SMARTPAY HOLDINGS LIMITED

# THE ANNUAL REPORT

## 2024

# About This Report

**On behalf of the Board and Smartpay team, we are pleased to present Smartpay's 2024 Annual Report**

The 2024 Annual Report describes Smartpay Holdings Limited's (Smartpay) financial performance and includes the Corporate Governance Statement.

The Annual Report and financial performance relate to the period 1 April 2023 to 31 March 2024 and should be read in conjunction with other reports and presentations that comprise our 2024 Annual Reporting suite. These are available at Smartpay's Investor Centre **smartpayinvestor.com**. References to the prior year refer to the period 1 April 2022 to 31 March 2023.

Smartpay is a New Zealand incorporated company that is listed on the New Zealand Stock Exchange (NZX) with a foreign exempt listing on the Australian Securities Exchange (ASX). Accordingly, the Annual Report is primarily governed by the New Zealand Companies Act 1993 together with the NZX Listing Rules and NZX Corporate Governance Code.

The Company confirms that it continues to comply with the New Zealand Stock Exchange Listing Rules.

The Annual Report covers the total group of Smartpay consisting of the entities noted on page 48 of the Annual Report (the Group), which operates in both New Zealand and Australia.

## Non-GAAP Measures

Non-Generally Accepted Accounting Practice (non-GAAP) measures have been included as the directors and management of the Group believe they provide useful information for readers to assist in understanding the Group's financial performance. Non-GAAP financial measures are not prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and are not uniformly defined, therefore non-GAAP measures reported in this Annual Report may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported in accordance with NZ IFRS.

The non-GAAP measures Smartpay has used are EBITDA and Free Cash Flow. The definitions of these can be found on page 92 of this report.

## Contents

# FY24 Highlights

Doing what we said we would do
-growing
-investing
-evolving

Positioning Smartpay to be a truly Trans-Tasman payments provider

**Revenue**
**$96.5m**
**Up 24% YoY**

**EBITDA**
**$21.3m**
(normalised $22.3*)
**Up 16% YoY**

Continued growth into Australia whilst investing to deliver the New Zealand opportunity

One-team, One-organisation working Trans-Tasman to deliver our commitment to our customers

**Profit Before Taxation**
**$8.8m**
(normalised $9.8*)
**Up 16% YoY**

**Operating Cashflows**
**$19.4m**
**Down 3% YoY**

* normalised for cyber incident

**Total Employees**
**179** ↑
**FY23 - 160**

**Total Terminals**
**48,000+** ↑
**FY23 - 46,000+**

**NPS AUS**
**70**
**FY23 - 70**

**NPS NZ**
**52**
**FY23 - 49**

# Financial Performance Summary

**24% revenue growth, 16% EBITDA growth and 16% growth in profit before taxation whilst generating positive operating cash flows**

**Contributing to the economy by increasing headcount and paying taxation**

**Organically funding growth and investment in the strategic agenda from operating cashflow**

**Improved operating efficiency while strengthening the company and meeting increased regulatory requirements**

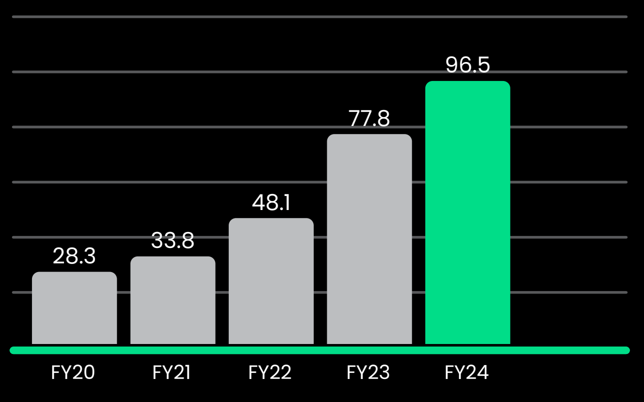
## Products should solve Real Problems

**Marty Pomeroy**

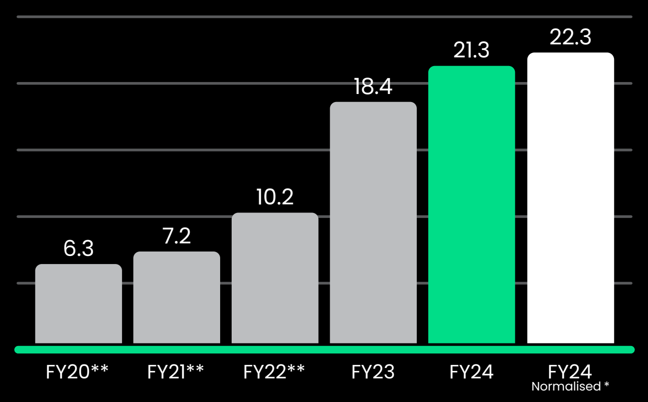
**Terminals**
**48,000+**

**Merchants**
**35,000+**

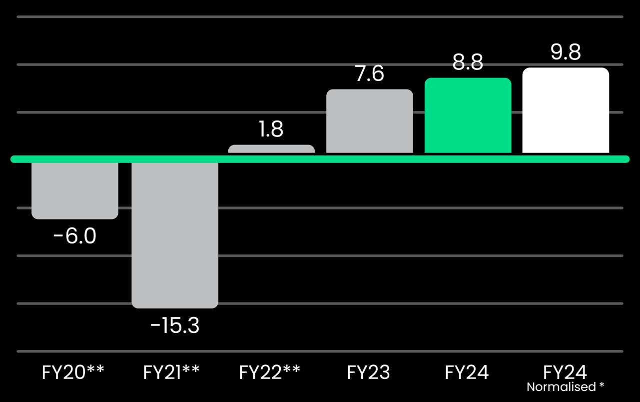
$'m
### Revenue



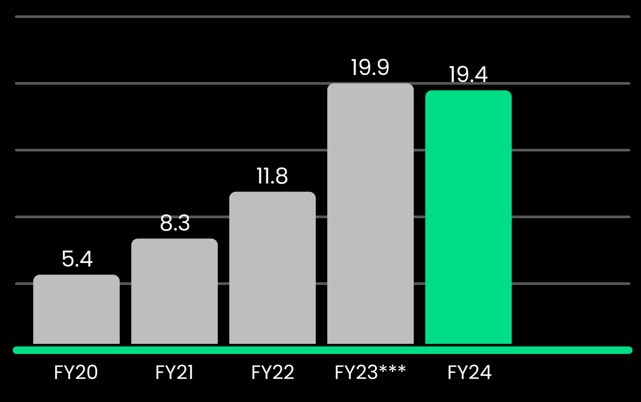

$'m
### EBITDA




$'m
### Profit Before Taxation




$'m
### Operating Cashflows




* normalised for cyber incident
** numbers have been restated to reflect change in accounting policy for SaaS assets. The restatements in relation to FY20 and FY21 have not been audited.
*** numbers have been restated to reflect reclassification of capitalised employee costs

# Australian Growth

**Product offering continues to resonate with merchants, growing to 7.4% of addressable market**

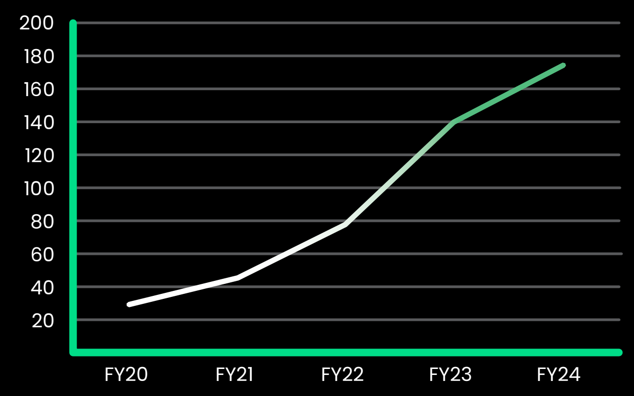
**18,000+ terminals processing $6.2bn of transaction value**

**Growth in monthly acquiring revenues to $7.2m per month**

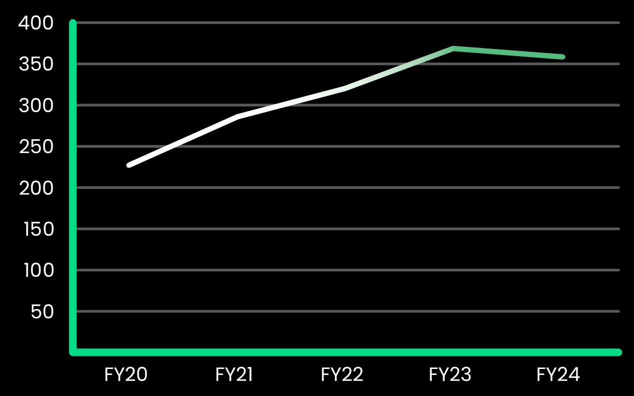
**Android terminal piloted in market for launch in FY25**

## Partnering with Smartpay has been the best move for our business.

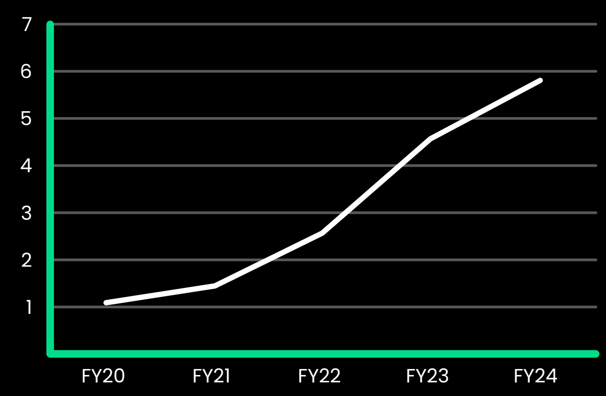
m
**No of Transactions Processed**



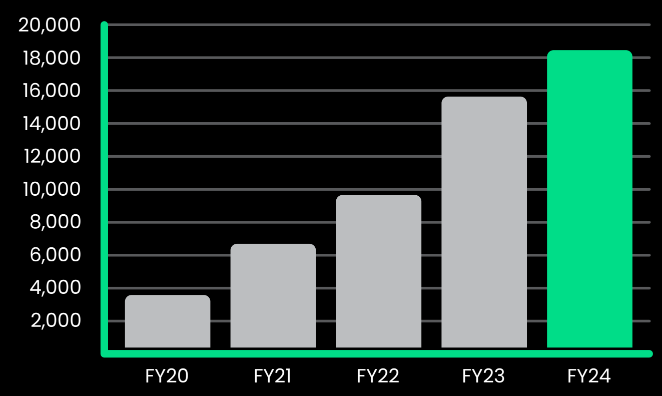

A$
**Average Monthly Revenue per Terminal**




A$'bn
**Total Transaction Value**




**Transacting Terminals**



# About Smartpay

**Smartpay's Strategic Goal is to be recognised as the most reliable, capable, agile and innovative omni-channel payments provider in Australia and New Zealand**

## Our Team

Smartpay is committed to looking after our team, who are looking after our customers, which is resulting in a stronger company for our shareholders.

The Smartpay team is united by **our purpose to make payments easy ensuring businesses are paid everywhere, anytime, every time**.

The collective and collaborative approach of our teams across both New Zealand and Australia has seen the NPS increase in New Zealand and be maintained in Australia whilst also delivering the outstanding results that are presented in this report.

The values of Smartpay are simple and succinct and they guide us in our everyday interactions with our customers, our partners and each other.

## Our Customers

Smartpay is a customer led company where we seek customer feedback to both inform our service proposition and our product roadmap. We remain focused on the Small to Medium Enterprise end of the market where our proposition adds value to our customer through both cost and time benefits, but also through 24/7 access to customer support when needed.

We actively seek our customers' feedback to ensure we are delivering to their expectations.

## Our Relationships with Partners

The Smartpay model is to enter into partnerships that provide good long-term outcomes for both Smartpay and our partners. Having these close relationships and working collaboratively ensures Smartpay can remain focused on the strategic goal, and what it is good at, whilst delivering innovative and robust products to our customers.

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

**Fearless**
In our approach to our focus on our customer

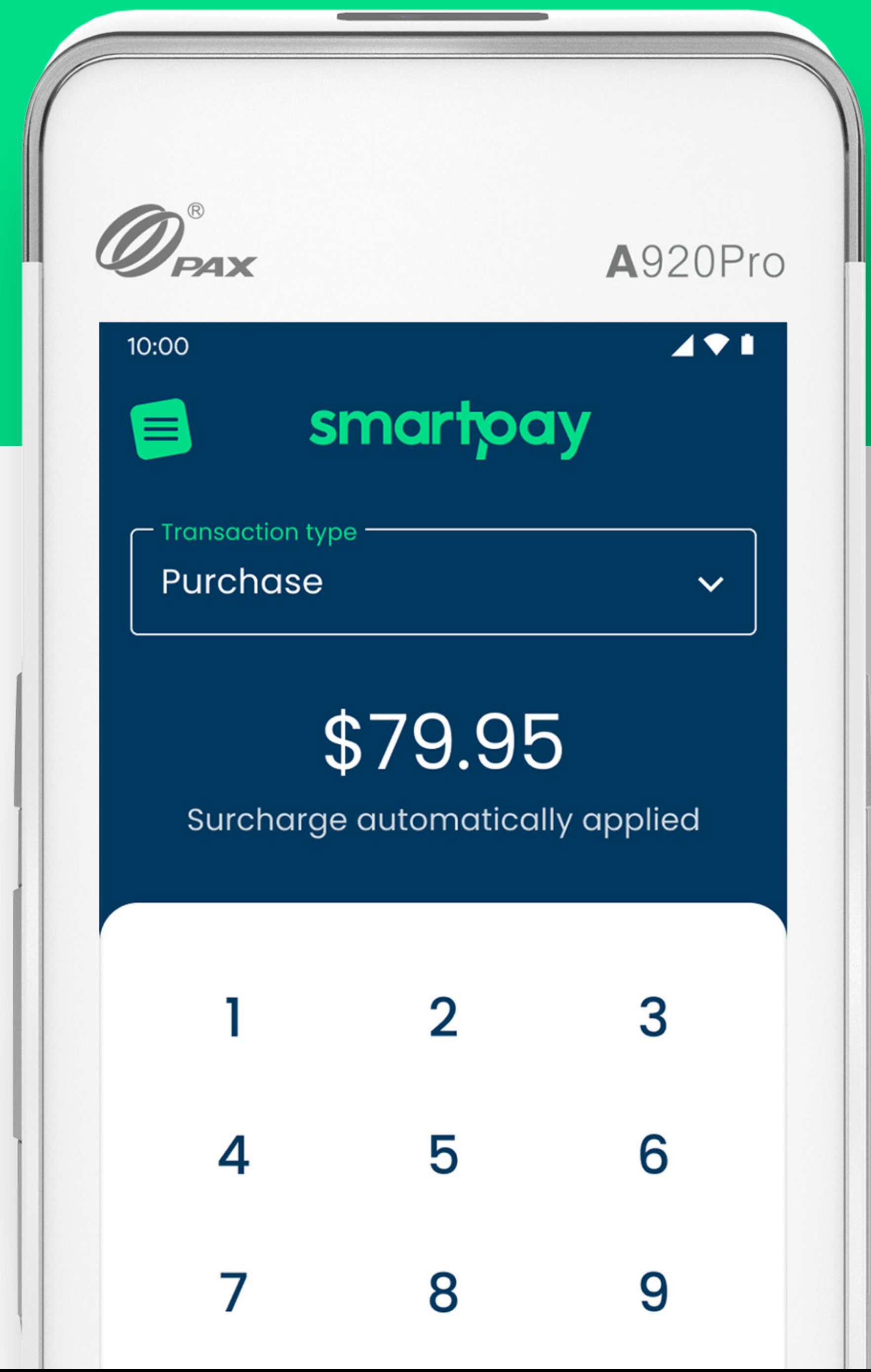
**We Deliver**
By listening, engaging and being held accountable



# Our Products

Smartpay designs, develops and implements innovative solutions for customers in New Zealand and Australia.

**Our vision has been and remains to be the Payments Partner of Choice.**




**SmartCharge**
A Zero Cost EFTPOS solution

Merchants with a monthly card turnover of over $10,000 can pass off their acceptance fees to their customers, with no bill to pay at the end of the month.

**Simple Flat Rate**
Simplified monthly statements

Take the complexity out of transaction costing with two simple rates. When a merchant comes to pay their fees each month, they know exactly what to pay.

**Merchant Terminal**
A compliant EFTPOS terminal for your business

In New Zealand, we provide fully compliant portable and countertop EFTPOS terminals, including for short term rentals.

**Merchant Portal**
Summary of transactions across all payment types, by day, week, month and year

The HUB is a powerful web-based tool designed to help merchants track and monitor information from your card transactions and access past receipts.

**SmartConnect**
Integrations to third party applications

Provides connectivity of Smartpay's terminals to third party applications and software, such as Point of Sale providers.

**Retail Radio**
Instore music and digital signage solution for retailers across Australia and NZ

Provides engaging music, messaging and digital signage solutions for our customers.

# Chairman's Report

It is very pleasing to be able to report that Smartpay continues to meet the objectives set out in our current plan and that the company continues to go from strength to strength. This year again saw increases in revenue to $96.5m, EBITDA to $21.3m and profit before tax to $8.8m. It is worth noting that when normalised for the cyber incident that occurred earlier in the year, EBITDA is $22.3m and profit before tax is $9.8m. This was in line with expectations, despite facing economic and recessionary headwinds, aggressive competitor activity, the tight employment market, and periods of disruption through the year. All in all, this was another very good year for Smartpay.

As satisfying as it is to be able to reflect upon this past year's financial performance, equally as satisfying is what has been achieved, as we concentrated on planned growth, on both sides of the Tasman. Clearly, a lot of the team's focus has been in Australia over the past few years, and this has been understandable given the growth that has been achieved thus far and the opportunity in front of us. With the focus on Australia, there is a tendency to overlook that we also have a large and well-established business in New Zealand with over 30,000 terminals in market which represents much upside potential. This is particularly so when we reflect on what has been achieved in Australia to date with our product offering and customer service.

There is little doubt that with a bold and innovative approach to leverage Smartpay's merchant base, and our trans-Tasman capability, that there is much upside opportunity for Smartpay in the New Zealand market. Additionally, this uniquely positions Smartpay as a trans-Tasman payments provider and one step closer to achieving our strategic goal of being recognised as the most reliable, capable, agile and innovative omni-channel payments provider in Australia and New Zealand.

In addition to the focus on delivering this year's result and positioning for the New Zealand opportunity, it has become increasingly evident that the business is operating in an ever changing regulatory and risk environment which is reflective of the size of the business. The cyber incident which happened last year and the regularity with which such incidents are increasingly occurring in the world is a good example of this. The requirement to present a Climate Statement is another example. We commenced our work to prepare for this requirement last year, supported by external consultants. In July 2024, Smartpay will present its inaugural Climate Statement. Additionally, as the consolidated revenue of Smartpay continues to increase, this requires us to publish a Modern Slavery Statement in accordance with the Modern Slavery Act 2018 in Australia. The board has this year determined it appropriate to voluntarily publish such a statement.

Operating in two jurisdictions and being subject to different regulators and regulations, together with the changing world in which we operate, does mean that the Board has to increasingly have a forward outlook on change, compliance and risk. The board has to be agile and available to support management to appropriately prepare and respond to these increasing requirements. We are very aware of our risk profile, our compliance obligations and we constantly review our appetite for risk.

Given the strong business base which has now been established by Smartpay, with a strong emphasis and investment into innovation and technology, we are also looking at the adjacent opportunities which should be able to be exploited. It is important that these separate but closely inter-related components of our business all work in unison and are very much a part of our strategic focus. By any standard we are still a relatively small business which is growing quickly. Whilst growth is good, we appreciate that it does come with its issues around deploying resource into the right areas, planning and funding and ensuring that we have the very best of people and systems that we can. To that end, it is also incredibly gratifying to have established strong working relationships with a number of commercial partners within and alongside the payments industry. It would be difficult to have made the progress that we have without this support and we really appreciate the faith, and belief, that they have demonstrated in our business.



