1] Non-GAAP measures have been included as we believe they provide useful information for users of the financial statements that assist in understanding Laybuy's financial performance. The non-GAAP financial information does not have a standardised meaning prescribed by IFRS and therefore may not be comparable to similar financial information presented by other entities. The non-GAAP financial information has not been subject to audit or review.
[2] Normalised EBITDA excludes one-off items such as share-based payments and expansion cost.
[3] Statutory Loss After Tax in line with IFRS.
[4] An Active Customer is a customer that has made a purchase through the Laybuy platform within the 12 months prior to the relevant period.
[5] A Repeat Customer is a customer who has made more than one purchase through the Laybuy platform within the 12 months prior to the end of the relevant period.
[6] An Active Merchant is a merchant who has received payment through the Laybuy platform within the 12 months prior to the end of the relevant period.

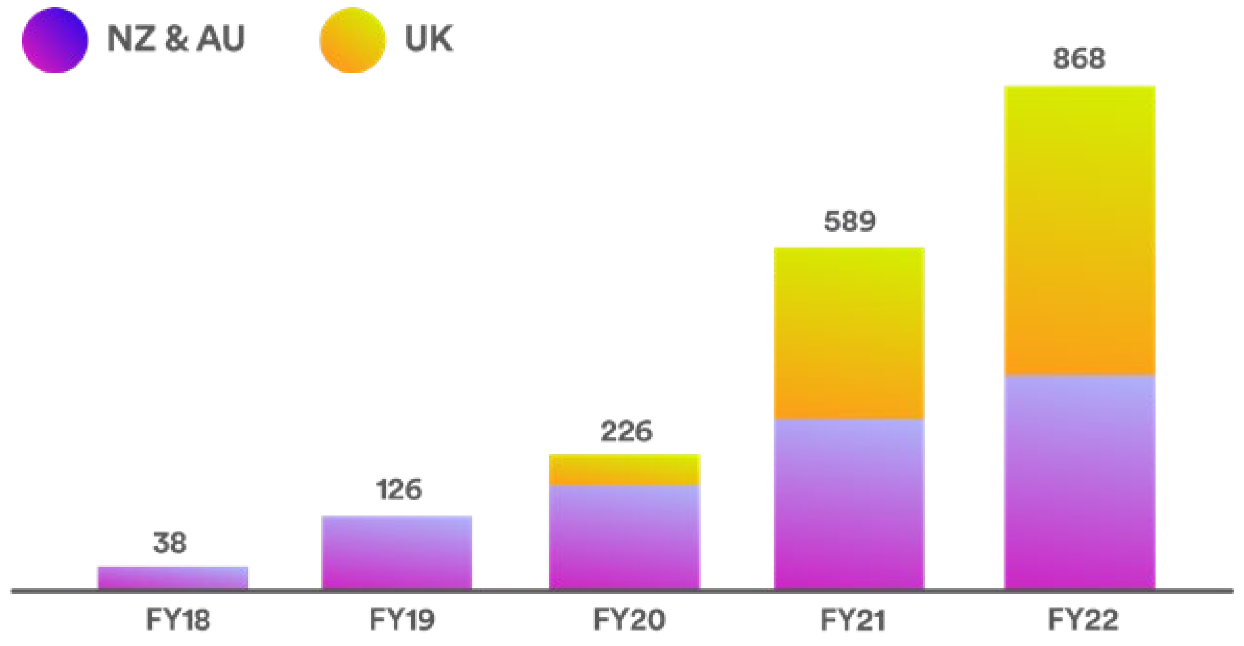
Summary of key metrics (including Non-GAAP[1] measures)

	FY22	FY21	FY22 vs FY21	%
UK GMV	$501m	$296m	$205m	69%
ANZ GMV	$367m	$293m	$74m	25%
Gross Merchandise Value (GMV)	$868m	$589m	$279m	47%
Income	$47.1m	$32.6m	$14.5m	45%
Net Transaction Margin (NTM)	$5.1m	$10.7m	($5.6m)	-53%
NTM % of GMV	0.6%	1.8%	(120bps)	
Gross Losses % of GMV	3.4%	2.4%	(100bps)	
Normalised EBITDA[2]	($42.8m)	($21.7m)	($21.1m)	97%
Loss after tax[3]	($51.6m)	($41.3m)	($10.3m)	25%
Active customers[4]	931,000	756,000	175,000	23%
Repeat customers[5]	67%	66%	100bps	
Active merchants[6]	13,700	9,126	4,574	50%

Gross Merchandise Value (GMV)

The Group's GMV for FY22 increased steadily across all regions, and in particular the UK. Growth in the UK increased by 69% to $501 million, while the New Zealand and Australia (ANZ) region increased by 25% to $367 million. This resulted in a total GMV of $868 million, up 47% on the year prior. This growth was supported by growing numbers of large and small merchants, supported by increasing customer adoption, as well as increasing frequency of purchasing by existing customers.

