

smartpay



INTERIM REPORT 2023

Welcome to Smartpay's interim report for 2023

Smartpay designs, develops and implements innovative payment solutions for customers in New Zealand and Australia. Smartpay offers a variety of advanced payment solutions for retail, business payment and transactional processing requirements.

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Chair and Chief Executive's Review

“
The EBITDA increase of 119% year on year reflects the growth in revenue together with the scalable nature of the operations.
 ”

It is with pleasure that we write this review for the first half of FY23. The performance of our team, during a period of time with no restrictions outside of our control impacting our performance, alongside the ongoing investment in the business is really starting to show in the financial results and key metrics.

All of our people returned to working from our offices as soon as Covid restrictions allowed and this has greatly contributed to on-going collaboration across all of our teams and ongoing growth of our culture, which is at the heart of Smartpay.

As we have previously indicated, the year to date has been focused on continuing to invest our resources to drive customer acquisition. This has proved successful with over 2,800 transacting terminals added to our Australian fleet in the six months to 30 September 2022, which compares to 2,930 net additions in the full year proceeding. The clear customer preference continues to be for SmartCharge which continues to reinforce our view that we have a market leading product offering that resonates with SME Customers.

This strong growth in customer numbers combined with the increase in revenue per terminal has delivered a substantial uplift in EBITDA*. We have as mentioned continued to increase our investment in marketing, primarily in acquisition channels which, combined with our fleet growth, is also assisting with the establishment of our brand in the marketplace. Our operating model continues to show scalability with this growth having been achieved without a substantial increase in headcount.

Six Month Financial Highlights

Overall Revenue
↑ \$35.4m
 a 68% increase on the prior comparable period of \$21.0m

Australia Acquiring Transactional Revenue
↑ \$26.9m
 a 113% increase on the prior comparable period of \$12.6m

EBITDA*
↑ \$8.1m
 a 116% increase on the prior comparable period of \$3.7m

Profit Before Tax
↑ \$2.7m
 a 637% increase on prior comparable period of \$0.4m

Net Cash/(Debt)
\$1.6m
 compared to (\$1.1m) as at 31 March 2022

**EBITDA = Earnings before interest, tax, depreciation, amortisation, impairment, financial instrument movements, foreign exchange movements, and share performance rights. EBITDA is a useful non-GAAP measure as it shows the contribution to earnings prior to finance costs and non cash items.*

Operating Performance

Overall revenues were \$35.4m, up 68% on the prior year of \$21.0m. The key driver of this revenue growth continues to be the growth in our Australian acquiring transaction revenues, \$26.9m compared to \$12.6m in the prior comparable period.

We have been fortunate to have a full period where our customers and therefore Smartpay has not been impacted by lockdowns and the associated trading restrictions which is pleasing and is a contributor to this strong result.

The EBITDA increase of 119% year on year reflects the growth in revenue together with the scalable nature of the operations. Consistent with the prior year, we have continued to increase our investment in marketing activities.

Net Profit Before Tax (NPBT) of \$2.7m is a positive result, and now represents the second consecutive positive NPBT performance.

The business is generating positive operating cashflows with \$10.1m being generated for the period. Operating cashflows are being used to fund the purchase of new terminals, ongoing development of terminals and reduce bank debt with a further \$0.5m having been repaid in the period. The strengthening of the cash position now sees the company operating with net cash of \$1.6m at September 2022.

The graphs below show the acceleration that is now occurring in the number of Acquiring Transacting Terminals, the number of Acquiring Transactions Processed and the associated Acquiring Transactional Revenues.



The New Zealand Terminal Fleet remains stable, and we continue to consolidate our market position.

Summary and Outlook

We remain focused on executing against the strategic opportunity in Australia and continuing to invest in a measured manner. Technology development and implementation remain core to our future and work is underway on the Android in-store proposition which is a key focus for the remainder of the year.

As we grow, other aspects of the business

are starting to take on a heightened importance such as continuing to strengthen our internal systems, enhance our cyber security and increase our focus on Environment, Social and Governance matters. However, as we do this, we are committed to ensuring that we remain true to our values; true to our people, customers, and shareholders; and at all times remain agile.