As I have said in previous reports, I am delighted with the requisite skill and capability that we have built up, and continue to build, in our management team. I see this as a particular strength of the company, and it is an area where we are really excelling. We will continue to upskill and empower our workforce and to use this to add value in all that we do. It is a strategic imperative that we attract and retain the very best people and I want to congratulate our Chief Executive Officer, Marty Pomeroy for the way that he has steadily built a team who collectively have come together to produce excellent results for Smartpay. This stands the company in great stead and augers very well for taking the company to the next level and beyond.

Innovation is now something of an industry buzzword, but the reality is that this now stands at the centre of all that we do. In this era of competing priorities and endless disruption and uncertainty, innovation remains a must-have, not just an add-on to the way that the company goes about its business. Research has demonstrated that by making a conscious choice to grow, and then supporting that choice with the right mindsets and capabilities, means yielding superior returns. Organizations that are truly innovative demonstrably perform better than their peers. At Smartpay, we continue to build innovation into our overall strategic aspirations. We always look to activate critical pathways and capabilities within our core business but will only look to enter adjacent markets where we have the strongest competitive advantage. This is true both in New Zealand and Australia.

Suffice to say, the culture of innovation is now firmly embedded as part of the mindset at Smartpay. A philosopher once said that "when the winds of change blow, some people build walls, and others build windmills". We are very much focused on taking down the walls and building windmills. In the payments industry, as is the case in many other industries, change is abounding, and we see innovation as the way to use change to drive opportunity and positive outcomes. The future for us is exciting.

We remain committed to delivering value to our shareholders and are very enthusiastic about the future prospects for the company. Once again, my thanks to the board and the management team for an outstanding effort over the past year. Finally thank you to all our shareholders for your ongoing support.

Gregor Barclay
Chairman

# Chief Executive's Review

**Across the backdrop of a challenging economic period for our Customers in Australia and New Zealand, the 2024 Financial Year (FY24) has seen further growth in our business, further maturing of our organisation and further improvement in our key performance metrics and results.**

## Smartpay's Customers

Many of our customers have been confronted with challenges over the last 12 months, with numerous successful small businesses experiencing the pressures of higher operating costs, ongoing recruitment challenges and subdued consumer demand. These challenges have ultimately forced an increasing number of business closures in the small to medium enterprise segment of the market. We understand the impact and effect having to close a small business can have on the owners, staff and often the wider community and we acknowledge the resilience and fortitude of our customers across Australia and New Zealand throughout FY24.

Partnering with our customers is a privilege and the challenges we have seen many go through over the last 12 months further reinforces our conviction to add value to their enterprise where we can, and support them with world class service and solutions that help them solve problems – through good times and bad.

I thank all our customers for their ongoing partnership and commitment to our business and confirm and reiterate our commitment to theirs.

## Smartpay's Business

Early in FY24 we were subject to a cyber incident. Whilst the events of June are now squarely behind us, the learnings are not, and we have taken the resolve through the second half of FY24 to accelerate the modernisation of our key infrastructure and core enterprise technologies. This has seen the replacement of older legacy solutions with a move to modern IaaS and SaaS solutions. Not only do these technologies provide for a more secure information and cyber environment they bring the additional benefit of adding agility and scalability to support our growth ambitions.

We have also continued to invest in our products with the build, certification and release of our latest Android technology product into the Australian market. This product will serve as the platform for additional customer solutions and value as we grow and of course be the foundation, in conjunction with developments with key partners, of our entry into the New Zealand acquiring market.

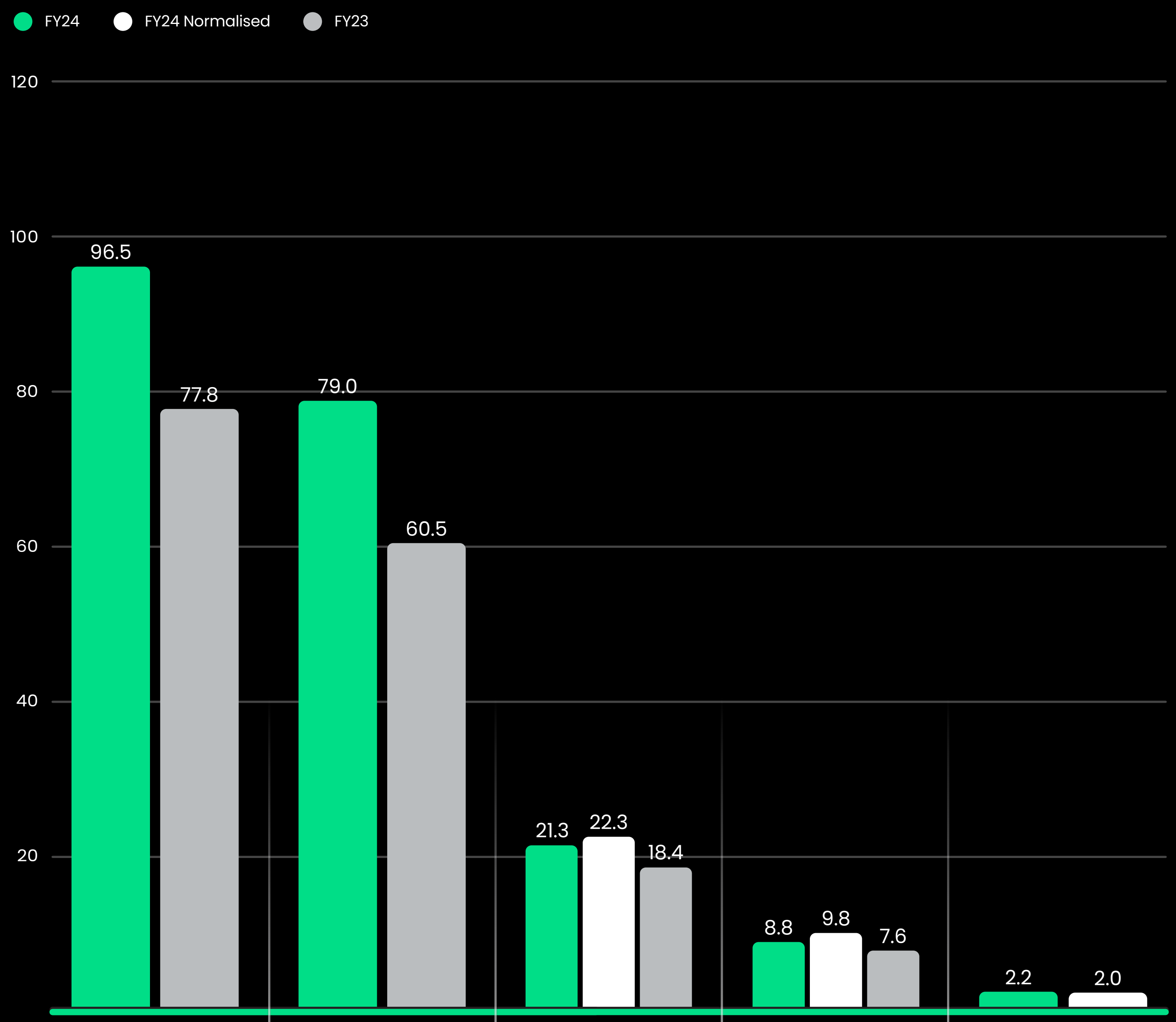
We have continued to invest in our go-to-market capability and capacity with the ongoing hiring of sales and marketing roles in Australia throughout the year and the development of our sales leadership and management team. We have also invested in key support roles and have developed our customer retention toolsets and capacity to ensure we retain our customers and leverage our customer experience investment and outstanding Net Promoter Score results.

As we have further scaled into our Australian opportunity, and with the New Zealand opportunity firmly in our sights, it is clear we are evolving from a small business profile, experiencing rapid growth, to a medium sized business profile, participating at an increasing level in the trans-Tasman economy. This changing profile brings a requisite to focus on the regulatory and compliance environment in both countries. We have invested in internal competency, and external expertise where required, throughout FY24 to best position the business for this evolving requirement now and into the future, as we continue to grow.

Our ongoing commitment to sustainable growth, execution discipline and delivering on our strategy, combined with an unrelenting focus on our customers, has led to another year of strong performance. We have shown the benefit of sound business fundamentals, robust unit economics and the value of our talented pool of people in performing well through the period.

Our organisation is aligned, purposed and prepared for the opportunities we seek to execute into and I thank our team for their loyalty, commitment to our strategy and execution effort, and unwavering commitment to our vision and values.

## Financial Performance Metrics




| Revenue | Australian Acquiring Transactional Revenue | EBITDA | Profit Before Tax | Net Cash |
|---|---|---|---|---|
| + $18.7m | + $18.5m | + $2.9m | + $1.2m | + $0.2m |
| + 24% | + 31% | + 16% | + 16% | + 10% |

* normalised for cyber incident



## Operating Results

The financial performance for FY24 reflects ongoing growth into our Australian opportunity, continued measured investment in this growth, and further improvement in our operating leverage and ultimate profitability. The headline results include revenues of $96.5m, EBITDA of $22.3m*, and net profit before tax of $9.8m*.

The economic conditions in the year were challenging for our customers, for many too challenging. Unsurprisingly we have not been immune to the flow on effect of these customer impacts ourselves, with increased attrition, identified and noted early in FY24, maintained throughout the financial year.

Pleasingly, our approach to focusing on merchant value and margin with our marketing and sales acquisition efforts, has not only contributed to offsetting softening TTV throughout the financial year it has also, at an average terminal profile, offset some of the aggressive competition we saw in market during Q3.

Whilst it is clear there will always be challenges, as an organisation we focus on being prepared, agile and maintaining strong business fundamentals – revenue growth, profitability, positive operating cashflows and a strong balance sheet, that assist us to navigate these challenges whilst we continue to grow.

## Summary and Outlook

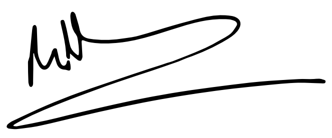
In Australia we look forward knowing we operate in a dynamic environment with increasing competition. Our solutions have become market leading with many choosing to follow – an obvious outcome of the success we have achieved to date and ultimately reported. The challenge for our business is to continue to outperform competition, evolve our outlook to the broader unique opportunities we have in front of us, and take advantage of our position and competitive advantage (secret sauce). It will be imperative to deliver the next stage of our product roadmaps and customer value propositions in a timely and effective manner to deliver on the compelling opportunities we have for FY25 and beyond.

In New Zealand we are on the cusp of an opportunity that is both unique and transformational with the pending entry of our acquiring solution into the New Zealand market. We are primed to change both the options available for New Zealand businesses, and to unlock the full potential of our own.

Looking at our trans-Tasman business in the context of a common offering for both terminal and acquiring solutions is possibly the most exciting outlook. As we enter stage 3 of our strategy we will look to leverage our unique proposition in the region to serve customers in different ways and in different segments of the market.

Success in this area will validate our unique position in the Australasian payments market, bring us closer to our strategic goal, to be recognised as the most reliable, capable, agile, and innovative omni-channel payments provider in Australia and New Zealand, and unlock the potential of currently untapped revenue and profit opportunities for our business through financial year 2025 and beyond.

I thank all shareholders for joining us on our journey and your continued support.



Martyn Pomeroy
Chief Executive Officer

# Sustainability

**Sustainability at Smartpay starts with building a strong, resilient business which is going to be here for staff, customers, partners, current and new investors and the communities in which we operate. The second part of sustainability at Smartpay is Environmental, Social and Governance (ESG).**

As the focus on sustainability in the markets Smartpay operates in, together with the world, most particularly in respect to climate change continues to increase, Smartpay recognises that it has a role to play in helping to make a difference. This is something we have always endeavored to do, and the strength of the company allows us to do this with more purpose.

During the 2024 financial year, Smartpay has defined what ESG means to Smartpay, aligned to the United Nations Sustainable development goals, and determined the strategic pillars that guide ESG in the Smartpay Environment.

Smartpay's Board has overarching responsibility for sustainability.

## ESG at Smartpay

| | Environment | Social | Governance |
|---|---|---|---|
| Definition | Having sustainable procurement and waste management programs that limit the impact on the environment | Creating equitable outcomes and sustainable futures for our employees and their communities | Ethical business practices, effective risk management and internal control and doing the right thing by our stakeholders, being investors, customers, employees, and communities |
| Focus areas | • Sustainable procurement<br>• Waste management<br>• Managing and engaging in our climate impact | • Sustainable employment<br>• Diversity and Inclusion<br>• Living wage<br>• Accredited employer<br>• Health, safety and wellbeing<br>• Supporting superannuation<br>• Community impact and charitable giving | • Ethical business<br>• Respecting stakeholders<br>• Shareholder rights<br>• Board governance and transparent reporting<br>• Balance sheet strength and measured investment |

**"We are who we are – we just do the right thing – by our team, our customers, our community and our environment."**

## Environment

Smartpay's environmental footprint is largely made up of office energy, third party data centres, business travel, technology consumables, and shipping. Smartpay embraces our responsibility to operate sustainably and reduce our impact upon the environment.

### Waste Management

Smartpay has continued its efforts to reduce waste going to landfill through our terminal end of life program, other technical, and generalist recycling activities.

Merchant terminals have a compliance life (PCI Sunset Date), at which point they are removed from circulation and are sent for recycling by Abilities Group in New Zealand and Skyzer in Australia.

Smartpay is proud of its ongoing relationship with Abilities Group who also provides valuable support to the communities through the employment of individuals with disabilities and provide them with meaningful work.

If a terminal is returned to Smartpay and remains within compliant dates, the terminal is refurbished and reissued to ensure that the use of the terminal is maximised, and e-waste is minimised. In New Zealand the refurbishment is completed inhouse, and in Australia an external terminal provider has undertaken this activity for Smartpay.

### Climate change

During the 2023 financial year, Smartpay commenced the work to determine its base line greenhouse gas emissions and begin the climate risk assessment process. This was to assist in Smartpay's preparedness to comply with the Aotearoa Climate Reporting Requirements in 2024.

In 2024 Smartpay was a participant in a consortium of major New Zealand-based retailers and KPMG New Zealand to develop integrated scenarios for New Zealand's Retail Sector. The scenarios' primary purpose is to support strategic decision-making by the leadership teams of retail businesses and their value chain partners. The scenarios are fully aligned with guidance provided by New Zealand's External Reporting Board and are available for all retailers to access.

To the extent possible, Smartpay has measured its footprint across Scope 1, Scope 2, and Scope 3 emissions across our whole business. With Australia being later to adopt this reporting requirement, it has not always been possible to source all greenhouse gas emissions from our key partners.

Smartpay is a climate-reporting entity under the Financial Markets Conduct Act 2013.

Smartpay will publish its first annual Climate Report in July 2024 which will comply with the requirements of the Aotearoa New Zealand Climate Standards. Smartpay is relying on the Financial Markets Conduct (Requirement to Include Climate Statements in Annual Report) Exemption Notice 2023 which provides relief to climate reporting entities from the requirement to include in the annual report a copy of or the link to the climate statement. Smartpay will publish the Climate Report at Smartpayinvestor.com by 31 July 2024.

### Sustainable procurement

Smartpay is increasingly focused on utilizing sustainable products in and across its business as these become more readily available.

The implementation of the Android terminal as our trans-Tasman terminal is a positive step in this regard as the PCI compliance life for this terminal will result in the terminal being in market for a longer period of time than has previously been the case. There have been steps undertaken through the use of protective initiatives to ensure the terminal can last the test of time so that this benefit can be realised.

Technology is at the heart of our business. We are developing our design philosophy to focus on XaaS (Everything as a Service) development across our ecosystem to optimize operations and reduce our footprint. We partner with Amazon Web Services (AWS), who focuses on renewable energy and sustainable procurement which will further assist us to reduce our carbon footprint. Over the course of the year, the first stage of this has been to transition from on premise hardware to IaaS and continue our engineering developments in the AWS environment. This work is being overseen by Smartpay's Chief Technology Officer who provides strategic oversight of all of our security practices and continues to strengthen our security posture.

## Social

Smartpay's directors and executives are very mindful of the role it plays in the lives of the 179 Smartpay people who make up our team. Having and maintaining our strength as a business provides these team members and their families with surety, which is particularly important in the current economic environment.

As we grow, this is increasingly making available opportunities for team members to develop their career with Smartpay, and we have seen a number of internal promotions in the current year.

Our team is diverse, as noted in the diversity measures on page 71. We continue to add to this diversity as we grow whilst always remaining true to the principle of recruiting the right person for the role first and foremost. As an accredited employer with New Zealand Immigration we continue to look to recruit engineering capability from off-shore where we are unable to recruit locally.

Although the Smartpay work environments are low risk, the directors and executives are committed to the health, safety and wellbeing of our team members. This year an independent review of Smartpay's Occupational Health and Safety Management Framework was undertaken against ANZ ISO 45001 standards. Additionally, all staff and directors have undertaken mandatory health, safety and wellbeing training and they have been required to acknowledge their understanding of their responsibilities for this important area via our online training platform.

This year the annual Christmas donation made in lieu of gifts to customers was made to I Am Hope in New Zealand and Headspace in Australia. Our staff have continued to engage in other charities through the year, where Smartpay matches any fundraising dollar for dollar.

## Governance

Being transparent and doing the right thing by all of our stakeholders and acting ethically, respectfully and compliantly is at the heart of Smartpay. Our stakeholder group encompasses our customers, staff, partners and suppliers, investors, regulators and our wider community.

Effective risk management is fundamental to achieving strategic outcomes and ensuring the sustainability of our business. The Risk Appetite and Risk Framework has been refreshed during the year, and we continue to embed risk management processes commensurate with Smartpay's maturing profile across the business. This has included the implementation of online mandatory training on key topics such as health, safety and wellbeing; anti money laundering and counter terrorism; Bribery, corruption and fraud; cyber security and whistleblower rights and protections across the business, including contractors and directors.

All staff, contractors and directors are subject to the Share Trading Policy, and they are required to attest to an understanding of this policy at the time of entering the black out period. Again this is recorded in our on-line platform.

This year saw Smartpay implement an 'all of investor' results call at the half year. This was implemented to allow all shareholders access to the Chief Executive Officer and Chief Financial Officer at the time of the results being released as we aim to ensure that all shareholders are treated equally and have this opportunity.

The business metrics reported in this annual report continue to present a strengthening financial position and measured investment. This together with the strategic outlook of the board and executive in the business supports the sustainability of Smartpay as a business, that is able to provide employment, support merchants solve their business challenges, and contribute to the communities and economies in both New Zealand and Australia.

# Board of Directors


*Pictured. From Left*

Carlos Gill,
Geoff Carrick,
Marty Pomeroy,
Matthew Turnbull,
Gregor Barclay

| | **Gregor John Barclay**<br>Chairman and Independent Director<br>– LLB, Dip. Bus | **Martyn Richard Pomeroy**<br>Executive Director | **Matthew George Turnbull**<br>Independent Director<br>– BCom, CA | **Geoffrey Carrick**<br>Independent Director<br>– B.Ec, LLB | **Carlos Gil**<br>Non-Executive Director<br>– BEc, GradDipAppFin SIA, MAppFin FSIA |
|---|---|---|---|---|---|
| Location | Auckland | Auckland | Auckland | Sydney | Sydney |
| Appointed | April 2010 | April 2014 | April 2013 | June 2022 | December 2018 |
| Board Committees | Remuneration and Nominations (Chair) | | Audit and Finance (Chair)<br>Remuneration and Nominations | Audit and Finance | Audit and Finance |

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

Greg is an experienced company director and Chair having held various directorships and advisory roles across a number of New Zealand and off-shore entities.

Marty was the founder of Viaduct Limited, the third largest terminal business in New Zealand when purchased by Smartpay in 2013.

Marty leads the management team and is responsible for the strategy and culture of Smartpay, having become Chief Executive Officer in 2020.

Marty brings experience in the payments industry to the Board.

Matt has extensive experience providing accounting and corporate advisory services. Matt has a detailed understanding of Smartpay, having assisted the company in a corporate advisory capacity prior to becoming a Director.

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

Carlos is the founder and current CEO of ASX listed Microequities Asset Management, a substantial shareholder in Smartpay. He is also a director of AI software firm Complexia Pty Limited. He has extensive experience in stockbroking, funds management, and investment research.

Carlos has held various senior management positions in Europe, including roles as Head of International Securities at BM Securities, and at Banesto Bank (Santander Group).