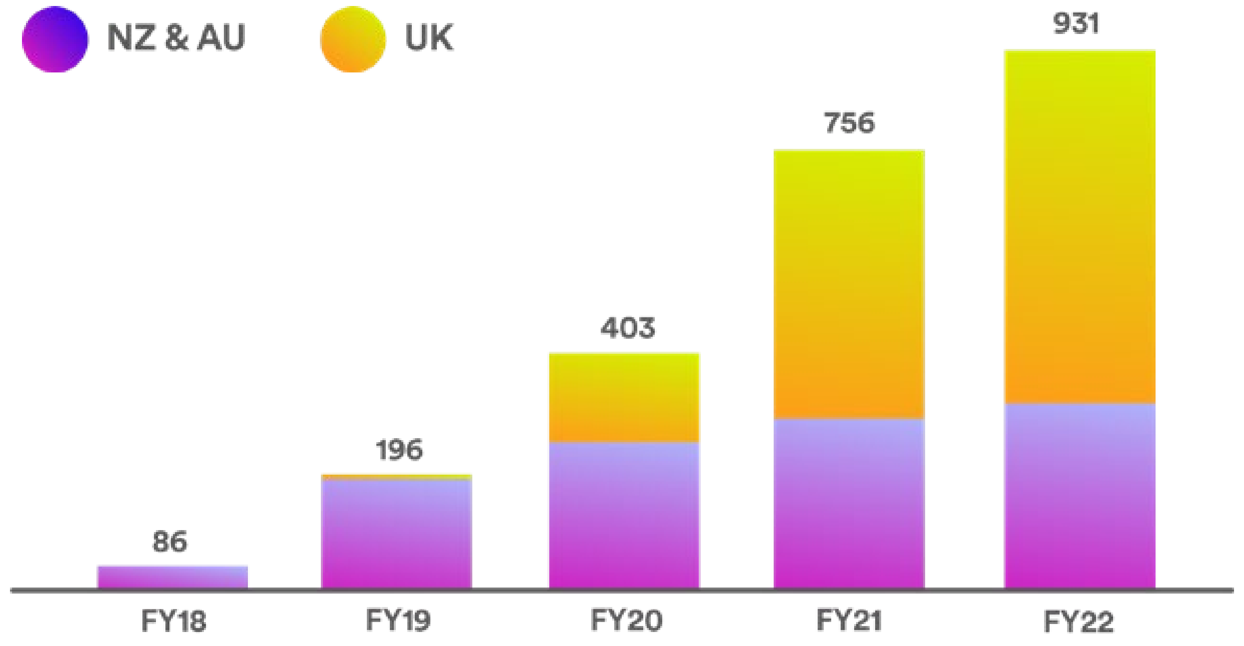
Total GMV by region ($m)



Active Customers

Laybuy's active customers increased to 931,000 in FY22, an uplift of 175,000 on the prior year, and a 81% CAGR[7] since Laybuy launched. Impressive growth was seen across both the UK (increasing 32% to 609,000) and ANZ (increasing 10% to 322,000) year on year.

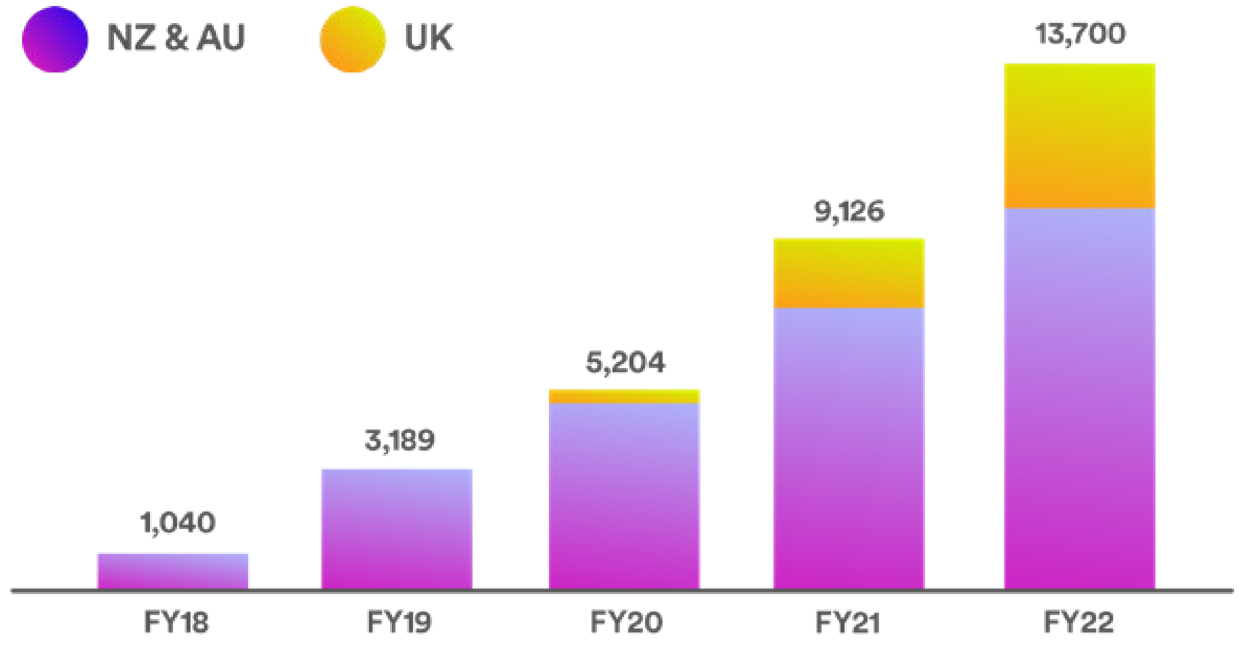
Active customers by region ('000)



Active Merchants

Laybuy's active merchants increased to 13,700 in FY22, an uplift of 50% on the prior year. The UK saw strong growth of 112% to 3,790 in FY22. The launch of the App Exclusives in the UK saw the number of well known household brand offerings to customers expand. More than 400 merchants are available to UK customers via App Exclusives.

Active merchants by region ('000)



[7] Compound annual growth rate over four years from FY18 to FY22.

Financial Performance

Laybuy has continued to grow and expand its operations during FY22, with total income up 45% to $47.1 million from the prior year.

Revenue continued to improve largely in line with GMV growth, with a higher proportion of revenue coming from the UK as the region outgrows ANZ.

Net transaction margin (NTM) has reduced to 0.6%, down from 1.8% for FY21. This is due to higher fraud and credit losses experienced in Q3 FY22 and early Q4 FY22.