With the continuing momentum and indeed acceleration we have seen in the first half of FY23, we look forward to a strong second half performance for the FY23 year.



Gregor Barclay
Chair

Marty Pomeroy
Chief Executive

Board of Directors



Greg John Barclay (Greg)
Chairman and Independent Director - LL.B, Dip. Bus

Greg joined the board of Smartpay in 2010 and he was appointed Chairman in 2016.

Greg is a commercial lawyer with over 30 years of experience in advising a range of commercial and corporate clients. Greg was a founder of Claymore Partners, an Auckland based commercial law and business advisory firm. He continues to act as a consultant to that firm.

Greg is an experienced company director and Chair having held various directorships and advisory roles across a number of New Zealand and off-shore entities. He is a director (and immediate past Chair) of the International Rugby League, a former Chairman of New Zealand Cricket and is the Chairman of the International Cricket Council.

Greg Chair's the Remuneration and Nomination Committee and is a Chartered Member of the New Zealand Institute of Directors.

Greg resides in Auckland, New Zealand.



Martyn Richard Pomeroy (Marty)
Chief Executive Officer and Managing Director

Marty joined the board of Smartpay in 2014 and he was appointed managing director in 2020.

Marty was the founder of Viaduct Limited, the third largest terminal business in New Zealand when purchased by Smartpay in 2013. Marty brings over 20 years of experience in the payments industry to the Board.

Marty leads the management team and is responsible for driving the strategy and culture of Smartpay.

Marty resides in Auckland, New Zealand.



Matthew George Turnbull (Matt)
Independent Director - BCom, CA

Matt joined the board of Smartpay in 2013.

Matt commenced his career with PwC and has over 20 years' experience providing accounting and corporate advisory services. Matt has a detailed understanding of Smartpay, having assisted the

company in a corporate advisory capacity in the 2012 recapitalisation and restructure, and the acquisition of Viaduct Limited.

Matt serves on the board's Remuneration and Nominations Committee and is the Chair of the Audit and Finance Committee. Matt is a member of the New Zealand Institute of Directors.

Matt resides in Auckland, New Zealand.



Geoffrey Carrick (Geoff)
Independent Director - B.Ec, LL.B (Syd)

Geoff joined the board of Smartpay on 1 June 2022.

Geoff is a seasoned capital markets practitioner, having held the positions of Head of Corporate Finance at Shaw and Partners Limited, Head of Equity Capital Markets at Commonwealth

Bank, and twelve years with Macquarie Capital. Geoff currently serves as Non-Executive Director and Chair of the Audit Committee of Brainchip Holdings Limited, Executive Chairman of VCF Capital Partners Pty Limited and Non-Executive Director of Global Study Partners Holdings Pty Limited.

Geoff serves on the board's Audit and Finance Committee and is a member of the Australian Institute of Company Directors.

Geoff resides in Sydney, Australia.



Carlos Gil
Non-Executive Director - B.Ec, GradDipAppFin SIA, MAppFin FSIA

Carlos joined the board of Smartpay in 2018.

Carlos is the founder and current CEO of ASX listed Microequities Asset Management, Smartpay's largest shareholder. He has extensive experience in stockbroking, funds management, and investment

research gained over a career spanning more than 20 years. He has held various senior management positions in Europe, including roles as Head of International Securities at BM Securities, and at Banesto Bank (Santander Group).

Carlos serves on the board's Audit and Finance Committee.

Carlos resides in Sydney, Australia.

