ANNUAL REPORT **2019**

Welcome to Smartpay's annual report for the year ending 31st March 2019

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

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Chairman's Report

Smartpay Annual Report – 2019

Those of you who were shareholders in Smartpay last year will recall that in my Chairman's Report I spoke about execution of our growth strategies and expansion in Australia. That has continued to be the story for the company over the past year.

We have a very solid and stable business in New Zealand with a strong presence in the New Zealand market. That business continues to underpin and support our expanding business in Australia. Our initiative to provide an end-to-end EFTPOS solution in Australia through the addition of our own acquiring capability in last year has been successfully implemented and the company is well underway in its objective to properly commercialise acquiring and other options to add value to Smartpay. To help expedite the growth opportunity for the company a capital raising of AU$7.5million was successfully undertaken through a convertible note issue. This is being used to help fund various work-streams and investment into marketing, software, human resource, systems and equipment. The company is now seeing the benefit of this investment in terminal number increases on a monthly basis together with improving margin.

As was indicated in the half-yearly result, this investment of the funds raised during the year into our acquiring capability and related opportunities has had an impact on our end year results. This was predicted and is in line with our expectations and should come as no surprise to those who have followed the company. We continue to repay core debt and are well placed to take advantage of the ongoing opportunity in Australia. As a consequence, the company has increased the head count in the Sydney office by an additional 10 people over the past twelve months with all of them involved in sales, marketing and related support roles to broaden the exposure to a large and accessible Australian market.

I would be remiss in not making mention of our New Zealand business which although steady and relatively mature still sees Smartpay making inroads as a market leader around product and product innovation. The company continues to maintain its position as a leading provider of payments and payment solutions to the New Zealand market. Furthermore, and as part of our strategy it provides a good part of the support base for the expanding business in Australia. We employ a staff of over 100 people, and we are fortunate to have some of the best people in the business working for Smartpay. They are largely responsible for the company being able to stay at the forefront of what is a rapidly changing payments environment.

With the increased focus on Australia we are pleased that we have been able to add two very capable and experienced directors to the board of Smartpay. The profiles of Carlos Gil and Bill Pulver are set out in this Report and I have no doubt that they will add significant value to the company with their commercial acumen and proven ability, particularly given our focus on sales and marketing as we grow into Australia.

As a company we appreciate and value the support we have from our shareholders. It has been a comparatively challenging year for many businesses on both sides of the Tasman due to economic uncertainty and related macro factors. We see this as an environment which will help to create opportunity and we believe we remain well placed to exploit this in Australia in the coming months and years. We look forward to another year with some exciting prospects in front of us.

Greg Barclay
Chairman


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Chief Executive's Review

The 2019 financial year was a landmark year for Smartpay as we begin to see tangible evidence of our Australian growth strategy taking shape.

The key themes in this year's result are:

1. the strong growth in revenue in our relatively young Australian EFTPOS acquiring business; and
2. the significant investment through the period to set the platform for this growth.

Operating Results

The rate of revenue growth is most evident in the 9% increase 2nd half over first half which is well above the 3% increase on a full year basis and provides clear evidence of an increasing contribution from the growth being achieved in our Australian acquiring business.

The actual underlying revenue growth is in fact higher when adjusting for some one-off incomes and discontinued business lines included in the prior period.

The singular driver of this growth in revenue is the increasing contribution from our Australian EFTPOS acquiring business.

Our Australian acquiring terminal fleet now stands at close to 3,000 self-acquired terminals, up from ~1,500 at the time of release of our half year report at the end of November 2018.

Importantly our annualised monthly acquiring revenue at year end (for the month of March 2019) was more than double the $2.4m of total acquiring income for the full 2019 financial year which provides a clear indication of the growth being achieved and underpins a higher starting position for the current financial year.

This is pleasing validation of our Australian strategy to seek growth from this large market.

Our New Zealand business saw a small reduction in revenue reflecting a reduced requirement from one of our mid-tier customers, the discontinuation of a non-core product and a small reduction in average revenue per unit across the market. The last point is symptomatic of our position as a large player in a what is an increasingly mature market. We do however remain focused on seeking out growth opportunities where available in the New Zealand market and expect our New Zealand business to remain largely steady over the current year.

The reduction in EBITDA* and the Net Loss After Tax reported in these financial statements is a direct reflection of the additional investment to accelerate and support our Australian growth which manifested as an increase in costs across the board, but mainly in the areas of marketing, sales and headcount. Importantly these were planned cost increases that were funded through the capital raise completed in the first half for this purpose.

This additional investment included further development of our acquiring platform and our Smartconnect cloud-based payments platform both of which are now delivering new incomes lines including the acquiring incomes mentioned above and some new customers secured in New Zealand towards the end of the financial year.

Summary and Outlook

We continue to make significant progress in the execution of our growth strategy. Australian terminal numbers and revenue are showing strong growth and at significantly higher gross margin with our own acquiring than under the previous Australian business model.

With our NZ business expected to remain largely steady over the current year, we expect the growth we are delivering in our Australian business to contribute to strong increases in both revenue and profit in the current period.

Bradley Gerdis
Chief Executive

* EBITDA = Earnings Before Interest, Tax, Depreciation, Amortisation (including share option amortisation) impairments and foreign exchange adjustments. EBITDA is a useful non-GAAP measure as it shows contribution to earnings prior to finance cost and non-cash items

Board of Directors

Gregor John Barclay

Chairman and Independent Director – LLB, Dip. Bus

Greg joined the board of Smartpay in 2010 and was appointed Chairman in 2016. He is an experienced company director having held various directorships and advisory roles across a number of New Zealand and off-shore entities. Currently he is also chairman of the Pacific Forest Products group (an international log export and marketing company), Franchised Businesses Limited (by number the largest franchise company in New Zealand) and Boffa Miskell Limited. He is an approved Chartered Member of the NZ Institute of Directors.

Having graduated from Canterbury University in 1985 Greg practises as a commercial lawyer. He was a founder partner of Claymore Partners in 1997 and still continues to act as a consultant to the firm at present. His practice area includes mergers/ acquisitions, project commercialisation, new ventures and structured financing. Greg has also had an extensive involvement in the business of sport as an advisor to sports entities and as an owner of a national sports event and management company. He is currently the chairman of New Zealand Cricket, a member of the board of the International Cricket Council and was a board member of Cricket World Cup 2015 Limited.

In addition to being on the Board, Greg serves on the Board's Audit and Finance Committee.

Greg Resides in Auckland, NZ.

Carlos Gil

Non-Executive Director - BEc, GradDipAppFin SIA, MAppFin FSIA

Carlos Gil 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 holds a Bachelor of Economics from Sydney University, a Graduate Diploma in Applied Finance and Investment Analysis from the Australian Securities Institute and a Master in Applied Finance and Investment Analysis from the Financial Services Institute of Australia.

In addition to being on the Board, Carlos serves on the Board's Audit and Finance Committee.

Carlos resides in Sydney, Australia.

Bill Pulver

Non-Executive Director - BCom Marketing

Bill Pulver was Chief Executive Officer of Australian Rugby Union (ARU) from February 2013 until January 2018. Prior to joining Australian Rugby, Bill was CEO of Appen Pty Ltd a Linguistic Technology Solutions company and is currently a non-executive director of Appen. From 2008 to 2010 he was Chairman of Repucom International, a global leader in sports marketing research.

Bill spent eight years as President and Chief Executive Officer of the New York based, NASDAQ-listed internet media research company NetRatings Inc. He spent 17 years at global marketing research company ACNielsen, in roles that included Managing Director in Australia, Group Chief Executive for Japan and Korea based in Tokyo; and President of ACNielsen eRatings.com, an internet audience measurement company based in London.

Bill holds a Bachelor of Commerce degree, with a major in marketing from the University of New South Wales in Sydney.
In addition to being on the Board, Bill serves on the Board's Remuneration and Nominations Committee.

Bill resides in Sydney, Australia.

Matthew George Turnbull

Independent Director – BCom, CA

Matt joined the Board of Smartpay in April 2013, he is a Chartered Accountant and is a member of Chartered Accountants Australia and New Zealand. He commenced his career with PWC (then Price Waterhouse) and has over 20 years experience providing accounting and corporate advisory services. Matt has a detailed understanding of Smartpay, having assisted the company in the 2012 recapitalisation and restructure, and the acquisition of Viaduct Limited.

Matt resides in Auckland, New Zealand.

In addition to being on the Board, Matt serves on the Board's Remuneration and Nominations Committee and is the Chair of the Audit and Finance Committee.

Bradley Gavin Gerdis

Managing Director B.Bus (Hons), MCom

Bradley joined Smartpay in December 2011 bringing to the company expertise and experience in managing high growth payments businesses. He joined the Smartpay Board in July 2012.

Prior to joining Smartpay, Bradley was a founding executive of Customers Ltd, an ASX listed ATM and payments company which grew from start-up to become Australia's largest ATM operator during his time with the business. Bradley also played a leading role as a founding director in the development of Strategic Payments Services Pty Ltd, a payments processing business in joint venture with Customers Limited, Bendigo Bank Ltd and MasterCard International. Bradley's experience includes direct investment roles with ANZPrivate Equity and Gresham Private Equity.

He has held executive and non-executive director positions in both publicly listed and private companies. Bradley ordinarily resides in Sydney, Australia.

Martyn Richard Pomeroy

Executive Director

Marty joined Smartpay in January 2013 post the acquisition of Viaduct Limited. Marty joined the Smartpay Board in April 2014.

Prior to joining Smartpay Marty was one of the two founding Directors of Viaduct Limited. Marty was instrumental in the development and success of the Viaduct business from a startup in 2001, through a period of growth to it becoming the third largest provider of EFTPOS terminals in New Zealand with an annual turnover of $7 million and employing 36 staff. Prior to Viaduct Marty held managerial roles in sales and service with EFTPOS New Zealand. He brings over 13 years of experience in the NZ Payments industry to the Board.

Marty has a detailed understanding of the operational, sales and commercial elements of the Smartpay business and is also involved in the strategy and build of the opportunity in Australia.

Marty resides in Auckland, New Zealand.

Corporate Governance

Smartpay is committed to maintaining high standards of ethical behaviour, social and environmental responsibility throughout the organisation; at the heart of our business are our values:

- **One Team** – we will work together to create an inspiring company that we are all proud to work for
- **Fearless** – in our approach and our focus on the customer
- **We deliver** - by listening, engaging and being held accountable

Our Governance Framework sets out our accountabilities to our stakeholders, how we expect to conduct our business, communicate, and manage risks. The framework and the individual policies are reviewed on a regular basis. The key documents can be found on our investor website: **smartpayinvestor.com**. A commentary on our Framework is contained in the pages that follow.

A key responsibility for our Audit and Finance Committee is the oversight and management of the Governance Framework as set out in its Terms of Reference.

We have reviewed our governance framework with reference to the NZX Corporate Governance Code issued in 2017and believe that in most respects our framework complies with the Code, exceptions are identified in the narrative that follows. Following transition to the new NZX Listing Rules the Board will review its policies and procedures in line with the new Rules and Governance Code, this will be reported in the Annual Report for FY20.

This Corporate Governance Statement was approved by the Board on 14th June 2019.

Ethical behaviour

Our values of teamwork, focus on the customer, delivery and accountability are at the heart of what we do and how we do it. Our Board has established a formal Ethics and Code of Conduct policy which sets the standards of behaviour required of all members of the Smartpay team when they represent us.

The Policy covers the conduct expected and deals with:

- responsibilities of all individuals;
- standards of personal behaviour;
- unacceptable behaviours;
- equal employment opportunities;
- discrimination, harassment and bullying;
- unauthorised removal of property;
- responsibilities to shareholders and the financial community; and
- reporting of incidents

It is one of our key documents that can be found on our website **smartpayinvestor.com**.

The Policy includes our approach to equal opportunities and diversity, protection of our assets, securities trading, diversity and inclusion, conflicts, interests and related parties and reporting of incidents. Many of these are covered in more detail in additional supporting policies such as our Securities Trading Policy, which can also be found on our website.

Our Staff handbook, which is issued to all members of the Smartpay team contains specifically those values and standards expected of employees including confidentiality, protected disclosures, and equal opportunities.

The implementation and management of the Code is undertaken by our management team and any breaches dealt with as appropriate through our disciplinary process.

Board Composition and Performance

Our Board is committed to ensuring that it has the skills, knowledge and experience to effectively govern and direct the Smartpay group recognising that it has the overall responsibility for our strategy, culture, health and safety, governance, performance and the management of risk.

Our Performance Management Policy, available on our website **smartpayinvestor.com**, is reviewed annually and applies to all staff, senior executives, individual directors' the Board as a whole and its committees. The Board is undertaking the Institute of Directors Board Evaluation process for its board evaluation this year, having determined in its policy that these should be conducted externally at least every third year.

The Board comprises three independent directors, one non-executive director and two executive directors, independence being defined in our Board Charter, also available on our website. An outline of each director's skills and experience can be found on our website and in our Annual Report. Details of their ownership of shares in our Company are set out in the Annual Report on page 86.

The induction process established for new directors ensures that any new director appointed to the board receives the information he/she needs to be able to contribute to board proceedings when they join the Board.

The process includes the requirement for written agreements to be entered into which outline the expectations and terms of appointment.

To ensure directors' ongoing effectiveness our directors are encouraged to undertake training and we are corporate members of the Institute of Directors which provides our directors with access to training and development opportunities, information and reference material.

The full board meets at least six times a year, the record of attendance at both Board and Committee meetings by directors for FY19 is detailed below:

	Status	Board	Audit & Finance Committee	Remuneration & Nominations Committee
Meetings Held/Attended		7	5	4
Greg Barclay≠	Independent Chairman	7	5	4
Bradley Gerdis	Managing Director	7	0	n/a
Marty Pomeroy#	Executive Director	7	1	n/a
Matt Turnbull	Independent Director	7	5	4
Bruce Mansfield*	Independent Director	4	3	2
Carlos Gill†	Non-Executive Director	2	0	n/a
William Pulver^	Independent Director	2	n/a	0

* Bruce Mansfield resigned from the Board, Audit and Finance Committee and Remuneration and Nominations Committee on 7 September 2018 and was present at all full board meetings, Audit and Finance Committee and Remuneration and Nominations Committee meetings held up until his resignation.

Marty Pomeroy was appointed to the Audit and Finance Committee following Bruce's resignation on 7 September 2018 and stepped down from the Committee following Carlos Gil's appointment on 11 December 2018. He attended all meetings during his appointment.

† Carlos Gil was appointed to the Board on 5 December 2018 he has attended all meetings of the Board since his appointment. He was appointed to the Audit and Finance Committee on 11 December 2018, there has been one meeting since his appointment and his apologies were accepted.

^ William Pulver was appointed to the Board on 11 December 2018 and he has attended all meetings of the Board since his appointment. He was appointed as Chair of the Remuneration and Nominations Committee on 11 December 2018, there were no meetings between his appointment and the end of FY19.

≠Greg Barclay stepped down from the Remuneration and Nominations Committee on 11 December 2018, he attended all meetings of the Committee prior to stepping down.

The Board Papers provided by management before each meeting provide comprehensive information on operations, financial and risk aspects of the business and directors have unrestricted access to any other information or records. Reporting to the Board is structured to require reporting by Management against the Board's identified strategic goals. Where directors are unable to participate in a meeting they are encouraged to forward their views to another director in advance of the meeting. Senior Management are available at the Board's request to address queries and to assist in developing the Board's understanding of issues facing us and the performance of our business.

Committees

The Board will use committees where this enhances its effectiveness in key areas while still retaining Board responsibility.

The Board has constituted two Committees which report to the Board:

- Audit and Finance Committee
- Remuneration and Nominations Committee

These Committees focus on specific responsibilities in greater detail and operate under written terms of reference.

Given the size of our business the Board has determined that the roles and functions of Remuneration and Nominations committees can be effectively dealt with by one committee and the Terms of Reference for its Remuneration and Nominations Committee include the roles and functions for nomination and remuneration of directors, senior managers and policies for the company as a whole. The Board Charter recognises that the ultimate responsibility for Board appointments and remuneration rests with the Board.

The Board appoints the committee members, current membership is as follows:

	Audit & Finance Committee		Remuneration & Nominations Committee	
Name	Appointed	Position	Appointed	Position
Matt Turnbull	1 April 2013	Chair	5 June 2013	Member
Greg Barclay	24 May 2010	Member	24 May 2010 resigned 11 December 2018	Chair until 11 December 2018
Bruce Mansfield	28 November 2017, resigned 7 September 2018	Member	6 May 2018 resigned 7 September 2018	Member
Marty Pomeroy	Appointed 7 September 2018, resigned 11 December 2018	Member	n/a	n/a
Carlos Gil	Appointed 11 December 2018	Member	n/a	n/a
William Pulver	n/a	n/a	Appointed 11 December 2018	Chair from 11 December 2018

The Board reviews its Board Charter at least annually and as part of the formal review considers the benefits of constituting additional committees. It has elected not to establish a takeover committee or protocols setting out the procedure to be followed in the event of a takeover offer. Given the small size of the Board it has determined that it can effectively, efficiently and independently manage any additional issues as a whole Board.

Reporting and Disclosure

We are committed to the promotion of investor confidence by taking steps within our power to ensure that trade in our securities takes place in an effective and informed market. To this end we are committed to providing timely, orderly and credible information consistent with legal and regulatory requirements.

The key policy documents within our Governance Framework are available on our website at **smartpayinvestor.com** and include our:

- Board Charter
- Audit and Finance Committee Terms of Reference
- Remuneration and Nominations Committee Terms of Reference
- Disclosure and Communication Policy
- Audit Independence Policy
- Fraud Risk Management Policy
- Diversity and Inclusion Policy
- Performance Management Policy
- Health and Safety Policy
- Risk Management Policy
- Disclosure and Communication Policy
- Ethics and Code of Conduct
- Remuneration Policy
- Securities Trading Policy
- Stakeholder Communication Policy

While the ultimate responsibility to ensure the integrity of our financial reporting rests with our Board, we have in place a structure of review and authorisation designed to ensure truthful and factual presentation of our financial position. This includes an appropriately resourced Audit and Finance Committee operating under written terms of reference which require it to review and consider the accounts and preliminary releases of results to the market. We have an Audit Independence Policy which requires that our external auditor remains independent and identifies that the appointment of the auditor is reviewed regularly by the Audit and Finance Committee.