Laybuy continues to invest for future growth. For the year ended 31 March 2022, Laybuy heavily invested in its people, marketing, product development, partnerships, capital and availed itself of sufficient debt facilities to support receivables book growth.

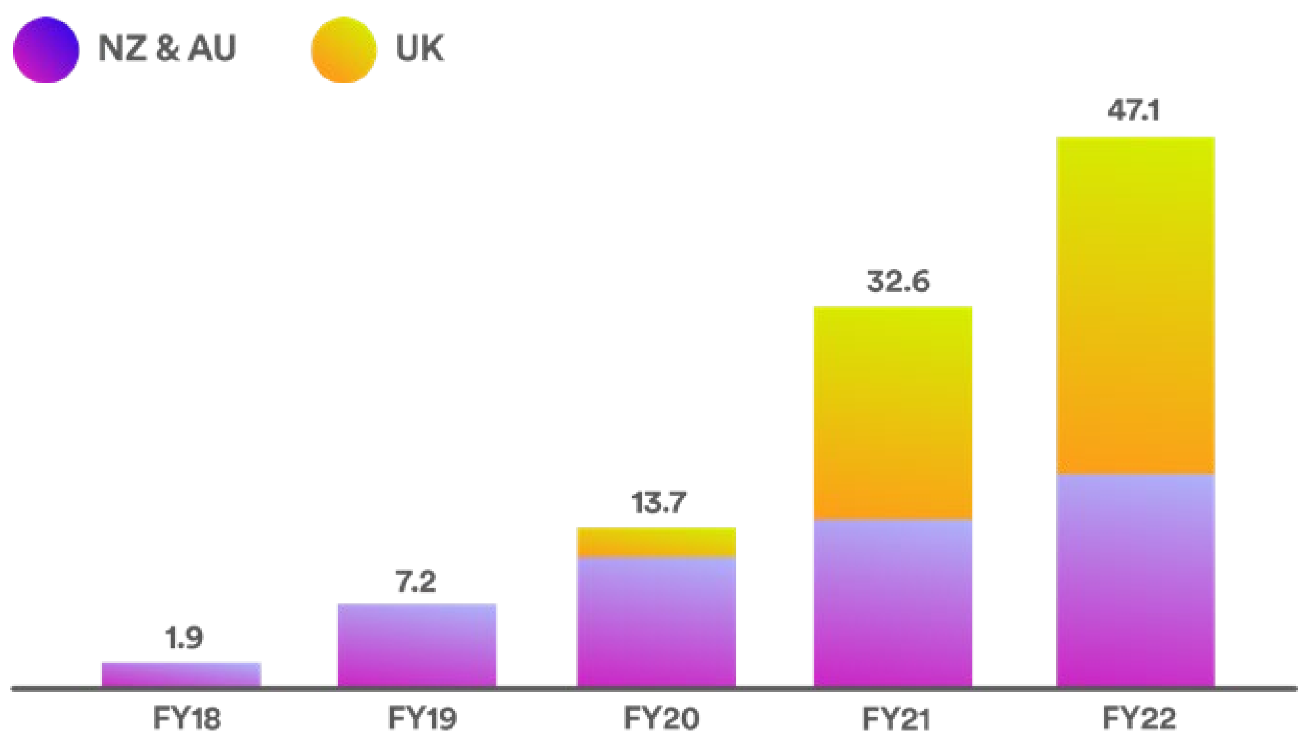
$000s	FY22	FY21	Change $	Change %
Total income	47,103	32,567	14,536	45%
Other income	-	107	(107)	(100%)
Merchant and marketing expenses	(17,853)	(12,200)	(5,653)	46%
Employment expenses	(14,813)	(10,372)	(4,441)	43%
Transaction expenses	(11,004)	(6,612)	(4,392)	66%
Consumer receivables impairment expenses	(30,769)	(15,132)	(15,637)	103%
Platform development expenses	(1,930)	(1,085)	(845)	78%
Depreciation and amortisation	(1,513)	(991)	(522)	53%
Other operating expenses	(15,407)	(14,296)	(1,111)	8%
Other gains/(losses)	655	(3,986)	4,641	(116%)
Total expenses	(92,634)	(64,674)	(27,960)	43%
Operating loss	(45,531)	(32,000)	(13,531)	42%
Finance expenses	(5,968)	(9,495)	3,527	(37%)
Loss before tax	(51,499)	(41,495)	(10,004)	24%
Net transaction margin	5,074	10,741	(5,667)	(53%)
Normalised EBITDA	(42,848)	(21,745)	(21,103)	97%
EBITDA	(44,673)	(27,943)	(16,730)	60%

Financial Performance

Total income

Total income for the year ending 31 March 2022 increased to **$47.1 million**, an increase of 45% on the prior year.

Group annual income ($m)



Merchant fee income

Strong growth in merchant fee income continued, with an increase of 51% for the year ended 31 March 2022, compared to the prior year, due to accelerating growth in underlying GMV in the UK and continued growth in ANZ. The average merchant fee % increased slightly on PcP, with a large number of small merchants being onboarded through the Company's inbound merchant strategy.

Late fee income

Late fees increased by 38% for the year ended 31 March 2022, due to the increased GMV in all regions. As a percentage of total income, late fees continued to reduce, from 45% to 43% on PcP as a result of an increase in repeat customer use.

NTM

NTM as a percentage of GMV reduced to 0.6% for the year ended 31 March 2022, down from 1.8% in PcP. This represented $5.1 million for the financial year, compared to $10.7 million in PcP. The decrease in NTM was primarily driven by increased fraud and credit losses during the December 2021 quarter in the UK. Credit losses have increased from 2.4% to 3.4% of GMV in FY22 compared to PcP. Action taken by management to better manage fraud has resulted in an improvement in NTM, with positive NTM recorded in March 2022.