Financial Statements



Condensed Statement of Comprehensive Income

For the six months ended 30 September 2022

	Note	Group		
		30 Sept 2022 Unaudited \$'000	30 Sept 2021 Unaudited \$'000	31 Mar 2022 \$'000
Continuing operations				
Revenue	3	35,401	21,036	48,080
Other income	4	-	-	4
Operating expenditure	5	(27,300)	(17,292)	(36,988)
Earnings before interest, tax, depreciation, amortisation, impairment, financial instrument movements, foreign exchange movements, and share performance rights		8,101	3,744	11,096
Depreciation and amortisation	5	(4,348)	(3,704)	(7,972)
Foreign exchange transaction losses (realised and unrealised)		(243)	(161)	(87)
Employee share performance rights amortisation	13	(540)	(104)	(539)
Net finance costs	5	(162)	(267)	(538)
Change in fair value of convertible notes	5	-	909	909
Impairment	5	(112)	(51)	(164)
		(5,405)	(3,378)	(8,391)
Profit before tax		2,696	366	2,705
Tax benefit	6	344	59	399
Profit for the period from continuing operations		3,040	425	3,104
Other comprehensive income				
Foreign currency translation differences for foreign operations which may be reclassified subsequently to profit or loss (no tax effect)		492	(347)	(83)
Total comprehensive income		3,532	78	3,021
Earnings per share from continuing operations attributable to the equity holders of the company during the period				
Basic and diluted earnings per share	7	1.28 cents	0.18 cents	1.31 cents

The accompanying Condensed Statement of Accounting Policies and Notes form part of the financial statements

Condensed Statement of Changes in Equity

For the six months ended 30 September 2022

	Note	Group				
		Share Capital \$'000	Share Performance Rights \$'000	Foreign Currency Translation Reserve \$'000	Retained Deficits \$'000	Total Equity \$'000
Balance at 31 March 2021		86,663	-	361	(59,490)	27,534
Profit for the six months from continuing operations		-	-	-	425	425
Other comprehensive loss		-	-	(347)	-	(347)
Total comprehensive income		-	-	(347)	425	78
Convertible notes converted to ordinary shares (net of fees)		4,978	-	-	-	4,978
Share performance rights	13	-	104	-	-	104
Total changes in equity		4,978	104	(347)	425	5,160
Balance at 30 September 2021 (unaudited)		91,641	104	14	(59,065)	32,694
Profit for the six months from continuing operations		-	-	-	2,679	2,679
Other comprehensive income		-	-	264	-	264
Total comprehensive income		-	-	264	2,679	2,943
Share performance rights	13	-	435	-	-	435
Total changes in equity		-	435	264	2,679	3,378
Balance at 31 March 2022		91,641	539	278	(56,386)	36,072
Profit for the six months from continuing operations		-	-	-	3,040	3,040
Other comprehensive income		-	-	492	-	492
Total comprehensive income		-	-	492	3,040	3,532
Share performance rights	13	-	540	-	-	540
Total changes in equity		-	540	492	3,040	4,072
Balance at 30 September 2022 (unaudited)		91,641	1,079	770	(53,346)	40,144

The accompanying Condensed Statement of Accounting Policies and Notes form part of the financial statements

Condensed Statement of Financial Position

As at 30 September 2022

	Note	Group		
		30 Sept 2022 Unaudited \$'000	30 Sept 2021 Unaudited \$'000	31 Mar 2022 \$'000
Current assets				
Cash and bank balances		15,084	7,011	14,882
Trade and other receivables	8	18,573	9,366	8,555
Derivative financial instruments	13	270	8	-
Income tax receivable		19	15	294
Total current assets		33,946	16,400	23,731
Non-current assets				
Property, plant and equipment	9	13,606	9,538	9,458
Right-of-use assets		5,155	246	5,464
Contract costs		1,625	960	1,089
Intangible assets	10	15,984	15,275	16,064
Goodwill		14,772	14,772	14,772
Total non-current assets		51,142	40,791	46,847
Total assets		85,088	57,191	70,578
Current liabilities				
Trade payables and accruals	11	28,838	12,251	17,359
Derivative financial instruments	13	-	-	16
Borrowings	13	1,000	1,289	1,279
Lease liabilities		1,200	289	1,103
Deferred tax liability		40	-	99
Total current liabilities		31,078	13,829	19,856
Non-current liabilities				
Borrowings	13	9,500	10,500	10,000
Lease liabilities		4,366	10	4,650
Deferred tax liability		-	158	-
Total non-current liabilities		13,866	10,668	14,650
Total liabilities		44,944	24,497	34,506
Net assets		40,144	32,694	36,072
Equity				
Share capital	13	91,641	91,641	91,641
Share performance rights		1,079	104	539
Foreign currency translation reserve		770	14	278
Retained deficits		(53,346)	(59,065)	(56,386)
Total equity		40,144	32,694	36,072
Net tangible asset backing		3.26 cents	0.71 cents	1.74 cents