We also have a Fraud Risk Management Policy designed with three objectives:

- **Prevent**: reduce the risk of fraud and misconduct occurring
- **Detect**: Discover fraud and misconduct when it occurs
- **Respond**: Take corrective action and remedy the harm caused by fraud or misconduct.

The Board has required rigorous processes to ensure that it can reasonably rely on the information provided to it by our Management team. All financial reporting provided to the Board goes through a tiered review process and is accompanied by management sign-offs.

The Board and Auditors review information contained in our Financial Statements to ensure its compliance with GAAP.

Our Board is committed to the promotion of investor confidence by taking steps within its power to ensure that trade in our securities takes place in an effective and informed market. To this end it is committed to providing timely, orderly and credible information consistent with legal and regulatory requirements and has adopted a Disclosures and Communication Policy which can be found at **smartpayinvestor.com/corporate-documents**, it reinforces our commitment to the continuous disclosure obligations imposed by the NZX, ensures timely and accurate information is provided equally to all shareholders and market participants and provides guidance on the process to ensure compliance. This policy, together with our procedures relating to disclosure, is designed to ensure accountability at a senior management level and compliance with our disclosure obligations under the NZSX Listing Rules and New Zealand law such that all investors have equal and timely access to material information concerning our company, our financial position, performance and governance and that Company announcements are factual and are presented in a clear and balanced way.

The Board has appointed our Managing Director as our Market Disclosure Officer who is responsible for monitoring our business to ensure we meet our disclosure obligations. He is supported by the Company Secretary and, when necessary, will consult professional legal advisers.

In addition, a key role of the Audit and Finance Committee is to monitor legislative and regulatory compliance.

We report non-financial information about the business through-out our Annual Report, and specifically in respect of our key stakeholders at the end of this Corporate Governance Section.

Remuneration

Our Board has identified one of its strategic goals is to attract and retain the best people and to be recognised as the preferred employer in the payments industry. To this end we are committed to providing structures in our performance management and remuneration that enables us to recognise each individual's contribution to the business and to attract, reward and retain staff by providing a remuneration environment that rewards activities that are aligned with the values and strategic goals of the business.

Our Remuneration Policy can be found on our website and applies to executive and non executive directors, senior management and all employees at Smartpay.

Performance and Remuneration are key responsibilities of our Remuneration and Nominations Committee, the terms of reference for whom can also be found on our website.

Directors Remuneration

Our non-executive directors are paid a basic fee as ordinary remuneration for their appointment as a Director of Smartpay, in addition they may be paid extra remuneration for their membership of Board appointed committees and/or in consideration for their appointment as Chairman or Deputy Chairman. They receive no retirement or other benefits. In the event that the total remuneration of the directors exceeds the current limit approved by shareholders no changes can be made until shareholder approval is obtained. In order to accommodate the appointment of 2 new directors at the 2018 Annual Meeting the shareholders approved the increase in the limit available to pay non executive directors, the new limit being $300,000 per annum.

Executive Directors and Officers

Our executive directors are paid as employees of Smartpay and remuneration payable to them and our officers is be made up of three components:

1. Fixed Remuneration

2. At risk/variable remuneration to reward performance in the form of a bonus scheme which is linked to key performance indicators set and reviewed by the Remuneration and Nominations Committee annually.

3. Long term incentive plans. We do not currently have a long term incentive plan in place except as negotiated with individuals. These currently take the form of share options and directors' interests in share options are detailed in the Statutory Information section of our annual report on page 82.

The remuneration of individual executive directors and officers of the Company is reviewed annually by the Remuneration and Nominations Committee, part of this review includes a review of the appropriateness of long term incentive plans. We have no pre-determined weighting for the balance of each remuneration element to be awarded, this is contemplated in the context of our strategic plans and budget process to ensure that remuneration packages remain closely aligned with our values, vision and strategy whilst ensuring that high caliber individuals are appropriately incentivised.

The detail of the remuneration payments to directors of Smartpay Holdings Limited are included in the related party note to the Financial Statement on page 70 and their individual shareholdings are detailed in the Statutory Information section of the Annual Report on page 82. The subsidiary companies' directorships are detailed in the Statutory Information section on page 82, the subsidiary company directors are also directors of Smartpay Holdings Limited, they receive no additional fees for being directors of subsidiary companies.

Chief Executive Officer

				At Risk Incentive		
	Base Salary	Other benefits including superannuation contributions	Subtotal	STI*	% STI against maximum	Total Renumeration
FY19	418,000	20,000	438,000	137,500	68.75%	575,500
FY18	418,100	19,900	438,000	125,000	62.50%	563,000

*STI (Short Term Incentive) is based on payments made in the period but relates to assessment of performance in the prior period.

The review and approval of the Chief Executive's remuneration is the responsibility of the Remuneration and Nominations Committee.

External benchmarking and advice is sought by the Remuneration and Nominations Committee and external advice was last obtained in May 2016.

The Chief Executive's remuneration currently comprises a base salary plus an at risk short term incentive payable annually.

There is no long-term incentive plan currently in place. The at-risk incentives are paid against targets which are agreed with the Chief Executive annually and are based on financial measures, including earnings targets and progress against objectives relating to the strategic plan and other personal objectives.

The figures above are shown in AU$ as the Chief Executive is based in Australia and receives his remuneration in Australia.

Employees

Our Remuneration Policy applies to all employees, whether they are based in our New Zealand or our Australia offices. As part of our salary review process we benchmark our salaries against the appropriate regional market, this is an exercise we undertake annually for the business as a whole and when employees join the business or change roles. In July 2017 we reviewed our New Zealand salaries cognisant of the recognised Living Wage in New Zealand and for FY19 every NZ employee was paid a minimum of $20.55 per hour which was the Living Wage from 1 April 2018. The NZ Living Wage is being increased to $21.15 with effect from September 2019 and the Company will review its salaries in line with this later in FY20.

During the year the number of employees, not being directors of the company received remuneration and other benefits that exceeded NZ$100,000 (overseas amounts are converted into NZ $ for these purposes):

Remuneration Range $	Number of Employees
280,000 – 289,000	1
270,000 – 279,000	1
220,000 – 229,000	1
170,000 – 179,000	1
160,000 – 169,000	3
150,000 – 159,000	2
140,000 – 149,000	3
130,000 – 139,000	2
120,000 – 129,000	4
110,000 – 119,000	5
100,000 – 109,000	5

Risk Management

Risk Management is a critical business discipline that reduces uncertainty and strengthens and complements other corporate governance initiatives. We actively manage all material risks in order to conduct business as usual and to accept an appropriate level of commercial, financial, compliance and strategic risk consistent with desired profitability.

There are three main policies which make up our Risk Management Framework:

- Risk Management Policy
- Health and Safety Policy
- Fraud Risk Management Policy

Each of these policies can be found on our website. Supporting each policy are detailed management frameworks which ensure the comprehensive management and reporting of risk in our business.

Our Risk Management Policy and Risk Register was established based on The Committee of Sponsoring Organisations (COSO) Enterprise Risk Management (ERM) framework. Each risk identified is evaluated in terms of impact and likelihood, and then re-evaluated post the mitigating factors identified and implemented by our management team.

A comprehensive risk register is maintained which identifies the risks facing the business, potential consequences of those risks and the mitigating factors management have identified to minimise or remove any impact of such risks to our business. Risks are categorised as operational, financial, compliance and strategic risks and enable the Board to easily identify risks that may require additional investment and/or processes in order to mitigate further. The review of the Register is a standing agenda item for our regular Senior Management meetings and Management review the risk register in response to new business initiatives, and notably has recently included in our risk register our new product offerings including acquiring. In addition, our Management team reviews the risk register prior to each board meeting and provides the board with reporting as to risks, mitigating factors that may have changed, a summary report of changes. The full risk register is included in the board pack for each Board meeting

Our internal control systems support our risk management and include processes which enable the identification, quantification and monitoring of significant risks, the development of risk mitigation strategies, the monitoring of compliance and the review of systems and records.

Whilst we don't have sufficient scale to have a dedicated internal audit function we do have an active Compliance Team which comprises stakeholders from each part of our business covering acquiring, operations, governance, financial, sales and product. We recognise the value an internal audit process adds, and we place emphasis on the systems and policies in place, including the Delegation of Authorities Manual and other processes which ensure the separation of duties in relation to the authorisation of, and commitment to, expenses and obligations and that such decisions are made at the appropriate level. It is continually looking to further improve its systems and processes to ensure good controls are in place.

Health, Safety and Wellness

We are committed to maintaining a safe and healthy working environment for anyone working on Smartpay premises and to a culture of ensuring the wellbeing of our staff.

We believe that no business activity should take priority over health and safety and are committed to protecting all people from injury or illness as a result of our operations so they can go home safe to their families at the end of each day.

Our Board has the ultimate responsibility for health and safety and is closely involved with the review of our health and safety management system receiving the full health and safety risk register in it's board packs and considering health and safety issues as a standing agenda item of it's board meetings. It obtains external advice from specialists in the field when necessary.

Management and each person in our business has an important role to play by being involved, engaged and accountable, ensuring that health and safety remains a priority.

Our Board sets annual Health and Safety objectives for management. For FY19 this included the automation of our existing induction process which has been implemented and ensures the efficient and timely induction of all individuals working on Smartpay premises.

During FY19 there were no Health and Safety serious harm incidents reported, and no accidents or incidents occurring in the workplace which resulted in sick leave being taken. We have utilised our rehabilitation policy for individuals suffering illness or injured outside of the work place to enable their smooth transition back to the workplace.

True to our "One Team" value we have an active Wellness Committee whose responsibilities cover health and safety and premises issues. In addition, they run various 'wellness' initiatives such as mindfulness information, yoga and exercise classes, sporting competitions, financial wellness seminars, flu vaccinations and blood donations to name but a few.

We recognise that when life works better, business works better; life is not always stress or crises free and if left unattended these may in turn lead to time off, increased risk of accidents, high levels of stress and possible health issues. As part of our commitment to promoting a healthy workplace and caring for our team we have an Employee Assistance Programme in place which is facilitated by an external expert organisation. This enables employees to access specialist assistance on an anonymous and confidential basis.

Auditors

The ultimate responsibility to ensure the quality and independence of the external audit process rests with our Board.

The framework in place to enable our Board to discharge this responsibility include:

- an appropriately resourced Audit and Finance Committee operating under written terms of reference
- Audit Independence Policy defining the services that may or may not normally be performed by Smartpay's external auditors

Both these documents can be found on our website.

Following a review process KPMG became auditors to the company for the FY13 year end and Malcolm Downes was the lead audit partner for Smartpay. In accordance with our Audit Independence policy he stepped down as lead audit partner following the completion of the FY17 audit and Lauder Erasmus was appointed as the lead audit partner for the FY18 audit

Our Auditors are invited to Audit and Finance committee meetings leading up to and during the audit and work closely with the Chairman of the Audit and Finance Committee during this time. We promote good dialogue and encourage a supportive relationship, and the Audit team has unfettered access to our senior executive team and finance team members at all times.

Smartpay engages other external advisors to assist with such matters as taxation to support the business in its tax dealings to ensure a true separation of duties. Where there are overlaps with audit work KPMG are engaged to provide only additional audit related advice.

KPMG have confirmed their independence in relation to the audit and that there have been no contraventions of any applicable code of professional conduct in relation to the audit.

The fee paid to the auditors is detailed on page 51.

Stakeholder rights and relations

We recognise that our key stakeholders are our shareholders and the investment community. We also acknowledge that we have other, no less important, stakeholders both externally and internally to the organisation. For us, sustainability means building a long-term business through relationships with all who we interact with.

We are committed to using our best endeavours to familiarise ourselves with the issues of concern to all stakeholders, including shareholders, customers, staff, the payments industry and the communities in and around our Company. We seek to ensure that we maintain good relationships with all stakeholders, to develop brand awareness and to clearly communicate our goals strategies and performance.

Our Shareholders

We are committed to adding value for our shareholders and our strategic plan is structured with this target in our sights.

Goal/Challenge	Progress	Areas of Focus/Measurement
Build a profitable and diversified payments business	Work in progress	• Maintain and grow the market in NZ through the introduction of new products • Australia – Organic Growth
Deliver increasing value to shareholders	Work in progress	• Product innovation • Implementation of acquiring capability in Australia

Achieved   Work in progress

More detail on our progress as a business can be found in our Chief Executive's report on page 6 of our Annual Report.

In September 2018 we held our Annual Meeting in Australia, recognising that the majority of our shareholders in terms of holdings of shares are held by Australian investors and wanting to make the meeting as accessible as possible to our investors.

We were also pleased to be able to offer any shareholder, not able to attend the meeting in person, the opportunity to attend via a remote meeting platform, through which they were able to ask questions and vote on resolutions, and we intend to hold future meetings in a similar fashion.

Voting at the meeting was conducted by poll rather than show of hands reflecting the principle of one share one vote.

We maintain websites specific to our New Zealand and Australian customers with a separate one for our investors. When a shareholder first invests in our Company they are sent a welcome letter which provides information on where to find our website and an invitation to elect to receive communications from us electronically.

Our Stakeholder Communications policy sets out our expectations of how we will communicate with our shareholders and around our annual meeting.

Our customers

Fearless – in our approach and focus on the customer.

Goal/Challenge	Progress	Areas of Focus/Measurement
To be the provider of choice to customers in the NZ market		• Product stability, security and compliance • Product development aligned with customer demand and technological developments
Have a business in Australia the equal of New Zealand		• Expand the Customer Success team to ensure customers are getting value from our products and solutions
Provide leading edge/ innovative solutions through superior technology		• Develop a best in class Customer service team to manage all customer queries across ANZ
Develop and deliver an end to end payment solution		• Competitive pricing to customer segments • Continue with customer Research to gain ongoing insights • Manage any customer complaints effectively

Achieved   Work in progress

Customer success has been key focus for us for FY19 and continues to be our focus.

We restructured and refocused our retention team to focus on reducing customer churn by proactively undertaking "health checks" with customers to ensure they are getting value from our products and solutions, raise any potential issues and identify any opportunities for additional products or services required. They are now the first point of contact for customer cancellations to ensure we can try and retain customers who wish to leave.

We are developing more ways in which customers can interact with us via our website and social media, recognising that customers communication preferences vary.

Our Customer Service teams have been growing to accommodate the growth in our acquiring product in Australia – additional support, training and tools have been implemented to ensure we provide excellent customer service for our merchants – across both countries.

Key Performance indicators and service level requirements throughout the business are structured to ensure that behaviours are directly linked to customer success.

Our community

Alongside our shareholders and our people, the Smartpay community includes the payments industry in which we play a key role, and the communities in which we operate.

Goal/Challenge	Progress	Areas of Focus/Measurement
Dependency on strategic partners	Work in progress	• Build strong relationships with key strategic partners in the payments industry • Contribution to payments events • Attendance at Global Payments forums
Minimise environmental impact	Work in progress	• Obtain maximum use/shelf life of terminals • Recycling of obsolete terminals • Minimise waste and maximise recycling at our premises

Achieved   Work in progress

The Board approved Stakeholder Communication Policy recognises the interests of stakeholders wider than its shareholders and investment community. It is committed to using its best endeavours to familiarise itself with the issues of concern to all stakeholders including customers, staff, the payments industry and the communities in and around the Company.

It has established its Ethics and Code of Conduct and Communications and Disclosures Policy which are covered in more detail on pages 10 and 12.

Smartpay's business is an integral part of the payments industry and as such has an important role to play in ensuring that public confidence in the payments infrastructure and ecosystem is maintained. Key external stakeholders in the payments industry, many who have strategic partnerships with Smartpay, are the Banks, Paymark and Visa/Mastercard.

We acknowledge that our operations have minimal environmental impacts compared to many industries however we strive to play our part in reducing environmental impact.

We maximise the useful life of terminals, which has three key impacts:

- Minimises impact/inconvenience to our customers
- Minimises operational costs
- Minimises waste and our environmental impact.

We achieve this by enabling remote updating of software onto terminals, re-furbishing returned equipment for re-deployment and sending obsolete and de-commissioned terminals to specialist recyclers.

We hope to expand our approach to the recycling of office waste that we have in our Auckland office into Sydney office.

As a business we can offer discounted rates on short term rentals for Charities and our staff are able to have the use of a short-term rental for events such as school fairs, sports events etc.

As a team we participate in charitable events and our Social Club and Wellness Committee organises a variety of events, with the emphasis on the giving of our time and efforts. Events include mid-winter food collections for the City Mission in Auckland, collections of children's Christmas gifts donated to the Salvation Army and donating our time to events such as the Christmas Parade in Auckland as donation collectors for charities.

Our People

One Team – we will work together to create an inspiring company that we are all proud to work for.

Goal/Challenge	Progress	Area of Focus/Measurement
Attract and retain the best people	Work in progress (yellow)	• Pay parity • Maintain Immigration NZ Accredited Employer status • Group and Individual Training Plans • Internal Promotion of staff • Introduction of Confluence as a source of information and support material

Achieved   Work in progress

We recognise that delivering on our goals, including providing excellent customer service, innovative new products and building a profitable and diversified payments business, is directly linked to our ability to attract and retain the best people in our business.

It is essential to our ongoing success that we ensure our people feel confident, appreciated and inspired, have opportunities to develop and are motivated to excel. Our teams are based largely in Auckland and Sydney with small representation in Wellington and Christchurch. Our culture and values are fundamental to our attraction and retention strategies and we periodically test our success at this through internal staff surveys and feedback, formal reporting on retention rates has not yet been established we aim to ensure that we understand what is motivating any turnover we do have so we can address as appropriate.