# The Executive Team

**One Team.**
**One Organisation.**

### Martyn Pomeroy

Chief Executive Officer

Joined: January 2013
Location: Auckland

Marty was appointed Chief Executive Officer in September 2020 and brings extensive payment experience to Smartpay.

Marty is the leader of the executive team and responsible for driving the strategy and culture of Smartpay.

### Cherise Barrie

Chief Financial Officer

Joined: May 2022
Location: Auckland

Cherise brings a depth of knowledge and experience in finance gained over many years in the financial services industry. Cherise is a chartered accountant.

Cherise is in a key strategic role with responsibilities including compliance and the financial oversight of the Smartpay Group.

### Arron Peterson

Chief Technology Officer

Joined: July 2023
Location: Auckland

Arron brings substantial experience, having held roles in global technology companies, leading teams and using technology to create customer value.

Arron leads the technology domain and is responsible for shaping and aligning the technology strategy with the business strategy, developing and implementing merchant solutions, and ensuring operational excellence across our platforms.

### Andrew Davies

Chief Revenue Officer

Joined: April 2023
Location: Auckland

Andrew brings a wealth of expertise in high-growth technology-focused businesses. He has a proven record of success in driving revenue growth and retention strategies in local and international markets.

Andrew is responsible for customer acquisition, revenue growth, and retention strategies across both Australia and New Zealand.

### Aidan Murphy

Chief Business Officer

Joined: May 2012
Location: Auckland

Aidan is a chartered accountant. Previously the Chief Financial Officer Aidan is now Chief Business Officer.

Aidan is responsible for material commercial opportunities and agreements with Smartpay's partners.

### Peter Thomas

Chief Marketing & Product Officer

Joined: September 2016
Location: Sydney

Peter possesses a strong background in marketing having worked for the National Broadband Network, Tenix and QBE Insurance.

Peter is responsible for driving the marketing and product initiatives across Smartpay.

### Lucy Williams

Chief Customer Officer

Joined: September 2018
Location: Auckland

Lucy brings extensive experience in building highly engaged customer focused teams.

Lucy is responsible for the customer teams in both New Zealand and Australia.

### Denise Doyle

Chief People Officer

Joined: February 2023
Location: Auckland

Denise has experience within many diverse organisations, to support organisational transformation and change, by aligning people processes and initiatives to deliver to strategic priorities.

Denise works with the executive team to implement change, build and grow leadership capability, attract and retain key talent; and embed a resilient high-performance culture.

SMARTPAY HOLDINGS LIMITED

# 2024 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 present fairly the financial position of Smartpay Holdings Limited and its subsidiaries (the Group) as at 31 March 2024 and the results of its operations and its cash flows for the year ended 31 March 2024.

These financial statements dated 27 May 2024 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

Greg Barclay
Chairman

Martyn Pomeroy
Managing Director and Chief Executive Officer

## Contents



***Notes to the Financial Statements***

# Income Statement

**For the Year Ended 31 March 2024**

| | Note | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| Revenue | 5, 6 | 96,513 | 77,775 |
| Other income | 6 | 28 | 4 |
| Operating expenditure | 7 | (75,224) | (59,158) |
| Impairment losses on financial assets | | (51) | (227) |
| EBITDA* | | 21,266 | 18,394 |
| Depreciation and amortisation | | (10,615) | (8,824) |
| Foreign exchange adjustments | | (78) | (86) |
| Share performance rights amortisation | 27 | (936) | (1,035) |
| Impairment and loss on disposal of plant, property and equipment | 7 | (387) | (238) |
| Finance income | 7 | 799 | 270 |
| Finance costs | 7 | (1,251) | (908) |
| | | (12,468) | (10,821) |
| Profit before taxation | | 8,798 | 7,573 |
| Income taxation (expense) / benefit | 8 | (392) | 885 |
| Profit for the year | | 8,406 | 8,458 |
| **Earnings per share attributable to the shareholders of the Parent during the year** | | | |
| Basic and diluted earnings per share (cents) | 9 | 3.53 | 3.55 |

* EBITDA represents earnings before finance income and finance costs, taxation, depreciation, amortisation, foreign exchange adjustments, share performance rights amortisation, impairment and loss on disposal of property, plant, and equipment.

The above Income Statement should be read in conjunction with the accompanying notes.

# Statement of Comprehensive Income

**For the Year Ended 31 March 2024**

| | Note | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| Profit for the year | | 8,406 | 8,458 |
| **Other comprehensive income, net of taxation** | | | |
| ***Items that may be classified to profit or loss*** | | | |
| Exchange differences on translation of foreign operation | 26 | 303 | (115) |
| Total other comprehensive income, net of taxation | | 303 | (115) |
| Total comprehensive income for the year | | 8,709 | 8,343 |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



# Statement of Financial Position

**As at 31 March 2024**

| | Note | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and bank balances | 10 | 20,227 | 19,477 |
| Trade and other receivables | 12 | 61,537 | 15,961 |
| Derivative financial instruments | 13 | 106 | 92 |
| Total current assets | | 81,870 | 35,530 |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | 25,429 | 15,632 |
| Right-of-use assets | 15 | 6,401 | 4,402 |
| Contract costs | 16 | 2,550 | 2,477 |
| Intangible assets | 18 | 17,570 | 13,305 |
| Goodwill | 19 | 14,772 | 14,772 |
| Deferred taxation assets | 20 | 2,984 | 2,152 |
| Total non-current assets | | 69,706 | 52,740 |
| Total assets | | 151,576 | 88,270 |
| **Current liabilities** | | | |
| Trade payables and accruals | 21 | 79,433 | 29,781 |
| Borrowings | 23 | - | 1,000 |
| Lease liabilities | 24 | 1,694 | 1,220 |
| Current taxation liabilities | 22 | 674 | 1,330 |
| Total current liabilities | | 81,801 | 33,331 |
| **Non-current liabilities** | | | |
| Trade payables and accruals | 21 | 3,098 | - |
| Borrowings | 23 | 9,000 | 9,000 |
| Lease liabilities | 24 | 5,281 | 3,634 |
| Total non-current liabilities | | 17,379 | 12,634 |
| Total liabilities | | 99,180 | 45,965 |
| Net assets | | 52,396 | 42,305 |
| **Equity** | | | |
| Share capital | 25 | 91,641 | 91,641 |
| Share performance rights | 27 | 3,237 | 1,855 |
| Foreign currency translation reserve | 26 | 466 | 163 |
| Retained deficits | | (42,948) | (51,354) |
| Total equity | | 52,396 | 42,305 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

**For the Year Ended 31 March 2024**

| | Note | Share Capital $'000 | Share Performance Rights Reserve $'000 | Foreign Currency Translation Reserve $'000 | Retained Deficits $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 March 2023** | | | | | | |
| Balance at 31 March 2022 | | 91,641 | 539 | 278 | (59,812) | 32,646 |
| Profit for the year | | - | - | - | 8,458 | 8,458 |
| Other comprehensive income | | - | - | (115) | - | (115) |
| Total comprehensive income | | - | - | (115) | 8,458 | 8,343 |
| Share performance rights | 27 | - | 1,035 | - | - | 1,035 |
| Deferred taxation benefit on share performance rights | 27 | - | 281 | - | - | 281 |
| At the end of the year | | 91,641 | 1,855 | 163 | (51,354) | 42,305 |
| **Year ended 31 March 2024** | | | | | | |
| Balance at 31 March 2023 | | 91,641 | 1,855 | 163 | (51,354) | 42,305 |
| Profit for the year | | - | - | - | 8,406 | 8,406 |
| Other comprehensive income | | - | - | 303 | - | 303 |
| Total comprehensive income | | - | - | 303 | 8,406 | 8,709 |
| Share performance rights | 27 | - | 936 | - | - | 936 |
| Deferred taxation benefit on share performance rights | 27 | - | 446 | - | - | 446 |
| At the end of the year | | 91,641 | 3,237 | 466 | (42,948) | 52,396 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

**For the Year Ended 31 March 2024**

| | Note | 2024 $'000 | 2023 restated* $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 96,233 | 77,294 |
| Receipts from research and development grants | | 319 | 563 |
| Interest received | | 784 | 232 |
| Payments to suppliers and employees | | (74,950) | (57,210) |
| Interest paid | | (1,252) | (999) |
| Income taxation paid | | (1,700) | - |
| Net cash inflow from operating activities | 28 | 19,434 | 19,880 |
| **Cash flows from investing activities** | | | |
| Payments for terminal assets | | (10,176) | (8,706) |
| Payments for other property, plant and equipment | | (397) | (285) |
| Payments for contract costs | | (1,227) | (1,953) |
| Payments for intangible assets | | (5,977) | (4,175) |
| Net cash outflow from investing activities | | (17,777) | (15,119) |
| **Cash flows from financing activities** | | | |
| Repayments of borrowings | | (1,000) | (1,279) |
| Principal elements of lease payments | | (1,492) | (1,092) |
| Net cash outflow from financing activities | | (2,492) | (2,371) |
| Net (decrease) / increase in cash and cash and cash equivalents | | (835) | 2,390 |
| Add opening cash and cash equivalents | | 12,042 | 9,652 |
| Closing cash and cash equivalents | | 11,207 | 12,042 |
| **Reconciliation of closing cash and cash equivalents to the Statement of Financial Position:** | | | |
| Cash and cash equivalents | | 11,207 | 12,042 |
| Other bank balances (restricted use) | 10, 11 | 9,020 | 7,435 |
| Closing cash and bank balances | 10 | 20,227 | 19,477 |

* Certain comparative information has been restated, refer to Note 2h.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

## Note 1
## General Information

Smartpay Holdings Limited (Parent) is a New Zealand company, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). The Parent is an issuer (FMC reporting entity) in terms of the Financial Markets Conduct Act 2013.

The consolidated financial statements of Smartpay Holdings Limited comprise the Parent and its subsidiaries together referred to as the Group (refer Note 17).

The Group's principal activity is that of a merchant service provider, facilitating payments and providing technology products and services to merchants in New Zealand and Australia.

## Note 2
## Material Accounting Policy Information

### 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 also comply with International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

***Use of Non-GAAP Measures Within the Financial Statements***

Non-Generally Accepted Accounting Practice (non-GAAP) measures have been included as the directors and management of the Group believe they provide useful information for readers to assist in understanding the Group's financial performance. Non-GAAP financial measures are not prepared in accordance with NZ IFRS and are not uniformly defined, therefore non-GAAP measures reported in the financial statements may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported in accordance with NZ IFRS. The non-GAAP measure the Group has used is EBITDA, as defined below.

EBITDA is a non-GAAP measure which is defined as earnings before finance income and finance costs, taxation, depreciation, amortisation, foreign exchange adjustments, share performance rights amortisation, impairment and loss on disposal of property, plant and equipment.

The financial statements were authorised for issue by the Directors on 27 May 2024.

## Note 2 continued
## Material Accounting Policy Information

### b. Basis of Preparation

The Group financial statements have been prepared on a historical cost basis except for derivative financial instruments, 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. Material accounting policy information is set out below and in the relevant notes to the financial statements.

These financial statements are prepared on a going concern basis.

### c. Functional and Presentation Currency

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

### d. Adoption of New and Revised Standards and Interpretations

***i) Standards and Interpretations Effective in the Current Period***

***Amendments to NZ IAS 1 and IFRS Practice Statement 2***

NZ IAS 1 *Presentation of Financial Statements* has been amended to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IFRS Practice Statement 2 *Making Materiality Judgements* has also been amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

There are no other standards, amendments to standards or interpretations that are effective in the current period that had a material effect on the financial statements.

***ii) Standards and Interpretations on Issue Not Yet Adopted***

***NZ IFRS 18 Presentation and Disclosure in Financial Statements (NZ IFRS 18)***

NZ IFRS 18 was issued in May 2024 as a replacement for NZ IAS 1 *Presentation of Financial Statements* (NZ IAS 1). Most of the presentation and disclosure requirements (e.g., statement of financial position, statement of comprehensive income, statement of changes in equity, etc.) would largely remain unchanged together with other disclosures carried forward from NZ IAS 1 (e.g., capital management, debt covenants. etc.).

NZ IFRS 18 primarily introduces the following:

- a defined structure for the income statement by classifying items into one of the five categories: operating, investing, financing, income taxes and discontinued operations. Entities will also present expenses in the operating category by nature, function, or a mix of both, based on facts and circumstances
- disclosure of management-defined performance measures (a subset of non-GAAP measures) in a single note together with reconciliation requirements, and
- additional guidance on aggregation and disaggregation principles (applied to all primary financial statements and notes).

NZ IFRS 18 also made limited change to certain presentation and disclosure requirements in the financial statements, e.g., NZ IAS 7 *Statement of Cash Flows*; as well as consequential changes to various NZ IFRS.

NZ IFRS 18 will be effective for annual reporting periods beginning on or after 1 January 2027 and entities could early adopt this accounting standard. The Group expects to adopt NZ IFRS 18 and relevant consequential changes of other accounting standards in the annual reporting period beginning on 1 April 2027. The Group is currently assessing the impact and will disclose more detailed assessments in the future.

There are no other new standards, amendments to standards or interpretations awaiting implementation that will have a material impact on the Group.

## Note 2 continued
## Material Accounting Policy Information

### e. 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 are considered when assessing whether the 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.

In preparing the consolidated financial statements, appropriate adjustments were made to the financial statements of the subsidiaries, where necessary, to ensure consistency with the policies adopted by 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 acquisition 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 Income Statement.

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. Note 19 provides information on the Group's accounting policy on goodwill.

### f. Foreign Currencies

***i) Foreign Currency Transactions***

For the purpose of the Group financial statements, the results and financial position of any Group entity whose functional currency is not NZD are translated to NZD.

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 the spot 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 Income Statement 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 NZD using exchange rates prevailing at the end of the reporting period. Items in the Income Statement 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 the Income Statement (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 are translated at the closing rate.

## Note 2 continued
## Material Accounting Policy Information

### g. Taxation

***i) Income Taxation***

Current taxation assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities based on the current period's taxable income.

***ii) Deferred Taxation***

Deferred income taxation is provided on all temporary differences at the reporting date between the taxation bases of assets and liabilities and their carrying amounts for financial reporting purposes. Under NZ IAS 12 Income Taxes, the measurement of deferred taxation depends on whether an entity expects to recover an asset through use or by selling it.

Income taxation relating to items recognised in Other Comprehensive Income or directly in equity are recognised in Other Comprehensive Income or directly in equity and not in the Income Statement.

***iii) Goods and Services Taxation (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.

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

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

### h. Changes to Comparatives

Comparative information has been restated or reclassified, where appropriate, to ensure consistency with presentation in the current period.

Where there has been a restatement of comparative information the nature of, and the reason for, the restatement is disclosed in the relevant note.

***Statement of Cash Flows***

There was a classification error identified and corrected by restating the comparative information of the statement of cash flows for the year ended 31 March 2023 in relation to $1,314,000 of capitalised internal employee costs for software and development.
This amount was incorrectly classified as payments to suppliers and employees in cash flows from operating activities rather than payments for intangible assets in cash flows from investing activities.

This correction had no impact on the net increase in cash and cash equivalents and cash and cash equivalents previously reported in the prior period. The table below shows the impact of this restatement on the statement of cash flows:

| Statement of Cash Flows for the year ended 31 March 2023 | Previously Reported | Restatement | Restated Amount |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | (58,524) | 1,314 | (57,210) |
| Net cash inflow from operating activities | 18,566 | 1,314 | 19,880 |
| **Cash flows from investing activities** | | | |
| Payments for intangible assets | (2,861) | (1,314) | (4,175) |
| Net cash outflow from investing activities | (13,805) | (1,314) | (15,119) |

## Note 3
## Significant Accounting Judgements, Estimates and Assumptions

In applying the Group's accounting policies management are required to make judgements, estimates and assumptions. Judgements, estimates and assumptions are continually evaluated and are based on historical 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 in the preparation of these financial statements are outlined below.

### Significant Accounting Estimates and Assumptions

**a. Contracts with Customers**

The Group provides a right to use its merchant terminals as part of its contracts with customers. Determining whether the contract contains a lease is a significant judgement requiring consideration as to whether the customer has the right to direct the use of the terminal. Note 6 provides further information on this consideration.

The Group has determined that its customers do not have the right to direct the use of the asset because the Group continues to have the right and ability to change how the merchant 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. Accordingly, the contracts have been accounted for as service contracts.

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 assesses each of its contracts as a portfolio to determine whether the performance obligation is at a point in time or over time.

**b. Impairment of Goodwill and Intangibles with Indefinite Useful Lives**

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired on at least 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 indefinite useful lives are provided in Note 18 and Note 19.

**c. Recognition of Software Development**

The Group develops software to use internally or on merchant terminals.

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 measures the cost of developing software from an assessment of the time spent by developers and management in bringing the asset into use.

Note 18 provides information on the software developed in the period.

**d. Impairment of the Merchant Terminals**

The Group assesses on an annual basis if any impairment of merchant terminals or ancillary equipment is required due to obsolescence.

## Note 4
## Financial Risk Management Objectives and Policies

The Group's principal financial instruments used to manage financial risk comprise borrowings, lease liabilities and derivative financial instruments. The main purpose of these financial instruments is to raise finance for the Group's operations and hedge interest rate and foreign exchange exposure. The Group has various other financial instruments such as overdraft facilities, cash, trade receivables, and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are risks in the movement of foreign exchange rates and interest rates, credit risk and liquidity risk. The Board of Directors (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 an Australian business and an exposure to foreign exchange translation risk. The Group does not enter into any specific instruments to manage the translation risk.

The Group purchases terminal assets from foreign suppliers which are denominated in United States of America dollars (USD). This risk is managed by purchasing foreign currency or forward exchange contracts of equal value when invoices are received.

***ii) Cash Flow and Fair Value Interest Rate Risk***

The Group's only significant financial asset subject to floating interest rates is 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. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. The Group manages its cash flow interest rate risk by using interest rate swaps as deemed necessary by the Board. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Group does not have any borrowings issued at fixed rates and is therefore not subject to any fair value interest rate risk on borrowings.

**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 trade receivables 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. Credit checks are performed as necessary and active measures are taken to collect outstanding amounts and prevent them from becoming non-performing accounts.

Note 30d provides further 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 obligations to repay financial liabilities as and when they fall due. The objective is to maintain a balance between continuity of funding and committed available credit lines.

The Group manages its liquidity by forecasting cash flows on a monthly and annual basis and monitoring the total cash flows on a regular basis. Note 30f provides further information.

## Note 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 only data that is reviewed by the entity's chief operating decision maker 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

| Revenue 2024 | NZ $'000 | AUS $'000 | Elimination $'000 | Total $'000 |
|---|---|---|---|---|
| **Revenue from contracts with customers** | | | | |
| Service revenue | 13,091 | 2,901 | - | 15,992 |
| Transactional income | 439 | 78,993 | - | 79,432 |
| Other service revenue | 78 | 45 | - | 123 |
| Short term rentals | 236 | - | - | 236 |
| Sale of goods | 10,220 | 479 | (9,969) | 730 |
| Total revenue from contracts with customers | 24,064 | 82,418 | (9,969) | 96,513 |
| Additions to non-current assets | 20,500 | 6,805 | - | 27,305 |
| Non-current assets | 42,911 | 32,160 | (5,365) | 69,706 |

| Revenue 2023 | NZ $'000 | AUS $'000 | Elimination $'000 | Total $'000 |
|---|---|---|---|---|
| **Revenue from contracts with customers** | | | | |
| Service revenue | 13,507 | 2,264 | - | 15,771 |
| Transactional income | 427 | 60,549 | - | 60,976 |
| Other service revenue | 124 | 40 | - | 164 |
| Short term rentals | 274 | - | - | 274 |
| Sale of goods | 7,185 | 342 | (6,937) | 590 |
| Total revenue from contracts with customers | 21,517 | 63,195 | (6,937) | 77,775 |
| Additions to non-current assets | 13,659 | 3,488 | | 17,147 |
| Non-current assets | 34,023 | 21,906 | (3,189) | 52,740 |

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 $9,969,000 (2023: $6,937,000) relates to the revenue on the sales of merchant terminals from New Zealand to Australia within the Group.