Operating Costs

Laybuy remains committed to achieving profitability across the business by driving efficiencies and reducing costs. Several one-off costs were incurred and these have been factored into the normalisations; refer to page 37.

Merchant and marketing expenditure is up 46% on PcP. Included in this is $0.2 million of equity-settled share-based payment arrangements to merchants (2021: $0.8 million). In addition, the increase in marketing expenditure has been largely driven from B2B activity and engagement with larger UK retail merchants, which includes co-funding marketing campaigns, system integrations as well as sponsorship payments to football and rugby clubs.

People cost increased by 43% on PcP to $14.8 million. Full time employee numbers and contractors have increased from 92 to 140 compared to the PcP, with investment of roles particularly in the UK. The increase in roles was across marketing, finance, software development, IT operations, legal and risk, human resources, sales, merchant onboarding and customer support functions.

This is largely to support scaling the Laybuy operations in the UK, as well as providing adequate resources to enable the business to scale further in the future.

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

Customer receivables impairment expense increased in the second half of the financial year, resulting in a lower NTM. Laybuy experienced increased levels of fraud and credit defaults in the UK market from October 2021 to February 2022, in line with a global rise in fraudulent activity impacting many businesses operating within the e-commerce sector. While Laybuy has always had measures in place to mitigate this risk, the higher than anticipated fraudulent activity has prompted Laybuy to take an even more proactive approach to reducing potential losses. As a result of actions taken, the NTM has improved markedly in the closing months of this financial year.

Credit performance across ANZ remained largely in line with PcP, while credit performance reduced in the UK as a result of the increased fraudulent activity as per above. The impairment expense as a percentage of GMV increased from 2.4% in FY21 to 3.4% in FY22. Credit performance in the UK did improve again in the last months of the financial year, resulting in positive NTM in the UK in the month of March 2022.

Platform development expenditure includes hosting charges, contract developer time as well as fraud detection tools. This has increased by 78% on PcP due to increased data volumes and activity of the development team as well as transactional volumes through the platform.

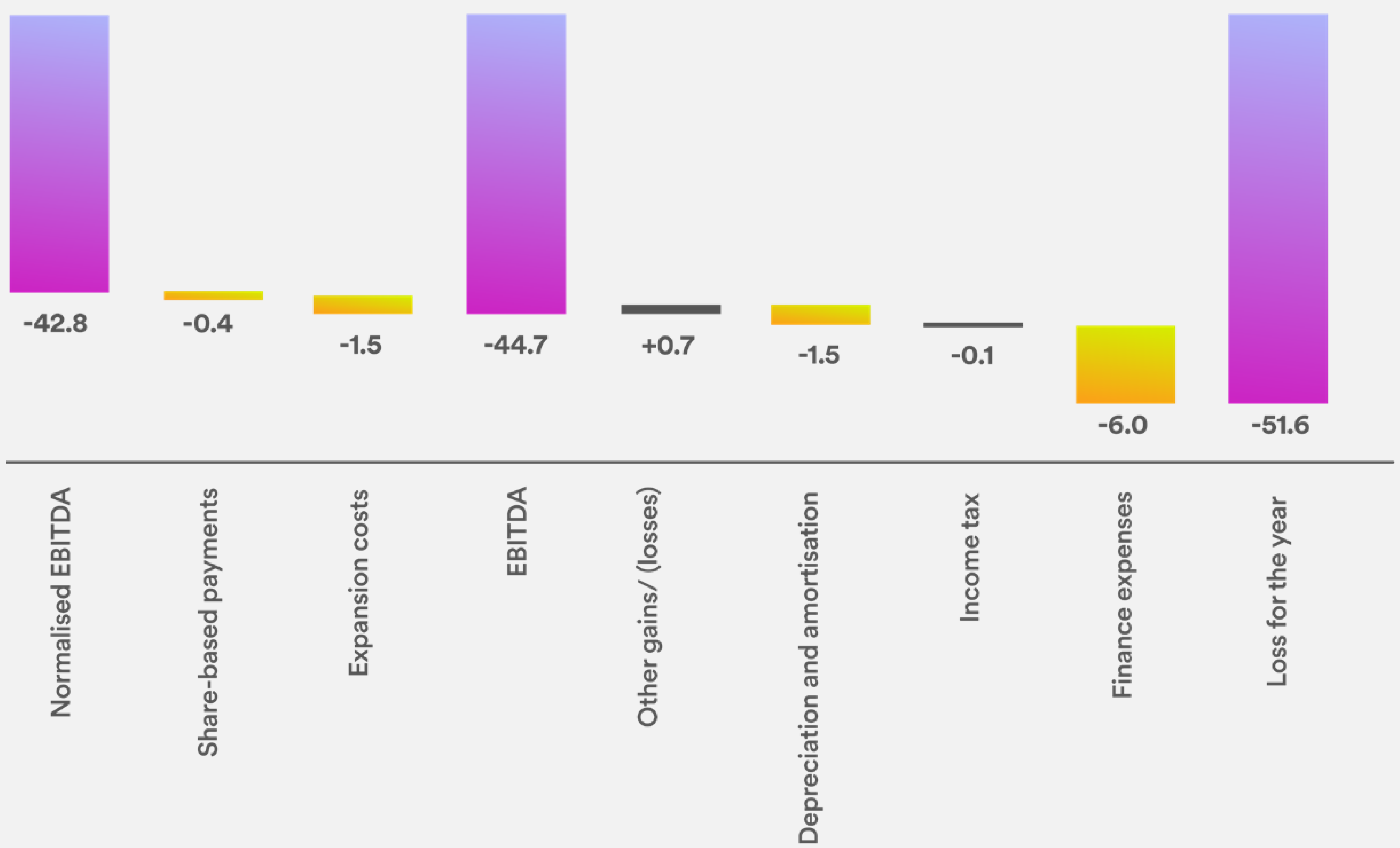
Other operating expenditure is up 8% on PcP to $15.4 million. Included in this is $1.4 million that relates to one-off costs and has been included in the normalisations and relates to one-off nature including legal, consulting and recruitment costs.