Our strategies for attracting and retaining the best people are on three fronts:

- *Culture:* We continually strive for a culture that engages our people, the past 12 months has seen an emphasis on customer success and, through our management structures, we have focused on ensuring that each individual in our business, regardless of role, has an understanding of the contribution they make to our customer experience.

  We have active an active Social Club and Wellness Committee which support our One Team Value.

- *Learning and Development:* We take a continuous improvement approach to learning and development, performance reviews are conducted throughout the business from a member of our Equipment Management Team, through our management structure all the way to our Board, clear performance outcomes are set with our customer success a focus. Training starts on day one with our induction programme after which, training and development is largely planned and constructed for individual requirements. We ensure we deliver consistent approaches and messaging to staff through group training sessions and regular toolbox meetings and updates.

We are committed to a workplace culture that promotes and values diversity and inclusion.

We introduced a Diversity and Inclusion Policy for the first time during 2017. Taking a broad sense of diversity and recognising, valuing and considering our employees' different backgrounds, knowledge, skills, needs and experiences, we set ourselves targets to be achieved.

We have not yet set numerically measurable standards and instead have set objectives which promote diversity across the business, these include:

Target	Progress
To achieve and maintain NZ Immigration Accredited employer status to ensure access to a wide pool of talent	
Working towards living wage and gender pay parity	
Skills diversity of the board – appoint a new director	

Achieved Work in progress

We continue to review pay parity for male and female members of staff doing the same role and are pleased to report that there is no difference in the salaries paid in those roles. Our approach to our staff has always been to have the right people in the role without reference to bias or discrimination and it is important to us that our staff are reflective of the communities in which we operate.

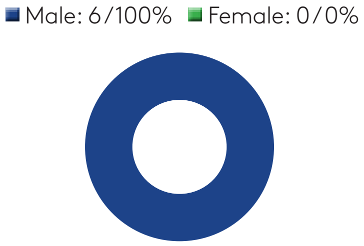
For commentary on the living wage see the Remuneration section on page 15.

The Board's skills matrix is cornerstone to the identification of skills needed on the Board and is reviewed and updated annually and whenever a new director joins the Board. The Board remains committed to improving gender diversity in its membership however, as a small board, any appointment must also be aligned with any skills gap identified.

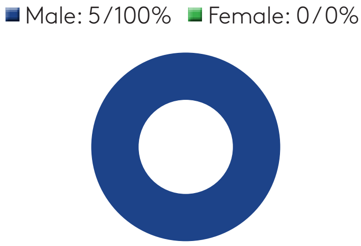
Diversity disclosure

Directors

As at 31 March 2019



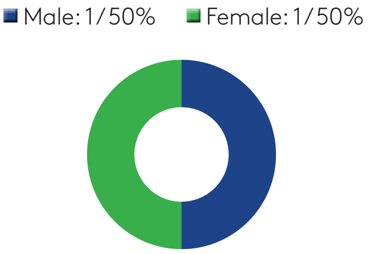
As at 31 March 2018



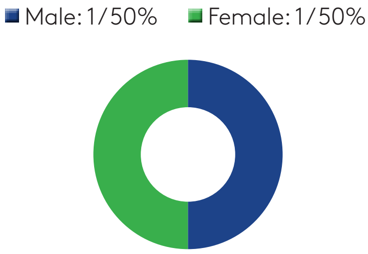
Senior Managers

Senior Managers of the company include anyone who is not a director but occupies a position that allows that person to exercise significant influence over the management or administration of the Company. The list of people considered to be senior managers by the company is contained in the directory at the back of the Annual Report.

As at 31 March 2019

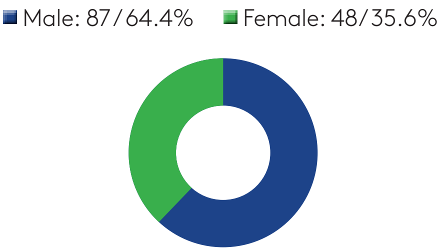


As at 31 March 2018

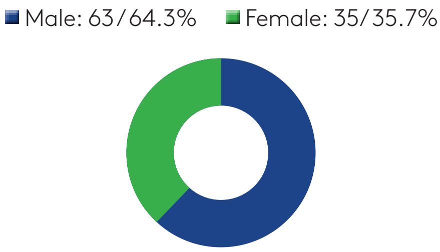


Other Staff

As at 31 March 2019



As at 31 March 2018



2019 Financial Statements

Directors' Responsibility Statement

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Smartpay Holdings Limited and its subsidiaries (the Group) as at 31 March 2019 and the results of their operations and cash flows for the year ended 31 March 2019.

The Directors consider that the financial statements of the Group have been prepared using accounting policies appropriate to the Group's circumstances, consistently applied except where indicated, and supported by reasonable and prudent judgements and estimates, and that all applicable New Zealand equivalents to International Financial Reporting Standards have been followed.

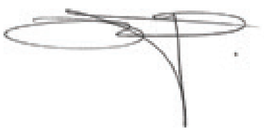
The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and enable them to ensure that the financial statements comply with the Financial Markets Conduct Act 2013.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the financial statements of the Group for the year ended 31 March 2019.

These financial statements dated 14th June 2019 are signed in accordance with a resolution of the directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors



Gregor Barclay
Chairman

Bradley Gerdis
Managing Director

Statement of Comprehensive Income

For the year ended 31 March 2019

		Group	
		2019	2018
			Restated
	Note	$'000	$'000
Continuing operations			
Revenue	5 & 6	21,097	20,518
Other income	7	15	16
Operating expenditure	8	(14,695)	(10,509)
Earnings before interest, tax, depreciation, share options expense, amortisation, impairments and unrealised foreign exchange		6,417	10,025
Depreciation and amortisation	8	(6,535)	(6,211)
Unrealised foreign exchange adjustments		167	-
Share option amortisation	25	-	(15)
Net finance (costs)	8	(1,814)	(1,396)
Impairment	8	(490)	(179)
		(8,672)	(7,801)
(Loss)/Profit before tax		(2,255)	2,224
Tax benefit	9	427	346
(Loss)/Profit for the year from continuing operations of owners		(1,828)	2,570
Other comprehensive income			
Foreign currency translation differences for foreign operations which may be reclassified subsequently to profit and loss (no tax effect)	26	(21)	(140)
Share based payments reversal which will not subsequently be reclassified to profit/(loss) (no tax effect)	25	-	559
Total comprehensive (loss)/income of owners		(1,849)	2,989
Earnings/(losses) per share from continuing operations attributable to the equity holders of the company during the year	10		
Basic earnings per share		(1.06) cents	1.50 cents
Diluted earnings per share		(1.06) cents	1.50 cents

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 29 to 75 form part of the financial statements.

Statement of Changes in Equity

For the year ended 31 March 2019

	Group			
	Share Capital	Foreign Currency Translation Reserve	Retained Deficits	Total
	$'000	$'000	$'000	$'000
Balance at 31 March 2017 (restated)	53,998	276	(41,223)	13,051
Profit for the year from continuing operations of owners	-	-	2,570	2,570
Other comprehensive income	-	(140)	559	419
Total comprehensive income	-	(140)	3,129	2,989
Share options recognised at fair value net of options lapsed (note 25)	(544)	-	-	(544)
Total changes in equity	(544)	(140)	3,129	2,445
Balance at 31 March 2018 (restated)	53,454	136	(38,094)	15,496
Loss for the year from continuing operations of owners	-	-	(1,828)	(1,828)
Other comprehensive income loss	-	(21)	-	(21)
Total comprehensive loss	-	(21)	(1,828)	(1,849)
	-	-	-	-
Total changes in equity	-	(21)	(1,828)	(1,849)
Balance at 31 March 2019	53,454	115	(39,922)	13,647

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 29 to 75 form part of the financial statements.

Statement of Financial Position

As at 31 March 2019

		Group		
		2019	**2018**	**2017**
				(1/04/17)
			Restated see note 2.aa	**Restated see note 2.aa**
	Note	**$'000**	**$'000**	**$'000**
Current assets				
Cash and bank balances	11	3,357	2,396	2,896
Trade and other receivables	12	9,308	4,990	2,704
Income tax receivable	21	24	13	173
Total current assets		12,689	7,399	5,773
Non-current assets				
Property, plant and equipment	15	12,121	12,948	14,848
Right of Use assets	16	1,324	1,762	1,232
Contract costs	17	867	852	725
Intangible assets	17	13,336	10,250	7,913
Goodwill	18	14,772	14,772	14,772
Total non-current assets		42,420	40,584	39,490
Total assets		55,109	47,983	45,263
Current liabilities				
Trade payables and accruals	20	10,834	5,867	3,354
Derivative financial instruments	13	47	164	90
Borrowings	22	3,000	2,998	2,984
Lease liabilities	23	495	460	202
Total current liabilities		14,376	9,489	6,630
Non-current liabilities				
Borrowings	22	18,224	21,224	23,934
Derivative financial instruments	13	-	44	175
Lease liabilities	23	1,045	1,518	1,142
Convertible notes	24	7,723	-	-
Deferred tax liabilities	19	94	212	331
Total non-current liabilities		27,086	22,998	25,582
Total liabilities		41,462	32,487	32,212
Net assets		13,647	15,496	13,051
Equity				
Share capital	25	53,454	53,454	53,998
Foreign currency translation reserve	26	115	136	276
Retained deficits		(39,922)	(38,094)	(41,223)
Total equity		13,647	15,496	13,051

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 29 to 75 form part of the financial statements

Statement of Cash Flows

For the year ended 31 March 2019

		Group	
		2019	2018
			Restated
	Note	$'000	$'000
Cash flows from operating activities			
Receipts from customers		20,833	20,506
Interest received		61	92
Payments to suppliers & employees		(13,929)	(10,549)
Interest paid		(1,809)	(1,515)
Tax refund from R&D grants		308	364
Net cash inflow from operating activities	27	5,464	8,898
Cash flows from investing activities			
Proceeds from disposal of assets		-	1
Purchase of terminal assets and other property, plant and equipment		(2,816)	(2,746)
Spend on contract costs		(646)	(615)
Spend on intangible assets		(4,902)	(4,299)
Net cash outflow from investing activities		(8,364)	(7,659)
Cash flows from financing activities			
Proceeds from borrowings		-	290
Proceeds from convertible notes		7,815	-
Repayments of borrowings		(3,000)	(3,000)
Payments of lease liabilities		(462)	(232)
Secured deposit		-	(239)
Net cash outflow from financing activities		4,353	(3,181)
Net increase / (decrease) in cash equivalents		1,453	(1,942)
Add opening cash equivalents		954	2,896
Closing cash equivalents		2,407	954
Reconciliation of closing cash equivalents to the balance sheet:			
Cash and cash equivalents		2,407	954
Other bank balances		950	1,442
Closing cash and bank balances	11	3,357	2,396

The accompanying Statement of Accounting Policies and Notes to the Financial Statements on pages 29 to 75 form part of the financial statements.

Notes to the Financial Statements

1. General Information

Smartpay Holdings Limited (the "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 Parent is an issuer (FMC entity) in terms of the Financial Markets Conduct Act 2013. The addresses of its registered office and principal place of business are disclosed in the directory to the annual report.

The consolidated financial statements of Smartpay Holdings Limited comprise the Parent and its subsidiaries (together referred to as the "Group").

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. Summary of Significant Accounting Policies

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 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 International Financial Reporting Standards ("NZ IFRS").

The financial statements were authorised for issue by the Directors on 14th June 2019.

b. Basis of Preparation

The Group financial statements have been prepared on a historical cost basis except for certain assets, which have been measured at fair value. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The principal accounting policies are set out below.

This is the first set of the Group's annual financial statements in which NZ IFRS 15 Revenue from Contracts with Customers, NZ IFRS 16 Leases and NZ IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in note 2.e and note 2.aa below.

The going concern assumption is applied, it is supported by current cash flow and cash flow forecasts. The cashflow forecasts indicate that there is adequate cover for the current net liability position and to support its ongoing operations.

The prior year comparative figures have been reclassified to agree to the current year classification where appropriate.

c. Functional and Presentation Currency

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

d. Accounting Judgements and Major Sources of Estimation Uncertainty

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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 3 for a discussion of judgements in applying the accounting policies, and major sources of estimation uncertainty.

e. Adoption of New and Revised Standards and Interpretations
i) Standards and Interpretations Effective in the Current Period

The following standards have been implemented in the current period effective from 1st April 2018 (refer to note 2.aa, 3 and 6).

- NZ IFRS 9 Financial Instruments
- NZ IFRS 15 Revenue from Contracts with Customers
- NZ IFRS 16 Leases
- Annual Improvements to NZ IFRS

NZ IFRS 9 Financial Instruments - The standard is replacing the existing guidance in NZ IAS 39 Financial Instruments. This standard sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non financial items. The Group does not currently undertake hedge accounting. The Group has applied NZ IFRS 9 prospectively and therefore has not adjusted the comparative information for the period ending 31st March 2018.

NZ IFRS 15 Revenue from Contracts with Customers. NZ IFRS 15 replaces NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts. The standard applies to all revenue arising from contracts with customers unless those contracts are within the scope of another standard. The standard is based on a five-step model to account for revenue arising from contracts with customers. Under NZ IFRS 15, revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also specifies the accounting for incremental costs of obtaining a contract with a customer and for the costs incurred to fulfil a contract with a customer if those cost are not within the scope of another standard.

NZ IFRS 16 Leases - As a Lessee the Group will recognise a liability in relation to building and motor vehicle leases along with a corresponding asset for the premises. This has been adopted early as it is complementary to NZ IFRS 15 Revenue from Contracts with Customers. In respect of the lessor a customer contract contains a lease based on whether the customer has the right to direct the use of an asset under NZ IFRS 16. This differs from the definition under NZ IAS 17 which defines a lease as an agreement providing the customer the right to use an asset.

An explanation of the effect of the above standards on the Group is in Note 2.aa.
Other clarifications covers minor amendments to standards which have not had a material impact on the Group in the current reporting period.

ii) Standards on Issue Not Yet Adopted	Effective Date*
• Annual Improvements to NZ IFRS	1st April 2019

* The effective date for the Group is the commencement date of the next accounting period after the Effective Date

Directors expect to adopt the above Standard and Interpretation in the period in which it becomes mandatory.

f. Consolidation
The Group financial statements incorporate the financial statements of the Parent and entities controlled by the Parent (its subsidiaries). Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of the subsidiaries are prepared using consistent accounting policies which may involve making adjustments to the financial statements of subsidiaries to bring them into line with other members of the Group.

All intra-group balances, transactions, income and expenses have been eliminated in full on consolidation.

Business Combinations
Acquisitions of subsidiaries and businesses are accounted for using the purchase method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any costs directly attributable to the business combination are expensed in the Statement of Comprehensive Income.

Any excess of the cost of acquisition over the aggregate fair values of the identifiable net assets acquired is recognised as goodwill. Goodwill arising on acquisition is recognised as an asset and initially measured at cost. Refer to note 2.u for the Group's accounting policy on Goodwill.

Where equity instruments are issued in a business combination, the fair value of the instruments is the published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. The 20 days volume weighted average prior to the date of exchange is used when there is low trading volume in the shares. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

g. Foreign Currencies

i) Foreign Currency Transactions
The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of any group entity whose functional currency is not New Zealand dollars is translated to New Zealand dollars being the functional currency of the Parent.

Transactions in currencies other than an entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated to the entity's functional currency at rates prevailing at the end of the reporting period.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the Statement of Comprehensive Income in the period in which they arise.

ii) Foreign Operations
For the purpose of presenting the Group financial statements, the assets and liabilities of the Group's foreign operations are expressed in New Zealand dollars using exchange rates prevailing at the end of the reporting period. Items in the Statement of Comprehensive Income are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in Other Comprehensive Income and accumulated as a separate component of equity in the Group's Foreign Currency Translation Reserve. Such exchange differences are reclassified from equity to income (as a reclassification adjustment) on disposal of the net investment.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

h. Comparatives
When the presentation or classification of items is changed, comparative amounts are reclassified unless the reclassification is impractical. The only changes to comparatives in this report is for the restatement of comparative amounts required by the introduction the new standards see note 2.aa.

i. Current versus Non Current Classification
The Group presents assets and liabilities in the statement of financial position based on current/non current classifications. An asset is current when it is:

- expected to be realised or intended to be sold or consumed within twelve months after the reporting date or
- is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date

All other assets are classified as non current.

A liability is current when it is:

- expected to be settled within twelve months after the reporting date or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date

All other liabilities are classified as non current.

j. Revenue Recognition

With the adoption of the new standard for revenue (NZ IFRS 15) and leases (NZ IFRS 16) there are fundamental changes to the way revenue is recognised (refer to note 2.aa, 3 and 6).

k. Share-based Payment Transactions

Equity Settled Transaction

The Group has provided benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). Similarly share based benefits have been provided to other parties such as consultants and financiers, in settlement of services rendered. No benefits in the form of share based payments were provided in this financial year.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Smartpay Holdings Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of:

- The grant date fair value of the award;
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- The expired portion of the vesting period. The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

l. Finance Costs

Interest expense is accrued on a time basis using the effective interest method and are recognised as an expense when incurred.

m. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

i) Current Tax

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit as reported in the Statement of Comprehensive Income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date. Current tax assets and liabilities are the tax balances due from or owing to taxation authorities.

ii) Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, 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; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance 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 reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit 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 to 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 balance date.

Current and deferred tax are recognised as an expense or income in profit or loss except when they relate to items recognised in other comprehensive income or directly in equity in which case the tax is also recognised in other comprehensive income or directly in equity, or where they arise from initial accounting for a business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they are levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

iii) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables, which 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 Statement of Financial Position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

n. Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash, net of outstanding bank overdrafts and which are subject to an insignificant risk of changes in value.