## Note 6
## Revenue and Other Income

### a. Revenue Streams

The Group generates revenue primarily from service contracts with customers for the provision of merchant terminals and transaction processing on the merchant terminals. Note 5 provides the composition of revenue from contracts with customers.

### b. Disaggregation of Revenue from Contracts with Customers

In Note 5, revenue from contracts with customers is disaggregated by primary geographical market and products 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 | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Merchant terminal service | 16,228 | 16,045 |
| Transaction processing | 79,432 | 60,976 |
| Direct sales | 730 | 590 |
| Other | 123 | 164 |
| Total revenue from contracts with customers | 96,513 | 77,775 |

| Timing of Revenue Recognition | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Services transferred at point in time | 79,791 | 61,414 |
| Services transferred over time | 15,992 | 15,771 |
| Products transferred at point in time | 730 | 590 |
| Total revenue from contracts with customers | 96,513 | 77,775 |

| Contract Costs | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Closing carrying value of contract costs | 2,550 | 2,477 |

Contract costs relate to sales commissions and other costs of acquisition to obtain service contracts and are amortised over the term of the contracts (refer to Note 16).

## Note 6 continued
## Revenue and Other Income

### c. Contract Balances

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

| Contract Balances | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Contract assets | 1,723 | 1,394 |
| Contract liabilities | (24) | (41) |
| | 1,699 | 1,353 |

| Contract Assets | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Opening balance | 1,394 | 801 |
| Additions | 496 | 1,037 |
| Transfers | (168) | (443) |
| Foreign exchange adjustment | 1 | (1) |
| Closing balance | 1,723 | 1,394 |

The contract assets primarily relate to the Group's rights to consideration for services provided but not billed at the reporting date on merchant 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.

The contract liabilities primarily relate to the advance consideration received from customers for merchant service contracts, for which revenue is recognised over time. The amount of revenue recognised relating to the previous year's contract liability balance during the year ended 31 March 2024 was $19,000 (2023: $49,000).

### 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 the types of services and products the Group provides, 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) Merchant Terminal Services***

***Nature and Timing of Satisfaction of Performance Obligations, Including Significant Payment Terms***

The merchant terminal service provided to the customer is a bundled service made up of the following services:

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

The contracts with customers do not permit components of the bundled service to be provided separately nor can the customer benefit from each component individually. Therefore, only one bundled service is provided and is combined into a single performance obligation.

The customer is provided with the continuous use of a merchant 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 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 pays 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. a 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 as the deferred period in the contracts does not exceed 12 months.

***Revenue Recognition***

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 consume the benefit of the service over time. Firstly, the provision of the merchant terminal and service contract is considered to be a single performance obligation.

The customer is provided with the merchant terminal for the duration of the contract and the Group ensures that the merchant terminal functions properly for the duration of the contract. Consequently, the customer is able to transact on the merchant terminal from the day the terminal is installed to the day the terminal is returned to the Group. These dates will essentially coincide with the duration of the contract.

## Note 6 continued
## Revenue and Other Income

***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, reliance is placed on the practical expedient given that if the performance obligations were unbundled the amount recognised in the financial statements would be the same. It is therefore considered that there are two performance obligations. The bundled services 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. The Group provides the transaction processing service and support for the duration of the contract.

***Revenue Recognition***

The transaction processing service revenue is recognised as the processing service is performed.

### e. Other Income

| Other Income | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Proceeds of insurance claim | 28 | - |
| Gain on disposal of vehicle | - | 4 |
| Total other income | 28 | 4 |

## Note 7
## Operating Expenditure

The following items are included within the Income Statement:

| Operating Expenditure | 2024 $'000 | 2023 restated* $'000 |
|---|---|---|
| Direct costs of sales | 40,585 | 30,270 |
| Information technology | 3,147 | 1,720 |
| Compliance | 2,195 | 2,023 |
| Cyber incident | 995 | - |
| Employee benefit expenses net of capitalised amounts | 20,313 | 16,915 |
| Marketing | 6,497 | 6,931 |
| Travel, accommodation and other | 1,492 | 1,299 |
| Total operating expenditure | 75,224 | 59,158 |

* Certain comparative information has been restated to ensure consistency with presentation in the current period. In particular, terminal communication and servicing costs ($806,000 in the prior period) have been combined with direct costs of sales, and occupancy costs ($320,000 in the prior period) have been combined with travel, accommodation and other. In addition, compliance and technology costs ($3,743,000 in the prior period) have been disclosed separately in the analysis of expenses above. The reason for these reclassifications is to provide more relevant information to the users of the financial statements.

### PricewaterhouseCoopers

| Auditor's Remuneration Included in Operating Expenditure | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Audit of the financial statements | 362 | 341 |
| Audit fee overruns for prior period | 15 | - |
| Total auditors remuneration | 377 | 341 |

PricewaterhouseCoopers carries out other services for the Group through providing access to generic training materials through an online platform for $0.

| Finance Income | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Interest received | (799) | (270) |
| Total finance income | (799) | (270) |

| Finance Costs | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Interest on bank overdrafts and borrowings | 845 | 718 |
| Interest on lease liabilities | 421 | 298 |
| Interest rate swap (gains) / losses | 82 | (92) |
| Foreign exchange contract realised / unrealised (gains) / losses | (97) | (16) |
| Total finance costs | 1,251 | 908 |

| Impairment and Loss on Disposal of Property, Plant and Equipment | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Merchant terminal impairment provision / (release) | 61 | (147) |
| Merchant terminal loss on disposal | 326 | 385 |
| Total impairment and loss on disposal of plant, property and equipment | 387 | 238 |

## Note 8
## Income Taxation (Expense) / Benefit

| Income Taxation | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Income taxation expense comprises:** | | |
| Current taxation benefit / (expense) | (982) | (1,085) |
| Deferred taxation benefit / (expense) | 409 | 1,970 |
| Prior period adjustments - current | 204 | - |
| Prior period adjustments - deferred | (23) | - |
| Income taxation benefit / (expense) | (392) | 885 |
| **Reconciliation Between Charge for Year and Accounting Profit** | | |
| **Profit before taxation** | **8,798** | **7,573** |
| Income taxation at 28% | (2,463) | (2,120) |
| **Add / (deduct) the taxation effect of:** | | |
| Non-deductible expenses | (338) | (275) |
| Non-assessable income | (610) | (474) |
| Temporary differences now recognised | 110 | 2,991 |
| Research & development taxation incentive recognised | - | 603 |
| Australian taxation losses now recognised | 2,798 | 204 |
| Prior period adjustments - current | 204 | - |
| Prior period adjustments - deferred | (23) | - |
| Australian taxation rate differences | (70) | (44) |
| Income taxation (expense) / benefit | (392) | 885 |

The taxation rate used in the above reconciliation is the corporate taxation rate applicable at 31 March 2024 payable on taxable profits under New Zealand (28%) and Australian (30%) taxation law.

## Note 9
## Earnings per Share

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

| Basic and Diluted Earnings Per Share - Cents | 2024 | 2023 |
|---|---|---|
| Profit for the year ($'000) | 8,406 | 8,458 |
| Weighted average number of shares ('000) | 238,285 | 238,285 |
| Basic and diluted earnings per share - cents | 3.53 | 3.55 |

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

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

## Note 10
## 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.

| Cash and Cash Equivalents | Note | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| Cash at bank and on hand | | 11,207 | 12,042 |
| Total cash and cash equivalents | | 11,207 | 12,042 |
| **Other Bank Balances** | | | |
| Merchant settlement account (restricted use) | 11 | 9,020 | 7,435 |
| Total cash and bank balances | | 20,227 | 19,477 |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

## Note 11
## Merchant Settlement

The merchant settlement account represents the surplus cash balances that the Group holds on behalf of its merchants when the incoming amount from the card schemes precedes the funding obligation to merchants. The merchant receivables are amounts due from the card schemes for transactions processed on behalf of customers. The merchant payables represent amounts that are due to merchants in respect of transactions that have been processed.

| Merchant Settlement | Note | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| Merchant settlement account | | 9,020 | 7,435 |
| Merchant receivables | 12 | 57,077 | 11,817 |
| Merchant payables | 21 | (66,097) | (19,251) |
| Net merchant settlement balance | | - | 1 |

## Note 12
## Trade and Other Receivables

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 day terms, are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components then they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Group has a security deposit with Cuscal Limited as a condition of the establishment of the acquiring facility.

| Trade and Other Receivables | Note | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| Accounts receivable | | 1,970 | 2,159 |
| Less expected credit loss allowance on accounts receivable | | (592) | (571) |
| Merchant receivables | 11 | 57,077 | 11,817 |
| Accrued revenue (contract assets) | 6c | 1,723 | 1,394 |
| Prepayments | | 1,114 | 921 |
| Acquiring facility security deposit | | 245 | 241 |
| Total trade and other receivables | | 61,537 | 15,961 |

### Movements in Expected Credit Loss Allowance

| Expected Credit Loss Allowance on Accounts Receivable | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Opening balance | (571) | (453) |
| Net remeasurement of loss allowance | (577) | (346) |
| Receivables written off | 557 | 226 |
| Foreign exchange adjustment | (1) | 2 |
| Closing balance | (592) | (571) |

Details on the Group's impairment policies and the calculation of the expected credit losses on receivables are provided in Note 30d.

## Note 13
## Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of any derivative financial instrument is recognised in the Income Statement in finance costs.

Interest rate swaps are entered into to manage interest rate risk in relation to debt.

Forward exchange contracts are entered into to hedge forecasted significant foreign currency purchases.

Specific valuation techniques used to value financial instruments include:

- forward exchange contracts – the present value of future cash flows based on the forward exchange rates at the reporting date
- interest rate swaps – the present value of the estimated future cash flows based on observable yield curves

| Fair Value | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Forward exchange contracts | 97 | - |
| Interest rate swaps | 9 | 92 |
| Total | 106 | 92 |
| Current Asset / (Liability) | 106 | 92 |

## Note 14
## Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

New terminals on hand are held as capital works in progress and are valued at cost.

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

- Merchant terminals - between three and six years
- Motor vehicles - five years
- Computer equipment – between three and four years
- Furniture, fixtures and office equipment - between three and five years

For some merchant terminals, due to payment compliance regulation, the life may be less than three years at the time of acquisition. Accordingly, these merchant terminals will be depreciated over this reduced life.

All impairment of non-financial assets recognised in the current and prior period relate to the impairment of terminal assets. The impairment of terminal assets is comprised of merchant terminals held by customers that have been deemed irrecoverable and impairment of obsolete or damaged merchant terminals.

| Property, Plant and Equipment | Merchant Terminals | | Leasehold Improvements, Motor Vehicles, Furniture and Office Equipment | | Group Total | |
|---|---|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| Opening carrying value | 11,139 | 7,705 | 411 | 344 | 11,550 | 8,049 |
| Additions | - | - | 495 | 310 | 495 | 310 |
| Transfers from capital work in progress | 10,044 | 7,241 | - | - | 10,044 | 7,241 |
| Depreciation | (5,075) | (3,447) | (269) | (242) | (5,344) | (3,689) |
| Cost of sales | (7) | (17) | - | - | (7) | (17) |
| Impairment (losses) / recoveries | (61) | 147 | - | - | (61) | 147 |
| Disposals | (326) | (385) | - | - | (326) | (385) |
| Foreign exchange adjustments | 167 | (105) | 2 | (1) | 169 | (106) |
| Closing carrying value | 15,881 | 11,139 | 639 | 411 | 16,520 | 11,550 |
| **Capital Work in Progress** | | | | | | |
| Opening carrying value | 4,082 | 1,409 | - | - | 4,082 | 1,409 |
| Additions | 14,701 | 9,991 | - | - | 14,701 | 9,991 |
| Transfers to fixed assets | (10,044) | (7,241) | - | - | (10,044) | (7,241) |
| Foreign exchange adjustments | 170 | (77) | - | - | 170 | (77) |
| Closing carrying value | 8,909 | 4,082 | - | - | 8,909 | 4,082 |
| Total property, plant and equipment | 24,790 | 15,221 | 639 | 411 | 25,429 | 15,632 |
| **Reconciled to:** | | | | | | |
| Cost | 31,532 | 24,818 | 2,401 | 1,920 | 33,933 | 26,738 |
| Less accumulated depreciation | (15,431) | (13,547) | (1,762) | (1,509) | (17,193) | (15,056) |
| Less accumulated impairment losses | (220) | (132) | - | - | (220) | (132) |
| Closing carrying value | 15,881 | 11,139 | 639 | 411 | 16,520 | 11,550 |
| Capital work in progress | 8,909 | 4,082 | - | - | 8,909 | 4,082 |
| Total property, plant and equipment | 24,790 | 15,221 | 639 | 411 | 25,429 | 15,632 |

## Note 15
## Right-of-Use Assets

Right-of-use assets relate to the rental of offices, motor vehicles, and other equipment.

Right-of-use assets are initially recognised at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- An estimate of restoration or "make-good" costs.

Right-of-use assets are revalued when there is a remeasurement of the lease liability and are depreciated over the lease term on a straight-line basis.

| Right-of-Use Assets | Right-of-Use Offices | | Other Right-of-Use Assets | | Group Total | |
|---|---|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| Opening carrying value | 4,355 | 5,448 | 47 | 16 | 4,402 | 5,464 |
| Additions | 277 | 189 | 2,396 | 48 | 2,673 | 237 |
| Disposals | (4) | (21) | - | - | (4) | (21) |
| Depreciation | (1,253) | (1,257) | (353) | (17) | (1,606) | (1,274) |
| Remeasurements of lease liabilities | 863 | - | - | - | 863 | - |
| Foreign exchange adjustments | 54 | (4) | 19 | - | 73 | (4) |
| Closing carrying value | 4,292 | 4,355 | 2,109 | 47 | 6,401 | 4,402 |
| **Reconciled to:** | | | | | | |
| Cost | 6,987 | 5,846 | 2,462 | 68 | 9,449 | 5,914 |
| Less accumulated depreciation | (2,695) | (1,491) | (353) | (21) | (3,048) | (1,512) |
| Closing carrying value | 4,292 | 4,355 | 2,109 | 47 | 6,401 | 4,402 |

## Note 16
## Contract Costs

Contract costs are sales commissions and other costs of acquisition paid to employees and third parties for the acquisition of service contracts and are amortised over the expected life of the contract, which is 36 months.

| Contract Costs | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Opening carrying value | 2,477 | 1,089 |
| Additions | 1,534 | 2,424 |
| Amortisation | (1,499) | (1,057) |
| Foreign exchange adjustments | 38 | 21 |
| Closing carrying value | 2,550 | 2,477 |

## Note 17
## Subsidiary Companies

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

| Subsidiaries | Equity Interest | | Place of Incorporation | Activities |
|---|---|---|---|---|
| | 2024 | 2023 | | |
| Smartpay Limited | 100% | 100% | New Zealand | Product and services |
| Smartpay New Zealand Limited | 100% | 100% | New Zealand | Funding |
| Smartpay Australia Pty Limited | 100% | 100% | Australia | Product and services |
| Smartpay Rentals Pty Limited | - | 100% | Australia | Voluntarily liquidated |
| Cadmus Payment Solutions Pty Limited | 100% | 100% | Australia | Non-trading |
| Smartpay Taxis Pty Limited | - | 100% | Australia | Voluntarily liquidated |
| Product Rentals Pty Limited | - | 100% | Australia | Voluntarily liquidated |

## Note 18
## Intangible Assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

### Software and Development Costs

All costs directly incurred in the purchase or development of 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. Software is amortised on a straight line basis over the period of time during which benefits are expected to arise.

### Cloud Computing Arrangements

The Group recognises costs incurred in configuring or customising cloud application software as an intangible asset only if the activities create a resource that the Group can control and from which it expects to benefit. Such costs are amortised over the estimated useful life of the software application on a straight-line basis.

Where the Group does not control the cloud application software, the arrangement is deemed to be a service contract and any implementation costs (i.e. costs incurred to configure or customise the cloud application software) are expensed to the Income Statement as incurred.

### Amortisation

Intangible assets are amortised on a straight-line basis in the Income Statement (in the depreciation and amortisation line) 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:

- Software and development costs - between three and ten years
- Customer contracts - between three and ten years

The carrying amount of software and development costs has been assessed for impairment at 31 March 2024 and no impairment is required.

| Intangible Assets | Software and Development | | Customer Contracts | | Group Total | |
|---|---|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| Opening carrying value | 13,305 | 12,285 | - | 353 | 13,305 | 12,638 |
| Additions* | 6,491 | 4,189 | - | - | 6,491 | 4,189 |
| Amortisation | (2,166) | (2,451) | - | (353) | (2,166) | (2,804) |
| Disposals | (61) | (718) | - | - | (61) | (718) |
| Foreign exchange adjustments | 1 | - | - | - | 1 | - |
| Closing carrying value | 17,570 | 13,305 | - | - | 17,570 | 13,305 |
| **Reconciled to:** | | | | | | |
| Cost | 27,901 | 21,674 | - | 4,235 | 27,901 | 25,909 |
| Less accumulated amortisation and impairment | (10,331) | (8,369) | - | (4,235) | (10,331) | (12,604) |
| Closing carrying value | 17,570 | 13,305 | - | - | 17,570 | 13,305 |

* All additions to software and development during the current and prior period are from internal development.

### Significant Software and Development

***Internally Developed Software***

The Group undertakes development activities to support its business activities in 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 $194,000 (2023: $2,751,000).

The work in progress software amounting to $10,737,000 (2023: $4,441,000) relates to ongoing merchant terminal development and the development of the transaction processing and merchant management system.

The amount of research and development expenditure recognised as an expense during the year ended 31 March 2024 was $572,000 (2023: $718,000).

## Note 19
## Goodwill

| Goodwill | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Opening value | 14,772 | 14,772 |
| Impairment losses | - | - |
| Balance at end of year | 14,772 | 14,772 |
| **Reconciled to:** | | |
| Cost | 14,772 | 14,772 |
| Less accumulated impairment losses | - | - |
| Balance at end of year | 14,772 | 14,772 |

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 acquired entity'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 units. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

***Impairment***

At 31 March 2024, goodwill was tested for impairment. The impairment testing was performed over the New Zealand cash-generating unit (New Zealand CGU) on the basis that the goodwill relates only to New Zealand.

The value in use methodology has been applied using past experience of sales and expenses, whilst factoring in any anticipated changes. These cash flows are based on the Directors' view of the projected cash flows for the 31 March 2025 year and beyond that used an average growth rate of 3% (2023: 3%). For cash flows beyond five years a terminal value has been used based on the final of the five years net cash flows. The cash flows are discounted using a pre-taxation rate of 18.24% (2023: 16.73%).

The recoverable amount was determined by taking the value in use, which was then compared to the carrying amount. The value in use was also tested against market capitalisation. This testing indicated no impairment had occurred. Adverse changes in actual performance or future rates of growth will reduce the calculated recoverable amount. However, there are no reasonably possible changes in any of the key assumptions on which management has based its determination of the recoverable amount that would cause the carrying amount of the New Zealand CGU to exceed its recoverable amount.

When performing our assessment some costs and assets are allocated to the Australian cash-generating unit (Australian CGU) (e.g. software, salary, compliance expenses) based on whether the expense is being used to generate revenue in Australia or New Zealand.

Forecast capital expenditure for the New Zealand CGU includes spend on software development and merchant terminals. The assumptions have been based on past experience and include forecast fleet replacement. The carrying amount used includes net working capital and total fixed assets including software for the New Zealand business.

## Note 20
## Deferred Taxation Assets / (Liabilities)

| Movements in Deferred Taxation: | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Opening balance | 2,152 | (99) |
| Charged to the Income Statement | 409 | 1,970 |
| Prior period adjustments - deferred | (23) | - |
| Charged to equity | 446 | 281 |
| Balance at end of the year | 2,984 | 2,152 |
| **Deferred Taxation Balance Reconciliation:** | | |
| Accruals and provisions | 766 | 660 |
| Share performance rights | 1,364 | 682 |
| Right-of-use assets | (1,885) | (1,302) |
| Lease liabilities | 2,056 | 1,437 |
| Taxation losses now recognised | 1,612 | 257 |
| Fixed assets and computer software | (929) | 418 |
| Total deferred taxation balance | 2,984 | 2,152 |

***Taxation Losses***

The Australian taxation losses can be carried forward provided that shareholder continuity remains above 49% or the business continuity test is satisfied. Currently the shareholder continuity is above the threshold. Due to the current forecasts of when Smartpay Australia Pty Limited will generate assessable income and as to when the taxation losses will be utilised, a deferred taxation benefit in respect of all remaining Australian taxation losses has been recognised beyond the deferred taxation liability in this reporting period.