Normalisations

Total normalisations of $1.8 million have been made in FY22. These are depicted below in the bridge chart.

This includes $0.4 million of share-based payment expenditure as well as expansion costs of $1.4 million relating to recruitment costs were incurred to scale the business and have been regarded as one-off expenditure items.

Operating costs ($m)



Financial Position

Net assets

The Group's net asset position has reduced to $26.0 million, down from $36.7 million as at 31 March 2021. This is due to an increase in credit defaults and fraud, along with an increased investment in people costs. The customer loan book continues to grow in line with the GMV growth.

Total liabilities as at 31 March 2022 were $35.3 million, which is an increase of $12.0 million on PcP. This is largely as a result of drawdowns of both the Kiwibank and Partners for Growth (PFG) debt facilities to support the growth in the customer loan book.

Capital management

The Group raised A$40 million of capital in May and June 2021 as part of a capital raising.

The Group has an aggregate of $62.3 million of debt capacity available from both Kiwibank and PFG. As at 31 March 2022 the available undrawn capacity from these facilities was $3.8 million, based on the size of the receivables ledger at the time.

Facility	Facility Limit	Drawn as at 31 March 2022	Capacity	Maturity
Kiwibank	$30.0m	$11.0m	$19.0m	July-23
Partners for Growth	$56.5m	$13.2m	$43.3m	Oct-24
Total			$62.3m	

Key Risks and Business Challenges

This section outlines the principal risks and business challenges that have been identified by the Laybuy Board and are a constant priority for senior management.

The list includes a mix of existing and emerging risks which could, if they materialised, impact our ability to serve our customers and merchants or deliver our strategy.

Regulatory compliance

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

Cybersecurity and data protection

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

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

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

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

Capital and Funding

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

There is a risk that, if Laybuy does not have sufficient liquid funds to satisfy its contractual obligations, this could adversely affect Laybuy's operations and performance.

As the Company continues to grow and expand its market share, Laybuy might require additional capital funding to deliver its strategy.

Technology investment

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

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

Fraud

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

Business maturity and key personnel

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

The Company's ability to ensure its products are continually improved relies on the expertise of its skilled workforce.

Failing to attract and retain culturally aligned employees who can deliver innovative, sustainable and customer-focused payment products and solutions could adversely affect Laybuy's business and its future ability to pursue its growth strategies.

Macroeconomic – COVID-19

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

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

Meetings of Directors

Record of attendance at Board and Board Committee meetings FY22

	Board		Audit and Risk Committee		Nominations and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Steve Fisher	17	17	4	4	3	3
Gary Rohloff [1]	17	17	-	-	-	-
Mark Haberlin	17	17	4	4	3	3
Craig Styris	17	17	4	4	3	3

[1] As Gary Rohloff is not a member of either Board Committee, his attendance is not recorded in this table. As a matter of practice, Gary attended all of these meetings as an invitee of the Committee.

Significant changes in state of affairs

No significant changes in the state of affairs.

Significant events subsequent to year end

No significant events subsequent to year end.

Remuneration Report (unaudited)

Remuneration

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

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

Remuneration framework

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

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

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

Remuneration practices

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

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

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

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

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

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

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

The NRC reviews and approves all changes to fixed remuneration.

Managing executive performance

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

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

[1] Korn Ferry was engaged to assess the senior managers' remuneration against market data.

Directors and CFO's remuneration

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

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

Name	Position
NON-EXECUTIVE AND EXECUTIVE DIRECTORS	
Steve Fisher	Independent Non-Executive Chairperson
Gary Rohloff	Managing Director
Mark Haberlin	Independent Non-Executive Director Chair of the Audit and Risk Committee
Craig Styris	Non-Executive Director Chair of the Nomination and Remuneration Committee
OTHER	
Katrina Kirkcaldie	Chief Financial Officer[1]

[1] Departed Laybuy July 2022.

Remuneration outcomes at a glance

Fees for board and committee roles are set out below:

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

Remuneration paid to Non-Executive Directors of the Group for the year ended 31 March 2022 was as follows:

	Board fees	ARC fees	NRC fees	Total Remuneration
Steve Fisher (Chair)	$137,873	$5,303	$5,303	$148,479
Mark Haberlin	$84,845	$15,908	$5,303	$106,056
Craig Styris	$84,845	$5,303	$8,153	$98,301
Total	$307,563	$26,514	$18,759	$352,836

Share-based compensation

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

No zero exercise price options (ZEPOs) were issued to the Non-Executive Directors or Managing Director during the financial year.

Remuneration structure

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

Component	Description	Link to strategy and performance
Fixed remuneration	- Base salary - Superannuation	Reviewed annually based on individual skills, experience, accountabilities, performance, leadership and behaviours
Short-term incentive	- Percentage of base salary - Based on achievement against a range of Laybuy-wide performance measures and individual objectives - Measured against a 12-month financial year and paid 100% cash if entitled	Reviewed annually based on individual skills, experience, accountabilities, performance, leadership and behaviours
Long-term incentive	- ZEPOs based on achievement of certain performance conditions	Rewards delivery of key strategic and financial objectives

Remuneration of Managing Director

Details of the remuneration arrangements are set out below:

Term

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

Total fixed remuneration

$515,000 per annum (subject to annual review).

STI

Eligible to receive a discretionary STI award of up to $103,000 (representing 20% of his fixed annual salary), based on the performance of the Group and achievement of specified key performance indicators. Performance is measured against a 12-month financial year and if Gary Rohloff becomes entitled to receive an STI award, 100% will be delivered in cash.