The following terms are used in the Statement of Cash Flows:

- operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities; and

- investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents; and

- financing activities are the fund raising activities of the Group from both owners and financiers. Any dividends paid are classified as part of financing activities.

o. Financial Assets

Financial assets are classified by NZ IFRS 9 Financial Instruments into the following categories:

- - at fair value through profit and loss

- - at amortised cost

- - at fair value through other comprehensive income (the group has no assets of this classification)

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and when allowed and appropriate, re-evaluates this designation at each reporting date.

When financial assets are initially recognised they are measured at fair value, plus, in the case of assets not at fair value through profit and loss, directly attributable transaction costs.

The Group has the following classifications:

i) Financial Assets at Fair value through Profit & Loss
This category includes in-the-money derivatives. They are carried at fair value through profit and loss with changes to fair value included in the statement of comprehensive income in the finance cost line.

The Group's derivative financial instruments are categorised 'at fair value through profit and loss' on initial recognition.

ii) Financial Assets at Amortised Cost
These are principally from the provision of goods and services to customers (eg trade receivables),but also include other types of financial assets where the objective is to hold these assets to collect contractual cash flows (eg cash and bank facilities) and solely used for the payment of principal and interest (eg loans and other receivables) that have fixed or determinable payments.

Trade receivables are amounts due from customers for services performed and goods provided in the ordinary course of business. Trade receivables, which generally have 30-60 day terms, are recognised at fair value less an allowance for any uncollectible amounts.

Impairment of Financial Assets
Collectability of trade and lease receivables are reviewed on an on-going basis. Receivables that are known to be uncollectible are written off when identified and any terminal associated with the contract that the receivable relates to will be repossessed and the debt written off.

Financial assets, other than those financial assets at fair value through profit and loss are assessed for indicators of impairment at the end of each reporting period including trade and lease receivables on a collective basis. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows.

Derecognition of Financial Assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

p. Derivative Financial Instruments
The Group's derivative financial instruments are categorised 'at fair value through profit and loss' on the date a derivative contract is entered into and are subsequently remeasured to their current fair value at each reporting date. The resulting gain or loss of any derivative is recognised immediately in the profit and loss.

The balance outstanding of derivative financial instruments are classified as current assets or liabilities if they are expected to be realised within 12 months otherwise they are treated as non-current assets or liabilities.

q. Merchant Terminals and Property, Plant and Equipment
Merchant terminals and plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. All other repairs and maintenance are recognised in the Statement of Comprehensive Income as incurred.

Terminals on hand are held in capital works in progress and are valued at cost after due consideration for excess and obsolete items and depreciation on used equipment. Costs are assigned on the basis of standard costs which are reassessed periodically as the costs change.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets and charged to the Statement of

Comprehensive Income as follows:

- Merchant terminals - 6 years
- Motor vehicles - 5 years
- Computer equipment – between 3 and 6 years
- Furniture, fixtures and office equipment - between 2 and 12 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal
A merchant terminal or an item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is de-recognised.

r. Leases
Leases are contracts which convey the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as Lessor
The Group had previously determined that its customers had physical control of the Eftpos terminal and therefore a right to use an asset and consequently a lease. Under NZ IFRS 16, the focus is on the right to direct the use of the asset and the Group has determined that its customers do not have that right. These contracts therefore no longer meet the definition of a lease and are accounted for as service contracts under NZ IFRS 15.

Group as Lessee
Assets held by the Group under leases are Right-of-Use assets initially recognised at the present value of the lease payments that are not paid at the inception of the lease. Subsequent to initial recognition the Right-of-Use asset is included in the Statement of Financial Position at the initial recognition amount less the aggregate amortisation and any impairment recognised.

The lease payments are discounted using the interest rate implicit in the lease or at the Group's incremental borrowing rate if the rate in the lease is not readily determined. The corresponding lease liability to the lessor is included in the Statement of Financial Position as a Lease Liability. Lease payments are apportioned between finance charges and a reduction in the lease liability. The lease finance charges and the amortisation of the Right-to-Use asset are charged directly to the Statement of Comprehensive Income.

s. Contract Costs and Intangibles
Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

i) Software and Development Costs
All costs directly incurred in the purchase or development of major computer software or subsequent upgrades and material enhancements, which can be reliably measured and are not integral to a related asset are capitalised as intangible assets. Direct costs may include payroll and on-costs for employees directly associated with the project. Costs incurred on computer software maintenance are expensed to the Statement of Comprehensive Income as they are incurred. Computer software is amortised on a straight line basis over the period of time during which benefits are expected to arise, being three to ten years. Amortisation commences once the computer software is available for use.

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

ii) Intangible Assets Acquired in a Business Combination
Intangible assets other than goodwill acquired in a business combination are identified and recognised separately where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition (including any adjustment to previous provisionally assessed fair values), intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses where they have finite useful lives.

iii) Research
Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the Statement of Comprehensive Income when incurred.

iv) Amortisation
Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- capitalised development costs 2-5 years
- customer contracts 3-10 years
- software 3-10 years

Contract Costs
Commissions paid to secure a contract with a customer are capitalised to Contracts costs and classified separately:

t. Impairment of Non-financial Assets Other Than Goodwill
Non financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

u. Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated across the Group's cash-generating unit or units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit/group of cash-generating units, to which the goodwill relates. When the recoverable amount of the cash-generating unit/group of cash-generating units is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit/group of cash-generating units and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

v. Financial Liabilities and Equity Instruments
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

i) Equity Instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares are classified as equity. The equity portion of compound financial instruments is included in equity.

ii) Financial Liabilities
Financial liabilities, including borrowings and trade payables and accruals, are initially measured at fair value, plus directly attributable transaction costs. Other financial liabilities are subsequently measured at amortised cost, with any interest expense recognised on an effective interest basis.

Lease liabilities are explained in note r. above.
Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

w. Provisions and Employee Leave Benefits
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in interest costs.

Employee Leave Benefits
Wages, salaries, annual leave and sick leave: Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

x. Earnings Per Share
Basic earnings per share is calculated as net profit attributable to members of the Group, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the Group, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

y. Fair value of financial assets and liabilities

Fair Value Methodologies
The Group measures financial instruments such as derivatives, at fair value at each balance sheet date.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Certain Short Term Financial Assets
For cash and short term funds, balances with other financial institutions with maturities for less than 3 months and other types of short term financial assets, the carrying value of these financial instruments are considered to approximate fair values as they are short term in nature or are receivable on demand.

Trade Receivables
Trade receivables are recognised at fair value.

Other Financial Assets
The carrying value of accrued interest and income receivable approximate fair values as they are short term in nature or are receivable on demand. Prepaid expenses are not considered financial assets.

Payables and Other Financial Liabilities
This category includes accrued interest and payables for which the carrying amount is considered to approximate fair value, as they are short term in nature or are payable on demand. Income tax liabilities, provisions and accrued charges are not considered financial liabilities.

Borrowings
The fair value of borrowings is the amount payable on demand as at balance date. The carrying values of all liabilities with maturities of less than 12 months are considered to approximate fair values as they are short term in nature. In respect of borrowings with maturities greater than 12 months they are recognised at amortised cost.

Lease Liabilities
See note 2 r.

Compound Financial Instruments
Compound financial instrument are measured on the basis of the components of the instrument. The debt component is measured at amortised costs. The residual component is assessed to determine if an equity component exist. If the instrument has a variable conversion feature the component is recognised as a derivative at fair value through Profit & Loss

z. Government Grants
Government grants that compensate the Group for expenses incurred are recognised as profit and loss in the same periods in which the expenses are recognised.

aa. Changes in Accounting Policies
The changes to the Accounting Policies are a result of the adoption of new accounting standards NZ IFRS 9 Financial Instruments, NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 16 Leases. NZ IFRS 16 Leases is being early adopted due to the change in definitions of Leases which affects how revenue from contracts with customers is recognised and a change to the applicable standard that applies to them. See below for an explanation of the changes arising from the standards.

i) NZ IFRS 9 Financial Instruments

NZ IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. This standard replaces NZ IAS 39 Financial Instruments: Recognition and Measurement. It brings together all aspects of accounting for financial instruments, classification and measurement, impairment and hedge accounting.

NZIFRS 9 has been adopted prospectively consequently there is no separate restatement column as the change did not have a material impact on the Group.

(a) Classification and measurement

Under NZ IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The classification and measurement requirements of NZ IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under NZ IAS 39 and measuring its financial liabilities at either fair value or amortised cost.

(b) Impairment

The adoption of NZ IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing NZ IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. NZ IFRS 9 requires the Group to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss. However upon the adoption of NZ IFRS 9, the Group did not recognised any additional impairment on the Group's Trade receivables and other financial assets.

(c) Hedge accounting

The Group has not applied hedge accounting in this financial year. All hedging financial assets and liabilities are recognised at fair value through the profit and loss.

ii) NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and related interpretations. Under NZ IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

The Group has adopted NZ IFRS 15 using the retrospective effect method (practical expedients), with the effect of initially applying this standard recognised at the date of initial application (ie 1st April 2018). Accordingly the comparative information presented for 2018 has been restated.
Refer to note 6.

iii) NZ IFRS 16 Leases

NZ IFRS 16 replaces NZ IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard identifies a lease within a contract if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In respect most of the eftpos terminal contracts with customers the change to revenue recognition has no impact as the timing of the revenue recognition under a lease contract and service contract is the same.

Impact on lessor accounting

The Group has elected to early adopt the new lease standard NZ IFRS 16 in conjunction with the new revenue standard NZ IFRS 15 which was effective from 1 April 2018. The Directors are of the view that early adopting NZ IFRS 16 at the same time as NZ IFRS 15 is the most appropriate approach, given that the majority of the Groups EFTPOS service contracts have been previously classified as leases under NZ IAS 17. Under the superseded lease standard NZ IAS 17, all the Groups customer contracts meet the definition of a lease therefore, lease accounting as a lessor was applied previously. These same contracts do not meet the definition of a lease under NZ IFRS 16. The contracts, therefore, are accounted for as service contracts under NZ IFRS 15.

Impact on lessee accounting
In the current year, the Group has applied NZ IFRS 16 in advance of its effective date. The date of initial application of NZ IFRS 16 for the Group is 1st April 2018. The group has applied NZ IFRS 16 using the full retrospective approach, with restatement of comparative information. Under NZ IFRS 16 the Group has now recognised right-of-use asset and lease liability in the consolidated statement of financial position initially measured at the present value of future lease payments. The Group has also recognised depreciation of the right-of-use asset and interest on lease liabilities in the consolidated statement of comprehensive income. Payments made are separated into a principal portion (presented within financing activities) and interest portion (presented within operating activities) in the consolidated statement of cash flows. The impact of the adjustments for each financial statement line item affected is stated below.

The following tables summarise the impacts of adopting NZ IFRS 15 and NZIFRS 16 on the Group's Statement of Financial Position as at the 31st March 2019 and its Statement of Comprehensive Income for the year then ended for each of the line items affected together with changes to the opening balance at 1st April 2017 and the comparatives at 31st March 2018. There was no material impact on the Group's Statement of Cash Flows for the year ended 31st March 2019.

The summary of the impact of transition to the new standards are:

Changes to the opening balances at 1st April 2017.

Statement of Financial Position Reconciliation	Note	Reported 31/3/17	NZ IFRS 15 (note 2 aa ii above)	NZ IFRS 15 (note 2 aa ii above)	NZ IFRS 16 (note 2 aa iii above)	Restated 31/3/17
		$'000	$'000	$'000	$'000	$'000
Assets						
Trade and other receivables	b	2,996	(292)			2,704
Finance receivable - current	a	98	(98)			-
Finance receivable - non current	a	212	(212)			-
Right of use Assets - Property	c	-			1,232	1,232
Right of use Assets - Vehicles		-				-
Property, Plant and Equipment -Terminals	a,d	14,916	156	(725)		14,347
Contract costs	d	-		725		725
Other Assets		26,255				26,255
Total Assets		44,477	(446)	-	1,232	45,263
Liabilities						
Lease liability - current	c				202	202
Lease liability - non current	c				1,142	1,142
Other liabilities		30,868				30,868
Equity						
Capital		53,998				53,998
Foreign Currency Trans Reserve		276				276
Retained Earnings						
Opening balance at 31 March 2016		(43,329)	(172)			(43,501)
Profit (Loss)		2,664	(274)		(112)	2,278
Closing Balance Retained Earnings		(40,665)	(446)	-	(112)	(41,223)
Total Equity		13,609	(446)	-	(112)	13,051
Total Equity & Liabilities		44,477	(446)	-	1,232	45,263

Changes to the Comparative Statement of Comprehensive Income and Statement of Financial Position at 31st March 2018

Statement of Comprehensive Income	**Note**	**Reported 31/3/18**	**NZ IFRS 15 (note 2 aa ii above)**	**NZ IFRS 15 (note 2 aa ii above)**	**NZ IFRS 16 (note 2 aa iii above)**	**Restated 31/3/18**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	a,b	20,347	171			20,518
Other income		16				16
Operating expenditure	c	(10,806)			297	(10,509)
Earnings before interest, tax, depreciation, share options expense, amortisation, impairments, and unrealised foreign exchange		9,557	171	-	297	10,025
Depreciation & Amortisation	b,c	(5,878)	(21)		(312)	(6,211)
Unrealised FX		-				-
Share option amortisation		(15)				(15)
Net Finance	c	(1,307)			(89)	(1,396)
Impairment		(179)				(179)
Pre Tax Profit		2,178	150	-	(104)	2,224
Tax		346				346
After Tax Profit		2,524	150	-	(104)	2,570
Other Comprehensive Income		426	(7)			419
Total Comprehensive Income		2,950	143	-	(104)	2,989

Statement of Financial Position Reconciliation		Reported 31/3/18	NZ IFRS 15 (note 2 aa ii above)	NZ IFRS 15 (note 2 aa ii above)	NZ IFRS 16 (note 2 aa iii above)	Restated 31/3/18
		$'000	$'000	$'000	$'000	$'000
Assets						
Trade and other receivables		5,201	(211)			4,990
Finance receivable - current	a	100	(100)			-
Finance receivable - non current	a	122	(122)			-
Right of use Assets - Property	b				1,732	1,732
Right of use Assets - Vehicles	b				30	30
Property, Plant and Equipment -Terminals	a,d	13,346	130	(852)		12,624
Contract costs	d	-		852		852
Other Assets		27,755				27,755
						-
Total Assets		46,524	(303)	-	1,762	47,983
Liabilities						
Lease liability - current	b	-			460	460
Lease liability - non current	b	-			1,518	1,518
Other liabilities		30,509				30,509
Equity						
Capital		53,454				53,454
Foreign Currency Trans Reserve		143	(7)			136
Retained Earnings						
Opening balance		(40,665)	(446)		(112)	(41,223)
Profit (Loss)		3,083	150		(104)	3,129
Closing Balance Retained Earnings		(37,582)	(296)	-	(216)	(38,094)
Total Equity		16,015	(303)	-	(216)	15,496
Total Equity & Liabilities		46,524	(303)	-	1,762	47,983

Statement of Cash Flows Reconciliation	Reported 31/3/18	NZ IFRS 15 (note 2 aa ii above)	NZ IFRS 15 (note 2 aa ii above)	NZ IFRS 16 (note 2 aa iii above)	Restated 31/3/18
	$'000	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers	20,506	-	-	-	20,506
Interest received	92	-	-	-	92
Payments to suppliers & employees	(10,870)	-	-	321	(10,549)
Interest paid	(1,426)	-	-	(89)	(1,515)
Tax refund from R&D grants	364	-	-	-	364
Net cash inflow from operating activities	8,666	-	-	232	8,898
Cash flows from investing activities	(7,659)	-	-	-	(7,659)
Cash flows from financing activities					
Proceeds from borrowings	290	-	-	-	290
Repayments of borrowings	(3,000)	-	-	-	(3,000)
Payments of lease liabilities	-	-	-	(232)	(232)
Secured deposit	(239)	-	-	-	(239)
Net cash outflow from financing activities	(2,949)	-	-	(232)	(3,181)
Net decrease in cash equivalents	(1,942)	-	-	-	(1,942)
Closing cash and bank balances	2,396	-	-	-	2,396

Notes

a) Retail Radio Services: All revenue from customers using the Retail Radio service was previously recognised as a finance lease in accordance with NZ IAS 17. In accordance with the early adoption of NZ IFRS 16, in conjunction with the adoption of NZ IFRS 15, the revenue is now recognised as service revenue. The contracts with customers are not "leases" in accordance with NZ IFRS 16. Consequently under the restatement the revenue was previously recognised in 2017 as finance lease revenue is now recognised over the 3 year term of the contracts.

b) Eftpos Terminal Services: In accordance with NZ IFRS 15 all revenue from the eftpos terminal contracts is to be recognised when the performance obligations under the contract with the customer have been completed. This change has resulted in revenue recognition from one of the contracts with our customers to be restated. Previously the revenue from the contract was aggregated for the original and renewed contract however under NZ IFRS 15 the revenue is to be recognised separately for each contract, in line with the performance obligations.

c) Leases of property and vehicles: As a lessee, in accordance with NZ IFRS 16 Leases, all property and equipment subject to a lease is required to be recognised as a "right of use" asset and a corresponding liability for the net present value of the lease payments. In addition all lease payments are reversed and a corresponding finance charge and depreciation on the right of use assets is recognised. The Group has leased property at Wairau Rd Auckland, York Street Sydney and The Terrace Wellington. The Group also leases 4 motor vehicles. These assets have been adjusted for the new accounting standard NZ IFRS 16 Leases.

d) Contract Costs: NZ IFRS 15 requires that Contract costs that aren't covered by another standard are required to be shown separately. This has necessitated a reclassification of the capitalised commissions paid to secure a contract with customers to be taken out of the Terminal Assets and shown separately. These are now classified separately.