The current forecasts estimate that the remaining recognised taxation losses above will be utilised by FY26. In the prior period, total taxation losses of $A8,830,000 were unrecognised. An amount of $A3,631,000 was utilised in the current year, and the remaining taxation losses are now recognised. In the prior period no deferred taxation was recognised in relation to Australia beyond the deferred taxation liability.

## Note 21
## Trade Payables and Accruals

Financial liabilities included in trade payables and accruals are initially measured at fair value, less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulated 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-accumulated sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

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

| Current Trade Payables and Accruals | Note | 2024 $'000 | 2023 restated* $'000 |
|---|---|---|---|
| Trade payables | | 7,458 | 4,795 |
| Merchant payables | 11 | 66,097 | 19,251 |
| Accruals | | 3,253 | 3,053 |
| Employee entitlements | | 2,316 | 2,242 |
| Other payables and accruals | | 309 | 440 |
| Total current trade payables and accruals | | 79,433 | 29,781 |

* There was a classification error identified and corrected in the comparative information relating to $390,000 of employee entitlements that were incorrectly classified as accruals. The impact of this correction had no impact on total trade payables and accruals previously reported in the prior period.

| Non-current Trade Payables and Accruals | Note | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| Trade payables | | 3,098 | - |
| Total non-current trade payables and accruals | | 3,098 | - |

The non-current trade payables relate to amounts owing for merchant terminals purchased that are not due within 12 months from the reporting date.

## Note 22
## Current Taxation Assets / (Liabilities)

| Current Taxation | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Opening balance | (1,330) | 294 |
| Prior period adjustments - current | 204 | - |
| Charged to the Income Statement | (982) | (1,704) |
| Income taxation paid | 1,700 | - |
| Refundable taxation credits | 53 | 359 |
| Research and development grants | - | 284 |
| Taxation refund | (319) | (563) |
| Closing balance | (674) | (1,330) |

***Imputation Credit Account Balances***

The Group has an Imputation Credit Account (ICA) of $1,388,000 as at 31 March 2024 (2023: $1,330,000) and Nil franking credits (2023: Nil).

## Note 23
## Borrowings

Borrowings are initially measured at fair value, less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method.

| Bank Term Loans - at Amortised Cost | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Current | - | 1,000 |
| Non-current | 9,000 | 9,000 |
| Total bank term loans | 9,000 | 10,000 |

***Summary of Borrowing Arrangements***

A committed cash advance facility (CAF) was established with ASB Bank Limited (ASB) on 11 July 2012 and will expire on 1 October 2025. The Facility Limit is $10,500,000. On 11 May 2023, the Group entered into an amendment regarding the CAF with ASB.
The amendment reduces the minimum amount payable by the Group within each financial year from $1,000,000 to $0.

The interest rate is BKBM (90 day bill rate) plus margin of 1.86%. A line fee of 1.24% of the facility limit is payable quarterly.

ASB has security over all the assets of the Group with all companies in the Group providing cross guarantees and indemnities in favour of ASB (for a list of the Group companies refer to Note 17).

The specific covenants relating to financial ratios the Group is required to meet are:

- Interest cover ratio
- Net leverage ratio

The Group was in compliance with all covenants during the period.

The Group has a $200,000 overdraft facility with ASB which is undrawn.

## Note 24
## Lease Liabilities

***Leases as Lessee***

Lease liabilities are measured at the net present value of any lease payments, which include fixed payments and variable payments linked to an index. Variable payments linked to an index are not included in the lease liability until they take effect. When adjustments to lease payments linked to an index take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate of the Group. The interest rate implicit in the lease can be readily determined for motor vehicles, but not for all other leases, and thus these are discounted using the incremental borrowing rate of the Group. This is determined using the risk-free rate and an asset specific adjustment at the time of recognition.

The lease term includes any right to renewal where it is reasonably certain that the Group will exercise that right. The likelihood of renewing the term is assessed at initial recognition and is reassessed when there is a significant event or a significant change in circumstances within the Group's control which affects the likelihood of extending the lease. During the current financial year, the right to renew became reasonably certain for the Auckland office lease following a lease modification. The financial effect of revising the lease term to reflect the effect of exercising the extension option was an increase in recognised lease liabilities and right-of-use assets of $863,000 (2023: Nil). All other leases either do not meet the threshold of being reasonably certain or do not have a right to renewal.

Non-cancellable lease liabilities are payable as follows:

| Non-Cancellable Lease Liabilities | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Current | 1,694 | 1,220 |
| Non-current | 5,281 | 3,634 |
| Total lease liabilities | 6,975 | 4,854 |
| **Amounts Recognised in Statement of Comprehensive Income** | | |
| Depreciation on right-of-use assets (included in depreciation and amortisation) | 1,606 | 1,274 |
| Interest expense on lease liabilities (included in Finance costs) | 421 | 298 |
| **Amounts Recognised in Statement of Cash Flows** | | |
| Interest paid | 422 | 313 |
| Principal elements of lease payments | 1,492 | 1,092 |
| Total cash outflow for leases | 1,914 | 1,405 |

Leases comprise of:

- Offices with arm's length third parties on commercial terms and are used in the on-going activities of the Group. All office leases are negotiated with rights of renewal to allow for certainty of tenure whilst also providing flexibility.
- Motor vehicles and equipment with arm's length third parties on normal commercial terms and are used in the on-going activities of the Group.

The leases relate to the right-of-use assets.

## Note 25
# Share Capital

| Share Capital | 2024 Shares | 2023 Shares | 2024 $'000 | 2023 $'000 |
|---|---|---|---|---|
| Authorised, issued and fully paid up ordinary shares | 238,284,963 | 238,284,963 | 91,641 | 91,641 |

| Reconciliation of Movements in Ordinary Shares | 2024 Shares | 2023 Shares | 2024 $'000 | 2023 $'000 |
|---|---|---|---|---|
| Opening balance | 238,284,963 | 238,284,963 | 91,641 | 91,641 |
| Closing balance | 238,284,963 | 238,284,963 | 91,641 | 91,641 |

***Capital Management***

The main objective of capital management is to ensure the entity continues as a going concern, meets debt repayments 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 the dividend may be, reduce or increase debt or sell assets.

## Note 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. Movements are shown in the Statement of Changes in Equity.

| Foreign Currency Translation Reserve | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Opening balance | 163 | 278 |
| Other comprehensive income / (loss) | 303 | (115) |
| Closing balance | 466 | 163 |

## Note 27
# Share Performance Rights

The Group operates a share-based compensation plan that is equity settled. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

The impact of any revision to original estimates is recognised in the Income Statement, with a corresponding adjustment to equity.

### a. Type of Share-Based Payments

The establishment of the Group share-based Long Term Incentive (LTI) plan for the Chief Executive Officer (CEO) was approved by the shareholders at the annual general meeting on 29 September 2021. This was followed by the establishment of the LTI plan for key management in November 2021. The LTI plan is designed to provide long-term incentives for the CEO and key management to deliver long-term shareholder returns.

Under the LTI plan, the eligible employees are offered rights (for nil consideration) to ordinary shares in Smartpay Holdings Limited, to be known as Share Performance Rights (SPRs). The LTI plan will operate for three financial years commencing 1 April 2021, i.e. FY22-24. SPRs conditionally vest annually based on two performance measures: EBITDA per share and revenue targets. If the performance hurdles are not met in each of the first two years, they will be added to the tranche of SPRs issued in the following year. In FY24 all SPRs that do not meet the performance targets will lapse. Each conditionally vested SPR converts to one ordinary share in Smartpay Holdings Limited (for nil consideration) if the employee remains employed by the Group as at 31 March 2024 (being the over-arching hurdle). The Board retains discretion over the final outcome of the issue of the SPRs to allow appropriate adjustments where unanticipated circumstances may impact performance over the measurement period.

The SPRs issued to the CEO and key management carry no dividend or voting rights. An adjustment would not be made to the number of SPRs issued to compensate for any dividends paid during the vesting period.

The LTI plan has been accounted for as a grant of shares to employees in accordance with NZ IFRS 2 *Share-based Payment*.

### b. Effect of Share-Based Payment Transactions

| Share Performance Rights Amortisation Expense | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Share performance rights amortisation | 936 | 1,035 |
| Deferred taxation benefit on share performance rights amortisation | 446 | 281 |
| Total share performance rights amortisation expense | 1,382 | 1,316 |

### c. Measurement of Fair Value

The fair value of the SPRs issued under the LTI plan in the prior periods were determined with reference to the Parent's share price on the NZX and ASX (converted to NZD) at grant date. The impact of any service and non-market vesting conditions is excluded from the fair value. Instead, in respect of key management, a discount is applied to reflect the probability of retention of service in estimating the number of SPRs expected to unconditionally vest.

### d. Movement in Share-Based Payment Rights

| 2022-2024 Share Performance Rights | 2024 | 2023 |
|---|---|---|
| Opening balance | 4,057,920 | 3,947,748 |
| Granted | - | 299,820 |
| Forfeited | (229,488) | (189,648) |
| Unconditional vesting during the period | - | - |
| Closing balance | 3,828,432 | 4,057,920 |

In the year ended 31 March 2024, nil SPRs (2023: 299,820 SPRs) were issued to key management and 229,488 (2023: 189,648) were forfeited by key management.

## Note 28
## Operating Cash Flows Reconciliation

| Operating Cash Flows Reconciliation | 2024 $'000 | 2023 restated* $'000 |
|---|---|---|
| Profit for the year | 8,406 | 8,458 |
| **Add / (Deduct) Non-Cash Items:** | | |
| Depreciation and amortisation | 10,615 | 8,824 |
| Financing costs and merchant chargeback | 53 | 56 |
| Operating expenses paid through financing | - | 352 |
| Unrealised foreign exchange movements | 155 | (207) |
| Share performance rights amortisation | 936 | 1,035 |
| Impairment and loss on disposal of plant, property and equipment | 387 | 238 |
| Deferred taxation (benefit) / expense | (386) | (1,970) |
| **Add / (Deduct) Changes in Working Capital Items:** | | |
| Trade and other receivables | (256) | (481) |
| Derivative financial instruments | (16) | (107) |
| Trade payables and accruals | 196 | 2,059 |
| Current taxation | (656) | 1,623 |
| Net cash inflow from operating activities | 19,434 | 19,880 |

* There was a $1,314,000 error identified and corrected in the comparative information in relation to trade payables and accruals, which has been restated from $745,000 to $2,059,000. As a result, the net cash inflow from operating activities in the operating cash flows reconciliation has been restated and is consistent with the restated amount disclosed in the statement of cash flows, refer to Note 2h.

## Note 29
## Related Parties

Key management personnel of the Parent are considered to be related parties of the Group. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. In relation to the Parent, the key management personnel are the Directors (which includes the Chief Executive Officer) and the direct reports to the Chief Executive Officer during the year ended 31 March 2024.

| Related Party Transactions and Balances | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Payables | 28 | 28 |

| Key Management Personnel Compensation | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Directors' fees | 310 | 308 |
| Short-term employee benefits | 4,571 | 3,550 |

Short-term employee benefits includes the remuneration of the Chief Executive Officer and the other members of the key management personnel. Share-based payment compensation is disclosed when it is settled.

## Note 30
## Financial Risk Management

### a. Financial Instruments by Category

| 2024<br>Financial Instruments | Measured at Fair Value Through Profit or Loss $'000 | Measured at Amortised Cost $'000 | Total $'000 |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash and bank balances | - | 20,227 | 20,227 |
| Trade and other receivables | - | 60,423 | 60,423 |
| Derivative financial instruments | 106 | - | 106 |
| Total financial assets | 106 | 80,650 | 80,756 |
| **Financial Liabilities** | | | |
| Trade payables and accruals | - | 76,808 | 76,808 |
| Borrowings | - | 9,000 | 9,000 |
| Lease liabilities | - | 6,975 | 6,975 |
| Total financial liabilities | - | 92,783 | 92,783 |

| 2023 restated*<br>Financial Instruments | Measured at Fair Value Through Profit or Loss $'000 | Measured at Amortised Cost $'000 | Total $'000 |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash and bank balances | - | 19,477 | 19,477 |
| Trade and other receivables | - | 15,040 | 15,040 |
| Derivative financial instruments | 92 | - | 92 |
| Total financial assets | 92 | 34,517 | 34,609 |
| **Financial Liabilities** | | | |
| Trade payables and accruals | - | 27,123 | 27,123 |
| Borrowings | - | 10,000 | 10,000 |
| Lease liabilities | - | 4,854 | 4,854 |
| Total financial liabilities | - | 41,977 | 41,977 |

* The comparative information for trade payables and accruals has been restated due to a $390,000 restatement between accruals and employee entitlements, refer to Note 21.

### b. Fair Value

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

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.

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

| Fair Value Hierarchy of Assets and Liabilities at Fair Value | | Fair Value Measurement Using | | | |
|---|---|---|---|---|---|
| 2024 | Date of Valuation | Total $'000 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 |
| Derivative financial assets: | | | | | |
| Interest rate swap | 31-Mar-24 | 9 | - | 9 | - |
| Forward exchange contracts | 31-Mar-24 | 97 | - | 97 | - |

| Fair Value Hierarchy of Assets and Liabilities at Fair Value | | Fair Value Measurement Using | | | |
|---|---|---|---|---|---|
| 2023 | Date of Valuation | Total $'000 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 |
| Derivative financial assets: | | | | | |
| Interest rate swap | 31-Mar-23 | 92 | - | 92 | - |

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

## Note 30 continued
## Financial Risk Management

***Financial Instruments Not Measured At Fair Value***

***Financial Assets***

The carrying value of all financial assets is considered to approximate their fair value 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 include current trade payables and accruals for which the carrying amount is considered to approximate fair value as they are short term in nature or are payable on demand. The carrying amount of non-current trade payables and accruals is also considered to approximate fair value due to the close proximity of the timing of their initial recognition to reporting date. Employee entitlements, GST payable and deferred revenue are not considered financial liabilities.

***Borrowings***

For borrowings, which reprice within three months, the carrying amount is a reasonable approximation of fair value at the reporting date.

***Lease Liabilities***

Refer to Note 24.

### c. Foreign Currency Exchange Risk Management

Foreign currency risk is the risk that the value of the Group's assets, liabilities and financial performance will fluctuate due to changes in foreign exchange rates. The Group is primarily exposed to movements in foreign exchange rates due to the purchases of inventory in USD and the results of its operations in Australia in AUD.

The Group manages foreign currency risk on outstanding liabilities denominated in USD by purchasing and holding USD or entering into forward exchange contracts when invoices are received. Amounts purchased are equal to the value of the invoice, thus mitigating the effects of movements in exchange rates. Invoices received in AUD are paid in AUD from cash generated from operations.

There is translation risk as a result of the Australian subsidiaries having a functional currency of AUD and being translated to NZD for the Group financial statements. Exchange differences arising on translation of operations are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the Income Statement when the net investment is disposed of.

### d. Credit Risk

In the normal course of business the Group is exposed to credit risk on financial assets including cash and bank balances, derivative financial instruments, merchant receivables, trade receivables and unbilled receivables.

| Credit Risk Exposure | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Cash and bank balances | 20,227 | 19,477 |
| Derivative financial instruments | 106 | 92 |
| Merchant receivables | 57,077 | 11,817 |
| Trade receivables (net of expected credit loss allowance on accounts receivable) | 1,378 | 1,588 |
| Accrued revenue (unbilled receivables) | 1,723 | 1,394 |
| Acquiring settlement facility security deposit | 245 | 241 |

The Group applies the simplified approach in NZ IFRS 9 *Financial Instruments* to measuring expected credit losses which uses a lifetime loss allowance for all trade receivables and accrued revenue (unbilled receivables).

The expected loss rates are based on the payment profiles of sales over a period of 12 months before balance date and the corresponding historical credit losses experienced within this period. The historic loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

In respect to credit risk arising from cash and bank balances, the acquiring settlement facility security deposit and derivative financial instruments, the Group's policy is to only deal with registered banks and financial institutions with high credit ratings and accordingly the risk of exposure is considered to be low.

The credit risk relating to merchant receivables is considered to be low, as the risk relates to the daily settlements due from the credit schemes, primarily Visa and Mastercard and the registered banks in respect to merchant transactions. The Group receives the majority of money daily, retains the fees due by the merchant before settling to the merchant. Thereafter the Group is exposed to the potential of chargeback risk for a period of three months. The historical experience of chargebacks supports management's view that the Group's exposure to credit risk is low.

## Note 30 continued
## Financial Risk Management

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| Loss Allowances | Gross Carrying Amount $'000 | Loss Rate | Loss Allowance $'000 | Gross Carrying Amount $'000 | Loss Rate | Loss Allowance $'000 |
| Merchant receivables | 57,077 | 0.00% | - | 11,817 | 0.00% | - |
| Accrued revenue (unbilled receivables) | 1,723 | 0.00% | - | 1,394 | 0.00% | - |
| Trade receivables - current | 1,700 | 18.94% | 322 | 1,671 | 12.27% | 205 |
| Trade receivables - salvage | 270 | 100.00% | 270 | 488 | 75.0% | 366 |
| | 60,770 | | 592 | 15,370 | | 571 |

In terms of geographic location the merchant receivables category relates only to Australia and the other categories relate to both New Zealand and Australia.

### e. Interest Rate Risk

The Group has interest rate risk on the CAF facility. At 31 March 2024 if interest rates had changed by +/- 2% (2023: +/-2%) from the rates at the end of the reporting period with all other variables held constant, the Group's post taxation profit for the period (annualised) would have been $90,000 lower (2023: $112,000 lower) or $90,000 higher (2023: $112,000 higher). This sensitivity is based on reasonably possible changes over a financial year using the observed range of historical data.

### f. 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. The Board considers that the Group is generating sufficient cash flows from operations to meet all of its obligations.

The table below sets out the contractual, undiscounted cash flows for financial liabilities.

| Contractual Undiscounted Cash Flows 2024 | Total $'000 | <6 Months $'000 | 6-12 Months $'000 | 1-2 Years $'000 | 2-5 Years $'000 |
|---|---|---|---|---|---|
| Borrowings** | 10,179 | 393 | 393 | 9,393 | - |
| Lease liabilities | 8,156 | 1,084 | 1,065 | 2,110 | 3,897 |
| Trade payables and accruals | 82,532 | 77,368 | 2,066 | 3,098 | - |
| Total contractual undiscounted cash flows | 100,867 | 78,845 | 3,524 | 14,601 | 3,897 |

| Contractual Undiscounted Cash Flows 2023 restated* | Total $'000 | <6 Months $'000 | 6-12 Months $'000 | 1-2 Years $'000 | 2-5 Years $'000 |
|---|---|---|---|---|---|
| Borrowings** | 11,721 | 815 | 795 | 1,648 | 8,463 |
| Lease liabilities | 5,300 | 723 | 710 | 1,398 | 2,469 |
| Trade payables and accruals | 27,123 | 27,123 | - | - | - |
| Total contractual undiscounted cash flows | 44,144 | 28,661 | 1,505 | 3,046 | 10,932 |

* The comparative information for trade payables and accruals has been restated due to a $390,000 restatement between accruals and employee entitlements, refer to Note 21.

** The future interest payment on borrowings included in the contractual, undiscounted cash flows are based on an estimate of the floating interest rate.

## Note 31
## Contingencies

### Guarantees

The Group has provided bank guarantees in favour of NZX of $75,000 (2023: $75,000) and in respect of a right-of-use office asset in Australia of A$640,000 (2023: A$640,000).

## Note 32
## Capital Commitments

The group has capital commitments of $19,788,457 (2023: $266,354). Commitments principally relate to development of intangible assets and purchase of terminals and terminal accessories.