The remuneration paid to the Managing Director in FY22 was as follows:

	FY22
Fixed remuneration	$515,000
LTI paid[1]	-
Other[2]	$121,091
Total remuneration received	**$636,091**

Remuneration of Chief Financial Officer

Term

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

Total fixed remuneration

$350,000 per annum and 3% contribution to KiwiSaver based on gross remuneration (subject to annual review).

STI

Eligible to receive a discretionary STI award of up to $70,000 (representing 20% of her fixed annual salary), based on the performance of the Group and achievement of specified key performance indicators. Performance is measured against a 12-month financial year, and if Katrina Kirkcaldie becomes entitled to receive an STI award, 100% will be delivered in cash.

The remuneration paid to the Chief Financial Officer in FY22 was as follows:

	FY22
Fixed remuneration	$311,087
LTI paid[1]	-
Other[3]	$2,340
Total remuneration received	**$313,427**

[1] Share based payments
[2] Includes FBT related to motor vehicle, access to accommodation in the UK and access to car parking.
[3] Access to carpark.

Shareholdings

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

Name	Balance at at 1 April 2021	Received during the year in exercised options	Other changes during the year	Balance at 31 March 2022	Total options vested but unexercised	Total unvested options	Holding % (fully diluted) at 31 March 2022
Steve Fisher[1]	75,000	-	150,000	225,000	120,000	120,000	0.1%
Gary Rohloff[2]	51,531,420	-	-	51,531,420	-	1,170,213	18.0%
Mark Haberlin[3]	35,461	-	-	35,461	80,000	80,000	0.1%
Craig Styris[4]	44,495,718	-	173,023	44,668,741	-	-	15.6%

[1] The registered holders of the shares are Danlar Nominees Pty Ltd, which is controlled by Mr Fisher (200,000 shares) and Louise Michelle Fisher, Mr Fisher's wife (25,000 shares).
[2] Comprising 25,744,681 shares held directly by Gary Rohloff, 25,786,739 shares held by Robyn Rohloff, 709,220 options held directly by Gary Rohloff, and 460,993 options held by Robyn Rohloff.
[3] The registered holder of the shares is Osgood Isgood Pty Ltd, which is controlled by Mr Haberlin.
[4] Pioneer Capital III Nominees Limited (Pioneer) is the registered holder of 44,450,675 of these shares. Pioneer is owned (via a chain of wholly-owned subsidiaries) by a New Zealand limited partnership called Pioneer Capital Partners III LP, which is managed by Pioneer Capital, a New Zealand-based growth equity firm through a company named Pioneer Capital Management Limited. Mr Styris, as trustee of the C Styris Trust, holds an indirect 30% interest in Pioneer Capital Management Limited. The remaining 218,066 shares are held by Custodial Services Limited as nominee for Styris Investments Limited. Pioneer does not have a relevant interest in these shares.

Consolidated Financial Statements

Directors' statement

for the year ended 31 March 2022

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

Consolidated statement of comprehensive income

for the year ended 31 March 2022

$000	Notes	2022	2021
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

$000	Notes	2022	2021
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

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

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

Consolidated statement of changes in equity

for the year ended 31 March 2022

	Attributable to the equity holders of the parent				
$000	Share capital	Share based payments reserve	Accumulated losses	Foreign currency translation reserve	Total equity
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)**	**-**	**-**	**-**
Shared-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

$000	Notes	2022	2021
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)

$000	Notes	2022	2021
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.

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.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

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;
- 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;
- 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.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

3.d GOING CONCERN (CONTINUED)

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 entered with Kiwibank and PFG will assist the business to continue to grow and expand the Groups 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
- 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.

Notes to the consolidated financial statements

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

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:

2022

$000	ANZ	UK	Head Office	Total
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)

2021

$000	ANZ	UK	Head Office	Total
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:

2022

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

2021

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

Notes to the consolidated financial statements

7. Income

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

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.

8. Expenses

8.a CONSUMER RECEIVABLES IMPAIRMENT EXPENSES

$000	2022	2021
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

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

Notes to the consolidated financial statements

8. Expenses (continued)

8.c OTHER OPERATING EXPENSES

$000	2022	2021
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

$000	2022	2021
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 costs on convertible notes costs	**-**	1,131
Release of capitalised borrowings costs	**3,713**	-
	5,968	9,495

8.e OTHER GAINS/(LOSSES)

$000	Notes	2022	2021
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 gains/(losses)		**655**	(3,986)

Notes to the consolidated financial statements

9. Auditors' remuneration

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

$000	2022	2021
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 service 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 years ended 31 March are:

$000	2022	2021
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:

$000	2022	2021
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).

Notes to the consolidated financial statements

10. Income tax (continued)

DEFERRED INCOME TAX

Deferred income tax relates to the following:

Recognised deferred income tax

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

$000					
As at 1 April 2021	-	69	-	(69)	-
Recognised in the consolidated statement of comprehensive income	-	(69)	-	(69)	-
As at 31 March 2022	-	-	-	-	-

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.

Notes to the consolidated financial statements

10. Income tax (continued)

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.

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.

Notes to the consolidated financial statements

11. Earnings per share (EPS) (continued)

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

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

Number	2022	2021
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.

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

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

Cash by currency

$000	2022	2021
Cash and cash equivalents by currency		
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.

12. Cash and cash equivalents (continued)

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.

13. Cash flow information

$000	Notes	2022	2021
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

$000	Notes	2022	2021
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

$000	Convertible notes	Lease liabilities	Borrowings	Total
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)**

Notes to the consolidated financial statements

14. Consumer receivables

CURRENT

$000	2022	2021
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

$000	Not yet due	Aged 1-60 days	Aged more than 60 days	Total
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)

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

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.

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.