3. Significant Accounting Judgments, Estimates and Assumptions

In applying the Group's accounting policies management continually evaluate judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by the Directors and management in the preparation of these financial statements are outlined below.

i) Contracts with Customers

The Group provides a right to use its Eftpos terminals as part of its contracts with customers. Determining whether the contract contains a lease as per the definition of NZ IFRS 16, is a significant judgement requiring consideration as to whether the customer has the right to direct the use of the terminal. Historically the Group had assessed its customers as having physical control of the eftpos terminal and therefore a right to use an asset.Under NZ IFRS 16 the Group has determined that its customers don't have the right to direct the use of asset because the Group continues to have the right and ability to change how the Eftpos terminal operates during the customer's contractual term. The Group determined that customers do not have the right to control the use of its terminals and therefore the arrangement does not contain a lease. Therefore the contracts have been accounted for as a service contracts under NZ IFRS 15.

The contracts with customers include promises to provide multiple services and products. Determining whether the services and products are considered distinct performance obligations that should be accounted for separately versus together requires significant judgement. The Group assess each of its contracts as a portfolio to determine whether the performance obligation is at a point in time or over time.

ii) Impairment of Goodwill and Intangibles with Indefinite Useful Lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with useful lives are discussed in note 17 and 18.

iii) Recognition of Software Development

The Group develops software to use internally, on eftpos terminals or to be sold. The Group assesses all development expenditure in accordance with the future economic benefits to determine if it fulfils the criteria for capitalisation as an intangible asset. The Group mostly measures the cost of developing software from an assessment of the time spent by developers and management in bringing the asset into use. Note 17 provides information on the software developed in the period.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise loans, convertible notes, leases, interest rate swaps and foreign exchange contracts. The main purpose of these financial instruments is to raise finance for the Group's operations and hedge currency exposure. The Group has various other financial assets and liabilities such as overdraft facilities, cash, accounts receivable, and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments, assets and liabilities are risks in the movement of, interest rates and foreign exchange rates, liquidity risk, and credit risk. The Board reviews and agrees policies for managing each of these risks as summarised below.

a. Market Risk

(i) Foreign Currency Risk

The Group has a growing Australian business and an exposure to foreign exchange risk. The Group acquires terminal assets from foreign suppliers and they are denominated in USD. The group uses forward exchange contracts to manage the exposure to currency fluctuation in respect of the USD risk.

(ii) Cash Flow and Fair Value Interest Rate Risk

The Group's only significant financial asset subject to floating interest rates is its cash held in the bank, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from its borrowings. The Group has entered into an interest rate swap in respect of 75% of the interest obligations which mirrors the amortisation profile of the ASB facility see note 22. The interest rate swap was restructured effective 30 December 2016 and an additional swap has been entered into to hedge 75% of the capex facility.

b. Credit Risk

In the normal course of business, the Group incurs credit risk (defined as the risk of failure of a counterparty to a transaction) from accounts receivable and transactions with financial institutions.

Management have a credit policy in place and the exposure to credit risk is monitored on an on-going basis with the review of payment history of trade receivable. A review of all types of accounts takes place daily with active measures taken to collect outstanding amounts and prevent them becoming non performing accounts. On the receivables the terminals remain the property of the Group and in New Zealand a financing statement is registered under the Personal Property Securities Act 1999 in respect of each terminal and repossession can be undertaken in the event of overdue receivables. In Australia financing statements are registered where possible under the Personal Property Securities Act 2009 which came into force in October 2011.

See note 31.c for more explanation on determining objective evidence that an impairment has occurred and an analysis of accounts overdue and concentrations of credit risk.

The Group deals with high credit quality financial institutions in placing its cash and deposits.

c. Liquidity Risk

Liquidity risk arises from the financial liabilities of the Group and the ability to meet their obligations to repay their financial liabilities as and when they fall due. The objective is to maintain a balance between continuity of funding and committed available credit lines. See note 25 for more information on the Group's Capital Management processes.

The Group manages its liquidity by forecasting and monitoring the total cash flows on a daily, monthly and annual basis (see note 31.e).

d. Fair Values

The carrying value of all debt and leases is the fair value of these liabilities.

5. 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

2019	New Zealand	Australia	Elimination	Total
Revenue	**$'000**	**$'000**	**$'000**	**$'000**
Revenue from Contracts with Customers				
Service revenue	15,102	1,924	-	17,026
Transactional income	837	2,540	-	3,377
Other service revenue	120	31	-	151
Short term rentals	278	9	-	287
Sale of goods	2,206	40	(1,992)	254
total revenue from contracts with customers	18,543	4,544	(1,992)	21,095
Other Revenue				-
Other revenue	-	2	-	2
Total segment revenue	18,543	4,546	(1,992)	21,097
Additions to non current assets	8,178	812	-	8,990
Non current assets	37,527	6,334	(1,441)	42,420

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 of $1,992,000 relates to the revenue on the sales of eftpos terminals from New Zealand to Australia within the Group.

2018 Restated	New Zealand	Australia	Elimination	Total
Revenue	**$'000**	**$'000**	**$'000**	**$'000**
Revenue from Contracts with Customers				
Service revenue	15,511	2,242	-	17,753
Transactional income	907	477	-	1,384
Other service revenue	124	39	-	163
Short term rentals	270	29		299
Sale of goods	1,246	618	(986)	878
total revenue from contracts with customers	18,058	3,405	(986)	20,477
Other Revenue				
Other revenue	38	3	-	41
Total segment revenue	18,096	3,408	(986)	20,518
Additions to non current assets	7,026	1,179	-	8,205
Non current assets	36,383	5,152	(951)	40,584

6. Revenue

Due to the transition method chosen in applying NZ IFRS 15, comparative information has been restated to reflect the new requirements.

A. Revenue streams

The Group generates revenue primarily from service contracts with customers for the provision of eftpos terminals and transaction processing on the eftpos terminals together in some cases with software development and the sale of eftpos terminals. Other minor sources of revenue include service income from short term contracts and ancillary services. See note 5 Segment Information above for the composition of revenue from contracts with customers.

B. Disaggregation of revenue from contracts with customers

In Note 5 Segment Information above, revenue from contracts with customers is disaggregated by primary geographical market and service lines. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

Below the revenue is analysed by major products and service lines and timing of revenue recognition.

Major products and service lines	**Group**	
	2019	**2018 Restated**
	$'000	**$'000**
Eftpos terminal service	17,026	17,753
Transaction processing	3,377	1,384
Direct sales	254	878
Other	438	462
Total revenue from contracts with customers	21,095	20,477

Timing of revenue recognition	**Group**	
	2019	2018 Restated
	$'000	$'000
Services transferred at point in time	3,815	1,846
Services transferred over time	17,026	17,753
Products transferred at point in time	254	878
Total revenue from contracts with customers	21,095	20,477

Contract costs	**Group**	
	2019	2018
	$'000	$'000
Costs to obtain contracts	867	852

Costs relate to sales commissions to obtain service contracts and are amortised over the term of the contracts (refer note 17).

c. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

Receivables which are included in trade and other receivables	Group	
	2019	2018
		Restated
	$'000	$'000
Contract Assets	930	1,260
Contract Liabilities.	-	-
	930	1,260
Contract Assets		
Opening Balance	1,260	1,331
Additions	126	353
Transfers out	(450)	(411)
FX adjustment	(6)	(14)
Closing Balance	930	1,260

The contract assets primarily relate to the Group's rights to consideration for services provided but not billed at the reporting date on eftpos terminal service contracts. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer (refer note 12 Trade Receivables).

The contract liabilities primarily relate to the advance consideration received from customers for eftpos service contracts, for which revenue is recognised over time. The amount of revenue recognised in the period ended 31 March 2019 from performance obligations satisfied (or partially satisfied) in previous periods is nil.

d. Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following provides information for each of the types of service/product the Group provides about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

i) Eftpos terminal services

Nature and timing of satisfaction of performance obligations, including significant payment terms

The eftpos terminal service provided to the customer is a service made up of the following, with a single performance obligation.

- Provision of the hardware -
- Provision of the software -
- Provision of maintenance and repairs.

The customer is provided with the continuous use of an eftpos terminal, i.e. the hardware, software and support service, for the duration of the contract and does not provide a specified quantity of services. The underlying activities in providing the terminal can vary from day to day, however the daily services are activities performed to fulfil the service are substantially the same. Consequently, for each period (1) it is providing an integrated service; (2) the customer is continuously receiving substantially the same benefit, which is distinct and (3) each increment of time is substantially the same.

During the term of the contracts the customer pay an amount per terminal per month depending on the type of terminal provided, the term of the contract and the number of terminals provided. In some contracts a deferred period i.e. the rent-free period at the beginning of the contract is given and therefore is regarded as "variable consideration" and is included in the transaction price. A significant financing component does not exist with the Smartpay contracts as the deferred period in the contracts does not exceed 12 months.

Revenue recognition under NZ IFRS 15 (applicable from 1st April 2018)
The monthly payments are recognised evenly through the contract term, taking into account part months at the start and end of the contract. The deferred period included for revenue recognition and the payments are spread through the term of the contract.

The service is provided and the customers consumes the benefit of the service over time. Firstly, the provision of the eftpos terminal and service contract is considered to be a single performance obligation. The customer is provided with the eftpos terminal for the duration of the contract and ensures that the eftpos terminal functions properly for the duration of the contract. Consequently, the customer is able to transact on the eftpos terminal from the day the terminal is installed to the day the terminal is returned. These dates will essentially coincide with the duration of the contract.

Previous Revenue recognition (applicable before 1st April 2018)
The contracts with customers were treated as an operating lease in accordance with NZ IAS 17 Leases. There is no change in the quantum and timing of revenue recognised for the majority of the eftpos terminal contracts with customers through the adoption of NZ IFRS 15 and NZ IFRS 16 even though the revenue from customers is recognised as service revenue and not revenue from leasing assets. However the adoption of NZ IFRS 15 and 16 did change the revenue recognised in respect of one of our eftpos terminal contracts and Retail Radio contracts and this change has been disclosed in note 2aa, Changes in Accounting Policies.

ii) Transactional processing services
Nature and timing of satisfaction of performance obligations, including significant payment terms
The transactional processing service is a bundled service made up of the following components.
- Provision of transaction processing
- Provision of support services

In respect of the transaction processing and the support services, we have relied on the practical expedient given that if the performance obligations were unbundled the amount recognised in the financial statements would be the same. We therefore consider that the two performance obligations are combined into a single performance obligation.
The customer consumes the benefit of the transaction bundled service at a point in time. The provision of the transaction processing and support service is a single performance obligation. Smartpay provides the transaction processing service and support for the duration of the contract.

Revenue recognition under NZ IFRS 15 (applicable from 1 April 2018)
The transaction processing service revenue is recognised as the processing service is performed.

Revenue recognition under NZ IAS 18 (applicable before 1 April 2018)
There is fundamentality no change in revenue recognition as a result of adopting NZ IFRS 15.

iii) Sale of Eftpos terminals
Nature and timing of satisfaction of performance obligations, including significant payment terms

Customers obtain control of the eftpos terminals when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30 days. No discounts are provided, the transaction price is agreed with the customer at the time of entering into the agreement for sale.

Revenue recognition under NZ IFRS 15 (applicable from 1 April 2018)
Revenue is recognised when the goods are delivered and have been accepted by customers at their premises. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Revenue recognition under NZ IAS 18 (applicable before 1 April 2018)
Revenue was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred, provided that a reasonable estimate of the returns could be made.

7. Other Income

The following items are included in other income:

	Group	
	2019	2018
	$'000	$'000
Bad debts recovered	15	16
	15	16

8. Expenditure

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

Operating Expenditure	**Note**	**Group**	
		2019	**2018 Restated**
		$'000	**$'000**
Terminal and associated costs		2,168	860
Terminal Communication & servicing costs		800	445
Compliance, IT and Marketing costs		2,179	1,325
Employee costs net of capitalised amounts		8,195	6,350
Occupancy costs		249	294
Other costs		718	862
Travel and accommodation		386	373
		14,695	10,509

Depreciation and Amortisation		**Group**	
		2019	**2018 Restated**
		$'000	**$'000**
Depreciation of property, plant and equipment			
Merchant terminals	15	3,346	3,203
Computer equipment	15	135	252
Motor vehicles	15	-	15
Furniture, fixtures and office equipment	15	81	85
Right-of-use assets	16	467	312
Amortisation of contract costs and intangible assets			
Contract costs	17	629	447
Software	17	1,453	1,474
Customer contracts	17	424	423
		6,535	6,211

Auditors Fees included in operating expenditure	**Group**	
	2019	**2018**
	$'000	**$'000**
Audit fees to the principal auditor (note 1)	143	122
Fees for tax services to the principal auditor (note 2)	13	-
	156	122

Fees paid to the principal auditor were for:

1. Annual audit of the consolidated financial statements

2. Fees for tax advisory

Operating expenditure includes the following costs	Group	
	2019	2018 Restated
	$'000	$'000
Bad debts written off	54	90
Impairment provision for receivables	57	-
Net loss/ (gain) on disposal of assets	14	(1)
Directors fees and directors consulting fees	166	150
Net foreign exchange losses/ (gains)	4	5

Net finance costs	Group	
	2019	2018
	$'000	$'000
Other interest received	(54)	(50)
Interest on bank overdrafts and borrowings	1,291	1,419
Interest on lease liabilities	66	89
Convertible note interest paid	452	-
Convertible note amortisation	394	-
Change in fair value of convertible note	(155)	-
Change in fair value - interest rate swap (note 13)	(158)	(92)
Change in fair value - foreign exchange contract (realised and unrealised)	(24)	16
Finance transaction fees amortisation	2	14
	1,814	1,396

Impairments	Group	
	2019	2018
	$'000	$'000
Merchant terminal impairment write off	220	179
Merchant terminal impairment provision	270	-
	490	179

9. Taxation Expense / (Credit)

	Group	
	2019	**2018**
	$'000	**$'000**
Income tax expense comprises:		
Current income tax benefit	309	227
Deferred tax benefit	118	119
Income tax benefit	427	346
Reconciliation between charge for year and accounting profit		
Loss / profit before tax	(2,255)	2,224
Income tax at 28%	631	(623)
Add/(deduct) the tax effect of:		
Non-deductible expenses	(1,011)	(488)
Non-assessable income	181	241
Temporary differences not recognised	251	969
Tax benefit recognised	309	227
Australian tax rate differences	66	20
Income tax benefit	427	346

The tax rate used in the above reconciliation is the corporate tax rate applicable at 31st March 2019 payable on taxable profits under New Zealand (28%) and Australian tax law (30%). The current income tax benefit recognised relates to the R&D grant received from Inland Revenue.

The deferred tax benefit arises from the amortisation of the customer contracts acquired.

10. Earnings per Share

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

	Group	
	2019	2018
Basic earnings per share - cents	$'000	$'000
Loss/profit for the period	(1,828)	2,570
Weighted average number of shares ('000)	171,752	171,752
Basic earnings per share - cents	(1.06)	1.50

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and a 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 a weighted average number of ordinary shares whether issued or able to be issued during the year. For 2019 the share options and convertible notes were not dilutive so the calculation excludes the impact of the share options 1,000,000 shares (2018:1,000,000 shares) and convertible notes 30,000,000 shares (2018: Nil) potentially issuable, consequently the diluted earnings per share is equivalent to the basic earnings per share.

11. Cash and Bank Balances

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding overdrafts.

	Group	
	2019	2018
Cash and cash equivalents	$'000	$'000
Cash at bank and in hand	2,407	954
Total cash and cash equivalents	2,407	954
Other bank balances		
Merchant settlement account	715	1,203
Secured Deposit	235	239
Total cash and bank balances	3,357	2,396

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value. The carrying amount in the Merchant Settlement account represents the surplus cash balances the Group holds on behalf of its customers when the incoming amount from the card schemes precedes the funding obligation to customers. The funds in the secured deposit account are on fixed deposit for more than 90 days.

12. Trade and Other Receivables

	Group	
	2019	2018 Restated
	$'000	$'000
Accounts receivable	1,860	1,239
Less impairment allowance on receivables	(66)	(9)
Less provision for kit recovery	(328)	(244)
Merchant receivables	6,520	2,457
Accrued revenue (contract assets see note 6.c)	930	1,260
Prepayments	392	287
Total trade and other receivables	9,308	4,990

Movements	Group	
	2019	2018 restated
	$'000	$'000
Allowance for impairment on receivables		
Balance at 1 April 2018 under NZ IAS 39	(9)	(9)
Adjustment on initial application of NZ IFRS 9	0	-
Balance at 1 April 2018 under NZ IFRS 9	(9)	(9)
Amounts written off	22	16
Net remeasurement of loss allowance	(79)	(16)
Balance at 31 March 2019	(66)	(9)
Provision for Kit Recovery		
Opening balance	(244)	(153)
Additions to the provision for exposure to recovery recognised in the Statement of Comprehensive Income	(834)	(1,260)
Recovered from customer	49	68
Provision utilised or terminal recovered	701	1,101
Closing balance	(328)	(244)

An allowance for impairment loss is recognised when there is objective evidence that a receivable is impaired. The Group manages its receivables in line with its approved credit control procedures see note 4 b. The Merchant receivables are amounts due from the card schemes for transactions processed on behalf of customers. Provision for Kit Recovery is an estimate of the costs of recovering terminals from customers. Trade receivables and the merchant receivables are held at a value equivalent to their fair value.

13. Derivative Financial Instruments

i)The Group's subsidiary Smartpay New Zealand Limited has entered into two interest rate swap transactions with ASB Bank Limited. The original interest rate swap was renewed on 30 November 2016, effective 30th December 2016 for a notional amount of $13,500,000 decreasing by $562,500 per quarter and terminates on 28th June 2019 whereby the Group pays fixed 3.55% and receives floating rate (90 day bill rate BKBM). The fair value is included in current and non current liabilities . On 30th November 2016 effective 30th December 2016 a second swap was entered into to hedge the capex facility for a notional principal of $7.5 million whereby the Group pays fixed 2.56% and receives floating (90 day bank bill rate BKBM). The 2 swaps mature in June 2019.