## Note 33
## Subsequent Events

### New Zealand Strategic Opportunity

On 23 May 2024, the Group executed agreements with Cuscal Payments NZ Limited to provide acquiring products in New Zealand. An estimate of the financial impact of this opportunity cannot be made.

# Independent auditor's report

To the shareholders of Smartpay Holdings Limited

## Our opinion

In our opinion, the accompanying financial statements of Smartpay Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2024, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

**What we have audited**

The Group's financial statements comprise:

- the statement of financial position as at 31 March 2024;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

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

Our firm provides access to generic training materials through an on-line platform to the Group. The provision of access to generic training materials has not impaired our independence as auditor of the Group.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition** | |
| The Group's revenue of $96,513,000 (2023: $77,775,000) primarily consists of revenue from merchant terminal services and revenue from transaction processing, which together account for approximately 99% (2023: 99%) of total revenue as disclosed in Note 6 to the financial statements.<br><br>Considering the volume of revenue transactions processed and the importance of revenue to the users of the financial statements, including as a performance measure in the Group's share-based Long Term Incentive (LTI) plan for key management, we considered revenue recognition under NZ IFRS 15 *Revenue from Contracts with Customers* (NZ IFRS 15) to be a key audit matter. | Our audit procedures performed included:<br>• Gaining an understanding of the business process applied by management in relation to revenue and receivables for each material revenue stream;<br>• Assessing the reasonableness of the judgements made by management in applying NZ IFRS 15 to each material revenue stream, particularly in relation to the determination of performance obligations;<br>• Assessing the design, and testing the operating effectiveness of controls over reconciliations of transactional data and the related cash flows between the Group's transaction processing system and the external acquiring processing partner in relation to revenue from transaction processing;<br>• Testing a sample of revenue transactions against invoices issued to merchants and/or contracts signed with merchants, and bank or external acquiring processing partner statements evidencing the receipt of cash;<br>• Recalculating, on a sample basis, daily amounts for revenue from transaction processing by merchant, using data from the external acquiring processing partner of the transactions processed by the merchant on Smartpay's merchant terminal(s) for that day, and the fee or rate included in the contract with the merchant; and<br>• Assessing the disclosures in the financial statements against the requirements of NZ IFRS 15. |
| **Impairment assessment of goodwill** | |
| As at 31 March 2024, the Group has goodwill with a carrying amount of $14,772,000 (2023: $14,772,000) as disclosed in note 19 to the financial statements, which relates solely to the New Zealand cash-generating unit (CGU).<br><br>NZ IAS 36 *Impairment of Assets* (NZ IAS 36) requires goodwill to be tested for impairment annually irrespective of whether there is any indication of impairment. | Our audit procedures performed included:<br>• Gaining an understanding of the business process applied by management in preparing the goodwill impairment assessment;<br>• Comparing the forecast cash flows for the year ended 31 March 2025 included in the goodwill impairment assessment to the budget approved by the Board of Directors; |

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| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| Management have performed their annual goodwill impairment assessment using a value in use (VIU) model. Our audit focused on this area because there are significant judgements made by management in determining the inputs used in the VIU model to support management's goodwill impairment assessment. The most significant judgements applied are in relation to forecast cash flows for five years, the terminal growth rate, the discount rate (weighted average cost of capital) and the allocation of overheads.<br><br>For the New Zealand CGU, the recoverable amount based on the VIU was higher than the carrying amount and as a result, no impairment charge was recognised. | • Challenging management's assumptions in the VIU model for the five year period, in particular around the revenue growth rate, allocation of overheads and capital expenditure;<br>• Testing the mathematical accuracy of the VIU model used to determine the VIU of the New Zealand CGU;<br>• Engaging our auditor's valuation expert to assess the reasonableness of the valuation methodology and management's assumptions relating to the weighted average cost of capital and the terminal growth rate;<br>• Performing a sensitivity analysis over key assumptions to determine whether reasonably possible changes would result in impairment of goodwill; and<br>• Assessing the disclosures in the financial statements against the requirements of NZ IAS 36. |

## Our audit approach

### Overview


Overall group materiality: $965,000, which represents approximately 1% of revenue.

We chose revenue as the benchmark because, in our view, this is a key measure of the Group's performance and, given the growth phase of the business, we consider revenue to be a more appropriate benchmark than profit before taxation.

We performed a full scope audit over the consolidated financial information of the Group.

As reported above, we have two key audit matters, being:

- Revenue recognition
- Impairment assessment of goodwill.

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



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### Materiality

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

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

### How we tailored our group audit scope

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

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report (but does not include the financial statements and our auditor's report thereon), and the climate report to be published at a later date. Other than the climate report which we will receive at a later date, we have received all the other information expected to be included in the annual report.

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

In connection with our audit of the financial statements, our responsibility is to read the other 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 to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the climate report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

## Responsibilities of the Directors for the financial statements

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

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

pwc

### Auditor's responsibilities for the audit of the financial statements

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

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

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/
This description forms part of our auditor's report.

### Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
27 May 2024

Auckland

# Governance

## The Board of Directors of Smartpay is responsible for governance of Smartpay and is committed to the best practices of governance and maintains the highest ethical standards and integrity

Smartpay's governance framework sets out our accountabilities to our stakeholders, how we expect to conduct our business, communicate and manage risk. The key documents include Values, Ethics and Code of Conduct, Board and Committee Charters, Policies on Securities Trading, Audit Independence, Diversity and Inclusion, Disclosure, and Director and Executive Renumeration. These policies are available on Smartpay's investor website **smartpayinvestor.com**.

This section of the Annual Report reflects the company's compliance with the requirements of the New Zealand Stock Exchange (NZX) Corporate Governance Code dated 1 April 2023.



## Principle 1
## Code of Ethical Behaviour

**Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed through the organisation.**

Our values of teamwork, focus on the customer, delivery and accountability are at the heart of what we do and how we are. Ensuring that Smartpay is governed transparently and to the highest of ethical standards is one of the key priorities for the Board. Policies are subject to regular review to ensure they are compliant with the NZX Corporate Governance Code recommendations, the latest regulatory requirements and best practice. Policies supporting the standards of behaviour required of all members of Smartpay when they represent the company are noted below.

### Values, Ethics and Code of Conduct Policy

The purpose and intent of the Values, Ethics and Code of Conduct Policy is to guide directors, employees, consultants and all other people who represent Smartpay to ensure that their conduct is consistent with high business standards. Whilst the policy does not present an exhaustive list of acceptable and non-acceptable behaviours, it is intended to facilitate decisions that appropriately align to Smartpay's business standards.

The Values, Ethics and Code of Conduct is reviewed at least every two years. At the time of review, all employees are provided with the updated policy for review. New employees are introduced to the policy at the time of their induction. From time to time, staff are provided with reminders of the code of conduct that is acceptable to Smartpay.

### Securities Trading Policy

The Securities Trading Policy applies to all directors, officers, employees, contractors and professional advisors during the period of their engagement with Smartpay. None of these parties may use their position of knowledge of Smartpay and its business to engage in financial products trading for personal benefit or to provide benefit to any third party.

Trading in Smartpay's securities by employees requires approval. All employees acknowledge their understanding of the Securities Trading Policy via our online training platform as part of ongoing training.

### Protected Disclosures (Protection of Whistleblowers) Policy

The Protected Disclosures (Protection of Whistleblowers) Policy applies to all directors, employees and contractors of Smartpay. All parties have a responsibility to report any act of dishonesty, misconduct, or breach of duty, whether known or merely suspected.

## Principle 2
## Board Composition & Performance

**To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.**

Smartpay has five directors, the majority of whom are independent (as defined by the NZX Listing Rules). Smartpay regularly reviews the Board composition to ensure Board membership contains an appropriate mix of skills and experience to support the business, emerging issues and to provide challenge to the business and exercise independent judgement.

### Board Charter

The Board Charter sets out the authority, responsibilities, membership and operation of the Board of Directors. Membership is defined as at least three and no more than seven directors of whom two must be ordinarily resident in New Zealand.

With the prior approval of the Chairman, all directors have the right to seek legal or financial advice on any matter which is either put forward for decision of the Board, or relevant to their positions as directors.

### Nomination and Appointment of Directors

A procedure exists to support the nomination and appointment of directors.

All directors enter into a written agreement with Smartpay upon appointment.

### Independent Directors and Residency of Directors

Smartpay is committed to ensuring that a majority of directors are independent, and do not have any interests, positions, associations or relationships that might interfere, or be seen to interfere. The factors the Board considers to determine independence are set out in the Board Charter.

As at 31 March 2024, the Board determined the following directors are independent directors of Smartpay: Gregor Barclay, Matthew Turnbull and Geoffrey Carrick.

The Directors (other than Gregor Barclay) have carefully considered Gregor Barclay's long tenure as a Director and as Chair, and whether it leads to any influence or perceived influence, in a material way, affecting his capacity to bring an independent view, to act in the best interests of Smartpay Group, or to represent Shareholders.  The Directors have observed the robust approach that Gregor brings in challenging management and the strategic priorities of Smartpay, whilst facilitating open and constructive dialogue between members of the Board and management. Additionally the change in the composition of the Board in the last two years with the addition of Geoffery Carrick is considered to further support this view. As such the Board have determined that Gregor Barclay continues to qualify as an independent director.

Gregor Barclay is the independent chair in accordance with the requirements of the NZX Corporate Governance Code. Both Gregor Barclay and Matthew Turnbull reside in New Zealand.

Information in respect of each director is disclosed in the Annual Report on page 24 and on the investor website **smartpayinvestor.com**.

### Board of Directors Attendance

The attendance of the Board at Board and committee meetings is noted below:

| | Board | | Audit and Finance Committee | | Remuneration and Nominations Committee | |
|---|---|---|---|---|---|---|
| | Eligible to Attend | Attended | Eligible to attend | Attended | Eligible to Attend | Attended |
| Gregor Barclay | 6 | 6 | - | - | 3 | 3 |
| Martyn Pomeroy | 6 | 6 | - | - | - | - |
| Matthew Turnbull | 6 | 6 | 4 | 4 | 3 | 3 |
| Geoffrey Carrick | 6 | 6 | 4 | 4 | - | - |
| Carlos Gil | 6 | 6 | 4 | 4 | - | - |

At the invitation of the Board, the Chief Financial Officer and Chief Business Officer attend relevant sections of the Board Meetings. The Board have access to key management to assist in developing the Boards understanding of issues and the performance of the business.

The Chief Financial Officer attends Audit and Finance Committee Meetings at the invitation of the Audit and Finance Committee.

## Principle 2 continued
## Board Composition & Performance

### Subsidiary Company Directors

The Directors of each of Smartpay's subsidiary companies are all executive appointments and as at 31 March 2024 are Martyn Pomeroy and Cherise Barrie. Peter Thomas is a director of only the Australian subsidiaries.

### Board Performance and Training

The Board regularly reviews its performance and on a biennial basis, an independent assessment of the Board is undertaken by the New Zealand Institute of Directors. Additionally, the performance of the Audit and Finance Committee and the Remuneration and Nominations Committee is subject to regular review by both the Committees and the Board.

Directors have the opportunity to request training on key issues. In the current year, this training has focused on The Aotearoa New Zealand Climate Standards and cyber.

### Diversity and Inclusion Policy

Smartpay is committed to attracting, developing, promoting and retaining a diverse group of talented individuals who will help drive our business performance.

Smartpay's Diversity and Inclusion Policy requires that the directors set measurable objectives to improve diversity and inclusivity. In conjunction with management, objectives have been developed to build an environment where gender, age, culture, disability, economic background, education, ethnic or national origins, language(s) spoken, relationship status, physical appearance, race, colour, religious beliefs, gender identity or sexual orientation are valued.

To ensure continued focus and prioritisation, the Board set measurable objectives for achieving and promoting diversity across Smartpay's business. Implementation and actions to achieve the objectives are the responsibility of the Chief Executive Officer and Senior Management Team.

The objectives and outcomes are set out below:

- Balanced gender representation would have Smartpay strive to achieve a target of a minimum of 40 percent representation of woman or men in each measure:

| | 31 March 2024 | | 31 March 2023 | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| Board | 5 (100%) | 0 | 5 (100%) | 0 |
| Officers* | 5 (63%) | 3 (37%) | 6 (60%) | 4 (40%) |
| Whole of Business | 110 (61%) | 69 (39%) | 103 (64%) | 57 (36%) |

*In accordance with the NZX definition of an Officer, Officers represent the Chief Executive Officer and persons reporting directly to the Chief Executive Officer at 31 March 2024. At 31 March 2024, the persons reporting directly to the Chief Executive Officer are the Chief Financial Officer, Chief Business Officer, Chief Marketing & Product Officer, Chief Revenue Officer, Chief Customer Officer, Chief People Officer and Chief Technology Officer.

Whilst Smartpay would ideally seek to get to a minimum of 40 percent across each measure, the appointment of females will not override the commitment to the appointment of the right person for the role being the most important driver.

- Balanced age representation would have Smartpay strive to have employees fall into each of the following categories:

| | 31 March 2024 | 31 March 2023 |
|---|---|---|
| 16-19 | 1 (1%) | 1 (1%) |
| 20-29 | 50 (28%) | 46 (29%) |
| 30-39 | 73 (40%) | 53 (33%) |
| 40-49 | 25 (14%) | 33 (20%) |
| 50-59 | 25 (14%) | 22 (14%) |
| 60-64 | 1 (1%) | 3 (2%) |
| 65+ | 4 (2%) | 2 (1%) |

- Ethnic diversity would have Smartpay strive to have employees that are representative of the ethnic groups in our chosen markets:

To date, Smartpay has not captured the ethnicity of employees. The only source of information available is reference to Nationality and Place of Birth where an employee has provided as part of the recruitment process.

Accordingly, Smartpay is reporting the countries of birth of our employees which also shows the breadth of the cultures within our team.

Argentina, Australia, Brazil, New Zealand, Malaysia, Chile, China, Pakistan, Philippines, Iran, Iraq, Japan, Indonesia, South Africa, India, Scotland, Kenya, England, Egypt, Fiji, Hungary, Canada, Ireland, Vietnam, and Hong Kong.

Smartpay is a member of Diversity Works NZ to support the development of diversity and inclusion in Smartpay.

## Principle 3
## Board Committees

**The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.**

For the year ended 31 March 2024 there were two standing committees of the Board, being the Audit and Finance Committee and the Remuneration and Nominations Committee. The Board have determined that the responsibilities related to Director Nominations can be performed by the Remuneration and Nominations Committee. Accordingly Smartpay does not have a separate Nomination Committee as is recommended by the NZX Corporate Governance Code.

The written charters for both committees are available on Smartpay's investor website smartpayinvestor.com.

At the time of the annual review of the Board Charter, the directors consider the benefits of constituting additional committees. The Board has elected not to establish any additional committees including a takeovers committee or to have protocols setting out the procedure to follow in the event of a takeover offer. The Board has determined that due to the small size of the Board, it can effectively, efficiently and independently manage any additional issues as a whole Board.

**Audit and Finance Committee**

The members of the Audit and Finance Committee are Matthew Turnbull, Geoffrey Carrick and Carlos Gil.

In accordance with recommendation 3.1 of the NZX Corporate Code, the Committee has a majority of members, including the Chair who are independent directors. Due to the size of the Board, the Committee has one director who is deemed a Non-Executive Director. All members are from an accounting or financial background.

Employees attend the Committee at the invitation of the Chair. In the year ended 31 March 2024, the Chief Financial Officer attended all Audit and Finance Committee meetings.

**Remuneration and Nominations Committee**

The members of the Remuneration and Nominations Committee are Gregor Barclay and Matthew Turnbull.

In accordance with recommendation 3.3 of the NZX Corporate Code, the Committee has a majority of members who are independent directors.

Management attend the Committee at the invitation of the Chair.

## Principle 4
## Reporting and Disclosures

**The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.**

Smartpay is committed to promoting shareholder confidence and to its obligations to inform shareholders (both current and prospective) and market participants of all information that might have a material effect on the price of its shares and to ensuring that trade in securities takes place in an effective and informed market. To this end Smartpay is committed to providing timely, orderly and credible information consistent with legal and regulatory requirements.

The Disclosure Policy together with all key governance documents are available on Smartpay's investor website smartpayinvestor.com.

The Board approves the disclosure of all documents (financial and non-financial) issued by Smartpay.

The Audit and Finance Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness, balance and timeliness of financial statements. All financial statements are prepared in accordance with New Zealand International Financial Reporting Standards and are subject to an annual independent audit.

Non-financial reporting is reviewed by the Board and included in the Annual Report. Smartpay currently does not issue any separate reports and is continuing to develop the reporting in this area as the company grows. The Board have not formally adopted a framework to report on material environmental, social and governance (ESG) factors and practices. Smartpay acknowledges the increasing interest of investors in understanding ESG factors.

Smartpay is committed to developing its reporting to provide transparency in respect to environmental, economic and social sustainability factors. The Chief Executive Officer and Chief Financial Officer have an informal responsibility for informing the Board on these matters as the market and Smartpay continues to develop.

The current focus is on the requirement to report in accordance with the Aotearoa New Zealand Climate Standards (the Climate Standards) and the Board is preparing to issue Smartpay's first climate report in accordance with the Climate Standards in July 2024.

As Smartpay continues to grow there is from time-to-time additional regulatory requirements to provide further transparency. Modern Slavery is a regulatory requirement in Australia, and is currently being discussed in New Zealand. Smartpay is engaged in developing the policy, processes and reporting in this area.

## Principle 5
## Remuneration

**The remuneration of directors and executives should be transparent, fair and reasonable.**

The Directors and Executive Remuneration Policy is available on Smartpay's investor website smartpayinvestor.com.

Directors are paid a basic fee for their appointment as a director. In addition directors may be paid extra remuneration for their membership of Board appointed committees and/or in consideration of their appointment as Chairman or Deputy Chairman.

Directors do not receive retirement or other benefits.

The level of remuneration to be paid is reviewed annually by the Remuneration and Nominations Committee.

The Chief Executive Officer and other Officers are not paid directors fees.

Director remuneration was reviewed in 2022 and at the Annual General Meeting of Shareholders in August 2022, the shareholders approved an increase in the pool for remunerating directors to $500,000 per annum with effect from 1 September 2022.

There have been no other changes to the remuneration of directors in the year ended 31 March 2024.

Please refer to the Remuneration Report on page 76 for the reporting of Directors and Senior Executives Remuneration.

## Principle 6
## Risk Management

**Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.**

Risk management is a critical business discipline that reduces uncertainty and compliments other corporate governance initiatives.

Smartpay is committed to actively manage all material risks in order to conduct business as usual and to accept an appropriate level in accordance with Smartpays' risk appetite.

The Risk Management Framework has been refreshed in the current year, together with the risk appetite and risk tolerance for each risk category.

Reflecting the growth and maturing of Smartpay, the risk categories have been broadened to now include People, Financial, Tax, Operational, Products and Services, Compliance and Legal, Information technology, Cyber Information and Data, Industry and Strategic. Further, Smartpay has implemented compulsory training for all staff including executives in respect to compliance requirements, reflecting the development of the risk culture across Smartpay.

The board has assessed the impact of climate change on Smartpay's business activities. Experience to date together with the scenario testing undertaken supports the board's assessment that the overall risk to the value of the assets of Smartpay is low.

The board has determined not to have a separate Risk Committee. The Board periodically reviews the Risk Register and other relevant aspects of the risk management framework.

The Audit and Finance Committee considers the internal control framework and fraud risk as part of the consideration of the interim and annual financial statements.

Smartpay has insurance policies in place covering all areas where the risk to the assets and business can be insured.

The health and safety of our employees is a core responsibility of the board. A Health and Safety report is presented to the Board at each meeting summarising incidents, risks and actions undertaken. The Board also receives reporting on the usage of Smartpay's independent employee assistance provider. All Smartpay employees have received Health, Safety and Wellbeing training. The health and safety framework has been subject to an independent audit during 2024.

The Board regularly attend the offices in New Zealand and Australia.

In the year to 31 March 2024 there have been no notifiable events to report to Worksafe NZ. There has been one report to Worksafe Australia.

## Principle 7
## Auditors

**The Board should ensure the quality and independence of the external audit process.**

Oversight of Smartpay's external audit arrangements is the responsibility of the Audit and Finance Committee. Smartpay has an Audit Independence Policy that is subject to an annual review.