The accompanying Condensed Statement of Accounting Policies and Notes form part of the financial statements

Condensed Statement of Cash Flows

For the six months ended 30 September 2022

	Note	Group		
		30 Sept 2022 Unaudited \$'000	30 Sept 2021 Unaudited \$'000	31 Mar 2022 \$'000
Cash flows from operating activities				
Receipts from customers		35,393	21,140	47,751
Interest received		31	-	72
Payments to suppliers and employees		(25,380)	(16,477)	(34,617)
Interest paid		(478)	(267)	(506)
Payments received from research and development tax incentive		564	-	-
Net cash inflow from operating activities	14	10,130	4,396	12,700
Cash flows from investing activities				
Purchase of terminal assets and other property, plant and equipment		(3,609)	(2,291)	(4,121)
Spend on contract costs		(900)	(472)	(946)
Spend on intangible assets		(2,114)	(2,021)	(4,384)
Net cash outflow from investing activities		(6,623)	(4,784)	(9,451)
Cash flows from financing activities				
Proceeds from shares (net of fees)		-	(23)	(24)
Repayments of borrowings		(500)	(500)	(1,000)
Repayments of short term borrowings		(279)	(247)	(795)
Secured loan to related party		-	-	1,594
Payments of lease liabilities		(540)	(374)	(664)
Net cash outflow from financing activities		(1,319)	(1,144)	(889)
Net increase / (decrease) in cash equivalents		2,188	(1,532)	2,360
Add opening cash equivalents		9,652	7,292	7,292
Closing cash equivalents		11,840	5,760	9,652
<i>Reconciliation of closing cash equivalents to the Condensed Statement of Financial Position:</i>				
Cash and cash equivalents		11,840	5,760	9,652
Other bank balances (restricted use)	12	3,244	1,251	5,230
Closing cash and bank balances		15,084	7,011	14,882

The accompanying Condensed Statement of Accounting Policies and Notes form part of the financial statements

Statement of Accounting Policies and Notes

For the six months ended 30 September 2022

1. General Information

Smartpay Holdings Limited (Parent) is a New Zealand company registered under the Companies Act 1993 and listed on both the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). The addresses of its registered office and principal place of business are disclosed in the directory to the interim report.

The consolidated interim financial statements of Smartpay Holdings Limited comprise the Parent and its subsidiaries together referred to as the Group. The interim report is presented for the six months ended 30 September 2022 and is unaudited.

The Group comprises profit-oriented entities and is a provider of technology products, services and software to merchants and retailers in New Zealand and Australia.

2. Basis of Preparation

a. Statement of Compliance

The Parent is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with that Act.

The consolidated interim financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities and the requirements of the Companies Act 1993 and the Financial Markets Conduct Act 2013. The financial statements comply with NZ IFRS (NZ IAS 34: Interim Financial Reporting).

The interim report should be read in conjunction with the financial statements and related accounting policies and notes included in the Group's annual report for the year ended 31 March 2022. The interim report does not include all accounting policies and notes of the type normally included within the annual report and therefore cannot be expected to provide as comprehensive an understanding of the financial performance, financial position, and financing and investing activities as the annual report.

The consolidated interim financial statements were authorised for issue by the Directors on 28 November 2022.

b. Judgements and Estimates

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2022.

c. Functional and Presentation Currency

The consolidated interim financial statements are presented in New Zealand dollars (\$'000), which is the Parent's functional currency. All financial information is presented in New Zealand dollars and has been rounded to the nearest thousand except if stated otherwise.

d. Accounting Policies

The accounting policies are the same as those adopted in the annual report for the year ended 31 March 2022.

e. Comparatives

When the presentation or classification of items is changed, comparative amounts are reclassified unless the reclassification is impractical.

3. Segment Information

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments and whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

The Group's business provides technology solutions through various product lines into the same markets, to the same customers, with all product lines being reported as a single business.