Fair Value

	Group	
	2019	**2018**
	$'000	**$'000**
Swap A	(12)	(166)
Swap B	(35)	(39)
Foreign exchange contracts	-	(3)
Total	(47)	(208)
Current	(47)	(164)
Non Current	-	(44)
Total	(47)	(208)

14. Subsidiary Companies

The consolidated financial statements include the financial statements of Smartpay Holdings Limited and the subsidiaries listed in the following table.

	Equity Interest		Place of Incorporation	Activities
	2018	2017		
Subsidiaries				
Smartpay Limited	100%	100%	NZ	Product and services
Smartpay New Zealand Limited	100%	100%	NZ	Product and services
Smartpay Software Limited	100%	100%	NZ	Software ownership
Viaduct Limited	100%	100%	NZ	Non-trading
Smartpay Rental Services Limited	100%	100%	NZ	Rental of equipment
Smartpay Australia Pty Limited	100%	100%	Aust	Product and services
Smartpay Rentals Pty Limited	100%	100%	Aust	Rental of equipment
Cadmus Payment Solutions Pty Limited	100%	100%	Aust	Product and services
Pax Technology Pty Limited	100%	100%	Aust	Non-trading
Smartpay Taxis Pty Limited	100%	100%	Aust	Rental of equipment
Smartpay Epayments Pty Limited	100%	100%	Aust	Non-trading
Smartpay Ethos Limited	100%	100%	NZ	Software ownership
Product Rentals Pty Limited	100%	100%	Aust	Rental of equipment

All subsidiary companies have the same balance date as the their parent company of 31st March and all subsidiaries were owned for the full financial year.

15. Property, Plant and Equipment

	Merchant terminals at cost		Furniture, fixtures and office equipment at cost		Computer equipment at cost	
	2019	2018 Restated	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Opening carrying value	11,295	12,112	131	206	193	280
Additions	848	584	190	10	318	165
Transfers from capital work in progress	1,264	2,081	-	-	-	-
Depreciation	(3,346)	(3,203)	(81)	(85)	(135)	(252)
Disposals	-	-	-	-	(2)	-
Cost of sales	(16)	(25)	-	-	-	-
Impairment	(488)	(164)	-	-	-	-
FX adjustments	(73)	(90)	-	-	-	-
Closing carrying value	9,484	11,295	240	131	374	193
Capital work in progress						
Opening carrying value	1,329	2,235	-	-	-	-
Additions	2,321	1,771	-	-	-	-
Transfers to fixed assets	(1,264)	(2,081)	-	-	-	-
Cost of sales	(348)	(563)	-	-	-	-
Impairment	(2)	(15)	-	-	-	-
FX adjustments	(14)	(18)	-	-	-	-
Closing carrying value	2,022	1,329	-	-	-	-
Total	11,506	12,624	240	131	374	193
Reconciled to:						
Cost	23,086	19,943	510	398	916	611
Less accumulated depreciation and impairment	(13,332)	(8,648)	(270)	(267)	(542)	(418)
Less impairment provision	(270)	-	-	-	-	-
Closing carrying value	9,484	11,295	240	131	374	193
Capital work in progress	2,022	1,329	-	-	-	-
Total	11,506	12,624	240	131	374	193

	Motor vehicles at cost		Group Total	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Opening carrying value	-	15	11,619	12,613
Additions	1	-	1,357	759
Transfers	-	-	1,264	2,081
Depreciation		(15)	(3,562)	(3,555)
Disposals	-	-	(2)	-
Cost of sales	-	-	(16)	(25)
Impairment	-	-	(488)	(164)
FX adjustments	-	-	(73)	(90)
Closing carrying value	1	-	10,099	11,619
Capital work in progress				
Opening carrying value	-	-	1,329	2,235
Additions	-	-	2,321	1,771
Transfers	-	-	(1,264)	(2,081)
Cost of sales	-	-	(348)	(563)
Impairment	-	-	(2)	(15)
FX adjustments	-	-	(14)	(18)
Closing carrying value	-	-	2,022	1,329
Total	1	-	12,121	12,948
Reconciled to:				
Cost	63	81	24,575	21,033
Less accumulated depreciation and impairment	(62)	(81)	(14,206)	(9,414)
Less impairment provision			(270)	-
Closing carrying value	1	-	10,099	11,619
Capital work in progress	-	-	2,022	1,329
Total	1	-	12,121	12,948

Merchant terminals represents the equipment provided to customers, primarily EFTPOS terminals.

ASB Bank Ltd has a general security over the assets of the Parent and certain subsidiaries.

16. Right-of-Use Assets

Right-of-use assets are principally the rental of offices, and other assets such as motor vehicles.

	Right-of-use Property at cost		Other Right-of-use assets at cost		Group Total	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Opening carrying value	1,732	1,232	30	-	1,762	1,232
Additions	-	812	38	45	38	857
Amortisation	(444)	(312)	(19)	(15)	(467)	(327)
Disposals	-	-	-	-	-	-
FX adjustments	(13)	-	-	-	(9)	-
Closing carrying value*	1,275	1,732	49	30	1,324	1,762
Reconciled to:						
Cost	2,261	2,253	83	45	2,344	2,298
Less accumulated amortisation	(986)	(521)	(34)	(15)	(1,020)	(536)
Closing carrying value	1,275	1,732	49	30	1,324	1,762

Refer to note 23 for details of the Lease Liability associated with these assets.

17. Intangible Assets

Software and development costs are intangible assets.

	Software and development costs at cost		Customer contracts at cost		Group Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Opening carrying value	8,203	5,443	2,047	2,470	10,250	7,913
Additions	4,973	4,251	-	-	4,973	4,251
Amortisation	(1,453)	(1,474)	(424)	(423)	(1,877)	(1,897)
Disposals	(6)	(10)	-	-	(6)	(10)
FX adjustments	(4)	(7)	-	-	(4)	(7)
					-	-
Closing carrying value*	11,713	8,203	1,623	2,047	13,336	10,250
Reconciled to:						
Cost	15,777	12,819	4,235	4,235	20,012	17,054
Less accumulated amortisation	(4,064)	(4,616)	(2,612)	(2,188)	(6,676)	(6,804)
Closing carrying value	11,713	8,203	1,623	2,047	13,336	10,250

* This balance includes development in progress totalling $4,096,000 (2018 $3,838,000)

The directors have considered the carrying value of software and development and have concluded no provision is required.

Significant Software and Development

(i) Internally Developed Software
Internally developed software to operate and manage the EFTPOS terminals has a carrying value of $11,713,000 (2018: $8,203,000) including work in progress software of $4,096,000 (2018: $3,838,000).

The Group undertakes development in New Zealand in relation to projects on its eftpos terminal fleet for both New Zealand and Australia. The combination of the development undertaken in this financial year and previous financial years resulted in the completion of internally developed software amounting to $4,646,000 (2018 $877,000). The work in progress software amounting to $4,096,000 (2018: $3,838,000) relates to ongoing eftpos terminal development, the development of the internal Enterprise Resource Planning (ERP) system, the development of the transaction processing and merchant management system to support the Merchant Acquiring business. Phase one of the Merchant Acquiring processing system became operational during this financial year. This release has allowed Smartpay to launch a number of acquiring products into market during the financial year. The second phase of development on the system is currently under development and will ensure the system remains resilient and robust as well as providing new products and enhancements to the existing platform.

Customer Contracts
Customer contracts relate to the terminal contracts purchased as part of the business combination of Viaduct. The customer contracts acquired as part of a business combination are valued at fair value.

Contract Costs
Contract costs are commissions paid to employees and third parties for service contracts and amortised over the life of the contract.

Contract Costs

Contract costs are commissions paid to employees and third parties for service contracts and amortised over the life of the contract.

	Group	
	2019	**2018**
	$'000	**$'000**
Opening carrying value	852	725
	-	-
Additions	649	583
Amortisation	(629)	(447)
Disposals	-	-
FX adjustments	(5)	(9)
Closing carrying value	867	852
Reconciled to:		
Cost	1,879	1,534
Less accumulated amortisation	(1,012)	(682)
Closing carrying value	867	852

18. Goodwill

	Group	
	2019	**2018**
	$'000	**$'000**
Opening value net of accumulated impairment	14,772	14,772
Impairment	-	-
Closing carrying value	14,772	14,772
Reconciled to:		
Cost	14,772	14,772
Less accumulated impairment	-	-
Closing carrying value	14,772	14,772

Impairment

At 31st March 2019 and 2018 the directors tested the goodwill for impairment. The impairment testing was performed over the New Zealand business on the basis that the goodwill relates only to New Zealand. The recoverable amount was determined by taking the value in use compared to the carrying amount. The value in use was also tested against market capitalisation. This testing indicated no impairment had occurred.

The value in use methodology has been applied using past experience of sales, growth and margin to determine the expectations for the future. These cash flows are based on the Directors' view of the projected cash flows for 2 years and beyond that used an average growth rate to give an average growth in gross margin for years 1 to 5 of 1%. For cash flows beyond 5 years a terminal value has been used based on the average of the 5 years net cash flows. The cash flows are discounted using a nominal rate of 11.5% after tax.

Adverse changes in actual performance or future rates of growth will reduce the calculated recoverable amount. A change to a discount rate of 12.64%, reduction in revenue of 7.5% or an 16% reduction in the terminal value is required for the carrying amount of goodwill to equal the recoverable amount.

Forecast capital expenditure for the New Zealand business includes spend on software development and terminals. The assumptions have been based on past experience and include forecast fleet upgrades. The carrying value used includes Net working capital and Total fixed assets including software for the New Zealand business.

The assumptions are considered to be a view of the reasonable outcomes as the business is mature and there are no significant uncertainties.

19. Deferred Tax Asset / (Liability)

	Group	
Movements in deferred tax:	2019	2018
	$'000	$'000
Opening balance	(212)	(331)
Charge to profit and loss	118	119
Balance at end of the year	(94)	(212)
Deferred tax balance reconciliation:		
Employee entitlements	118	92
Receivables impairment provision	7	3
Non deductible accruals	35	99
Revenue recognition differences	2,238	2,938
Computer software and development and customer contracts	(454)	(573)
Deferred tax asset not recognised for accounting	(2,038)	(2,771)
Total deferred tax balance	(94)	(212)
Deferred tax liability - New Zealand	(94)	(212)

a. Tax losses

The Group has aggregate estimated New Zealand net tax losses of $22,338,000 as at 31st March 2019 (31st March 2018 actual $22,427,000) and in Australia estimated net tax losses at the same date of A$8,719,000 (31st March 2018 actual A$5,511,000). Subject to IRD confirmation and maintaining the required shareholder continuity, these losses are available to carry forward in aggregate from the individual New Zealand companies within the Group. In Australia a different test is required to carry forward and utilise the losses. This requires that the same business continues to be conducted to maintain the availability of the losses. There are no plans to change the type of business.

In prior years deferred tax assets were recognised for deductible temporary differences as the Directors considered that it was probable that future reversal of deferred tax liabilities would off-set the temporary differences. However the Directors reversed the deferred tax asset in 2013 as it was no longer probable that the losses could be utilised over the next 2 to 3 years. On completion of the 2018 tax returns the continuity has remained constant and no further tax losses have been forfeited, however in 2019 $1,100,000 (2018: $800,000) of tax losses have been utilised in relation to the R&D grant. Utilisation of tax losses requires that the shareholder continuity remains above 49%. Currently based on the reset date shareholder continuity is above this threshold. Because of the uncertainty of when these losses will be utilised no losses have been recognised for 2019. The deferred tax liability recognised relates to the customer contracts acquired from Viaduct.

20. Trade Payables and Accruals

	Group	
	2019	2018
	$'000	$'000
Trade payables	1,790	1,096
Merchant payables	7,662	3,658
Other payables	103	77
GST	226	179
Accruals	379	292
Employee entitlements	674	565
Total trade payables and accruals	10,834	5,867

Trade payables are typically non-interest bearing and are normally settled in 7–60 day terms.

Within trade payables are accrued costs of nil (2018:$Nil) for capex purchases.

Merchant payables represents amounts that are due to acquiring customers in respect of transactions that have been processed.

21. Income Tax Payable/(Receivable)

	Group	
	2019	2018
Current Tax	$'000	$'000
Opening balance	(13)	(173)
Tax refund on R&D grant	-	140
RWT credits (received)/used	(11)	20
Balance at end of the year - receivable	(24)	(13)

The tax refund in 2018 relates to the R&D grant for the 2017 year now received.

Imputation credit account balances

Neither the Parent company or any of the subsidiary companies have any material imputation credit account balances.

22. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans which are measured at amortised cost. For more information about the Groups exposure to interest rate, foreign currency and liquidity risk see note 31.

	Group	
	2019	2018
Borrowings	$'000	$'000
Secured - at amortised cost		
Current	3,000	2,998
Non-current	18,224	21,224
Total Borrowings	21,224	24,222
The following arrangement fees have been deducted from the debt above.		
Arrangement fees	724	724
Amortisation of arrangement fees	(724)	(722)
	-	2

a. Summary of borrowing arrangements

On 11th July 2012 the Group's subsidiary Smartpay New Zealand Limited entered into a term loan facility and a committed cash advance facility (CAF) with ASB Bank Limited. During the year the term loan facility and CAF was extended until 31st January 2020. Quarterly amortisations of the term loan facility amount to $750,000. A total of $3,000,000 was repaid in this financial year. The accumulative drawdowns on the CAF facility amounted to $9,974,000.

The interest rate is the BKBM (90 day bill rate) plus a margin set at 2.25%. In addition a line fee is payable quarterly and is currently set at 1.50% based on the facility limit. In conjunction with the extension of the term loan facility the interest rate swap was restructured and another interest rate swap was entered into on 30th November 2016 in respect of 75% of the interest obligations which mirrors the amortisation profile of the term loan facility. The swap requires Smartpay to pay a fixed rate of interest of 3.55% and receive floating rate of interest based on the 90 day bill rate (BKBM). A second interest rate swap was entered into on 30th November 2016 to hedge the interest rate risk on the capex facility. The swap has a notional principal of $7,500,000 and requires Smartpay to pay a fixed interest rate of 2.56% and receive floating based on the 90 day bank bill rate (BKBM).

The CAF remains in place until 30th June 2020, each drawdown on the facility is provided on 90 day terms and rolled over.

ASB Bank Limited has security over all the assets of the Group with all companies in the Group providing cross guarantees and indemnities in favour of the Bank (refer to note 14 for a list of the group companies).

The specific covenants relating to financial ratios the group was required to meet in 2019 are:

i) Interest cover ratio

ii) Net leverage ratio

The covenants were monitored and reported to the ASB Bank Limited on a quarterly basis. The Company was in compliance with its covenants during the period.

23. Lease Liabilities

Leases as Lessee

Non cancellable lease liabilities are payable as follows:

Lease Commitments	Group	
	2019	2018
	$'000	$'000
Within one year	495	460
After one year but not more than five years	1,045	1,518
Total lease liability commitments	1,540	1,978

The Groups leases its office and warehouse premises situated at 205 Wairau Road. The lease period of the new premises is 6 years from December 2015. The Group also leases small office premises in Sydney and Wellington.

The Group also leases various motor vehicles under cancellable operating lease agreements.

24. Convertible Notes

On 16th July 2018 15 convertible notes were issued with a face value of A$500,000 each for an aggregate value of A$7,500,000 (NZ$8,226,000) and carry an interest rate of 8% per annum. The notes mature at 16th October 2020 and are convertible into 30,000,000 ordinary shares at A$0.25 per share at the option of the noteholder. The convertible noteholders have the option to convert the notes to shares at any time during the course of the period of the note on the same terms

The convertible notes have characteristics associated with a financial liability as they have an obligation to make fixed interest payments, and deliver cash on redemption in the event that the holder does not exercise the conversion option. All payments are in Australian dollars(AUD).

The option is an embedded derivative within the host liability. The option did not meet the requirements of an equity instrument as the option represents an obligation to issue a fixed number of shares for a variable amount of cash. Although, the cash is fixed in AUD terms, it is variable in NZD and the amount to be settled depends on the foreign exchange rate at the date of settlement.

Measurement

The fair value of the option was determined using the Black Scholes model. The inputs to the Black Scholes model at the date of issue were as follows; an underlying share price at the date of issue of AU18 cents, a strike price of AU25 cents, a volatility in the share price of 48.75% and the time to expiry of the option of 2.25 years together with a risk free rate of 1.84% and a rate of exchange in the AU dollar of 0.91. At balance date the share price had changed to AU19 cents, the time to expiry had reduced to 1.55 years and the exchange rate was 0.95, the other variables remained the same.

The host contract liability's (i.e.the loan component) carrying value at initial recognition is the residual difference between the fair value of the convertible notes and the option's fair value. As the option was not closely related to the host contract it was separately recognised. The reason for this is that the fair value of the conversion feature is affected by changes in the fair value of AUD denominated Smartpay's shares, while the fair value of the loan is not.

The convertible note loan is then accounted for at amortised cost with foreign exchange differences recognised in the income statement on translation of the financial liability. The option liability is measured at fair value, with changes in the fair value being recorded in the profit and loss. In addition a calculation was required to impute an interest rate between the host contract liability at inception and maturity to unwind over time. being recorded in the profit and loss.