The Audit and Finance Committee will only recommend the appointment of a firm as the external auditor that would be regarded by a reasonable investor as having full knowledge and be capable of exercising objective and impartial judgment on all matters related to the audit engagement.

PricewaterhouseCoopers were appointed as auditors of Smartpay in November 2022, and reappointed at the Annual General Meeting in July 2023. Callum Dixon continues as the lead partner.

The external auditor is required to rotate the senior audit partner and concurring partner at least every five years. The external auditor also provides assurance as to their independence and compliance with professional standards and regulations as set by Chartered Accountants Australia and New Zealand, NZX, Financial Markets Authority and other relevant bodies. The external auditor attends the Annual General Meeting of the Shareholders and is available to answer questions in relation to the audit.

All non-audit services provided by the external auditor are subject to approval by the Audit and Finance Committee Chairman, and monitored by the Audit and Finance Committee at each meeting

Smartpay does not have an internal audit function or engage an external party to undertake internal audit activities. The Audit and Finance Committee review the need for internal audit annually. The enhancement and improvement of the risk management and internal processes are being completed by the Chief Financial Officer and the Senior Manager Risk and Compliance.

## Principle 8
## Shareholder Rights and Relations

**The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.**

Smartpay recognises that key stakeholders are its shareholders and the investment community. Smartpay also acknowledges that it has other, no less important, stakeholders externally. Smartpay is committed to engaging with Stakeholders and accordingly has a Stakeholder Communications Policy.

The Board retains overall responsibility for the communications of Smartpay. The Board have delegated the Chief Executive Officer and Managing Director as the key point of contact for all communications with shareholders and the wider investment community and stakeholders.

Smartpay presents to shareholders at the time of the half year and full year results together with the Annual General meeting of Shareholders. Investors are invited to engage in these structured engagements and more informally at their request. During the year Smartpay implemented a results broadcast to allow all shareholders to have equal access to the presentation of the half year results by the Chief Executive Officer and Chief Financial Officer. This will remain part of the programme of ongoing engagement with shareholders going forward. Whilst some shareholders have direct contact details, the investor website has a 'Contact Us' mechanism. Computershare are the share registrar for Smartpay and manage all formal distributions to shareholders and allows for shareholders to agree to receiving communications electronically or by mail. The contact details for Computershare are presented in the directory on page 90.

The Smartpay Investor website smartpayinvestor.com makes available to all parties the governance policies, market announcements and annual and interim financial statements. The governance policies are subject to regular review and following Board approval are placed on the investor website.

Major decisions are taken to the Annual General Meeting of Shareholders and the next Annual General Meeting will be in July 2024. The Notice of Meeting will be sent to shareholders and published on Smartpay's investor website and the NZX/ASX at least 20 working days prior to the annual shareholders meeting each year.

### NZX Corporate Governance Code

The current Corporate Governance Statement references the NZX Corporate Governance Code dated 1 April 2023.



# 5 Year Summary

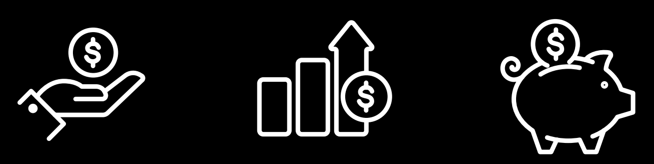
| | FY20* | FY21* | FY22* | FY23 | FY24 |
|---|---|---|---|---|---|
| Revenue | 28,290 | 33,861 | 48,084 | 77,779 | 96,541 |
| Direct costs of sales | (8,230) | (11,464) | (17,058) | (30,270) | (40,585) |
| Operating expenditure | (13,717) | (15,180) | (20,754) | (28,888) | (34,639) |
| Impairment losses on financial assets | - | - | (110) | (227) | (51) |
| EBITDA | 6,343 | 7,217 | 10,162 | 18,394 | 21,266 |
| Depreciation and amortisation | (7,350) | (7,803) | (8,511) | (9,859) | (11,551) |
| Impairment | (553) | (468) | (164) | (238) | (387) |
| Net finance costs | (2,453) | (1,612) | (538) | (638) | (452) |
| Change in fair value of convertible notes | (1,809) | (12,731) | 909 | - | - |
| Other | (214) | 74 | (87) | (86) | (78) |
| Profit before taxation | (6,036) | (15,323) | 1,771 | 7,573 | 8,798 |
| Income taxation benefit / (expense) | 511 | (242) | 399 | 885 | (392) |
| Profit after taxation | (5,525) | (15,565) | 2,170 | 8,458 | 8,406 |
| **Financial Position** | | | | | |
| Terminals New Zealand | 31,038 | 31,155 | 31,079 | 30,754 | 29,966 |
| Terminals Australia | 4,613 | 6,754 | 9,684 | 15,708 | 18,445 |
| Total current assets | 5,649 | 18,050 | 23,731 | 35,530 | 81,870 |
| Property, plant and equipment | 9,072 | 9,045 | 9,458 | 15,632 | 25,429 |
| Intangible assets | 12,973 | 12,168 | 12,638 | 13,305 | 17,570 |
| Goodwill | 14,772 | 14,772 | 14,772 | 14,772 | 14,772 |
| Other assets | 1,808 | 1,329 | 6,553 | 9,031 | 11,935 |
| Total non-current assets | 38,625 | 37,314 | 43,421 | 52,740 | 69,706 |
| Total assets | 44,274 | 55,364 | 67,152 | 88,270 | 151,576 |
| Total current liabilities | 18,064 | 19,094 | 19,856 | 33,331 | 81,801 |
| Total non-current liabilities | 18,124 | 11,228 | 14,650 | 12,634 | 17,379 |
| Total equity | 8,086 | 25,042 | 32,646 | 42,305 | 52,396 |
| Weighted average number of shares | 172,332 | 209,875 | 236,253 | 238,285 | 238,285 |
| Earnings per share (cents) | (3.21) | (7.42) | 0.92 | 3.55 | 3.53 |
| Share price at 31 March (NZX) | 0.32 | 0.99 | 0.70 | 1.24 | 1.56 |

* Numbers have been restated to reflect change in accounting policy for SaaS assets. The restatements in relation to FY20 and FY21 have not been audited.

# Remuneration Report

**Smartpay recognises that its people are fundamental to its business. Smartpay wants to attract and retain the best people and to be recognised as the preferred employer in the Trans-Tasman payments industry**

To this end Smartpay is committed to providing structures in its remuneration that enable it to recognise everyone's contribution to the business and to attract, reward and retain staff by providing a remuneration structure that rewards activities that are aligned to the values, performance and strategic goals of the business.



## Remuneration structure

Smartpays' remuneration has three components as set out below:

| | Description | Link to strategy and performance |
|---|---|---|
| Fixed remuneration | Base salary<br><br>Employer contributions to superannuation / Kiwisaver | • Attract and retain talent.<br>• Reviewed, but not necessarily increased annually. Based on individual skills and performance.<br>• Market conditions are considered and remuneration benchmarked to the market via independent reports for role. |
| Short term incentive (STI) | 'At risk' award set as a % of base salary<br><br>Achievement reviewed annually | • To motivate and encourage achievement of short term targets aligning the creation of shareholder value to employee reward.<br>• Annual targets are set by the Remuneration and Nominations Committee and approved by the Board.<br>• STI value is set annually.<br>• Payment of the STI is at the discretion of the Board and is not guaranteed even when the targets for determining achievement are met.<br>• STI awards are reviewed within 10 days following the release of the audited financial statements for the relevant financial year. |
| Long term incentive (LTI) | 'At risk' award<br><br>Share performance rights<br><br>New employees may be invited to participate subject to Board approval<br><br>Subject to continued employment | • Align the incentives of the employees with the interests of the shareholders over the longer-term.<br>• Facilitate and encourage employee share ownership<br>• Promote long term decision making.<br>• Promote the retention of key staff to maintain a focus on the longer term outlook of Smartpay.<br>• Subject to invitation at the absolute discretion of the Board.<br>• LTI conditional award is reviewed within 10 days following the release of the audited financial statements for the relevant financial year.<br>• Conditional vesting is subject to employment at the end of the relevant financial year.<br>• Participant must remain employed as at the Unconditional Vesting Date for a tranche in order for Eligible Share Rights to be exercised. |

## Short term incentive

Smartpay operates a Short Term Incentive (STI) scheme for eligible employees. The STI is designed to compensate individuals for achieving or exceeding short term annual targets that are aligned to the creation of shareholder value. The Board approves the amount of the STI and the targets annually for each eligible employee following the completion of the annual strategic plan and budget.

| Component | Description |
|---|---|
| Purpose | To compensate individuals for achieving or exceeding short term annual targets aligned to the creation of shareholder value. |
| Target opportunity | As recommended by the Chief Executive Officer and approved by the Board. |
| Maximum opportunity | 150% of target. |
| Performance period | 1 April to 31 March of the financial year. |
| Performance objectives | The performance objectives vary in percentage by role. All measures relate to the achievement of the Group Revenue and Group EBITDA budget as approved by the Board on an annual basis. |
| Performance assessment | The Chief Executive Officer reviews performance against the annual budget within 10 days following the completion of the audit of the annual financial statements for the financial year to which the STI relates. A recommendation is made to the Remuneration and Nominations Committee for review and recommendation to the Board for approval. The Board has absolute discretion in respect to the STI. |
| STI payments | Annually following approval by the Board. |

## Long term incentive

Smartpay operates a Long Term Incentive (LTI) scheme for eligible employees. The LTI is designed to secure the Chief Executive Officer and key employees for a period to support the achievement of Smartpay's longer term strategic goals and to encourage long term decision making.

LTI targets for the financial year ended 31 March 2023 were achieved and accordingly the tranche of SPRs related to that period conditionally vested to all participants. There was one participant who ceased their tenure with Smartpay in that period and the Board did not exercise their discretion to vest the SPRs.

| Component | Description |
|---|---|
| Purpose | To secure the Chief Executive Officer and key employees for a period to support the achievement of Smartpay's longer term strategic goals and to encourage long term decision making. |
| LTI measurement period | Three financial years.<br><br>Where an employee subsequently joins Smartpay and is invited to participate in the LTI, the LTI measurement date will be agreed with the Board. |
| Vesting date | Within 10 days of the release of the audited financial results for the year ended 31 March 2024 subject to the Boards approval and with limited exceptions available to the Board subject to the continued employment of the participant at vesting date. |
| Conditional vesting date | Upon the achievement of the annual targets, the Share Performance Rights (SPRs) will conditionally vest to the recipient. Please refer to vesting date. |
| Performance period | 1 April to 31 March of the financial year. |
| Performance hurdles | **EBITDA per Share 50%**<br><br>• Financial year ended 31 March 2022 $0.05<br>• Financial year ended 31 March 2023 $0.063<br>• Financial year ended 31 March 2024 $0.084<br><br>**Revenue 50%**<br><br>• Financial year ended 31 March 2022 $47,383,000<br>• Financial year ended 31 March 2023 $66,336,200<br>• Financial year ended 31 March 2024 $92,870,680<br><br>Any SPRs that do not conditionally vest due to the non-achievement of a performance hurdle will roll over to the following year.<br><br>The Board has the ability to make adjustments to the performance hurdles to take account of the impacts of COVID-19 in any territory that Smartpay operates. |
| Performance assessment | The Chief Executive Officer reviews performance against the annual budget within 10 days following the completion of the audit of the annual financial statements for the financial year to which the LTI relates. A recommendation is made to the Remuneration and Nominations Committee for review and recommendation to the Board for approval. The Board has absolute discretion in respect to the LTI. |
| Cessation of employment | Board discretion may be exercised. |
| Rights issue, bonus issue, reconstruction, takeover | In the event of a bonus issue of shares prior to the exercise date, the eligible employee is entitled to receive an additional number of shares on exercise of any conditionally vested SPRs to put the eligible employee in the same position as they would have been had the eligible employee held those shares at the time of the bonus issue (amount of additional shares to be determined by the Board).<br><br>The performance hurdles will be amended (subject to obtaining any necessary approvals from the NZX or the shareholders) as the Board at its absolute discretion considers appropriate. |

## Directors Remuneration

Director remuneration was reviewed in 2022 and at the Annual General Meeting of Shareholders in August 2022, the shareholders approved an increase in the Pool for remunerating directors to $500,000 per annum with effect from 1 September 2022.

There have been no changes to the remuneration of directors in the year ended 31 March 2024.

| Country of Residence | Chair | Director | Audit and Finance Committee Chair | Remuneration and Nominations Committee Chair |
|---|---|---|---|---|
| New Zealand (NZ$) | 90,000 | 65,000 | 15,000 | - |
| Australia (AU$) | - | 65,000 | - | - |

Directors received the following director's fees for the year ended 31 March 2024. All fees are in NZD.

| NZ$ | Base fee | Audit and Finance Committee Chair | Remuneration and Nominations Committee Chair | Total remuneration received for the year ended 31 March 2024 |
|---|---|---|---|---|
| Gregor Barclay | 90,000 | - | - | 90,000 |
| Matthew Turnbull | 65,000 | 15,000 | - | 80,000 |
| Geoffrey Carrick | 70,240 | - | - | 70,240 |
| Carlos Gil | 70,240 | - | - | 70,240 |

## Chief Executive Officer Remuneration

The Chief Executive Officers remuneration is made up of base salary, STI, LTI, employer contribution to superannuation and other benefits including a motor vehicle and a home office allowance.

| NZ$ | Fixed Remuneration | STI* | LTI** | Superannuation | Other Benefits | Total Remuneration Paid |
|---|---|---|---|---|---|---|
| 2024 | 749,617 | 306,250 | - | 42,187 | 15,854 | 1,113,908 |
| 2023 | 514,416 | 247,675 | - | 30,909 | 24,749 | 817,749 |
| 2022 | 515,971 | - | - | 20,639 | 17,155 | 553,765 |
| 2021 | 408,000 | 350,000 | - | 30,320 | 12,588 | 800,908 |

*STI targets are set in respect of a financial year. Performance against the STI targets is reviewed 10 days after the release of the annual audited financial statements for the year to which the STI relates. Accordingly, the STI is paid in the financial year following eg; FY23 STI payment is paid in FY24.

** LTI represents the cost of the LTI that vested during the financial year

The STI for the Chief Executive Officer is set as 50% of base salary, with a maximum available of 150% of this amount. The performance objectives for the Chief Executive Officers STI are agreed with the Board on an annual basis. For the year ended 31 March 2024, the performance objectives are 50% on achievement of budgeted Group Revenue and 50% on achievement of budgeted Group EBITDA.

Share performance rights (SPRs) that have been granted, conditionally vested or vested as at 31 March 2024 are set out below.

**SPRs FY22 – FY24 Scheme**

| Grant Date | Measurement Date | Balance as at 31 March 2023 | Granted During Year | Vested During the Year | Balance at 31 March 2024 |
|---|---|---|---|---|---|
| 30-9-2021 | 31-3-2022* | 746,460 | - | - | 746,460 (conditionally vested) |
| 30-9-2021 | 31-3-2023* | 746,460 | - | - | 746,460 (conditionally vested) |
| 30-9-2021 | 31-3-2024 | 746,460 | - | - | 746,460 |
| Total | | 2,239,380 | - | - | 2,239,380 |

*All performance hurdles were achieved for the measurement date, and accordingly all SPRs at that measurement date conditionally vested to the Chief Executive Officer and remain subject to the achievement of the tenure hurdle only.

## Employee Remuneration

Smartpay and our subsidiaries have employees in New Zealand and Australia. Employee remuneration comprises base salary, STI, LTI, employer contribution to superannuation/Kiwisaver and commissions. For the purposes of this reporting, Australian remuneration amounts are converted to New Zealand dollars.

During the year ended 31 March 2024 the number of employees (excluding the Chief Executive Officer) who received remuneration with a combined total value exceeding $100,000 is set out below.

Of the employees reported below, 121 are employed in New Zealand and 57 are employed in Australia.

| NZ$ | No of Employees |
|---|---|
| 100,000 – 110,000 | 10 |
| 110,001 – 120,000 | 6 |
| 120,001 – 130,000 | 14 |
| 130,001 – 140,000 | 9 |
| 140,001 – 150,000 | 5 |
| 150,001 – 160,000 | 4 |
| 160,001 – 170,000 | 2 |
| 170,001 – 180,000 | 7 |
| 180,001 – 190,000 | 5 |
| 190,001 – 200,000 | 1 |
| 200,001 – 210,000 | 3 |
| 210,001 – 220,000 | 0 |
| 220,001 – 230,000 | 3 |
| 230,001 - 240,000 | 1 |
| 240,001 – 250,000 | - |
| 250,001 – 260,000 | - |
| 260,001 – 270,000 | - |
| 270,001 – 280,000 | - |
| 280,001 – 290,000 | - |
| 290,001 – 300,000 | 2 |
| 300,001 – 310,000 | 1 |
| 310,001 – 320,000 | 2 |
| 320,001 – 330,000 | - |
| 330,001 – 340,000 | 1 |
| 380,001 - 390,000 | 1 |
| 510,001 – 520,000 | 1 |

Share performance rights (SPRs) that have been granted, conditionally vested or vested as at 31 March 2024 excluding the Chief Executive officer are set out below.

**SPRs FY22 – FY24 Scheme**

| Grant Date | Measurement Date | Balance at 31 March 2023 | Granted During Year | Forfeited** | Balance at 31 March 2024*** |
|---|---|---|---|---|---|
| 21-12-2021 | 31-3-2022* | 506,240 | - | (76,496) | 429,744 (conditionally vested) |
| 21-12-2021 | 31-3-2023* | 506,240 | - | (76,496) | 429,744 (conditionally vested) |
| 17-6-2022 | 31-3-2023* | 149,910 | - | - | 149,910 (conditionally vested) |
| 21-12-2021 | 31-3-2024 | 506,240 | - | (76,496) | 429,744 |
| 17-6-2022 | 31-3-2024 | 149,240 | - | - | 149,910 |
| Total | | 1,818,540 | - | (229,488) | 1,589,052 |

*All performance hurdles were achieved for the measurement date, and accordingly all SPRs at that measurement date conditionally vested to the participants and remain subject to the achievement of the tenure hurdle only.

**SPRs were forfeited due to not achieving the tenure hurdle.

***In accordance with the SPR rules, no SPRs vested in the year ended 31 March 2024.



I couldn't recommend Smartpay more highly. Wish I had known about it years ago.

Excellent customer service, dealing with the same customer service representative. Very down to earth!

Swapping over to Smartpay has been one of the best business decisions I have made, they're super efficient and the machine is easy to set up!

# Statutory Information

## Directors and Former Directors

### Directors

The persons who held office as directors of Smartpay Holdings Limited at any time during the year ended 31 March 2024, are as follows:

| Name | Position |
|---|---|
| Gregor Barclay | Chairman, Non-Executive, Independent |
| Martyn Pomeroy | Chief Executive Officer, Executive Director |
| Matthew Turnbull | Non-Executive, Independent |
| Geoffrey Carrick | Non-Executive, Independent |
| Carlos Gil | Non-Executive Director |

There were no changes to the Directors holding office in the year.

### Subsidiary Company Directorships

The persons who held office as directors of subsidiary companies at 31 March 2024, are as follows:

| Subsidiary Companies | Director |
|---|---|
| Smartpay Limited | Martyn Pomeroy, Cherise Barrie |
| Smartpay New Zealand Limited | Martyn Pomeroy, Cherise Barrie |
| Smartpay Australia Pty Limited | Martyn Pomeroy, Cherise Barrie, Peter Thomas |
| Cadmus Payment Solutions Pty Limited | Martyn Pomeroy, Cherise Barrie, Peter Thomas |

Smartpay Rentals Pty Limited, Smartpay Taxis Pty Limited and Product Rentals Pty Limited were voluntarily deregistered during the year ended 31 March 2024.