14. Consumer receivables (continued)

Impairment (continued)

NZ IFRS 9 requires the Group to classify consumer receivables into three stages, which measure the ECL based on credit migration between the stages. Due to the short term nature of the Group's consumer receivables, the ECLs are based on the probability of a default event occurring over the life of the consumer receivable. The Group has defined these stages as follows:

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

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

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

Provisioning Model

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

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

Significant increase in credit risk

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

Definition of default

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

Write-off

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

Notes to the consolidated financial statements

15. Other current assets

CURRENT

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

16. Prepayments

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

$000	2022	2021
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

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

Notes to the consolidated financial statements

17. Intangible assets (continued)

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.

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

$000	2022	2021
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.

Notes to the consolidated financial statements

19. Borrowings

$000	2022	2021
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

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

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.

19. Borrowings (continued)

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.

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

$000	2022	2021
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.

21. Provisions

CURRENT

$000	2022	2021
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.

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

$000	2022	2021
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:

$000	2022	2021
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	-	-

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

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.

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

$000	2022	2021
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

25.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).

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 incentive 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.

Omnibus incentive plan – executives November 2021
Share options were granted in November 2021 in an additional scheme under the Omnibus incentive 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.

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
		$
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.

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)).

25. Share-based payments (continued)

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).

25.b OTHER SHARE-BASED PAYMENTS

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

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

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

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

Details of the share options outstanding for the year ended 31 March 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)).

25. Share-based payments (continued)

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.

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 the 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.	

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.	

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

$000	Common stock warrants	Convertible notes	Total
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

$000	Common stock warrants	Convertible notes	Total
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:

Name	Balance date	Principal activity	Principal place of business	% equity interest 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%**	-

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:

$000	2022	2021
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

$000	2022	2021
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.

$000	2022	2021
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

$000	2022	2021
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:

$000	2022	2021
Financial assets		
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)

30. Financial risk management objectives and policies (continued)

Market risk

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

Interest rate risk

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

The Group 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:

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

30. Financial risk management objectives and policies (continued)

Foreign currency risk

The risk that fluctuations in foreign exchange rates may impact the Group's consolidated results. The Group's consolidated statement of financial position as at 31 March 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

$000	GBP	AUD	USD
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)

31 March 2021

$000	GBP	AUD	USD
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

30. Financial risk management objectives and policies (continued)

Foreign currency sensitivity

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

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

	Loss after tax Higher/(lower)		Equity Higher/(lower)	
	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).

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.

30. Financial risk management objectives and policies (continued)

Funding and liquidity risk

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

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

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

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

The table below reflects all contractually 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 liabilities	**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

31.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.

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.

31.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.

31.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
- 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.

31. General accounting policies (continued)

Financial assets at amortised cost

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

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

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

Derecognition

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

Impairment of financial assets

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss as well as on undrawn commitments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Refer to note 3.e(j) for further details.

Financial liabilities

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

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

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

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

Financial liabilities at fair value through profit or loss

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

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

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

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.

31. General accounting policies (continued)

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 other significant events occurring after the end of the reporting period which may affect either the Group's operations or results of those operations or the Group's state of affairs.

Independent auditor's report

To the shareholders of Laybuy Group Holdings Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Laybuy Group Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 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.

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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.

Independent auditor's report

To the shareholders of Laybuy Group Holdings Limited

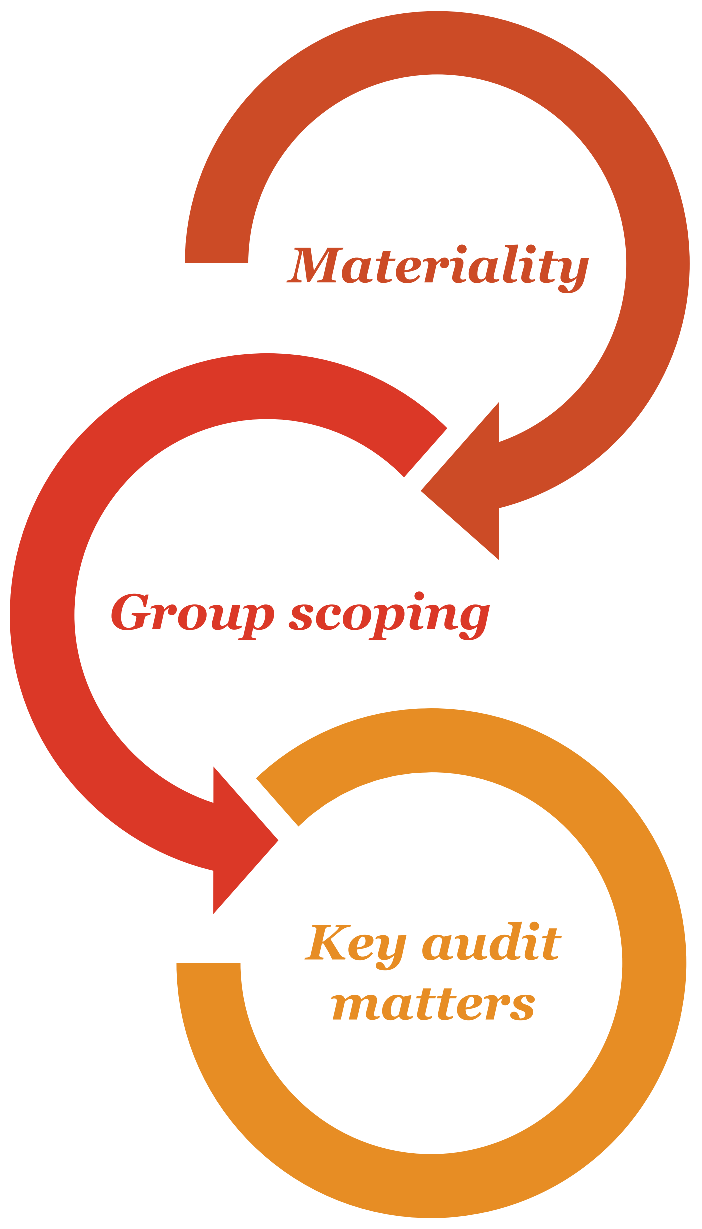
Key audit matters

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.