Carrying value at initial recognition at 16th July 2018 (NZD unless stated otherwise)	**$'000**	**$AUD'000**
Convertible note	**7,158**	**6,526**
Option	**1,068**	**974**
	8,226	**7,500**
less Fees	411	375
	7,815	7,125
Option fair value movement	(155)	
Amortisation (option and fees)	394	
Unrealised FX movement	(331)	
Convertible note balance at 31st March 2019	7,723	

Convertible Notes ageing	**Group**	
	2019	**2018**
	$'000	**$'000**
Within one year	-	-
After one year but not more than five years	7,723	-
Total convertible notes net of arrangement fees	7,723	-

Movement in Fair value of the option		
Fair value at 16 July 2018	1,068	-
Fair value at 31 March 2019	913	-
Movement in fair value of the option	155	-

25. Share Capital

Share Capital	Group 2019 $'000	Group 2018 $'000
Opening balance	53,454	53,998
Share based payments:		
• Value of share options issued to directors that were amortised during the year.	-	15
• Value of share options issued to directors which were not exercised and which lapsed during the year	-	(559)
Total shares issued during the year	-	(544)
Balance at end of the year	53,454	53,454

a) Ordinary Shares

As at 31st March 2019 there were 171,752,278 (2018:171,752,278) ordinary shares on issue. No new shares were issued during 2017/18 or in 2018/19. All ordinary shares are fully paid and rank equally with one vote attaching to each share. The ordinary shares have no par value. Ordinary shares are considered equity.

Movements in the Number of Ordinary Shares on issue	Group 2019 000's	Group 2018 000's
Opening balance	171,752	171,752
No movements	-	-
Balance at end of the year	171,752	171,752

b) Share Options

There were no movements in share options during the 2019 financial year and during the prior year the only movements related to options lapsing at 31st March 2018.

Movements in the Management Share Options on issue

	Group 2019 000's	Group 2018 000's
Opening balance - weighted average exercise price per share: 2019 60.0c (2018 60.0c)	2,000	14,000
Options lapsed - weighted average exercise price per share 2019: nil (2018: 57.0c)	-	(12,000)
Closing balance - weighted average exercise price per share: 2019 60.0c (2018 60.0c)	2,000	2,000
Weighted average remaining contractual life of outstanding options (years)	0.750	1.750

In 2019 Nil Management options for Nil shares lapsed. At 31st March 2018 12,000,000 options for 6,000,000 shares at 57.0c per share lapsed.

Other than options lapsing there were no other movements in these options in either 2019 or 2018.

Option Pricing Assumptions

The options have been valued using the Black Scholes option pricing model to obtain their fair value which has been expensed on a pro rata basis according to the time expired. Volatility was considered on an historical basis but following the acquisition of the Viaduct assets in 2013 this has been amended to reflect the significantly different scale of the Group.

The assumptions used were:

	2019	2018
	Management 2013 Tranche 1	Management 2013 Tranche 1
Number of options issued (000) as performance incentive to management		
Number of options fair valued (000)	2,000	2,000
Number of shares	1,000	1,000
Risk-free interest rate	3.3%	3.3%
Exercise price (per share)	60.0c	60.0c
Share price at measurement date post 1:2 share consolidation	33 cents	33 cents
Volatility	50%	50%
Life of options	82 months	82 months
Exercise on or before	31/12/19	31/12/19
Dividend yield	-	-
Fair value	1.08 cents	1.08 cents

c) Convertible Notes

During the year as part of the issue of the Convertible Notes an option is attached to the noteholders to convert to 30,000,000 shares (see note 24 above)

Capital Management

The main objective of capital management is to ensure the entity continues as a going concern, meets debts as they fall due, maintains the best possible capital structure and reduces the cost of capital.

Share capital is regarded as equity as shown in the Statement of Financial Position.

To maintain or alter the capital structure the Group has the ability to issue new shares, decide whether to pay a dividend to shareholders and what size that may be, reduce or increase debt or sell assets.

Gearing Ratios

	Group	
	2019	2018
	$'000	$'000
Total borrowings, lease liabilities and convertible notes (see note 22 to 24)	30,487	26,200
less Cash and cash equivalents (see note 10)	(2,407)	(954)
Net debt	28,080	25,246
Total Equity	13,647	15,496
Total Capital	41,727	40,742
Ratio of Net debt to Total Capital	67.3%	62.0%

26. Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all exchange rate differences arising from translating the financial statements of the foreign currency operations (see Note 2 g (ii)).
Movements are shown in the Statement of Changes in Equity.

27. Operating Cash Flows Reconciliation

	Group	
	2019	2018 Restated
	$'000	$'000
Loss/profit for the period	(1,828)	2,570
Add/(deduct) non-cash items:		
Depreciation & amortisation	6,535	6,204
Loss/(gain) on disposal of fixed assets	14	-
Share based payments	-	15
Financing costs and bad debts	147	103
Convertible note option and fees	(110)	-
Unrealised foreign exchange	165	-
Tax benefit	(118)	(119)
Impairment charges	490	179
Add/(deduct) changes in working capital items:		
Trade and other receivables	(264)	(296)
Derivative financial instruments	(161)	(57)
Payables and accruals	605	139
Provision for current tax	(11)	160
Net cash inflow/(outflow) from operating activities	5,464	8,898

28. Contingencies

Guarantees

The Group has provided bank guarantees in favour of NZX of $75,000 (2018: $75,000) and for the Sydney office of A$138,000 (2018: A$138,000) are issued.

ASB Bank Limited has security over all the assets of the Group with all companies in the Group providing cross guarantees and indemnities in favour of the Bank (refer to note 14 for a list of the group companies).

The Group has a secured bank deposit with Cuscal Limited amounting to $235,000 (2018: $239,000).

29. Capital Commitments

The Group has no capital commitments at 31st March 2019 (2018: Nil).

30. Related Parties

Parent and ultimate controlling party

The parent company of the Group and the listed entity is Smartpay Holdings Limited.

Identity of related parties with whom material transactions have occurred.

Note 14 identifies all entities within the Group. All those entities are related parties of the Parent. In addition, the directors, companies with which the directors and key management are associated and key management personnel of the Group are also related parties.

a. Transactions with directors and key management or entities related to them

Gregor Barclay is a Director and principal of Ngatapa Trust, and provided consulting services in relation to Directors' fees on normal commercial terms amounting to $60,000 (2018: $60,000).

Bradley Gerdis is the Managing Director of Smartpay Holdings Limited. He is a Director of Haymaker Investments Pty Limited (HIL) which is the Trustee of the Haymaker Trust which is a shareholder of Smartpay Holdings Limited.

Bradley Gerdis or his associated entities have received:

- Salary received A$576,000, NZ$601,000 (2018: A$543,000, NZ$577,000) which included a bonus of A$138,000 NZ$144,000 (2018: A$125,000, NZ$133,000).

HIL is a shareholder of the Company and Bradley Gerdis has an interest in these shares by virtue of being a potential beneficiary of a discretionary trust. HIL holds 6,515,422 (2018: 6,515,422) ordinary shares.

Martyn Pomeroy is Chief Operating Officer at Smartpay since January 2013 and is a shareholder and director of TEOV Limited (formerly Viaduct Limited) whose assets were acquired by Smartpay on 23rd January 2013. He holds 2,000,000 (2018: 2,000,000) options to purchase 1,000,000 (2018: 1,000,000) shares - the options can be exercised by 31st December 2019 at an exercise price of 60 cents per share. At 31st March 2019 he holds 3,399,053 shares (2018: 3,399,053) directly. Martyn Pomeroy was appointed a director of the Company on 1st April 2014.

Martyn Pomeroy or his associated entities have received:

- Salary received $417,000 (2018: $398,000) which included a bonus of $99,000 (2018: $90,000).

Matthew Turnbull was appointed a Director of the Company on 1st April 2013 and is also a Director of Black Rock Capital Limited, and received Directors' fees of $55,000 (2018: $55,000).

Bruce Mansfield resigned as a director of the Company on 7th September 2018 and received Directors fees of $24,000 (2018:$27,000)

William Pulver was appointed a director of the Company on 11th December 2018. New Greenwich Pty Ltd (as trustee of the New Greenwich Superannuation Fund) is a shareholder of the Company and William Pulver has an interest in 1,575,413 shares by virtue of being a potential beneficiary of the Superannuation Fund. New Greenwich Pty Ltd is a holder of convertible notes issued by the Company which entitled the holder to purchase shares and holds shares in the Company . Directors fees earned amounted to $16,000.

Carlos Gill was appointed a director of the company on 5th December 2018. He is a director of Microequities Asset Management Pty Ltd and they hold 33,127,406 shares in the Company. He received $17,000 directors fees in 2019.

b. Key management and director compensation

Key management personnel comprises employees who are part of the Senior Management Team (Aidan Murphy and Rowena Bowman). Bradley Gerdis and Martyn Pomeroy are excluded as this information is provided above and is included in Directors remuneration. Key management personnel compensation comprised short term benefits and share instruments for the year ended 31st March 2019 of $442,000 (2018: $366,000). Directors remuneration was $1,018,000 (2018: $1,117,000).

Key Management Compensation	2019	2018
	$'000	$'000
Salaries and other short term employee benefits	442	366

31. Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- foreign exchange risk
- credit risk
- interest rate risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

a. Financial Instruments by Category

Group	Group		
Group	**Measured at fair value through profit and loss**	**Measured at amortised cost**	**Total**
2019	**$'000**	**$'000**	**$'000**
Financial assets			
Cash and bank balances	-	3,357	3,357
Trade and other receivables	-	7,986	7,986
	-	11,343	11,343
Financial liabilities			
Trade payables and accruals	-	9,934	9,934
Derivative financial instruments	47	-	47
Borrowings	-	21,224	21,224
Lease liability	-	1,540	1,540
Convertible notes and option	913	6,810	7,723
	960	39,508	40,468

2018

	Measured at fair value through profit and lost	Measured at amortised cost	Total
	$'000	**$'000**	**$'000**
Financial assets			
Cash and bank balances	-	2,396	2,396
Trade and other receivables	-	3,443	3,443
	-	5,839	5,839
Financial liabilities			
Trade payables and accruals	-	5,123	5,123
Derivative financial instruments	208	-	208
Borrowings	-	24,222	24,222
Lease liability	-	1,978	1,978
	208	31,323	31,531

The financial assets and financial liabilities above are being carried at their cost less any impairment which is considered to approximate fair value.

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

	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)
Liabilities measured at fair value					
Derivative financial liabilities					
Interest rate swap	31-Mar-19	(47)	(47)		
Forward exchange contracts	31-Mar-19	-	-		
Convertible Note option (note 24)	31-Mar-19	(913)		(913)	

There were no transfers between Level 1 and Level 2 during 2019.

	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)
Liabilities measured at fair value					
Derivative financial liabilities					
Interest rate swap	31-Mar-18	(205)	(205)		
Forward exchange contracts	31-Mar-18	(3)	(3)		

There were no transfers between Level 1 and Level 2 during 2018.

b. Foreign currency exchange risk management

The group is not exposed to significant foreign currency risk arising from its Australian operations on the basis that the receivables and payables are denominated in the same foreign currency which is AUD. For accounting purposes, this works as a 'natural' hedge because the gains and losses from the foreign currency risk on all of those items are immediately recognised in profit or loss.

c. Credit risk

Credit risk arises from cash deposits with banks and outstanding receivables.

	Group	
	2019	**2018**
Maximum exposure to credit risk at balance date is:	**$'000**	**$'000**
Cash and cash equivalents	3,357	2,396
Trade receivables (net of impairment)	8,314	3,687

In respect of the lease receivables an analysis of the credit risk is performed on a monthly basis and any contracts for which payment has not been received are identified and categorised for the purposes of determining any impairment if required. The three categories are:

- payments overdue 10-60 days (arrears)
- payments overdue 61-100 days (collections) and
- greater than 101 days overdue (salvage).

The impairment provision includes all the "salvage" category. In 2019 no impairment was made for overdue payments within the "arrears" and "collection" categories.

	2019		2018	
	%	**$'000**	**%**	**$'000**
Arrears	1.60%	41	2.76	54
Collections	0.37%	17	0.06	2
Salvage	0.09%	14	0.07	12
		72		68

The basis for calculating the percentage of overdue payments in each of the categories for arrears, collections and salvage. The dollar amount of overdue payments in each category is compared with the total dollar value of the payments due for the period under each category. For example the "arrears" category includes all overdue by 10 to 60 days consequently the dollar value of total payments due equates to those over a period of 60 days for all rental receivables. In respect of the salvage category the period equates to twelve months for the purposes of determining the total value of payments due.

Immediate action is taken in respect of "arrears" contracts and overdue payments and the majority of overdue payments are rectified within a short period of time, consequently no impairment is recognised. Contracts that fall outside the three categories have met all their payments on time and no impairment is recognised.

d. Interest Rate Risk

Disclosure is required of the fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The Group has entered into interest rate swaps which fixed the interest rate in respect of 75% of the interest payable. The Group has interest rate risk on the residual unhedged portion. At 31st March 2019 if interest rates had changed by -/+ 1% from the year end rates with all other variables held constant, the Group's post tax profit for the period (annualised) and equity would have been $121,000 higher or $121,000 lower. The notional principal of the interest rate swaps is $15,988,000 and the carrying value on the balance sheet is a liability of $47,000 (2018: liability of $208,000).The carrying amount has been determined in accordance with level one above.

e. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In respect of the Group's debt the following table indicates the periods in which they fall due:

	Total	Within 12 Months	Within 1 to 5 years
ASB Bank Limited	21,224	3,000	18,224
Lease liabilities	1,540	495	1,045
Convertible notes	7,723	-	7,723
Total Group Debt	30,487	3,495	26,992

Total Aging of Financial Liabilities Commitments	Total	Within 12 Months	Within 1 to 5 years
Group			
2019			
Trade Payables and accruals	10,834	10,834	-
Future interest payments on borrowings (note 1)	1,854	1,511	343
Borrowings (note 2)	21,224	3,000	18,224
Lease liabilities	1,540	495	1,045
Convertible notes	7,723	-	7,723
	43,175	15,840	27,335
2018			
Trade Payables and accruals	5,867	5,867	-
Future interest payments on borrowings (note 1)	1,540	1,254	286
Borrowings (note 2)	24,224	3,000	21,224
Lease liabilities	1,978	460	1,518
	33,609	10,581	23,028

1. The future interest payment on borrowings includes the net swap receipts and payments based on an estimate of the floating interest rate.
2. Includes the drawn down revolving capex facility of $7,500,000.

32. Subsequent Events

Following balance date the following events have occurred: There have been no events subsequent to balance date.

Independent Auditor's Report

To the shareholders of Smartpay Holdings Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Smartpay Holdings Limited (the company) and its subsidiaries (the group) on pages 25 to 75:

i. present fairly in all material respects the Group's financial position as at 31 March 2019 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 March 2019;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of 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)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the Group in relation to tax services. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $104,000 determined with reference to a benchmark of group revenue. We chose the benchmark because, in our view, this is a key measure of the group's performance and the growth phase of the business means that revenue is a more appropriate benchmark than loss before tax.

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 in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Capitalisation of development asset	
The Group has development assets of $11.7 million as disclosed in note 17 of the financial statements, which relates primarily to internally developed software to operate and manage the EFTPOS terminals. The valuation of the development asset is considered to be a key audit matter due to the significance of the asset and the impact revisions to the Group's business plans have on possible impairment. In addition, management applies significant judgement in determining if it is correct to capitalise amounts to the balance sheet or to expense them.	Our audit procedures included, amongst others: — obtaining and interpreting recent changes in the Group's terminal model strategy and the industry's compliance requirement. Assessing how this impacts whether the development asset is impaired or if the useful life requires shortening; — on a sample basis, determining the nature of expenditure by examining whether the development phase has commenced (and therefore whether the amount should be capitalised). This included considering management's assessment of the possible market, resources the Group has to complete the development assets and whether the product will generate future profits; — assessing the accuracy of calculation of the amount of internal costs based on hours which staff spend for developing software using salary data and timesheets. Based on the procedures performed we conclude that the reported capitalisation of the development asset was appropriate.
Carrying value of terminal assets	
The group has merchant EFTPOS terminal assets of $11.5 million, as disclosed in note 15 of the financial statements. These terminals are held by customers on service contracts. The valuation of terminal assets is a key audit matter due to the significance of the asset and the possibility of impairment. Terminal assets may be impaired due to technology changes and terminal model sunset dates required by the industry compliance requirements.	Our audit procedures included, amongst others: — assessing Management's methodology for writing down slow moving and idle terminals and challenging inputs on a sample basis; — comparing Management's judgments over technological obsolescence to externally obtained compliance requirements; and — performing a count of inventory held in the warehouse and performing testing of terminal assets with customers on a sample basis to confirm their existence Based on the procedures performed we concluded that the reported valuation of the terminal assets was appropriate.

Valuation of goodwill	
The Group has goodwill of $ 14.8 million as disclosed in note 18 of the financial statements, which relates solely to the NZ cash generating unit ('CGU'). Valuation of goodwill is considered to be a key audit matter due to the significance of the intangible asset and the models used in the impairment test included a range of subjective assumptions about future performance. Particular attention was paid to the forecast sales growth and the discount rate.	Our audit procedures included, amongst others: — ensuring the methodology adopted in the impairment model is consistent with accepted valuation approaches; — challenging the appropriateness of the revenue and cost forecasts by comparing these forecasts to actual cash flow and growth rates achieved historically; — Involving a KPMG valuation specialist to challenge management's methodology used in impairment model; — Involving a KPMG valuation specialist to challenge key judgements, which included weighted average cost of capital and terminal growth rate used in the impairment model; — Performing sensitivity analysis considering a range of likely outcomes for various scenarios; — comparing the group's market capitalisation with the net asset value, as an indicator of possible impairment. We challenged management's assumptions in particular around the sales growth rate. After performing a sensitivity analysis using a reasonable range across all inputs we have concurred with management's assessment that no impairment exists.