## Directors' and Senior Managers' Interests

### Directors and Officers interests in external entities

In accordance with Section 140(2) of the Companies Act 1993, the directors named below have made a general disclosure of interest by a general notice disclosed to the Board and entered in the Company's interest register. General notices given by directors which remain current as at 31 March 2024 are as follows:

| Gregor Barclay | |
|---|---|
| Consultant | Claymore Partners Limited |
| Director | Various Claymore client trustee companies |
| Director | Claymore Property Limited |
| Director | Franchised Businesses Limited |
| Director | Pacific Forest Products Limited |
| Director | Planet Fun Limited |
| Director | Kervus Property Group Limited |
| Chair | International Cricket Council |
| Director | ICC Development (International) Limited |
| Director | ICC Business Corporation FZ-LLC |
| Director | Boffa Miskell Limited |
| Director | Ngatapa Finance Limited |
| Executive Director & Shareholder | Ngatapa Legal Limited |
| Executive Director & Shareholder | Ngatapa Trustees Limited |
| Director | Stress Crete Group and Subsidiaries |

| Martyn Pomeroy | |
|---|---|
| Director & Shareholder | TEOV Limited |
| Director & Shareholder | iHoldings Limited |
| Director | TEOV Two Limited |

## Directors' and Senior Managers' Interests continued

| Matthew Turnbull | |
|---|---|
| Executive Director & Shareholder | BR Capital Limited (Formerly Black Rock Capital Limited) |
| Director | Verbier Limited |
| Director | Mangawara Farms Limited |
| Executive Director & Shareholder | Browning Street Limited |
| Director | Pearlfisher FM Fund I GP Limited |
| Director | Pearlfisher FM Fund II Limited |
| Director | Bepure Health Limited |
| Director | SCA Trust Limited |
| Executive Director & Shareholder | Mt Cardrona Station Foundation Limited |

| Geoffrey Carrick | |
|---|---|
| Director | Branchip Holdings Limited |
| Chair | VCF Capital Pty Limited |
| Shareholder | Licentia Group Limited |

| Carlos Gil | |
|---|---|
| Executive Director & Shareholder | Microequities Asset Management Pty Limited |
| Director | Complexia Pty Limited |

| Cherise Barrie | |
|---|---|
| Director | Aurora Capital Limited |

### Use of Company Information

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.

### Directors Interests in Shares of The Company

The following directors held the following relevant interests in the ordinary shares of Smartpay at 31 March 2024:

| Director | Name of shareholder | Nature of relevant interest | Balance at 31 March 2024 |
|---|---|---|---|
| Gregor Barclay | Ngatapa Trustees Limited | Potential beneficiary under a discretionary trust | 576,910 |
| Gregor Barclay | Ngatapa Advisory Limited | Potential beneficiary under a discretionary trust | 49,404 |
| Martyn Pomeroy | Pomeroy Asset Protection Trust | Potential beneficiary under the trust | 3,399,053 |
| Carlos Gil | Microequities Asset Management Pty Limited | Power to control the acquisition or disposal of securities or exercise the right to vote | 32,109,979 |

In accordance with definition provided by Section 6 of the Financial Markets Conduct Act 2013 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 Senior Managers of the Company include the Chief Executive Officer, Chief Financial Officer and Chief Business Officer.

As at the balance date no Senior Managers, who are not also directors, held disclosable interests in the shares of the company.

### Share Dealings by Directors

On 30 August 2023, Microequities Asset Management Pty Limited provided notice of the partial disposal of relevant interests in Smartpay shares in accordance with Section 148 of the Companies Act 1993.

## Directors' and Senior Managers' Interests continued

### Directors and Senior Managers Interests in Unlisted Share Performance Rights of the Company

The following directors and senior managers held interests in the unlisted SPRs of Smartpay at 31 March 2024.

| Holder | Position | Balance at 31 March 2024 |
|---|---|---|
| Martyn Pomeroy | Director and Senior Manager | 2,239,380 |
| Cherise Barrie | Subsidiary Company Director and Senior Manager | 299,820 |
| Aidan Murphy | Senior Manager | 486,276 |
| Peter Thomas | Subsidiary Company Director | 294,192 |

### NZX Waivers

There were no waivers or exemptions granted to Smartpay during the year ended 31 March 2024.

### NZX Disciplinary Actions

The NZX did not take any disciplinary action against Smartpay during the year ended 31 March 2024.

### Auditors Fees

PricewaterhouseCoopers are the auditors of Smartpay. The audit fee payable to PricewaterhouseCoopers for the year ended 31 March 2024 is $362,250 including disbursements.

PricewaterhouseCoopers carries out other services for the Group through providing access to generic training materials through an on-line platform for $0.

PricewaterhouseCoopers will continue in office in accordance with the Companies Act 1993.

### Directors' and Officers' Insurance and Indemnity

Smartpay has arranged, as provided for under the Company's constitution, policies of directors' and officers' liability insurance which, with a Deed of Indemnity entered into with all directors and officers to ensure that generally directors and officers will incur no monetary loss as a result of actions taken by them as a director or officer. Certain actions are specifically excluded, for example, the incurring of penalties and fines that may be imposed in respect of breaches of the law.

## Other Disclosures

### Donations

Smartpay does not make any political donations. Smartpay did make donations to a total value of $17,000 (2023: $39,000).

### Lobbying

Smartpay does not make any expenditure for lobbying purposes.

### Credit Rating

Smartpay does not have a credit rating.

### Modern Slavery

Smartpay has voluntarily published a statement setting out the steps it has taken during the 2024 financial year to identify and mitigate potential modern slavery and human trafficking rules related to its business and in its supply chain. This statement is available at smartpayinvestor.com



**The amount we save on merchant fees is significant and the customer service is outstanding**

**I've recommended more of my business friends to Smartpay and so far they are all very happy**

**If you are looking for a merchant that still cares about it's customers, look no further**

**Easy! Set up is super straightforward**

# Security Holder Information

## Securities on Issue

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

238,284,963 ordinary fully paid shares with all shares carrying one vote per share.

3,828,432 unlisted share performance rights.

### Range of Shareholders

As at 31 March 2024.

| Range | Total holders | Units | % of Issued Capital |
|---|---|---|---|
| 1 - 4,999 | 1,411 | 1,915,767 | 0.79 |
| 5,000 - 9,999 | 284 | 1,830,316 | 0.77 |
| 10,000 - 49,999 | 373 | 7,452,213 | 3.13 |
| 50,000 - 99,999 | 58 | 3,805,855 | 1.60 |
| 100,000 - 499,999 | 60 | 10,931,737 | 4.59 |
| 500,000 - 999,999 | 8 | 5,092,444 | 2.14 |
| 1,000,000+ | 20 | 207,256,631 | 86.98 |
| Total Shares on Issue | | 238,284,963 | 100.00 |

*Source:* Computershare

### Dividends

Smartpay did not declare any dividends in the year ended 31 March 2024.

## Shareholder Information

### Twenty Largest Shareholders

As at 31 March 2024.

| Rank | Name | Units | % of Shares |
|---|---|---|---|
| 1 | JP Morgan Nominees Australia Limited | 50,123,389 | 21.04 |
| 2 | Citicorp Nominees Pty Limited | 47,519,741 | 19.94 |
| 3 | HSBC Custody Nominees (Australia) Limited | 24,829,155 | 10.42 |
| 4 | HSBC Nominees (New Zealand) Limited - NZCSD (HBKN90) | 23,597,644 | 9.90 |
| 5 | Anacacia Pty Limited (Wattle Fund A/C) | 18,163,727 | 7.62 |
| 6 | Accident Compensation Corporation - NZCSD (ACCI40) | 7,155,508 | 3.00 |
| 7 | Haymaker Investments Pty Limited (The Haymaker A/C) | 6, 337, 422 | 2.66 |
| 8 | National Nominees Limited | 6,041,374 | 2.54 |
| 9 | BNP Paribas Noms Pty Limited | 3,812,053 | 1.60 |
| 10 | Martyn Pomeroy & Sara Pomeroy (Pomeroy Asset Protection A/C) | 3,399,053 | 1.43 |
| 11 | New Zealand Depository Nominee Limited (A/C 1 Cash Account) | 3,241,249 | 1.36 |
| 12 | New Greenwich Pty Limited (New Greenwich S/F A/C) | 2,022,131 | 0.85 |
| 13 | Bond Street Custodians Limited (Salter - D79836 A/C) | 2,000,000 | 0.84 |
| 14 | BNP Paribas Nominees Pty Limited (IB Au Noms Retail Client) | 1,938,066 | 0.81 |
| 15 | G Chan Pension Pty Limited (Chan Super Fund A/C) | 1,808,457 | 0.76 |
| 16 | Microequities Asset Management Pty Limited (Microequities Nanocap 9 A/C) | 1,504,106 | 0.63 |
| 17 | Moorgate Investments Pty Limited | 1,374,278 | 0.58 |
| 18 | Walker & Hall Fine Gifts Limited | 1,300,000 | 0.55 |
| 19 | JDA Investments Pty Limited | 1,089,278 | 0.46 |
| 20 | Donald Robert Frampton | 819,348 | 0.34 |
| | Total top 20 holders of ordinary shares | 208,075,979 | 87.32% |
| | Total Shares on Issue | 238,284,963 | 100.00% |

*Source: Computershare*

## Substantial Security Holders

The following information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. The names and holdings of Smartpay's substantial security holders is based on notices filed with Smartpay in the period to 31 March 2024.

As at 31 March 2024.

| Name | Total Ordinary Shares | % of Shares on issue at March 2024 |
|---|---|---|
| Milford Asset Management Limited | 32,746,618 | 13.74 |
| Microequities Asset Management Pty Limited | 32,109,979 | 13.48 |
| Wilson Asset Management Global Limited | 21,435,717 | 9.00 |
| Anacacia Pty Limited | 17,338,356 | 7.28 |

### Audit of share register

As required by section 218 of the Financial Markets Conduct Act 2013 and Regulations 108 and 110 of the Financial Markets Conduct Regulations 2014 Computershare's registers of security holders are audited. The most recent Independent Assurance Report in respect to the year ended 30 June 2023 was received 14 August 2023.

# Directory

## Registered Office and New Zealand Office

205 - 209 Wairau Road,
Wairau Valley,
Auckland, New Zealand

PO Box 100490,
North Shore Mail Centre
Auckland, New Zealand

Phone: +64 9 442 2700
Email: info@smartpay.co.nz

**smartpay.co.nz**

## Australian Office

Level 9, 151 Castlereagh Street
Sydney
NSW 2000,
Australia

Phone: +61 2 8876 2300

**smartpay.com.au**

## Company Secretary

Rowena Bowman
Email: rowena.bowman@smartpay.co.nz

## Legal Advisors

Claymore Partners Limited
Level 2
63 Fort Street
Auckland

Phone: +64 9 379 3163

## Share Registrar - New Zealand

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
Level 2, 159 Hurstmere Road
Takapuna, Auckland,
New Zealand

Phone: +64 9 488 8700

## Sub Share Registrar - Australia

Computershare Investor Services Pty Limited
GPO Box 3329
Melbourne Victoria 3001

Phone: 1800 501 366

## Investor Relations Enquiries

205 - 209 Wairau Road,
Wairau Valley

PO Box 100490,
North Shore Mail Centre
Auckland, New Zealand

Email: investor@smartpay.co.nz

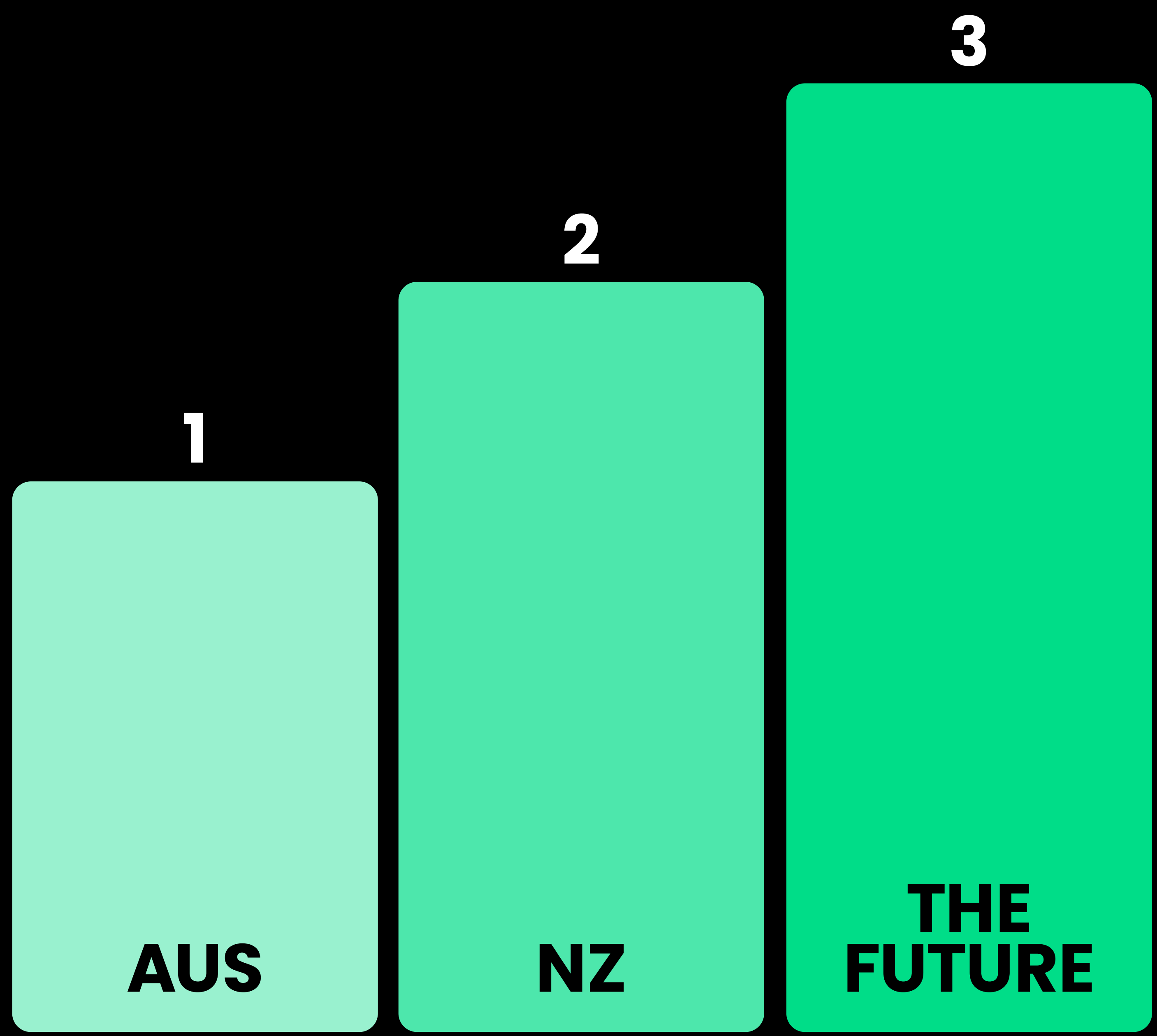
**smartpayinvestor.com**

## Auditors

PricewaterhouseCoopers
PwC Tower
15 Customs Street West
Auckland

Phone: +64 9 355 8000





# Glossary

**ATS**
Average Ticket Size represents the total value of transactions processed as an average of the number of transactions processed.

**AVERAGE MONTHLY TTV PER UNIT**
Average Monthly TTV per unit represents the total value of transactions processed in a month as an average of the number of transacting terminals for the month.

**COGS**
Cost of Goods Sold represent the costs associated with the provision of the services provided by the terminal. These costs form part of Operating Expenditure reported in Note 7 of the FY24 Financial Statements.

**EBITDA**
A non-GAAP measure representing Earnings before finance income and finance costs, taxation, depreciation, amortisation, foreign exchange adjustments, share performance rights amortisation, impairment and loss on disposal of property, plant and equipment.

**FREE CASH FLOW**
A non-GAAP measure representing cash flows from operating activities and cash flows from investing activities as reported in the Statement of Cash Flows.

**FY**
Financial year ended 31 March.

**NPS**
Net Promoter Score measures the percentage of Promoters versus Detractors on a simple measurement of "How likely is it that you would recommend Smartpay to a friend or colleague?" Bain & Company , the creators of NPS note that any NPS score above 0 is good, anything above 20 is favourable, above 50 is excellent and above 80 is world class.

*(source: 'What is a good Net Promoter Score (NPS) posted by Perceptive Insights Team – 1 March, 2023).*

**PCP**
Prior Comparable Period.

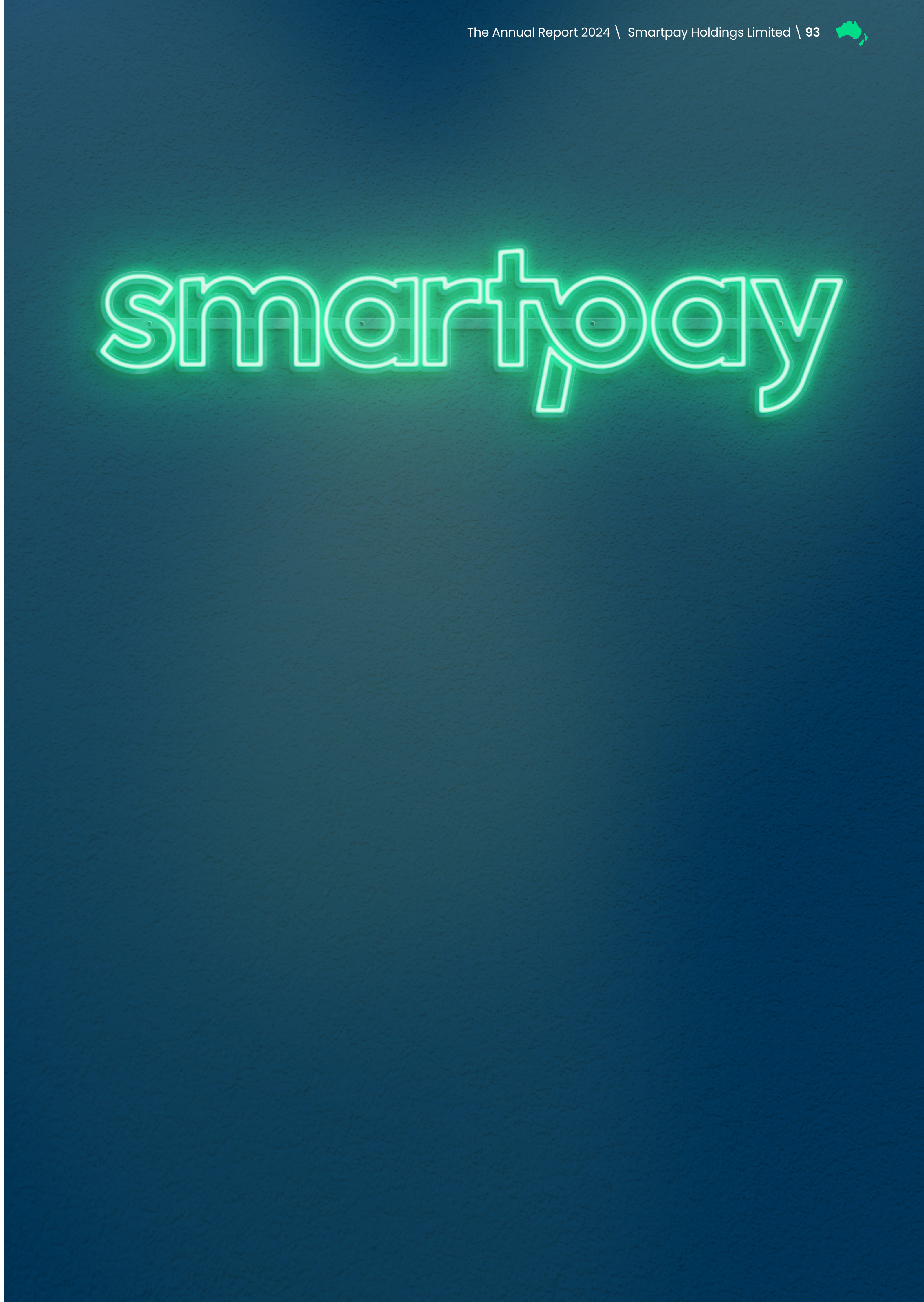
**SaaS**
Software as a Service is a method of software delivery in which software is accessed online via a subscription rather than bought and installed on individual computers.

**TRANSACTING TERMINAL**
A transacting terminal represents a terminal that is processing transactions in the period.

**TTV**
Total Transaction Value represents the total value of transactions processed.

**YoY**
Year on year.





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