The only data that is reviewed by management that is analysed by any segment breakdown is revenue showing the various revenue streams split geographically. Costs and funding are analysed at a group level for decision making purposes.

Geographical Segments

	New Zealand			Australia		
	30 Sept 2022	30 Sept 2021	31 Mar 2022	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited \$'000	Unaudited \$'000	\$'000	Unaudited \$'000	Unaudited \$'000	\$'000
Revenue from contracts with customers						
Service revenue	6,792	7,087	14,133	1,062	934	1,931
Transactional income	203	180	318	26,893	12,582	31,211
Other service revenue	62	60	119	28	-	-
Short term rentals	72	70	104	-	-	-
Sale of goods	2,299	1,554	2,653	172	43	105
Total revenue from contracts with customers	9,428	8,951	17,327	28,155	13,559	33,247

	Elimination			Total		
	30 Sept 2022	30 Sept 2021	31 Mar 2022	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited \$'000	Unaudited \$'000	\$'000	Unaudited \$'000	Unaudited \$'000	\$'000
	-	-	-	7,854	8,021	16,064
	-	-	-	27,096	12,762	31,529
	-	-	-	90	60	119
	-	-	-	72	70	104
	(2,182)	(1,474)	(2,494)	289	123	264
	(2,182)	(1,474)	(2,494)	35,401	21,036	48,080

In New Zealand and Australia no single customer represents more than 10% of total revenues as such there is no concentration of customers. The elimination relates to the revenue on sales of EFTPOS terminals from New Zealand to Australia within the Group.

4. Other Income

	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Bad debts recovered	-	-	4

5. Expenditure

The following items are included within the Condensed Statement of Comprehensive Income:

Operating Expenditure	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Direct cost of sales	12,749	7,445	16,469
Terminal communication and servicing costs	369	308	589
Compliance and information technology costs	1,830	1,182	2,362
Employee costs net of capitalised amounts	8,416	6,238	12,294
Marketing costs	3,286	1,636	3,989
Occupancy costs	163	114	290
Travel, accommodation and other costs	487	369	995
	27,300	17,292	36,988

Depreciation and Amortisation	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Depreciation of property, plant and equipment including right-of-use assets	2,314	1,873	4,149
Amortisation of contract costs and intangible assets	2,034	1,831	3,823
	4,348	3,704	7,972

5. Expenditure (continued)

Net Finance Costs	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Interest received	(35)	(24)	(37)
Interest on bank overdrafts and borrowings	323	192	399
Interest on lease liabilities	158	34	109
Convertible note interest paid	-	20	34
Convertible note amortisation	-	54	54
Change in fair value - forward exchange contracts	(203)	(9)	(21)
Change in fair value - interest rate swap	(83)	-	-
	162	267	538

Change in Fair Value of Convertible Notes	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Change in fair value - convertible notes	-	(909)	(909)

Impairment	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Merchant terminal impairment write off	311	55	77
Merchant terminal impairment provision / (release)	(199)	(4)	87
	112	51	164

6. Taxation Benefit

	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited \$'000	Unaudited \$'000	\$'000
<i>Income tax benefit comprises:</i>			
Current income tax benefit	285	-	281
Deferred tax benefit	59	59	118
Income tax benefit	344	59	399

7. Earnings Per Share

The calculation of basic and fully diluted earnings per share is as follows:

	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited \$'000	Unaudited \$'000	\$'000
Basic earnings per share			
Profit for the period	3,040	425	3,104
Weighted average number of shares ('000)	238,285	234,234	236,253
Basic and diluted earnings per share	1.28 cents	0.18 cents	1.31 cents

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares issued during the year.

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares whether issued or able to be issued during the year. The convertible notes do not form part of the weighted average number of ordinary shares until converted. The share performance rights do not form part of the weighted average number of ordinary shares, as they are not issued or able to be issued during the year.