Independent auditor’s report

Other information

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

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

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

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

Responsibilities of the Directors for the consolidated financial statements

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

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

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

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

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

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

This description forms part of our auditor’s report.

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

Additional information for listed companies

Laybuy Group Holdings Limited

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

Stock exchange listing

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

Number of holders

As at 22 July 2022, the number of holders in each class of equity securities was as follows:

Class of equity securities	Number of holders
Fully paid ordinary shares	6,266
Options to acquire shares (includes ZEPOs, market-priced options and merchant options)	17
Warrants	5

Spread of security holders as at 22 July 2022

SHARES

Shareholders at 22 July 2022			
Size of shareholding	**Holders**	**Number of shares**	**%**
1 to 1,000	1,959	1,118,343	0.44
1,001 to 5,000	2,034	5,458,016	2.14
5,001 to 10,000	819	6,222,937	2.44
10,001 to 100,000	1,248	38,433,500	15.08
100,001 and over	206	203,586,405	79.89
Total	**6,266**	**254,819,201**	**100.00**

There were 4,892 holders of less than a marketable parcel of Laybuy shares as at 22 July 2022, based on the closing market price of A$0.04 per share.

OPTIONS

As at 22 July 2022, there were 17 holders of options holding more than 100,000 options each. The total number of options was 22,172,695.

WARRANTS

As at 22 July 2022, there were 5 holders of options holding more than 100,000 warrants each. The total number of warrants was 8,753,685.

Restricted securities and securities subject to voluntary escrow

A total of 37,577 ordinary shares issued under the Employee Gift Offer at the time of the Company's listing on the ASX are subject to escrow arrangements expiring 3 September 2023. There are no other restricted securities or securities subject to voluntary escrow arrangements.

Voting rights

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

Substantial holdings and limitations on the acquisition of securities

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

There is no requirement on Laybuy's substantial shareholders to provide substantial product holder notices to Laybuy. Laybuy has not received any such notices during FY22.

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

Additional information for listed companies

Twenty largest shareholders

Twenty largest shareholders as at 22 July 2022

Rank	Name	Shareholding	%
1	Pioneer Capital III Nominees Limited	44,450,675	17.44%
2	Robyn Anne Rohloff	25,786,739	10.12%
3	Gary Raymond Rohloff	25,744,681	10.10%
4	Mr David Jonathan Wilson + Mrs Nicola Jane Wilson	12,556,348	4.93%
5	National Nominees Limited	12,223,649	4.80%
6	Tomanovic Multiown Pty Ltd	6,000,000	2.35%
7	Radiata Investments Pty Ltd	4,893,874	1.92%
8	Citicorp Nominees Pty Limited	4,096,391	1.61%
9	Mr Xiaojun Liu	2,650,000	1.04%
10	Sharesies Nominee Limited	2,559,406	1.00%
11	Superhero Securities	2,509,095	0.98%
12	Newstead South Holdings Pty Limited	2,266,939	0.89%
13	Custodial Services Limited	2,148,519	0.84%
14	BNP Paribas Noms (NZ)	2,079,924	0.82%
15	Mr Li Feng Lin	1,341,437	0.53%
16	Mr Haojie Li	1,280,324	0.50%
17	Brispot Nominees Pty Ltd	1,224,460	0.48%
18	BNP Paribas Nominees Pty Ltd	1,171,493	0.46%
19	Ms Hong Bun Ly	1,045,559	0.41%
20	J P Morgan Nominees Australia Pty Limited	997,701	0.39%
Total		**157,827,754**	**61.94%**

Required statements

Laybuy is not undertaking an on-market buy-back of its securities and no securities were purchased on-market during the reporting period ending 31 March 2022.

From the time of Laybuy's admission to ASX until 31 March 2022, Laybuy has used the cash and assets in a form readily convertible to cash, that it had at the time of admission, in a way that is consistent with its business objectives at that time.

Donations made during the year

There were no donations made during the year 31 March 2022 (2021: None).

Additional information for listed companies

Employee remuneration

Remuneration and other benefits (excluding commissions and non cash share based payments) of $100,000 per annum or more received by employees (excluding Company Directors) in their capacity as employees during the year ended 31 March 2022 were as follows:

Remuneration	Number of Employees
100,000 to 109,999	2
110,000 to 119,999	8
120,000 to 129,999	6
130,000 to 139,999	3
140,000 to 149,999	2
160,000 to 169,999	2
170,000 to 179,999	6
180,000 to 189,999	3
190,000 to 199,999	2
200,000 to 209,999	1
210,000 to 219,999	2
250,000 to 259,999	2
290,000 to 299,999	1
310,000 to 319,999	1
400,000 to 409,999	1
470,000 to 479,999	1

Corporate directory

Board members

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

Leadership team

Robyn Rohloff, Chief Brand Officer
Jamie Byles, Chief Risk Officer
Mark Conelly, Chief Financial Officer
Alex Rohloff, Chief Product Officer
Todd Mansill, Chief Technology Officer
Genevieve Buys, Chief People Officer
Tim Russell, Head of Strategy

New Zealand Office and Headquarters

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New Zealand
www.laybuy.com

Local agent

Laybuy Australia Pty Ltd ACN 640 349 971

Australian Company Secretary

Jonathan Swain

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Share registry

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www.linkmarketservices.com.au

ASX Code

ASX:LBY

“Strong motivation is the most important factor in getting you to the top.”

– Sir Edmund Hillary

LAYBUY