Valuation and presentation of convertible notes	
Refer to note 24 to the financial statements. The accounting classification of the convertible notes requires interpretation of the complex requirements of the newly effective NZ IFRS 9. The classification and valuation of the financial instruments will require judgmental elections and assumptions to be made by Management.	Our audit procedures included, amongst others: — obtaining Management's assessment of classification and comparing to the requirements of the relevant reporting standards; — reviewing the terms of the original signed agreements to identify additional areas which could have a potentially significant impact on the accounting treatment or related disclosures; — Involving a KPMG valuation specialist to assess the appropriateness of the valuation approach used; — agreeing the fixed inputs including observable share prices and the strike price listed in the agreement as well as challenging judgments made by Management in the valuation. Based on the procedures performed we concluded that the valuation and presentation of the convertible notes was appropriate.

Operation of IT systems and controls	
Refer to note 6 to the financial statements. In-house IT systems were developed to support the functionality of the transactional	As a result of the inability to rely on the IT systems, we were required to revise our audit approach from a controls basis to a purely substantive testing basis. The impact of this change in approach included, amongst others: — reviewing system based reconciliations for errors on a sample basis;

revenue based terminals in the Australian market. IT specialists were engaged to review the suitability of the controls environment within the IT systems for the purpose of placing reliance on it for audit procedures. The audit team was unable to place a reliance on the IT system controls environment over concerns that unrestricted access could affect the reliability of the underlying data reported.	— on a sample basis, tracing recorded transactional revenue to external information. Based on the procedures performed we concluded that the reported transactional revenue amounts were reasonably stated.

NZ IFRS 16 transition adjustments

Refer to note 2 to the financial statements. IFRS 16 was adopted in the year which resulted in Management performing a reassessment of previously recognised lease contracts as service contracts. Right of use assets had to be calculated for operating leases held as a lessee which required Management judgment to form some key inputs including the expected lease term and the incremental borrowing rate.	Our audit procedures included, amongst others: — reviewing and assessing the accounting memos prepared by Management to support the transition restatement of lease contracts to service contracts; — reviewing a sample of lessor lease contracts to challenge the assertions made by Management in their accounting memos; and — assessing the reasonableness of Management judgments made in the calculation of the right of use assets. Based on the procedures performed we conclude that the accounting treatment of arrangements previously considered leases and the reported valuation of the 'right of use' assets was appropriate.

Other Information

The Directors, on behalf of the group, are responsible for the other information included in the entity's financial statements. Other information includes the Directors' Responsibility Statement. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the Chairman's report, Chief Executive's report, and disclosures relating to corporate governance and statutory information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate 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 objective is:

- 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 independent 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 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Lauder Erasmus

For and on behalf of

KPMG

KPMG
Auckland

14 June 2019


21/06/18 13:31
smartpay
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Statutory Information

Directors and Former Directors

Directors holding office

At 31st March 2019 the directors holding office were Bradley Gerdis, Gregor Barclay, Matthew Turnbull, William Pulver, Carlos Gil and Martyn Pomeroy.

Directors holding office during the year to 31st March 2019 and their appointment dates are detailed below:

Name	Date Appointed	Position	Independence (Yes/No)
Bradley Gerdis *B.Bus (Hons), MCom*	1 July 2012	Executive Director and Managing Director	No
Greg Barclay *LLB, Dip. Bus*	1 April 2010	Non-Executive Director	Yes
Matthew Turnbull *BCom, CA*	1 April 2013	Non-Executive Director	Yes
Marty Pomeroy	1 April 2014	Executive Director	No
Bruce Mansfield	1 October 2017, resigned 7 September 2018	Non-Executive Director	Yes
William Pulver *BCom Marketing*	11 December 2018	Non-Executive Director	Yes
Carlos Gil *B Ec, GradDipAppFin SIA, MAppFin FSIA*	5 December 2018	Non-Executive Director	No

At the annual meeting of shareholders held on 25th September 2018 Greg Barclay stood for re-election and was re-elected by the shareholders as Director of the Company. William Pulver and Carlos Gil were appointed during the year by the directors and will stand for re-election by shareholders at the AGM in September 2019 along with director(s) standing for re-election following their retirement by rotation, full details will be provided in the Notice of Meeting.

Independent Directors

In accordance with the requirements of the Listing Rules the Board has determined that Gregor Barclay, Matthew Turnbull and William Pulver are Independent Directors.

Subsidiary Company Directorships

At 31 March 2019, subsidiary companies had directors as follows:

New Zealand Subsidiary Companies	Director
Smartpay Rental Services Limited	Bradley Gerdis, Gregor Barclay, Marty Pomeroy
Smartpay Limited	Bradley Gerdis, Gregor Barclay, Marty Pomeroy
Smartpay Ethos Limited	Bradley Gerdis, Gregor Barclay, Marty Pomeroy
Smartpay Software Limited	Bradley Gerdis, Gregor Barclay, Marty Pomeroy
Smartpay New Zealand Limited	Bradley Gerdis, Gregor Barclay, Marty Pomeroy
Viaduct Limited	Bradley Gerdis, Gregor Barclay, Marty Pomeroy

Australian Subsidiary Companies	Director
Smartpay Rentals Pty Limited	Gregor Barclay, Bradley Gerdis, Marty Pomeroy
Smartpay Australia Pty Limited	Gregor Barclay, Bradley Gerdis, Marty Pomeroy
Cadmus Payment Solutions Pty Limited	Gregor Barclay, Bradley Gerdis, Marty Pomeroy
Product Rentals Pty Limited	Gregor Barclay, Bradley Gerdis, Marty Pomeroy
Pax Technology Pty Limited	Bradley Gerdis, Marty Pomeroy
Smartpay Taxis Pty Limited	Bradley Gerdis, Marty Pomeroy
Smartpay Epayments Pty Limited	Bradley Gerdis, Marty Pomeroy

There were no changes to the subsidiary companies of the group during the period.

Directors' and Officers' Interests

Directors interests in external entities

The Directors have declared interests in the following entities:

Director	Interest	Entity
Bradley Gerdis	Director	Haymaker Investments Pty Limited
	Director	Active Capital Partners Pty Limited
Gregor Barclay	Consultant	Claymore Partners Limited
	Director	Various client trustee companies
	Director	Claymore Property Limited
	Director	Franchised Businesses Limited
	Director	Pacific Forest Products NZ Limited (and various related or subsidiary companies)
	Director	Planet Fun Limited
	Director	Rugby Hospitality New Zealand Limited (and related)
	Director & Shareholder	Kervus Property Group Limited
	Director	New Zealand Cricket Association
	Director	International Cricket Council
	Director	ICC Development (International) Limited
	Director	ICC Business Corporation NZ LLC
	Director	Boffa Miskell Limited
	Director	Ngatapa Finance Limited
	Director	Ngatapa Legal Limited
	Director	Ngatapa Trustees Limited
	Director	Stress Crete Group, including Stress Crete Northern Limited and Stress Crete Wellington Limited
Matthew Turnbull	Director	Black Rock Capital Limited
	Director	Verbier Limited
	Director	Mangawara Farms Limited
	Director	Browning Street Limited
Martyn Pomeroy	Director	TEOV Limited
		iHoldings Limited
		iGenerate Limited
Carlos Gil	Director	Microequities Asset Management pty Limited
Bill Pulver	Director	Appen Pty Limited

Information Used by Directors

There were no notices from Directors of the Company requesting to disclose or use Company information received in their capacity as Directors which would not otherwise have been available to them.

Director and Senior Managers Interests in Shares of The Company

Directors held interests in the following Ordinary shares in the Company as at the balance date:

Director	Name of shareholder	Nature of relevant interest	Balance at 31/03/2018	Movement in period	Balance at 31/3/2019
Bradley Gerdis	Haymaker Investments Pty Limited (Haymaker Account)	Potential beneficiary under a discretionary trust	6,515,422	0	6,515,422
Gregor Barclay	Ngatapa Trustees Ltd	Potential beneficiary under a discretionary trust	576,910	0	576,910
	Ngatapa Advisory Ltd	Potential beneficiary under a discretionary trust	49,404	0	49,404
Martyn Pomeroy	Pomeroy Asset Protection Trust	Potential beneficiary under the trust	3,399,053	0	3,399,053
William Pulver	New Greenwich Pty Limited	Potential beneficiary of the superannuation fund	0	1,575,413	1,575,413
Carlos Gil	Microequities Asset Management Pty Limited	Power to control the acquisition or disposal of securities or exercise the right to vote	0	33,127,406	33,127,406

Senior Managers of the company include anyone who is not a director but occupies a position that allows that person to exercise significant influence over the management or administration of the Company. Senior Managers of the Company are required by the Financial Markets Conduct Act 2013 to disclose their interests in the Company. The list of people considered to be senior managers by the company is contained in the directory at the back of the Annual Report. As at the balance date no senior managers, who are not also directors, held disclosable interests in the shares, options or convertible loan notes of the company.

Directors and Senior Managers Interests in Options of The Company

Directors held interests in the following Options in the Company as at the balance date:

Director	Name of holder	Nature of relevant interest	Type of Option	Conversion price	Balance as at 31/3/2018	Movement	Balance at 31/3/2019	Maximum number of shares on conversion
Marty Pomeroy	Marty Pomeroy	Beneficial	2019 Incentive Options	$0.60 per share	2,000,000	0	2,000,000	1,000,000

As at the balance date no senior managers, who are not also directors, held disclosable interests in the shares, options or convertible loan notes of the company.

Directors and Senior Managers Interests in Convertible Loan Notes of The Company

Directors held interests in the following Convertible Loan Notes in the Company as at the balance date:

Director	Name of holder	Nature of relevant interest	Balance as at 31/3/2018	Movement	Balance at 31/3/2019	Maximum number of shares on conversion
William Pulver	New Greenwich Pty Limited	Potential beneficiary of the superannuation fund	0	1	1	2,288,853

As at the balance date no senior managers, who are not also directors, held disclosable interests in the shares, options or convertible loan notes of the company.

Directors' Insurance

The Group has arranged Directors and Officers Liability Insurance which is underwritten by Berkshire Hathaway Speciality Insurance Company and Chubb Insurance New Zealand Limited which ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors.

Directors' Indemnity

The Company has entered into Deeds of Indemnity with individual directors whereby it has agreed to indemnify the directors to the maximum extent permitted by the Companies Act 1993.

Directors' Remuneration

Directors fees and other remuneration are set out in detail in note 30 to the financial statements.

Other Disclosures

Listing

The ordinary shares of Smartpay Holdings Limited are listed on the securities exchanges operated by the New Zealand Exchange Limited (NZX) and the Australian Securities Exchange (ASX). On 1st April 2016 the ASX approved a change in admission category of Smartpay Holdings Limited (the "Company") from an ASX Listing to an ASX Foreign Exempt Listing which took effect on 5th April 2016. The Company confirms that it continues to comply with the New Zealand Stock Exchange Listing Rules.

Shareholders continue to be able to trade their shares on either the NZX or the ASX. In order to trade on either exchange shares must be held on the share register for that particular jurisdiction, for that purpose Smartpay has an Australian sub registry alongside its main share register, both of which are managed by Computershare.

Summary of Waivers and Exemptions

On 28th August 2018 NZX Regulation granted the Company a waiver from NZSX Listing Rule 5.5.1(b) to the extent that this Rule requires the Company to hold its 2018 Annual Meeting in New Zealand. The Company's 2018 Annual Meeting was subsequently held in Sydney Australia.

Investors Enquiries

Shareholders should address any queries regarding the operations of the Company to Mr Bradley Gerdis, Managing Director at the Company's business address.

Shareholders with administrative enquiries relating to their holdings should address these to Computershare whose contact details in each country are:

New Zealand	Australia
Computershare Investor Services Limited Private Bag 92119 Auckland 1142 Level 2, 159 Hurstmere Road, Takapuna, North Shore City, Auckland P: + 64 488 8700 F: + 64 9 488 8787	Computershare Investor Services Pty Limited GPO Box 3329, Melbourne VIC 3001 Freephone: 1 800 501 366 F: +61 3 9473 2500

Remuneration and gender diversity

Please see Governance Statement on pages 10 to 22.

Security Holder Information

Securities On Issue

The Securities on issue at the time of publication of the Annual Report are as follows:

Listed Securities

171,752,278 Ordinary fully paid shares, all shares in this class carry a 1 vote per share voting right.

Unlisted Options

2,000,000 Incentive Options exercisable over 1,000,000 shares. These options have an exercise price of $0.60 and expire 31st December 2019. These options are held by Pomeroy Asset Protection Trust in New Zealand.

Unlisted Convertible Notes

On 17th July 2018 15 Convertible Loan Notes were issued for AUD$500,000 each resulting in aggregate consideration of AUD$7,500,000. The term of the Loan Notes is 27 months and they bear interest at 8% per annum (payable monthly). The conversion price is AUD$0.25, subject to downwards adjustment in the event of subsequent share issues at less than AUD$0.25 (provided that a Convertible Note cannot convert into more than 2,288,853 fully paid ordinary shares). Conversion is at the holder's option within the Term.

Distribution of Shareholders

As at 16 May 2019

Range	Total holders	Holder %	Units	% of Units
Less than 5,000	790	45.07	1,333,734	0.78
5,000 to 9,999	259	14.77	1,617,967	0.94
10,000 to 49,999	488	27.84	9,638,789	5.61
50,000 to 99,999	87	4.96	5,502,910	3.2
100,000 to 499,999	96	5.48	16,929,713	9.86
500,000 to 999,999	9	0.51	6,120,083	3.56
Over 1,000,000	24	1.37	130,609,082	76.05
Total	1,753	100.00	171,752,278	100.00

Geographical Distribution of Shareholders

As at 16th May 2019

Range	Total holders	Holder %	Units	% of Units
New Zealand	1,005	57.32	54,141,457	31.52
Australia	725	41.37	110,587,607	64.39
Malaysia	7	0.4	193,911	0.11
Papua New Guinea	1	0.06	75,000	0.04
Philippines	1	0.06	30,000	0.02
Singapore	4	0.23	1,137,500	0.66
Switzerland	3	0.17	5,414,026	3.15
Turkey	1	0.06	2,000	0
United Arab Emirates	1	0.06	100,000	0.06
United Kingdom	5	0.29	70,777	0.04
Total	1,753	100.00	171,752,278	100.00

Twenty Largest Registered Shareholders

as at 16th May 2019

Rank	Name	Units	% of Units
1	JP Morgan Nominees Australia Limited	40,519,776	23.59
2	Anacacia Pty Ltd (Wattle Fund A/C)	18,471,707	10.75
3	National Nominees New Zealand Limited - NZCSD (NNLZ90)	11,382,164	6.63
4	Gwynvill Trading Pty Ltd	6,967,052	4.06
5	Haymaker Investments Pty Limited (The Haymaker A/C)	6,515,422	3.79
6	Walker & Hall Fine Gifts Limited	6,010,920	3.50
7	Melville Investment Holdings Limited	5,396,526	3.14
8	Craig Graeme Chapman (NAMPAC Discretionary A/C)	4,000,000	2.33
9	National Nominees Limited	3,736,405	2.18
10	JBWere (NZ) Nominees Limited (NZ Resident A/C)	3,522,752	2.05
11	Martyn Pomeroy & Sara Pomeroy (Pomeroy Asset Protection A/C)	3,399,053	1.98
12	Harrogate Trustee Limited (Brandywine A/C)	3,222,676	1.88
13	Gregory Kevin Molloy & Claymore Trustees Limited (Cicero A/C)	2,445,765	1.42
14	BNP Paribas Noms Pty Ltd (DRP)	1,767,066	1.03
15	Citicorp Nominees Pty Limited	1,693,599	0.99
16	New Greenwich Pty Ltd (New Greenwich S/F A/C)	1,575,413	0.92
17	Microequities Asset Management Pty Ltd (Microequities NANOCAP 9 A/C)	1,521,533	0.89
18	Telane Pty Limited	1,500,000	0.87
19	JDA Investments Pty Ltd	1,302,850	0.76
20	Allan Walker Tattersfield	1,256,173	0.76
Totals: Top 20 Holders Of Ordinary Shares		133,173,904	75.83
Total Remaining Holders Balance		38,578,374	24.17
Total Shares		171,752,278	100.00

Substantial Security Holders

At the time of publication of the Annual Report the following persons are substantial security holders (as defined in the Financial Markets Conduct Act 2013) in Smartpay Holdings Limited and have disclosed the Substantial Security Holdings to the NZX and ASX as per the table below:

	Number of Securities	% of Capital
Microequities Asset Management Pty Limited	33,127,406	19.29
Anacacia Pty Limited*	17,399,799	10.13
Milford Asset Management	12,699,330	7.39
Allan Walker Tattersfield	10,242,051	6.07
Jencay Capital Pty Limited	8,709,237	5.07

* Anacacia Pty Limited also holds Convertible Notes, in the event that all the convertible notes on issue become convertible and are converted Anacacia will hold 41,399,799 shares, being 20.52% of the issued share capital of the Company of 201,752,278 that will then be on issue.

The total number of issued voting securities of Smartpay Holdings Limited is 171,752,278.

Directory

Registered Office
205 - 209 Wairau Road, Wairau Valley
PO Box 100490,
North Shore Mail Centre
Auckland, New Zealand
Phone: +64 9 442 2700
Email: info@smartpay.co.nz
Website: www.smartpayltd.com

Australian Office
Level 2, 117 York Street
SYDNEY
NSW 2000
Phone: +61 2 8876 2300
Website: www.smartpay.com.au

Board
Bradley Gerdis – Managing Director
Greg Barclay – Independent Director
Matthew Turnbull – Independent Director
Marty Pomeroy – Executive Director & Chief Operating Officer
Carlos Gil – Non-Executive Director
Bill Pulver – Independent Director

Senior Management
Aidan Murphy – Chief Financial Officer
Rowena Bowman – Company Secretary

Auditors
KPMG
KPMG Centre
18 Viaduct Harbour Avenue
Auckland
Phone: + 64 9 367 5800

Share Registrar – New Zealand
Computershare Investor
Services Limited
Private Bay 92119 Auckland 1142
Level 2, 159 Hurstmere Road
Takapuna, North Shore City
Auckland, New Zealand
Phone: + 64 9 488 8700

Share Registrar – Australia
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