8. Trade and Other Receivables

	Note	Group		
		30 Sept 2022	30 Sept 2021	31 Mar 2022
		Unaudited \$'000	Unaudited \$'000	\$'000
Accounts receivable		1,826	1,541	1,930
Less expected credit losses on receivables		(210)	(265)	(197)
Less provision for kit recovery		(59)	(147)	(256)
Merchant receivables	12	15,027	5,025	5,316
Accrued revenue		711	770	801
Prepayments		1,023	638	719
Acquiring facility security deposit		255	235	242
Secured loan to related party	16	-	1,569	-
Total trade and other receivables		18,573	9,366	8,555

9. Property, Plant and Equipment

	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited \$'000	Unaudited \$'000	\$'000
Opening carrying value	8,049	6,665	6,665
Additions	139	98	249
Transfers from capital work in progress	3,181	2,136	4,632
Depreciation	(1,680)	(1,561)	(3,322)
Cost of sales	(6)	(3)	(4)
Impairment	(104)	(51)	(164)
Foreign exchange translation	308	(128)	(7)
Closing carrying value	9,887	7,156	8,049
Capital work in progress	3,719	2,382	1,409
Total	13,606	9,538	9,458
Reconciled to:			
Cost	24,075	23,291	25,301
Less accumulated depreciation and impairment	(14,105)	(15,929)	(16,970)
Less impairment provision	(83)	(206)	(282)
Closing carrying value	9,887	7,156	8,049
Capital work in progress	3,719	2,382	1,409
Total	13,606	9,538	9,458

10. Intangible Assets

	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited \$'000	Unaudited \$'000	\$'000
Opening carrying value	16,064	14,660	14,660
Additions (net)	1,480	2,075	4,473
Amortisation	(1,560)	(1,460)	(3,069)
Closing carrying value	15,984	15,275	16,064
Reconciled to:			
Cost	29,632	25,754	28,153
Less accumulated amortisation and impairment	(13,648)	(10,479)	(12,089)
Closing carrying value	15,984	15,275	16,064

11. Trade Payables and Accruals

	Note	Group		
		30 Sept 2022	30 Sept 2021	31 Mar 2022
		Unaudited \$'000	Unaudited \$'000	\$'000
Trade payables		5,562	2,336	2,536
Merchant payables	12	18,271	6,270	10,543
Goods and services tax		344	203	286
Accruals		2,881	1,780	2,133
Related party		25	165	198
Deferred revenue		36	106	75
Employee entitlements		1,719	1,391	1,588
Total trade payables and accruals		28,838	12,251	17,359

12. Merchant Settlement

	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited \$'000	Unaudited \$'000	\$'000
Merchant settlement bank account	3,244	1,251	5,230
Merchant receivables	15,027	5,025	5,316
Merchant payables	(18,271)	(6,270)	(10,543)
Net merchant settlement balance	-	6	3

13. Debt and Equity Securities

Share Capital

	Number of Shares ('000)	\$'000
Opening balance at 1 April 2022	238,285	91,641
Shares issued	-	-
Closing balance 30 September 2022	238,285	91,641

The total number of shares on issue at 30 September 2022 was 238,284,963 (31 March 2022: 238,284,963 shares and 30 September 2021: 238,284,963 shares). All ordinary shares are fully paid and rank equally with one vote attaching to each share. The ordinary shares have no par value.

Share Performance Rights

In FY22 Smartpay implemented a share based long term incentive plan (LTI). The eligible employees were offered rights to shares in Smartpay Holdings Limited subject to the conditions, to be known as Share Performance Rights (SPRs). The LTI operates for three financial years commencing 1 April 2021, FY22-FY24. SPRs conditionally vest annually based on two performance measures, EBITDA per share and revenue targets (refer Note 28 in the annual report for the year ended 31 March 2022 for further details). In this period 1,315,916 SPRs were conditionally vested.

Employees entitled	SPRs issued	Grant date	Vesting period
CEO	2,239,380	30 Jul 2021	2.7 years (from 30 July 2021 to 31 March 2024)
Key Management	1,708,368	9 Dec 2021	2.3 years (from 9 December 2021 to 31 March 2024)
Key Management	299,820	17 Jun 2022	1.8 years (from 17 June 2022 to 31 March 2024)

	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited \$'000	Unaudited \$'000	\$'000
Outstanding at beginning of period	3,947,748	-	-
Granted during the period	299,820	2,239,380	3,947,748
Forfeited during the period	-	-	-
Unconditional vesting during the period	-	-	-
Outstanding at end of period	4,247,568	2,239,380	3,947,748

The expense relating to the LTI plan recognised in this period as part of the employee share performance rights amortisation was \$540,000 (31 March 2022: \$539,000 30 September 2021: \$104,000).

13. Debt and Equity Securities (continued)

Debt - Borrowings

On 11 July 2012 the Group's subsidiary Smartpay New Zealand Limited entered into a committed cash advance facility (CAF) with ASB Bank Limited. On 30 March 2022, the existing CAF was extended and increased to \$12,000,000 and will expire on 1 October 2023.

	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
CAF outstanding at beginning of period	11,000	12,000	12,000
Repaid during the period	(500)	(500)	(1,000)
CAF outstanding	10,500	11,500	11,000

Smartpay New Zealand Limited entered into an interest rate swap on 6 April 2022 in respect of approximately 50% of the interest obligations which mirrors the amortisation profile of the CAF. The term of the interest rate swap is 2 years and the fixed interest rate is 3.585%.

Financial Instruments

The following table provides the fair value measurement hierarchy of the Group's derivative financial assets and liabilities.

Unaudited	Fair value measurement using				
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		\$'000	\$'000	\$'000	\$'000
Assets and Liabilities measured at fair value					
Derivative financial assets:					
Forward exchange contracts	30-Sep-22	187	-	187	-
Interest rate swap	30-Sep-22	83	-	83	-
		270	-	270	-

There were no material transfers between levels of the fair value hierarchy.

Unaudited	Fair value measurement using				
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		\$'000	\$'000	\$'000	\$'000
Assets and Liabilities measured at fair value					
Derivative financial assets:					
Forward exchange contracts	30-Sep-21	8	-	8	-

There were no material transfers between levels of the fair value hierarchy.

13. Debt and Equity Securities (continued)

	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		\$'000	\$'000	\$'000	\$'000
Assets and Liabilities measured at fair value					
Derivative financial liabilities:					
Forward exchange contracts	31-Mar-22	(16)	-	(16)	-

There were no material transfers between levels of the fair value hierarchy.

14. Operating Cash Flows Reconciliation

	Group		
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	Unaudited	Unaudited	
	\$'000	\$'000	\$'000
Profit for the period	3,040	425	3,104
<i>Add / (deduct) non-cash items:</i>			
Depreciation and amortisation	4,348	3,704	7,972
Financing costs and merchant chargeback	23	1	11
Operating expenses paid through financing	-	-	795
Operating expenses previously capitalised	306	-	-
Convertible note option and fees	-	54	54
Change in fair value of convertible notes	-	(909)	(909)
Unrealised foreign exchange transaction movements	129	156	87
Employee share performance rights amortisation	540	104	539
Impairment	112	51	164
Deferred tax benefit	(59)	(59)	(118)
<i>Add / (deduct) changes in working capital items:</i>			
Trade and other receivables	(8)	104	(256)
Derivative financial instruments	(286)	(5)	19
Payables and accruals	1,540	770	1,517
Expenditure on investing activities	170	-	-
Provision for current tax	275	-	(279)
Net cash inflow from operating activities	10,130	4,396	12,700

15. Commitments and Contingencies

Guarantees

There has been no material change to the guarantees disclosed in the annual report for the year ended 31 March 2022.

16. Related Parties

This note should be read in conjunction with Note 31 in the annual report for the year ended 31 March 2022.

17. Subsequent Events

The Board has resolved to appoint PricewaterhouseCoopers (PwC) as the Group's external auditor from 7 November 2022 for the financial year commencing 1 April 2022.

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Chairman and Independent Director

Martyn Pomeroy

Chief Executive Officer & Managing Director

Matthew Turnbull

Independent Director

Key Management Personnel

Cherise Barrie

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Aidan Murphy

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Peter Thomas

Chief People & Customer Officer

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General Manager New Zealand

Gustavo Herrera

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Sean Kaplan

Head of Business Development Australia

Toni Cookson

Financial Controller

Daniel Richardson

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